



Republic of South Africa

South African Government

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Minister Lynne Brown appoints new Board of Denel

24 Jul 2015

Public Enterprises Minister Lynne Brown has, following Cabinet approval, rotated the Board of Denel.

Mr Daniel Mantsha is appointed as Non-Executive Director and Chairperson of the Board Denel with effect from 24 July 2015 for a three-year period, while Mr Johannes Motseki is re-appointed to the Board for purposes of continuity.

The other new Non-Executive Directors are Mr Thamsanqa Msomi, Mr Tauyame Mahumapelo, Mrs Pinkie Martha Mahlangu, Lt Gen Themba Michael Nkabinde (retired), Ms Mpho Kgomongoe, Ms Khumbudzo Ntshavheni, Ms Nonyameko Mandindi and Ms Refiloe Mokoena. Their appointments are for the same period and subject to annual review by the Minister of Public Enterprises.

"I would like to thank the outgoing Board led by Acting Chairperson Martie Janse Rensburg for an outstanding job. They handed over a company that is truly on a path to positive sustainability.

"I commend them for their professionalism and ensuring the handover report was of such a quality that it will be a critical guide to the new board.

"I encourage the new Board to continue working closely with its executive team to solidify the company's operations with a strong emphasis on issues relating to transformation within the company, skills development and strategic partnerships in South Africa, the region, continental and global trade initiatives aimed at strengthening Denel's order book," said Minister Brown.

A brief summary of the profiles of the Non-Executive Directors are as follows:

Mr Mantsha obtained a B Juris in 1991 and LLB in 1993 both from the University of Venda. He is an attorney who has acquired valuable experience over the years in corporate finance, transactional advising, business management Commercial Law, media and communication law, administrative and constitutional law.

Mr Msomi holds a B Juris from UNISA obtained in 2004. He is currently a Chairperson of Inanda Newtown Housing Project Steering Committee and a Director in a Section 21 company. He is also the Legal Adviser to the Minister of Home Affairs.

Mr Mahumapelo obtained a Management Development Programme from the University of Pretoria in 2013, a BSc Financial/ actuarial mathematics from University of Pretoria in 2004. He is currently Managing Director and the owner of Gadikala Lodge. Mr Mahumapelo's expertise and experience in Financial Management, Information Management and Business Performance will add value to the Board

Mrs Mahlangu obtained a B Proc from University of the North-West in 1997. She is a Director at S.V Mahlangu Attorneys and prior to that she was employed as Candidate Attorney at Gildenhuys Lessing and Malatji Attorneys.

Lt. Gen. Nkabinde (retired) obtained the following qualifications: Practical Project Management from UNISA in 2002, a Masters in Business Administration (MBA) from UNISA in 2007 and is currently busy with his PHD at the University of the Western Cape. He is a retired Lieutenant General of the South African Army and previously held different positions as uMkhonto we Sizwe (MK) officer in exile.

Ms Kgomongoe obtained a B Com degree from the University of North West in 1999. She is currently employed by Sithole SS (CA) SA as an Internal Auditor. Ms Kgomongoe also worked as Assistant State Accountant at the National Prosecuting Authority.

Ms Ntshavheni obtained a Masters in Business Administration from Bradford University School of Management, United Kingdom in 2008, a BA Hons Labour Relations and BA Development Studies both from University of Johannesburg in 2000 and BA Political Science from University of Johannesburg in 1999. She is currently employed as a Managing Director at Phore Farms (Pty) Ltd.

Ms Mandindi obtained a BSc. Quantity Surveying from the University of Natal and Executive Leadership Development Programme from Arthur D. Little Management Education Institute, Boston, USA in 1995. She is currently the CEO of Royal Haskoning DHV Engineers.

Ms Refiloe Mokoena obtained a LLB from the University of Natal in 1987 and a B.Juris from University of Zululand in 1985. She has Directorships in the Road Accident Fund and the Airports Company of South Africa (ACSA). Ms Mokoena is an Executive Director at Mageza Mokoena and Raffee Inc and Alternate Director at the State Information Technology Agency (SITA).

For enquiries contact:
Mr Colin Cruywagen
Cell: 082 377 9916

Issued by:
Department of Public Enterprises
More from:
Department of Public Enterprises

"SF2"

From: FREEDOM OPS. <ops@freedomair.aero>
Sent on: Tuesday, August 4, 2015 11:05:16 AM
To: Ashu <ashu@sahara.co.za>
CC: Suresh Tuteja <sktuteja@gmail.com>; ops@freedomair.aero
Subject: Re: Updated passengers list for Owner

Dear Sir,
Ack below mail Noted now there are 09 passengers on sector FAOR-VABB on Aug.06.
If possible kindly provide us Passport copy of Mr Singhala.
Thanks N Bregards -- Gaurav / Freedom Operations

----- Original Message -----

From: Ashu
To: FREEDOM OPS.
Cc: Suresh Tuteja
Sent: Wednesday, August 05, 2015 2:31 PM
Subject: RE: Updated passengers list for Owner

Hi
There is one more passenger added
Srikant Singhala
Thanks

Ashu
From: Ashu
Sent: 05 August 2015 09:53 AM
To: 'FREEDOM OPS.'
Cc: 'Suresh Tuteja'
Subject: RE: Updated passengers list for Owner

Dear Nitin Ji
Here is the final passenger List arriving tomorrow with ZS-OAK

Mrs Angoori Gupta
Mr Rajesh Gupta
Mrs Arti Gupta
Mr Sashank Singhala
Mr Amankant Singhala
Mr Salim Esaa
Mr Lugisani Daniel Mantsha
Mr Gysbert Petrus Bonnet Van Den Berg

Thanks
From: FREEDOM OPS. [mailto:ops@freedomair.aero [mailto:ops@freedomair.aero]]

Sent: 03 August 2015 12:55 PM
To: Ashu
Cc: ops@freedomair.aero [mailto:ops@freedomair.aero]
Subject: Updated passengers list for Owner

Dear Sir,
Good day !!
Please note the approx. amount to be carried by the Capt. with flight to India :
Operational cost : USD\$ 11,000 - 12,000
Catering cost : USD\$ 2,500 - 3,500 or as per menu ordered
With Best Regards
Nitin | Freedom Ops

----- Original Message -----

From: Ashu
To: FREEDOM AIR SERVICES - OPERATIONS
Cc: airfredm@del3.vsnl.net.in
Sent: Tuesday, August 04, 2015 10:32 AM
Subject: RE: Updated passengers list for Owner

Dear Officer,

There will be 8 passenger in total as of now if anyone else will be added will update you.
The 8th passenger passport copy is attached for your reference.

Thanks

From: FREEDOM AIR SERVICES - OPERATIONS [mailto:ops@freedomair.aero]
[mailto:ops@freedomair.aero]]

Sent: 03 August 2015 08:39 PM

To: Ashu

Cc: FREEDOM AIR SERVICES - OPERATIONS; airfredm@del3.vsnl.net.in
[mailto:airfredm@del3.vsnl.net.in]

Subject: Updated passengers list for Owner

Dear Sir,

Acknowledge your below kind mail with many thanks.

Confirm receipt of 07 passport copies in teh attachments.

Please confirm there will be total 07 pax onboard.

With kind regards - Sagar / Freedom Operations

----- Original Message -----

From: Ashu

To: Freedom Ops

Sent: Monday, August 03, 2015 9:00 PM

Subject: FW: Updated passengers list for Owner

Dear Nitin,

Here is the attached new passenger list on ZS-OAK who will be flying on Wed.

Thanks

Ashu

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Sahara Holdings (PTY) Ltd

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"SF3"

Mr. Lugisani Daniel Mantsha
89 Gazelle Avenue Corp
Park 5th Old Pretoria
Johannesburg

SES technologies Limited

Email Id -

TAX INVOICE

Room Type - ITC1 Double Non Smoking
Room # - 1534
Arrival - 06-AUG-15 07:55 Hours
Departure - 08-AUG-15 06:44 Hours
Pax - 1 / 0
Room Rate - INR 15000
Confirmation / Invoice # - 540268

PAN # AAAC15950L, MVAT TIN # 27830000025V w.e.f 01/04/06, CST TIN # 27830000025C w.e.f 01/04/06,
Service Tax Registration # AAAC15950LST001, ST / MUM / DIV III / ICS / 70, ST / MUM / DIV III / BAS / 3804

Date	Description	Reference	Debit	Credit (Amount in INR)
06-08-15	Food - Peshwa Pavilion	Room# 1534 : CHECK# 0367850	1,600.00	
06-08-15	VAT 12.5%	Room# 1534 : CHECK# 0367850	200.00	
06-08-15	Service Tax - F&B	Room# 1534 : CHECK# 0367850	89.60	
06-08-15	Room Charge Early Check In	early c/in	7,500.00	
06-08-15	Service Tax - Room		630.00	
06-08-15	Luxury Tax Room		750.00	
06-08-15	Room Charge Incl. of B/F	8845162	15,000.00	
06-08-15	Luxury Tax Room		1,425.00	
06-08-15	BF VAT 12.5% on 5% of Room		93.75	
06-08-15	Service Tax - Room		1,260.00	
06-08-15	GL Cash Collection			28,548.35
06-08-15	Food - Peshwa Pavilion	Room# 1534 : CHECK# 0367903	1,650.00	
06-08-15	VAT 12.5%	Room# 1534 : CHECK# 0367903	206.25	
06-08-15	Service Tax - F&B	Room# 1534 : CHECK# 0367903	92.40	
07-08-15	Almonds / Cashewnuts	cashew109038	150.00	
07-08-15	VAT 12.5%	109038	18.75	
07-08-15	Service Tax - F&B	109038	8.40	
07-08-15	Food - Peshwa Pavilion	Room# 1534 : CHECK# 0368006	1,195.00	
07-08-15	Foreign Liquor - Peshwa Pavilion	Room# 1534 : CHECK# 0368006	1,100.00	
07-08-15	VAT 12.5%	Room# 1534 : CHECK# 0368006	149.38	
07-08-15	VAT 20%	Room# 1534 : CHECK# 0368006	220.00	
07-08-15	Service Tax - F&B	Room# 1534 : CHECK# 0368006	128.52	
07-08-15	Room Charge Incl. of B/F	8853689	15,000.00	
07-08-15	Luxury Tax Room		1,425.00	
07-08-15	BF VAT 12.5% on 5% of Room		93.75	
07-08-15	Service Tax - Room		1,260.00	
08-08-15	Master Card			22,697.45
	522118XXXXXX6808 08/15			

Mr. Lugisani Daniel Mantsha
89 Gazelle Avenue Corp
Park 5th Old Pretoria
Johannesburg

SES technologies Limited

Email Id -

TAX INVOICE

Room Type - ITC1 Double Non Smoking
Room # - 1534
Arrival - 06-AUG-15 07:55 Hours
Departure - 08-AUG-15 06:44 Hours
Pax - 1 / 0
Room Rate - INR 15000
Confirmation / Invoice # - 540268

PAN # AAACI5950L, MVAT TIN # 27830000025V w.e.f. 01/04/06, CST TIN # 27830000025C w.e.f. 01/04/06,
Service Tax Registration # AAACI5950LST001, ST / MUM / DIV III / ICS / 70, ST / MUM / DIV III / BAS / 3804

Date	Description	Reference	Debit	Credit (Amount in INR)
	Total		51,245.80	51,245.80
	Balance		0.00	INR
	Room Charges		37,500.00	INR
	Food & Beverage		5,695.00	INR
	Other		0.00	INR
	Tax		8,050.80	INR

Billing Instructions Information -

I agree that my liability for this bill is not waived and agree to be held personally liable in the event that the indicated person, company or association fails to pay for any or the full amount of these charges. I also agree that all charges contained in this account are correct and any disputes or requests for copies of charges must be made within five days of my departure.

Checkout By - Shashank Doshi

Please validate your
membership number &
email id to ensure credit of
points to your account.

Mr. Lugisani Daniel Mantsha

"SF4"

United Arab Emirates
MINISTRY OF INTERIOR

General Directorate of Residency & Foreigners Affairs



دولة الإمارات العربية المتحدة
وزارة الداخلية
الإدارة العامة للإقامة وشؤون الأجانب

إذن دخول الكتروني - eVisa



11982968/8



0702088715449197

سياحية/سفرة قصيرة
Tourist/Single-Short

ENTRY PERMIT NO :

87449197 / 2015 / 208

Date & Place Of Issue :

30-SEP-2015

Valid Until :

28-NOV-2015

U.I.D. No : 168680267

Allowed to Enter U.A.E to:

Full Name : McLUGISANI DANIEL MANTSHA S/O MANTSHA

Nationality : SOUTH AFRICA

Place of Birth : ZAF

Date of Birth : 30-JAN-1970

Passport No : NORMAL / E00076737

Profession : BUSINESS PERSON

Accompanied by

Wife : None

Children : None

إذن دخول رقم :

تاريخ ومحل الاصدار :

تاريخ صلاحية الدخول :

الرقم الموحد :

أجيز بدخول دولة الامارات العربية المتحدة الى:

الاسم الكامل :

الجنسية :

محل الميلاد :

تاريخ الميلاد :

رقم الجواز :

المهنة :

المرافقون :

الزوجة :

الأبناء :

Sponsor الكفيل

Name : CLIMAX TOURISM LLC

Address : TEL:2552440, P.O.BOX :184431, 2/1/206242

الاسم :

العنوان :

Note : ENJOY YOUR VISIT & LEAVE BEFORE YOUR VISA EXPIRES SO WE CAN WELCOME YOU AGAIN

تتمتع بزيارتك وغادر قبل انتهائها ليتم الترحيب بك مرة أخرى

تنبيه :



Director of Residency & Foreigners Affairs

مدير الإدارة العامة للإقامة وشؤون الأجانب

استوفيت الرسوم

للتواصل مع الإدارة يرجى الاتصال بخدمة امر
هاتف: 8005111 / 04-3139999
For any inquiry please call AMER SERVICE
tel : 04-3139999 / 8005111



إن أماناً في مجتمعنا تعاون مع الأمن
A safer neighbourhood is a safer home.
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"SFS.1"

Travel Excellence

167 Rose Avenue, Lenasia

Johannesburg, South Africa

Tel: (27) 11 852 3701/8

Fax: (27) 086 551 0340

Mobile: (27) 732 338855

Email: info@travelexcellence.co.za

Web: www.travelexcellence.co.za

Date:	Wednesday, 30 September 2015
Agency Reference Number:	TFBNDE

Your Travel Itinerary

Travellers	Frequent Flyer Numbers
* MANTSHA/LUGISANIDANIEL (Adult - ADT)	

Tuesday, 06 October 2015			
Flight	SA7163 - South African Airways, Operated By Emirates Airlines		HK - Confirmed
	Confirmation Number For South African Airways		3VX4C2
Class	Z - Business		Non Stop
Departs	14:40	Dubai Intl Arpt, Dubai United Arab Emirates	DXB Terminal 3
Arrives	20:50	O R Tambo International Arpt, Johannesburg South Africa	JNB Terminal A
	Flying Time	8:10	Carbon Emission: 763.58 kgs
	Equipment	Boeing 777-300ER	
	Services	Non-Smoking	
	Comments	*Baggage Allowance : Adult-40K *Contact airline to confirm baggage allowance .	
	Ticket Number	Seat	Special Meals
* MANTSHA/LUGISANIDANIEL	0839244034404(Electronic)	9K Window	

Important Notice For Travellers With Electronic Tickets:

Carriage and other services provided by the carrier are subject to conditions of carriage, which are hereby incorporated by reference. These conditions may be obtained from the issuing carrier.

Kind regards,

Halima Allana | Travel Consultant

Tel: (27) 11 852 3701/8 | Fax: (27) 086 551 0340 | Email: halima@travelexcellence.co.za

All transactions processed are subject to our Standard Terms and Conditions.

From: Halima Allana <halima@travelexcellence.co.za>
Sent on: Wednesday, September 30, 2015 9:03:06 PM
To: Ashu <ashu@sahara.co.za>
CC: Saajida <saajida@travelexcellence.co.za>
Subject: RAJESH / MANTSHA
Attachments: image001.jpg (2.06 KB), image002.jpg (8.41 KB), Rajesh & Arti Dxb Del 09Oct.pdf (75.89 KB), Mantsha Dxb Jnb 06Oct.pdf (74.37 KB)

Dear Ashu Bai

Please see attached tickets

Thanking you.

Warmest Regards

Halima Allana

Your Personal Travel Agent

Travel Excellence

167 Rose Avenue, Lenasia, Johannesburg 1820.

Tel : (27) 11 852 3701

Fax : (27) 086 551 0340

Cell : 073 233 8855

BB : 26DCF3B1

Email : Halima@travelexcellence.co.za [mailto:Halima@travelexcellence.co.za]

www.travelexcellence.co.za [http://www.travelexcellence.co.za]

IMG [0]

IMG [0]

Please note that all rates quoted are subject to change at anytime up until full payment has been received and final documentation issued.

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"SF 6"

From: Concierge TODB <Concierge.TODB@oberoihotels.com>

Sent on: Sunday, January 3, 2016 3:05:08 AM

To: ashu@sahara.co.za

Subject: Airport Assistance/Mr. Dan Mantsha

Dear Mr. Ashu,

Greetings from The Oberoi, Dubai.

We would like to inform you that we have arranged a hotel car for Mr. Dan Mantsha airport pick up. The hotel chauffeur would be stationed at the Terminal 3: Exit 2 Meeting Point, at arrivals, with a placard bearing guest's name, flight details & hotel name. We have made a note that he would be arriving on 03rd January 2016 by flight no. EK 768 at 19:20 hours.

We request you to share with us Mr. Dan Mantsha contact number where we can send the chauffeur details prior to his arrival.

For any assistance at the airport please feel free to contact the hotel concierge on our direct number +971529063926 [tel:%2B971%20529063926] .

Warm Regards,

Margarita Vorobei

Concierge

The Oberoi

The Oberoi Centre

Business Bay (Burj Area)

P.O. Box 71847, Dubai, U.A.E

Telephone : +971 4 444 1 444

Facsimile : +971 4 444 1 333

Direct : +971 529063926

Email address: concierge.todb@oberoihotels.com [mailto:concierge.todb@oberoihotels.com]

Website: www.oberoihotels.com [http://www.oberoihotels.com/]

"SF7"

From: <info@lugisanimantshaattorneys.co.za>
Sent on: Monday, August 3, 2015 10:46:29 AM
To: Ashu <ashu@sahara.co.za>
Subject: Manucipal Account
Attachments: Manucipal Account.pdf (316.58 KB), image001.png (159.99 KB)

Good day
Please find the attached document for your urgent attention.
Regards
Yvonne
IMG [625]

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dangerous content by MailScanner [<http://www.mailscanner.info/>] , and is
believed to

19954



0860 56 28 74
(011) 358-3408/9

PO Box 5000
Johannesburg, 2000

joburgconnect@joburg.org.za

TAX INVOICE



MANTSHA LD
PO BOX 1127
RANDBURG
2125

Page 1 of 2

VAT NO.: CITY OF JOHANNESBURG: 4760117194
VAT NO.: JOHANNESBURG WATER: 4270191077

VAT NO.: PKOTUP: 4790191292
VAT NO.: CITY POWER: 4710191182

Date	2015/06/11
Statement for	June 2015
Physical Address	77 MAIN STREET
Stand No./Portion	00000215 - 00000
Township	BORDEAUX

Stand Size	Number of Dwellings	Date of Valuation	Municipal Valuation
907 m2	1	2013/07/01	Market Value R 900,000.00

Invoice Number: 76002103188
Client VAT Number:

Deposit: R 1,526.00

Account Number: 404284573

(Pin code: 753425)

Previous Account Balance
Sub Total
Interest on Arrears
Current Charges(see reverse for detail)

9,364.03
9,364.03
31.41
4,843.02

90 DAYS +	60 DAYS	30 DAYS	CURRENT	INSTALMENT PLAN	TOTAL AMOUNT OUTSTANDING
116.51	4,522.02	4,723.50	4,874.43	0.00	14,236.46

TOTAL DUE
DUE DATE

R 14,238.00
2015/07/02

You are hereby notified that unless immediate payment of the outstanding amount is made the Council will issue instruction to cut off services and institute legal action.



Remittance Advice:

This stub must accompany payment,
please do not detach if paying at the post office

Date: 2015/06/11 MANTSHA LD
Acc No.: 404284573 77 MAIN STREET



>>>>>> 91115 4042845737



0146 404284573



Standard Bank City of Johannesburg Banking details:

Internet banking - Select preloaded Company details "City of Johannesburg".
Deposits at SGBA branches - C/I/N no AA45 to be used in the place of bank acc. no.
Client Account No/Deposit Reference 404284573

"SF8"



DENEL GROUP

29 October 2015
Tel +27 12 671 2858
Fax +27 12 671 2751
zwelakhen@denel.co.za

The Honourable Mr Nhlanhla Nene
Minister of Finance
Department of National Treasury
Private Bag X115
PRETORIA
0001

Dear Minister Nene

PFMA SECTION 54 (2) PRE NOTIFICATION: PROPOSED FORMATION OF DENEL ASIA

This letter serves as a PFMA Section 54 (2) pre-notification informing the Department of Public Enterprises (DPE) of Denel SOC Limited ("Denel") intention to establish an incorporated joint venture company in Hong Kong for purposes of exploiting opportunities in the Asia defense market.

Rationale

The Asia Pacific region is perceived to be the leading global (excluding USA) defense market and a potent force in defense technology innovation. This has resulted in increased defense spending i.e. by 2018 defense budgets across Asia Pacific (excluding USA) are expected to grow by over 19% to about USD 612billion; the procurement budgets are expected to increase by 28%; research and development projected growth is between 28 and 29% from 2014 to 2018.

Denel's growth strategy as set out in its corporate plan, is based on, inter alia, making inroads into global target markets. The current Denel strategy, based on the internal strengths and weaknesses as well as a regional analysis, is to actively pursue opportunities in the Asia-Pacific market in which Denel has been active since the early 1990's with minimal success.

Denel SOC Ltd, Reg No 1992/001337/30, Nellmapius Drive, Irene
P O Box 8322, Centurion, 0046, South Africa. Tel: +27 (0)12 671 2700, Fax: +27 (0)12 671 2751
Directors: Mr L D Mantsha (Chairman), Mr R Saloojee¹ (Group Chief Executive Officer), Ms M Kgomongoe, Mr T D Mahumapelo,
Ms P M Mahlangu, Ms N Mandindi, Mr Z Mhiontlo¹, Ms R Mokoena, Mr N J Motseki, Mr T J Msomi, Lt Gen T M Nkabinde (rtd),
Ms K P S Ntshavheni.

¹Executive Director
Group Company Secretary Ms E M Africa



Countries such as India, Indonesia, Singapore, Thailand, Brunei, Philippines and Vietnam are considered to be primary target markets for Denel whilst markets such as Myanmar, Sri Lanka and Bangladesh, form secondary target markets.

India uses defense spending to develop its domestic industrial base to create high value jobs. India's government dominated defense industrial base has been open to private sector participation only since 2001 and is highly dependent on imports limiting the contribution of defense spending to economic development. To address this limitation, the government has increased foreign direct investment to 49% ownership of a defense company. This has given rise to the 'Buy Make India' program. This seems to be a growing trend in the region.

In analysing the Denel business in the Asia Pacific region, the following emerged as barriers to entry into this fast growing market:

- lack of multilateral defense relationships;
- inability to provide funding solutions;
- inability to source local production and development partners (particularly in India);
- frequent engagement with end user and industry from a distance not feasible;
- company visibility in the market place/region from a distance is limited;
- need for a conduit for developing/Aligning with local business networks; and
- active participation in regional initiatives from a distance are not feasible.

Given the above barriers, it makes commercial sense for Denel to enter into a joint venture with a company that is already established in the region and which has an established network of potential business sources that will provide immediate and urgent solutions to the barriers raised above.

Rationale for the formation of Denel Asia

VR Laser Asia approached Denel with a business proposition. After careful consideration, Denel recognised the synergies that exist and the ability to jointly take advantage of existing opportunities.

The advantages of Denel entering the Asia market with VR Laser Asia include:

- the provision of quick access to local potential production and development partners
- a deeper understanding of the local market and industrial landscape
- the ability to align with local business networks

- access to operational funding
- the ability to increase visibility in the market/region

For the above reasons it is proposed that a company, Denel Asia, be registered in Hong Kong in partnership with VR Laser Asia. Therefore, Denel can leverage on VR Laser Asia's infrastructure and presence in the region.

Financing:

- VR Laser Asia will be responsible for all operational costs for a period of 5 years estimated at a R100 million
- Project funding as and when required will be provided by shareholders.

Financial viability

- In light of the R100 million investment by VR Laser Asia into Denel Asia over a 5 year period for operating costs, the operational financial risks to Denel are minimal.
- Overall there is currently potential business amounting to USD 9.2 billion over the next 5 years that offers Denel lucrative opportunities within this region. These opportunities will be concluded on a commercially viable basis

(See Appendix 2 representing opportunities that Denel feels confident will be secured jointly with VR Laser Asia).

Technology transfer and protection of Denel's IP

- Denel will not alienate its Intellectual Property and technology transfer will be done by way of a licencing agreement between Denel and Denel Asia.
- Applicable royalties of third parties including those of Denel will be addressed.

Risks and mitigation

Risks		Mitigation/Remarks
1.	Reputational	<ul style="list-style-type: none">• No agents will be involved• Denel has a controlling share
2.	Guarantees	<ul style="list-style-type: none">• Reduced balance sheet exposure due to partnering
3.	Penalties	<ul style="list-style-type: none">• Both Denel and VR Laser Asia, have the skill, expertise and experience to minimise the possibility of penalties being incurred
4.	Legal Exposure	<ul style="list-style-type: none">• Denel SA exposure (Indemnities and no liability in terms of current proceedings and future transactions to be addressed)
5.	PFMA Conditions	<ul style="list-style-type: none">• Adhere to all shareholder conditions prior to Shareholders Agreement and ancillary agreements.

Governance Structure:

The salient features of the transaction agreed to in principle with VR Laser Asia and as set out in a co-operation agreement, which remains subject to regulatory approval, are as follows:

Company Structure

A new limited liability company (Denel Asia) is to be registered in Hong Kong. It should be noted that the company will be established and managed in line with corporate governance best practices to reflect an independent organisation accountable to its shareholders.

Company Confidential



- Denel, will hold 51% of the issued share capital of Denel Asia with the remaining 49% to be held by VR Laser Asia.
- Denel as majority shareholder will be able to influence the strategic direction of Denel Asia at a shareholder level.
- Upon incorporation, a board of directors will be constituted comprising Denel and VR Laser Asia representatives (with Denel appointing the first Chairman).
- Subject to relevant approvals, the Shareholders agreement, Memorandum of Incorporation (MOI) in relation to Denel Asia as well as a licence agreement are to be concluded, finalised and signed between Denel and Denel Asia. These will regulate the terms on which Denel will make certain intellectual property available to Denel Asia. Upon execution of the shareholders' agreements, the co-operation agreement will terminate.

Suspensive Condition

- The co-operation agreement is subject to internal and regulatory approvals.

WAY FORWARD

The following activities will take place towards the establishment of Denel Asia:

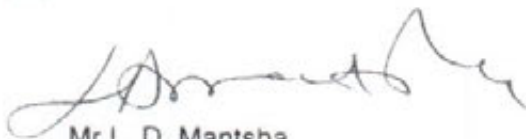
Action	Timeline
Negotiation and conclusion of the cooperation agreement	Completed and remains subject to board and PFMA approval.
The formation of Denel Asia has been tabled at the Denel Board	10 September 2015
PFMA pre-notification	30 October 2015
Statutory and Regulatory approvals	November 2015
PFMA submission	November 2015

Recommendation

Denel will keep the Department abreast of developments as it progresses and will submit a full PFMA application once the negotiation process including all ancillary agreements (such as the Shareholders Agreement and Licencing Agreement) has been concluded subject to PFMA and other regulatory approvals.

I trust that you will find the above in order and remain at your disposal for any further clarification that may be required.

Yours faithfully



Mr L. D. Mantsha

CHAIRMAN OF THE DENEL BOARD

30/10/2015

cc. Ms Matsietsi Mokholo – Acting **Director-General** Department of Public Enterprises
Mr Lungisa Fuzile – Director General: National Treasury
Mr Zwelakhe Ntshepe – Acting GCEO: Denel
Mr Odwa Mhlwane – Acting Group Financial Director: Denel

"SF 9.1"

From: Pieter van der Merwe<pieterm@vrlaser.co.za>
Sent on: Wednesday, August 5, 2015 4:21:29 PM
To: Kamal Singhala <kamals@vrlaser.co.za>; infoportal1@zoho.com; Tony Gupta <tony@sahara.co.za>
Subject: Agreement
Attachments: DENEL VR HONG KONG PARTNERSHIP AGREEMENT 29.07.2015.docx (42.56 KB), image003.jpg (11.34 KB)

Good day Sirs,

Herewith the draft agreement for your perusal. Please let me know if anything must change.

Regards,

IMG [660]

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This message has been scanned for viruses and dangerous content by MailScanner [<http://www.mailscanner.info/>], and is believed to

COOPERATION AGREEMENT

THIS AGREEMENT IS ENTERED INTO BY AND BETWEEN:

VR LASER SERVICES (PTY) LTD

(Registration number: 2007/031329/07)

a company incorporated and existing under the laws of the Republic of South Africa
having its business address at

10 Haggie Road, Dunswart, Extension 5, Gauteng

AND

DENEL SOC LTD

(Registration number: 1992/001337/30)

a company incorporated and existing under the laws of the Republic of South Africa
having its business address at

368 Selborne Avenue, Lyttelton, Centurion, Gauteng

WHEREAS VR Laser Services ("VRL") is a Company that specializes in steel processing, particularly providing unique solutions for the defence industry and vehicle protection which includes, inter alia, laser cutting, armour works, fabrication, machining related to such fabrication and integration which services are supported by the latest technology; and

WHEREAS DENEL SOC LTD ("DLS") is a state owned Company, commercially-driven and strategic partner for innovative defence, security and related technology solutions which offers turn-key solutions of defence equipment to its clients by designing, developing, integrating and supporting artillery, munitions, missiles, aerostructures, aircraft maintenance, unmanned aerial vehicle systems and optical payloads based on high-end technology; and

WHEREAS Denel has a number of equity partnerships, joint ventures and cooperation agreements with renowned international players in the defence industry; and

WHEREAS both Parties have identified Asia and the Middle East as a key strategic region for cooperation between the Companies and are interested in co-operating with each other to, inter alia, support the requirements of key local and international clients and prospective clients in these countries;

NOW THEREFORE, the Parties agree and commit to work together on the terms and conditions contained in this agreement:

1. COMPANY TO BE FORMED AND INCORPORATED

- 1.1 The Parties agree to establish a joint venture company (hereinafter the "Company"), to be registered in Hong Kong.
- 1.2 The Company's core business will be to trade in various defence products, amongst others the marketing, selling, manufacturing and delivery of any products currently manufactured or sold by DLS.
- 1.3 In addition to this Agreement, certain agreements will be entered into among the Parties and the Company, either concurrently with the execution of this Agreements or upon establishment of the Company, alternatively as soon as possible after the incorporation/registration of the Company, in order to give effect to the purpose of this agreement.
- 1.4 The Parties shall act as quickly as possible to establish a company under the laws of Hong Kong. The name of the Company shall be Denel Asia. The Parties shall immediately attend to all practical requirements in order to register the Company. The Parties agree that KPMG will be appointed to register the Company and to attend to all ancillary agreements and requirements.

- 1.5 The Company shall adopt Articles of Incorporation pursuant to the laws of Hong Kong. The Articles of Association shall be consistent with the terms of this Agreement and in case of any conflict, the terms of this Agreement shall prevail as between the Parties. Without limiting the foregoing, the Parties shall exercise all rights available to them to give effect to the terms of this Agreement and shall take all reasonable steps to amend the Articles of Association to the extent necessary to remove such inconsistency or conflict.

2. SHAREHOLDING AND CONTROL

- 2.1 DLS shall hold 51% of the share capital of the Company and VRL shall hold 49%.
- 2.2 VRL shall borrow the Company the equivalent of R100 000 000-00, as a shareholders loan, for start-up capital. This amount shall bear interest at the Repo Rate of the South African Reserve Bank, per annum and shall be repaid from of the first annual profits of the Company.
- 2.3 Until such time as the Company has been formed, the proposed directors in 3.2.1 below shall act as steering committee in order to execute the terms and conditions of this agreement. Each party shall be entitled to alternate their representatives, acting on the steering committee, with written notice to the other party.
- 2.4 The Company shall provide for its own loan financing according to the decision of its Board of Directors. Both Parties shall support the Company in obtaining the most favorable terms for its loan financing. None of the Parties shall be obliged to make any guarantees of financing unless this is separately agreed by the Parties.
- 2.5 Neither Party shall, without the prior written consent of the other Party pledge, hypothecate or otherwise use its shares as security, or grant options over its legal and beneficial interest in its shares. Any action of a Party violating this provision shall be void and shall be considered a material breach of this Agreement.
- 2.6 No Party shall sell, transfer or otherwise dispose of its shares, unless all loans by any Party, to the Company, have been repaid. In the case that either Party desires to sell to a *bona fide* third party all or any of its shares of the Company (such Party hereinafter the "Selling Party"), the other Party shall have a right of first refusal to purchase such shares. The Selling Party shall first give a written notice to the other Party (hereinafter the "Receiving Party") setting forth;
- i) the number of shares proposed to be transferred (hereinafter the "Offered Shares");
 - ii) the proposed purchase price, terms and payment and other material terms and conditions received from a bona fide third party; and
 - iii) an irrevocable offer to sell Offered Shares to the Receiving Party (hereinafter the "Sale Offer") at the same price and on the same terms and conditions as set forth therein.

- 2.7 The Receiving Party shall have the right to purchase the Offered Shares pursuant to the Sale Offer, in whole or in part, by delivering a written notice to the Selling Party within 30 days from the date of the Sale Offer, irrevocably stating therein that all of the Offered Shares will be purchased by the Receiving Party.
- 2.8 If the Receiving Party provides to the Selling Party the notice specified in the immediately preceding paragraph, then the Receiving Party shall have 30 days to complete the purchase of the Offered Shares upon the terms set forth in the Sale Offer (hereinafter the "Purchase Period"), provided, however, that the Purchase Period shall be extended until such date as all required approvals, consents or authorizations in connection with such purchase are obtained.
- 2.9 If the Receiving Party shall not have completed such purchase within the Purchase Period, as extended as provided herein, then the Selling Party shall have the right for 90 days thereafter (hereinafter the "Transfer Period") to transfer the Offered Shares not subject to any of the restrictions set forth in this Agreement; provided, however, that such transfer is consummated on terms not more favorable to the purchasers thereof than the terms specified on the Sale Offer; and provided, further, that the Transfer Period shall be extended until such date as all required approvals, consents or authorizations in connection with such purchase are obtained.
- 2.10 If at the end of the Transfer Period, as extended as provided herein, the Selling Party has not completed the sale of the Offered Shares, the Selling Party shall no longer be permitted to sell such Offered Shares pursuant to this Section.
- 2.11 Notwithstanding anything to the contrary of other provisions set forth in this agreement, neither Party shall sell any of its shares of the Company to any Competitors of the Company. For purposes of this Agreement, a Competitor shall mean a company which conducts similar businesses of any of the parties or the Company at any time.
- 2.12 Each of the Parties agrees to the timetable with several milestones hereto attached as Appendix A for the establishment of the Company, the marketing and sales strategy, acquisition targets, the operation of the plant and, furthermore, both Parties shall cooperate to make progress according to the timetable. Except for salaries of the staff of each Party, the Company shall bear all of the costs of establishing the Company.

3. Management Structure and Operation

3.1 Shareholders Meeting

3.1.1 Matters to be decided by the Shareholders Meeting shall be as follows:

- a) Revision of the Articles of Association;

- b) Appointment and dismissal of the directors and the supervisors, and determination of their compensation;
- (c) Approval of the balance sheet and other financial statements received from the Board of Directors;
- (d) Determination of dividends and of disposition of losses;
- (e) Merger, consolidation, restructuring or reorganization of the Company;
- (f) Sale of all or substantially all assets of the Company;
- (g) Appointment and removal of the Company's auditors;
- (h) Voluntary submission by the Company to bankruptcy, or any similar status;
- (j) Liquidation or dissolution of the Company; and
- (k) Other matters reserved to the determination of the Shareholders Meeting by the Company Law of Hong Kong.

3.1.2 Matters such as the method of announcing the Shareholders Meeting, the legally required number of attendants, and the required number of votes for decisions shall be in accordance with the Articles of Association of the Company and the Company Law of Hong Kong subject to the following:

- a) Each shareholder of the Company shall be given timely, written notice of the time, date, agenda and place of the Shareholders Meeting, in no event later than 15 days prior to the date of such meeting. All notices and agendas of Shareholders Meetings shall be accompanied by accurate and complete English language translations thereof.
- b) A quorum for a Shareholders Meeting shall require the presence, in person or by proxy, of shareholders of the Company holding more than 60% of the total outstanding shares of the Company.
- c) Resolutions of the Shareholders Meetings shall be adopted by the affirmative vote of 75% of the shares represented in person or by proxy at a Shareholders Meeting at which a quorum is present.
- d) Each share shall be entitled to one vote.
- e) In case where a shareholder cannot attend a Shareholders Meeting, such shareholder may appoint a representative by issuing a proxy in writing in accordance with the laws of Hong Kong.

3.2 Directors and Chairman

- 3.2.1 The Company shall have a minimum of 4 directors. The first directors shall be Zwelakhe Ntshepe (DLS), Stefan Burger (DLS), Pieter van der Merwe (VRL) and Kamal Singhala (VRL). Each Party shall be entitled to nominate 2 directors.
- 3.2.2 The steering committee referred to in 2.3 above and directors shall take decisions by a 75% vote (3 out of 4).
- 3.2.3 If the Company needs to comply with legal requirements for the appointment of independent directors or a company secretary, as will be provided in the Company Law any other laws or regulations, the Parties agree to co-operate in good faith and to work out an appropriate contractual arrangement to maintain the Company as joint venture between the Parties as equal partners with regard to the directors, supervisors and the management of the Company.
- 3.2.4 The responsibilities of the Board of Directors shall be as follows:
- a) Appointment and removal of the Chairman of the Board
 - b) Approval of the annual and quarterly budgets (including but not limited to the production plan, the business plan, the profit and loss plan, the capital investment plan, and the financial plan);
 - c) Change of issued and outstanding share capital of the Company;
 - d) Determination of long term policies of the Company including substantial change in the organizational structure and business operation of the Company;
 - e) Determination of employment terms including compensation packages;
 - f) Establishment of subsidiaries, opening and closing of branch offices, acquisition of the whole or part of the assets of another company or business, establishment of new business sites and closing of existing ones;
 - g) Setting the limits of authorities of various positions and approving the chart of authorities;
 - h) Preparation and submission to the Shareholders Meeting of the financial accounts (including dividends and disposition of losses);
 - i) Creation of pledge, hypothecation, encumbrance or other security on the Company's assets;
 - j) Transfer, sale or any other disposal of major assets other than in the ordinary course of business in the amount of more than the equivalent (at time of the decision) of R5 000 000-00;
 - k) Conclusion or termination of agreements regarding intellectual property rights and know how;
 - l) Conclusion of any agreement or other arrangement with, or for the benefit of any director of the Company;
 - m) Initiation of new product lines or discontinuation of existing product lines;
 - n) The commencement of any litigation as plaintiff or the settlement by the Company of any litigation against it;
 - o) Submission of other matters to the Shareholders Meeting for consideration or approval as may be required by law;
 - p) Decision of other important matters related to the Company and transactions other than in the ordinary course of business of the Company.

- 3.2.5 All the directors, in person or through representation, shall be necessary to form a quorum. Resolutions of the Board of Directors shall be in writing, and shall be adopted by a 75% vote of all Directors.
- 3.2.6 In case where any director of the Company cannot attend a meeting of the Board of Directors, that director may appoint another director as representative in accordance with the Company law of Hong Kong. All or any of the directors may participate in a meeting of the Board of Directors by means of a video conference which allows all persons participating in the meeting to see and hear each other. A director so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.
- 3.2.7 Meetings of the Board of Directors shall be called by the Chairman. Each director of the Company shall be given timely, written notice of the time, date, agenda and place of the Directors meeting, in no event later than 15 days prior to the date of such meeting. In emergency cases the meeting of the Board of Directors can be called by the Chairman by giving a minimum of two working days notice.

4. OPERATIONS

- 4.1 Due to the nature of each Party's business, VRL shall attend, advise and execute all functions in regards to fabrication, manufacturing and operational aspects – at their commercial rate. DLS shall make available to the Company and VRL, all products manufactured by DLS in South Africa, for manufacturing and sale, and shall transfer all know-how and information in regards to these products, to VRL and the Company. DLS shall further be responsible for the sales and marketing of the Company and its products.
- 4.2 Each of the Parties shall transfer to the Company sufficient start-up training and other transfer support. Each party shall transfer technology, information and training to the Company in order to operate.
- 4.3 The Parties agree that the Company shall establish it's own information systems organization that is responsible for procuring and/or providing all of the information systems and technology required for the operation of the Company (the "Company's IT Organization"). The Company's IT Organization shall establish and operate the Company's IT infrastructure, including information systems and all supporting services.

5. ACCOUNTING

- 5.1 The accounting year of the Company shall be from _____ to _____.
- 5.2 Within 10 days after the end of each month and 20 days after the end of each quarter, the Company shall submit to each Party its unaudited balance sheet and profit and loss statement of such month or such quarter, as the case may be.
- 5.3 Each Party shall have the right to audit or have audited, and/or require copies of the accounts of the Company. The accounts of the Company shall be kept in accordance with the laws of Hong Kong.

- 5.4 Unless otherwise determined by the Board of Directors, the Parties agree to appoint KPMG as its certified public accountants.

6. DURATION

- 6.1 This Agreement shall become effective upon signing (hereafter the "Effective Date"), and continue in force unless terminated on the grounds set out herein.
- 6.2 Other than set forth in the Sections 6.3 and 6.4 of this Agreement, this Agreement may be terminated by written consent of both Parties.
- 6.3 In case of the occurrence of any of the following circumstances this Agreement may be terminated with immediate effect by either Party by serving written notice (the "Termination Notice") to the other Party:
- a) Material breach of this Agreement by a Party (where only the non-breaching Party shall have the right to unilaterally terminate this Agreement as specified in 6.3 and the breaching Party was granted a 60 days cure period before the Termination Notice is served and did not remedy the material breach within this 60 day period);
 - b) In the case that the non-terminating Party has applied for liquidation or reorganization under applicable insolvency law, or has applied for or is the subject of a third party action for insolvency or business rescue, or is unable to honor its debts, or in the case of a *Force Majeure* which continues uninterrupted for a period in excess of 12 months.
- 6.4 In the event that all the shares of the Company are transferred to one of the parties, the terms and conditions of this agreement shall still be applicable except insofar as any term refers to the parties as co-shareholders. For the avoidance of any doubt, the terms in regards to the operational duties of each party, such as the duties set out in 4.1 and 4.2 above, shall remain to apply.
- 6.5 In case any of the circumstances stipulated in Section 6.3 occurs, the Party serving Termination Notice may elect either of the following options:
- a) Within 45 days after the day the Termination Notice was served, to serve a sale notice (the "Sale Notice") on the other Party offering to sell all of its shares at 150% of the Market Value or Net Asset Value, whichever is higher (the "Put Option Price"). The Party who receives the Sale Notice must, by itself or through a third party nominee, accept the offer and must purchase all of the requesting Party's shares at the Put Option Price within 45 days after the above notice is served.
 - b) Within 45 days after the day the Notice was served, to serve a purchase notice (the "Purchase Notice") on the other Party offering to purchase all of its shares at 50% of either the Market Value or Net Asset Value, whichever is lower (the "Call Option Price"). The Party who receives the Purchase Notice must, by itself or through a third party nominee, accept the offer and must sell all of its shares to the requesting Party at the Call Option Price within 45 days after the above notice is served.

- 6.6 For the purpose of this Section 6.5, Market Value shall mean, the value per share appraised by an internationally recognized independent appraiser, appointed by the Managing director of KPMG Hong Kong.
- 6.7 For the purpose of this Section 6.5, Net Asset value shall mean the book value of the Company as determined by its latest available audited financial statements, as adjusted for capital increase or decrease of the Company or other major corporate activities which may affect the content of such financial statements, such adjustments to be made and certified by the Company's auditors within 30 days after the Sale Notice or Purchase Notice was served.
- 6.8 In case of occurrence of the termination event set forth in the Subsection 6.3(a), the non-breaching Party shall, in addition to the rights as set forth in the Section 6.5, be entitled to demand the breaching Party to compensate its damages incurred by such termination event.
- 7. GENERAL CONDITIONS**
- 7.1 Clause 7 shall survive termination of this Agreement. No termination shall relieve any Party from liability for any breach of this Agreement.
- 7.2 Confidentiality and Non-use
- 7.2.1 During a period beginning at the Effective Date and ending ten (10) years after the later of the termination of this Agreement, it shall be prohibited for either Party to disclose to any third party information which has been disclosed by the other, whether such disclosure is direct or indirect, by any means such as a writing, factory tour, or other means used to communicate information, provided that such information shall be documented or described in a tangible form and shall be marked "Confidential" (hereinafter "Confidential Information"). Any such Confidential Information shall be used only for the purposes of carrying out this Agreement.
- 7.2.2 Any other use of Confidential Information is prohibited. Each of the Parties will cause its own and employees of the Company to adhere to the obligations of this through provisions in their respective employment agreements or otherwise. Confidential Information specifically includes the terms of this Agreement and its conditions provided however that the Parties may in connection with an actual or proposed merger or acquisition, and in connection with the enforcement of its rights under this Agreement disclose the terms and conditions of this agreements in confidence to its legal counsel, accountants and other advisors.
- 7.3 Confidential Information does not include information:
- a) Which was obtained legally by the receiving Party prior to its receipt from the disclosing Party.
 - b) Which was or has become public not through any act of the receiving Party.
 - c) Which has been received from a third party with no obligation of confidentiality;

- d) Which has been independently developed by the receiving Party or its Affiliates.
- e) This obligation of confidentiality shall not apply in such case that information is requested by a government agency of competent jurisdiction but in any case that Confidential Information is disclosed under this paragraph the Party disclosing Confidential Information to such government agency shall give the other Party (the "Information Owning Party") notice prior to such disclosure which notice shall be reasonably sufficient to allow the Information Owning Party to seek appropriate action to prevent such disclosure.

8. FORCE MAJEURE

- 8.1 In the event that either Party is delayed in performing or is prevented from performing in whole or in part its obligations hereunder due to Force Majeure then the Party so affected shall have no liability to the other Party in respect of any resultant delay in performance or non-performance, partially or in whole, of its obligations under this Agreement (and the other Party shall to a similar extent not be liable for non performance or delay in performance of its obligations).
- 8.2 For the purpose of this Agreement, a Force Majeure shall exist only if and during a period when an event is beyond the control of the Party claiming Force Majeure. Such event of Force Majeure shall include but not be limited to:
 - a) labor disputes affecting the region,
 - b) fire, explosion directly affecting the facilities concerned, or
 - c) war or other hostilities, flood, earthquake, severe weather conditions of an extraordinary nature directly affecting the facilities concerned.
- 8.3 A Party wishing to invoke Force Majeure shall promptly notify the other Party in writing giving details thereof, and of the anticipated effect on this Agreement and of the estimated duration of Force Majeure. Such Party shall use its best endeavors to resume full performance of its obligations under this Agreement without avoidable delay.

9. APPLICABLE LAW AND DISPUTES

- 9.1 This Agreement shall be construed in accordance with and governed by the laws of South Africa and shall be interpreted thereunder.
- 9.2 In case of any dispute between the Parties to this Agreement or in case of any alleged breach of this Agreement, the Parties shall cooperate to reach an amicable resolution of such dispute. In such case that they are unable to reach such an amicable resolution, the Parties shall submit such dispute to arbitration under this subsection.
 - 9.2.1 The arbitration shall be held subject to the provisions of this clause:
 - i) Pretoria;

- ii) informally;
- (iii) in accordance with the provisions of the Arbitration Act No 42 of 1965, as amended and/or further Rules agreed on between the parties or directed by the arbitrator.

9.2.2 The parties will endeavour to nominate an arbitrator within seven days after the dispute has been referred to arbitration by any of the parties and if the parties are unable to nominate an arbitrator either party may approach the president of the Law Society of the Northern Provinces to appoint an arbitrator.

9.2.3 The arbitrator shall, if the question in issue is:

- (i) Primarily an accounting matter, an independent chartered accountant, together with a legal arbitrator referred to in ii) below or;
- (ii) primarily a legal matter, preferably a retired judge of the High Court of South Africa or a practicing senior counsel practicing at the Pretoria bar of advocates;
- (iii) any other matter, an independent person so agreed on or appointed.

9.2.4. The parties irrevocably agree that the decision in the arbitration proceedings shall be final and binding on them, shall be carried into effect and may be made an order of court on application of any of the parties. No party shall have the right to appeal.

9.2.5. Nothing contained in this clause shall preclude any of the parties from approaching a court of competent jurisdiction for interlocutory or urgent relief.

10 NOTICE

10.1 All notices required under this Agreement, and all communications made by agreement of the Parties, shall be made in writing, and shall be delivered either personally, by facsimile, or by mail. The date of actual receipt by the receiving party shall be deemed the date of notice under this Agreement. The addresses of each Party for purposes of notice under this Agreement shall be as follows:

For VRL:

Mr Pieter van der Merwe

10 Haggie road, Boksburg, RSA

Title: Chief Executive Officer Tel: 011 306 8000, Fax: 011 306 8018

E-mail: pieterm@vrlaser.co.za

For DLS:

Mr Stephan Burger

Title: Chief Executive Officer

Tel: 012 620 3481

Fax: 012 620 3384

E-mail: stephanb@dlsys.co.za

- 10.2 No right or obligation under this Agreement shall be transferable or assigned to any third party without the express agreement in writing of the other Party.
- 10.3 No modification or amendment of this Agreement shall be valid without such amendment being in writing and signed by both Parties.
- 10.4 If any provision contained in this Agreement is or becomes ineffective or is held to be invalid by a competent authority or court having final jurisdiction thereover, or the competent authorities find a provision to be invalid or request modifications, all other provisions of this Agreement shall remain in full force and effect and there shall be substituted for the said invalid provision a valid provision having an economic effect as similar as possible to the original provision.
- 10.5 This Agreement and any documents attached hereto constitute the entire agreement between the Parties with respect to the transactions contemplated hereby and, except as otherwise expressly set forth herein, supersedes all prior discussions, understandings, agreements and negotiations between the Parties with respect to such subject matter.

THIS DONE AND SIGNED AT PRETORIA ON THIS ____TH DAY OF JULY 2015.

WITNESSES:

1. _____

2. _____

MR _____ obo DLS

WITNESSES:

1. _____

2. _____

MR _____ obo VRL

"SF 9.3"

From: Pieter van der Merwe <pieterm@vrlaser.co.za>
Sent on: Wednesday, August 5, 2015 4:21:29 PM
To: Tony Gupta <tony@sahara.co.za>; infoportal1@zoho.com; Kamal Singhala <kamals@vrlaser.co.za>
Subject: Agreement
Attachments: image003.jpg (11.34 KB), DENEL VR HONG KONG PARTNERSHIP AGREEMENT 29.07.2015.docx (42.56 KB)

Good day Sirs,
Herewith the draft agreement for your perusal. Please let me know if anything must change.
Regards,
IMG [660]

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This message has been scanned for viruses and dangerous content by MailScanner [<http://www.mailscanner.info/>], and is believed to

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a company incorporated and existing under the laws of the Republic of South Africa
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AND

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WHEREAS both Parties have identified Asia and the Middle East as a key strategic region for cooperation between the Companies and are interested in co-operating with each other to, inter alia, support the requirements of key local and international clients and prospective clients in these countries;

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- 1.2 The Company's core business will be to trade in various defence products, amongst others the marketing, selling, manufacturing and delivery of any products currently manufactured or sold by DLS.
- 1.3 In addition to this Agreement, certain agreements will be entered into among the Parties and the Company, either concurrently with the execution of this Agreements or upon establishment of the Company, alternatively as soon as possible after the incorporation/registration of the Company, in order to give effect to the purpose of this agreement.
- 1.4 The Parties shall act as quickly as possible to establish a company under the laws of Hong Kong. The name of the Company shall be Denel Asia. The Parties shall immediately attend to all practical requirements in order to register the Company. The Parties agree that KPMG will be appointed to register the Company and to attend to all ancillary agreements and requirements.

- 1.5 The Company shall adopt Articles of Incorporation pursuant to the laws of Hong Kong. The Articles of Association shall be consistent with the terms of this Agreement and in case of any conflict, the terms of this Agreement shall prevail as between the Parties. Without limiting the foregoing, the Parties shall exercise all rights available to them to give effect to the terms of this Agreement and shall take all reasonable steps to amend the Articles of Association to the extent necessary to remove such inconsistency or conflict.

2. SHAREHOLDING AND CONTROL

- 2.1 DLS shall hold 51% of the share capital of the Company and VRL shall hold 49%.
- 2.2 VRL shall borrow the Company the equivalent of R100 000 000-00, as a shareholders loan, for start-up capital. This amount shall bear interest at the Repo Rate of the South African Reserve Bank, per annum and shall be repaid from of the first annual profits of the Company.
- 2.3 Until such time as the Company has been formed, the proposed directors in 3.2.1 below shall act as steering committee in order to execute the terms and conditions of this agreement. Each party shall be entitled to alternate their representatives, acting on the steering committee, with written notice to the other party.
- 2.4 The Company shall provide for its own loan financing according to the decision of its Board of Directors. Both Parties shall support the Company in obtaining the most favorable terms for its loan financing. None of the Parties shall be obliged to make any guarantees of financing unless this is separately agreed by the Parties.
- 2.5 Neither Party shall, without the prior written consent of the other Party pledge, hypothecate or otherwise use its shares as security, or grant options over its legal and beneficial interest in its shares. Any action of a Party violating this provision shall be void and shall be considered a material breach of this Agreement.
- 2.6 No Party shall sell, transfer or otherwise dispose of its shares, unless all loans by any Party, to the Company, have been repaid. In the case that either Party desires to sell to a *bona fide* third party all or any of its shares of the Company (such Party hereinafter the "Selling Party"), the other Party shall have a right of first refusal to purchase such shares. The Selling Party shall first give a written notice to the other Party (hereinafter the "Receiving Party") setting forth;
- i) the number of shares proposed to be transferred (hereinafter the "Offered Shares");
 - ii) the proposed purchase price, terms and payment and other material terms and conditions received from a bona fide third party; and
 - iii) an irrevocable offer to sell Offered Shares to the Receiving Party (hereinafter the "Sale Offer") at the same price and on the same terms and conditions as set forth therein.

- 2.7 The Receiving Party shall have the right to purchase the Offered Shares pursuant to the Sale Offer, in whole or in part, by delivering a written notice to the Selling Party within 30 days from the date of the Sale Offer, irrevocably stating therein that all of the Offered Shares will be purchased by the Receiving Party.
- 2.8 If the Receiving Party provides to the Selling Party the notice specified in the immediately preceding paragraph, then the Receiving Party shall have 30 days to complete the purchase of the Offered Shares upon the terms set forth in the Sale Offer (hereinafter the "Purchase Period"), provided, however, that the Purchase Period shall be extended until such date as all required approvals, consents or authorizations in connection with such purchase are obtained.
- 2.9 If the Receiving Party shall not have completed such purchase within the Purchase Period, as extended as provided herein, then the Selling Party shall have the right for 90 days thereafter (hereinafter the "Transfer Period") to transfer the Offered Shares not subject to any of the restrictions set forth in this Agreement; provided, however, that such transfer is consummated on terms not more favorable to the purchasers thereof than the terms specified on the Sale Offer; and provided, further, that the Transfer Period shall be extended until such date as all required approvals, consents or authorizations in connection with such purchase are obtained.
- 2.10 If at the end of the Transfer Period, as extended as provided herein, the Selling Party has not completed the sale of the Offered Shares, the Selling Party shall no longer be permitted to sell such Offered Shares pursuant to this Section.
- 2.11 Notwithstanding anything to the contrary of other provisions set forth in this agreement, neither Party shall sell any of its shares of the Company to any Competitors of the Company. For purposes of this Agreement, a Competitor shall mean a company which conducts similar businesses of any of the parties or the Company at any time.
- 2.12 Each of the Parties agrees to the timetable with several milestones hereto attached as Appendix A for the establishment of the Company, the marketing and sales strategy, acquisition targets, the operation of the plant and, furthermore, both Parties shall cooperate to make progress according to the timetable. Except for salaries of the staff of each Party, the Company shall bear all of the costs of establishing the Company.

3. Management Structure and Operation

- 3.1 Shareholders Meeting
- 3.1.1 Matters to be decided by the Shareholders Meeting shall be as follows:
- a) Revision of the Articles of Association;

- b) Appointment and dismissal of the directors and the supervisors, and determination of their compensation;
- (c) Approval of the balance sheet and other financial statements received from the Board of Directors;
- (d) Determination of dividends and of disposition of losses;
- (e) Merger, consolidation, restructuring or reorganization of the Company;
- (f) Sale of all or substantially all assets of the Company;
- (g) Appointment and removal of the Company's auditors;
- (h) Voluntary submission by the Company to bankruptcy, or any similar status;
- (j) Liquidation or dissolution of the Company; and
- (k) Other matters reserved to the determination of the Shareholders Meeting by the Company Law of Hong Kong.

3.1.2 Matters such as the method of announcing the Shareholders Meeting, the legally required number of attendants, and the required number of votes for decisions shall be in accordance with the Articles of Association of the Company and the Company Law of Hong Kong subject to the following:

- a) Each shareholder of the Company shall be given timely, written notice of the time, date, agenda and place of the Shareholders Meeting, in no event later than 15 days prior to the date of such meeting. All notices and agendas of Shareholders Meetings shall be accompanied by accurate and complete English language translations thereof.
- b) A quorum for a Shareholders Meeting shall require the presence, in person or by proxy, of shareholders of the Company holding more than 60% of the total outstanding shares of the Company.
- c) Resolutions of the Shareholders Meetings shall be adopted by the affirmative vote of 75% of the shares represented in person or by proxy at a Shareholders Meeting at which a quorum is present.
- d) Each share shall be entitled to one vote.
- e) In case where a shareholder cannot attend a Shareholders Meeting, such shareholder may appoint a representative by issuing a proxy in writing in accordance with the laws of Hong Kong.

3.2 Directors and Chairman

- 3.2.1 The Company shall have a minimum of 4 directors. The first directors shall be Zwelakhe Ntshepe (DLS), Stefan Burger (DLS), Pieter van der Merwe (VRL) and Kamal Singhala (VRL). Each Party shall be entitled to nominate 2 directors.
- 3.2.2 The steering committee referred to in 2.3 above and directors shall take decisions by a 75% vote (3 out of 4).
- 3.2.3 If the Company needs to comply with legal requirements for the appointment of independent directors or a company secretary, as will be provided in the Company Law any other laws or regulations, the Parties agree to co-operate in good faith and to work out an appropriate contractual arrangement to maintain the Company as joint venture between the Parties as equal partners with regard to the directors, supervisors and the management of the Company.
- 3.2.4 The responsibilities of the Board of Directors shall be as follows:
- a) Appointment and removal of the Chairman of the Board
 - b) Approval of the annual and quarterly budgets (including but not limited to the production plan, the business plan, the profit and loss plan, the capital investment plan, and the financial plan);
 - c) Change of issued and outstanding share capital of the Company;
 - d) Determination of long term policies of the Company including substantial change in the organizational structure and business operation of the Company;
 - e) Determination of employment terms including compensation packages;
 - f) Establishment of subsidiaries, opening and closing of branch offices, acquisition of the whole or part of the assets of another company or business, establishment of new business sites and closing of existing ones;
 - g) Setting the limits of authorities of various positions and approving the chart of authorities;
 - h) Preparation and submission to the Shareholders Meeting of the financial accounts (including dividends and disposition of losses);
 - i) Creation of pledge, hypothecation, encumbrance or other security on the Company's assets;
 - j) Transfer, sale or any other disposal of major assets other than in the ordinary course of business in the amount of more than the equivalent (at time of the decision) of R5 000 000-00;
 - k) Conclusion or termination of agreements regarding intellectual property rights and know how;
 - l) Conclusion of any agreement or other arrangement with, or for the benefit of any director of the Company;
 - m) Initiation of new product lines or discontinuation of existing product lines;
 - n) The commencement of any litigation as plaintiff or the settlement by the Company of any litigation against it;
 - o) Submission of other matters to the Shareholders Meeting for consideration or approval as may be required by law;
 - p) Decision of other important matters related to the Company and transactions other than in the ordinary course of business of the Company.

- 3.2.5 All the directors, in person or through representation, shall be necessary to form a quorum. Resolutions of the Board of Directors shall be in writing, and shall be adopted by a 75% vote of all Directors.
- 3.2.6 In case where any director of the Company cannot attend a meeting of the Board of Directors, that director may appoint another director as representative in accordance with the Company law of Hong Kong. All or any of the directors may participate in a meeting of the Board of Directors by means of a video conference which allows all persons participating in the meeting to see and hear each other. A director so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.
- 3.2.7 Meetings of the Board of Directors shall be called by the Chairman. Each director of the Company shall be given timely, written notice of the time, date, agenda and place of the Directors meeting, in no event later than 15 days prior to the date of such meeting. In emergency cases the meeting of the Board of Directors can be called by the Chairman by giving a minimum of two working days notice.

4. OPERATIONS

- 4.1 Due to the nature of each Party's business, VRL shall attend, advise and execute all functions in regards to fabrication, manufacturing and operational aspects – at their commercial rate. DLS shall make available to the Company and VRL, all products manufactured by DLS in South Africa, for manufacturing and sale, and shall transfer all know-how and information in regards to these products, to VRL and the Company. DLS shall further be responsible for the sales and marketing of the Company and its products.
- 4.2 Each of the Parties shall transfer to the Company sufficient start-up training and other transfer support. Each party shall transfer technology, information and training to the Company in order to operate.
- 4.3 The Parties agree that the Company shall establish it's own information systems organization that is responsible for procuring and/or providing all of the information systems and technology required for the operation of the Company (the "Company's IT Organization"). The Company's IT Organization shall establish and operate the Company's IT infrastructure, including information systems and all supporting services.

5. ACCOUNTING

- 5.1 The accounting year of the Company shall be from _____ to _____.
- 5.2 Within 10 days after the end of each month and 20 days after the end of each quarter, the Company shall submit to each Party its unaudited balance sheet and profit and loss statement of such month or such quarter, as the case may be.
- 5.3 Each Party shall have the right to audit or have audited, and/or require copies of the accounts of the Company. The accounts of the Company shall be kept in accordance with the laws of Hong Kong.

- 5.4 Unless otherwise determined by the Board of Directors, the Parties agree to appoint KPMG as its certified public accountants.

6. **DURATION**

- 6.1 This Agreement shall become effective upon signing (hereafter the "Effective Date"), and continue in force unless terminated on the grounds set out herein.
- 6.2 Other than set forth in the Sections 6.3 and 6.4 of this Agreement, this Agreement may be terminated by written consent of both Parties.
- 6.3 In case of the occurrence of any of the following circumstances this Agreement may be terminated with immediate effect by either Party by serving written notice (the "Termination Notice") to the other Party:
- a) Material breach of this Agreement by a Party (where only the non-breaching Party shall have the right to unilaterally terminate this Agreement as specified in 6.3 and the breaching Party was granted a 60 days cure period before the Termination Notice is served and did not remedy the material breach within this 60 day period);
 - b) In the case that the non-terminating Party has applied for liquidation or reorganization under applicable insolvency law, or has applied for or is the subject of a third party action for insolvency or business rescue, or is unable to honor its debts, or in the case of a *Force Majeure* which continues uninterrupted for a period in excess of 12 months.
- 6.4 In the event that all the shares of the Company are transferred to one of the parties, the terms and conditions of this agreement shall still be applicable except insofar as any term refers to the parties as co-shareholders. For the avoidance of any doubt, the terms in regards to the operational duties of each party, such as the duties set out in 4.1 and 4.2 above, shall remain to apply.
- 6.5 In case any of the circumstances stipulated in Section 6.3 occurs, the Party serving Termination Notice may elect either of the following options:
- a) Within 45 days after the day the Termination Notice was served, to serve a sale notice (the "Sale Notice") on the other Party offering to sell all of its shares at 150% of the Market Value or Net Asset Value, whichever is higher (the "Put Option Price"). The Party who receives the Sale Notice must, by itself or through a third party nominee, accept the offer and must purchase all of the requesting Party's shares at the Put Option Price within 45 days after the above notice is served.
 - b) Within 45 days after the day the Notice was served, to serve a purchase notice (the "Purchase Notice") on the other Party offering to purchase all of its shares at 50% of either the Market Value or Net Asset Value, whichever is lower (the "Call Option Price"). The Party who receives the Purchase Notice must, by itself or through a third party nominee, accept the offer and must sell all of its shares to the requesting Party at the Call Option Price within 45 days after the above notice is served.

- 6.6 For the purpose of this Section 6.5, Market Value shall mean, the value per share appraised by an internationally recognized independent appraiser, appointed by the Managing director of KPMG Hong Kong.
- 6.7 For the purpose of this Section 6.5, Net Asset value shall mean the book value of the Company as determined by its latest available audited financial statements, as adjusted for capital increase or decrease of the Company or other major corporate activities which may affect the content of such financial statements, such adjustments to be made and certified by the Company's auditors within 30 days after the Sale Notice or Purchase Notice was served.
- 6.8 In case of occurrence of the termination event set forth in the Subsection 6.3(a), the non-breaching Party shall, in addition to the rights as set forth in the Section 6.5, be entitled to demand the breaching Party to compensate its damages incurred by such termination event.
- 7. GENERAL CONDITIONS**
- 7.1 Clause 7 shall survive termination of this Agreement. No termination shall relieve any Party from liability for any breach of this Agreement.
- 7.2 Confidentiality and Non-use
- 7.2.1 During a period beginning at the Effective Date and ending ten (10) years after the later of the termination of this Agreement, it shall be prohibited for either Party to disclose to any third party information which has been disclosed by the other, whether such disclosure is direct or indirect, by any means such as a writing, factory tour, or other means used to communicate information, provided that such information shall be documented or described in a tangible form and shall be marked "Confidential" (hereinafter "Confidential Information"). Any such Confidential Information shall be used only for the purposes of carrying out this Agreement.
- 7.2.2 Any other use of Confidential Information is prohibited. Each of the Parties will cause its own and employees of the Company to adhere to the obligations of this through provisions in their respective employment agreements or otherwise. Confidential Information specifically includes the terms of this Agreement and its conditions provided however that the Parties may in connection with an actual or proposed merger or acquisition, and in connection with the enforcement of its rights under this Agreement disclose the terms and conditions of this agreements in confidence to its legal counsel, accountants and other advisors.
- 7.3 Confidential Information does not include information:
- a) Which was obtained legally by the receiving Party prior to its receipt from the disclosing Party.
 - b) Which was or has become public not through any act of the receiving Party.
 - c) Which has been received from a third party with no obligation of confidentiality;

- d) Which has been independently developed by the receiving Party or its Affiliates.
- e) This obligation of confidentiality shall not apply in such case that information is requested by a government agency of competent jurisdiction but in any case that Confidential Information is disclosed under this paragraph the Party disclosing Confidential Information to such government agency shall give the other Party (the "Information Owning Party") notice prior to such disclosure which notice shall be reasonably sufficient to allow the Information Owning Party to seek appropriate action to prevent such disclosure.

8. FORCE MAJEURE

- 8.1 In the event that either Party is delayed in performing or is prevented from performing in whole or in part its obligations hereunder due to Force Majeure then the Party so affected shall have no liability to the other Party in respect of any resultant delay in performance or non-performance, partially or in whole, of its obligations under this Agreement (and the other Party shall to a similar extent not be liable for non performance or delay in performance of its obligations).
- 8.2 For the purpose of this Agreement, a Force Majeure shall exist only if and during a period when an event is beyond the control of the Party claiming Force Majeure. Such event of Force Majeure shall include but not be limited to:
 - a) labor disputes affecting the region,
 - b) fire, explosion directly affecting the facilities concerned, or
 - c) war or other hostilities, flood, earthquake, severe weather conditions of an extraordinary nature directly affecting the facilities concerned.
- 8.3 A Party wishing to invoke Force Majeure shall promptly notify the other Party in writing giving details thereof, and of the anticipated effect on this Agreement and of the estimated duration of Force Majeure. Such Party shall use its best endeavors to resume full performance of its obligations under this Agreement without avoidable delay.

9. APPLICABLE LAW AND DISPUTES

- 9.1 This Agreement shall be construed in accordance with and governed by the laws of South Africa and shall be interpreted thereunder.
- 9.2 In case of any dispute between the Parties to this Agreement or in case of any alleged breach of this Agreement, the Parties shall cooperate to reach an amicable resolution of such dispute. In such case that they are unable to reach such an amicable resolution, the Parties shall submit such dispute to arbitration under this subsection.
 - 9.2.1 The arbitration shall be held subject to the provisions of this clause:
 - i) Pretoria;

- ii) informally;
- (iii) in accordance with the provisions of the Arbitration Act No 42 of 1965, as amended and/or further Rules agreed on between the parties or directed by the arbitrator.

9.2.2 The parties will endeavour to nominate an arbitrator within seven days after the dispute has been referred to arbitration by any of the parties and if the parties are unable to nominate an arbitrator either party may approach the president of the Law Society of the Northern Provinces to appoint an arbitrator.

9.2.3 The arbitrator shall, if the question in issue is:

- (i) Primarily an accounting matter, an independent chartered accountant, together with a legal arbitrator referred to in ii) below or;
- (ii) primarily a legal matter, preferably a retired judge of the High Court of South Africa or a practicing senior counsel practicing at the Pretoria bar of advocates;
- (iii) any other matter, an independent person so agreed on or appointed.

9.2.4. The parties irrevocably agree that the decision in the arbitration proceedings shall be final and binding on them, shall be carried into effect and may be made an order of court on application of any of the parties. No party shall have the right to appeal.

9.2.5. Nothing contained in this clause shall preclude any of the parties from approaching a court of competent jurisdiction for interlocutory or urgent relief.

10 NOTICE

10.1 All notices required under this Agreement, and all communications made by agreement of the Parties, shall be made in writing, and shall be delivered either personally, by facsimile, or by mail. The date of actual receipt by the receiving party shall be deemed the date of notice under this Agreement. The addresses of each Party for purposes of notice under this Agreement shall be as follows:

For VRL:

Mr Pieter van der Merwe

10 Haggie road, Boksburg, RSA

Title: Chief Executive Officer Tel: 011 306 8000, Fax: 011 306 8018

E-mail: pieterm@vrlaser.co.za

For DLS:

Mr Stephan Burger

Title: Chief Executive Officer

Tel: 012 620 3481

Fax: 012 620 3384

E-mail: stephanb@dlsys.co.za

- 10.2 No right or obligation under this Agreement shall be transferable or assigned to any third party without the express agreement in writing of the other Party.
- 10.3 No modification or amendment of this Agreement shall be valid without such amendment being in writing and signed by both Parties.
- 10.4 If any provision contained in this Agreement is or becomes ineffective or is held to be invalid by a competent authority or court having final jurisdiction thereover, or the competent authorities find a provision to be invalid or request modifications, all other provisions of this Agreement shall remain in full force and effect and there shall be substituted for the said invalid provision a valid provision having an economic effect as similar as possible to the original provision.
- 10.5 This Agreement and any documents attached hereto constitute the entire agreement between the Parties with respect to the transactions contemplated hereby and, except as otherwise expressly set forth herein, supersedes all prior discussions, understandings, agreements and negotiations between the Parties with respect to such subject matter.

THIS DONE AND SIGNED AT PRETORIA ON THIS ____TH DAY OF JULY 2015.

WITNESSES:

1. _____

2. _____

MR _____ obo DLS

WITNESSES:

1. _____

2. _____

MR _____ obo VRL

"SF 9.3"

From: Pieter van der Merwe<pieterm@vrlaser.co.za>
Sent on: Monday, October 12, 2015 9:28:03 PM
To: infoportal1@zoho.com; tony@sahara.co.za; Kamal Singhala <kamals@vrlaser.co.za>
Subject: DENEL VR HONG KONG PARTNERSHIP AGREEMENT 11.10.2015 denel update
Attachments: DENEL VR HONG KONG PARTNERSHIP AGREEMENT 11.10.2015 denel update.docx (53.08 KB), image004.jpg (11.34 KB), image001.jpg (11.34 KB)

Good evening sirs,

I trust you are well.

Find attached hereto the latest version of the agreement in regards to Denel Asia. Denel made a few additions but I do not foresee an essential problem with any of the additions. I am happy with the additions they added.

This agreement will govern the relationship between the parties until the new company is formed, the shareholders agreement and the ancillary agreements (agreements which will regulate the business relationship between the newly formed company, Denel and VR Asia) are signed. The timelines are now as follows:

1. Denel's Risk and Audit committee will meet on 22 October 2015. They will adopt a proposal to send it to the Board;
2. Denel's Board will meet on 25 November 2015 to approve the business case of Denel Asia;
3. After approval, it will be send to the DPE for approval in terms of the PFMA (public finance management act).
4. Both parties want to conclude the transaction as soon as possible. I therefore suggested that we do the ground work in Hong Kong (setting up the company, draft the agreements and getting an office there), after the Audit and Risk Committee give their approval. My suggestion is to draft most of the agreements in RSA and to send it to KPMG / any Hong Kong advisor only to settle (in order to save costs).
5. After the Board approved the resolution, most of the ground would then already be finished.

Please let me know if you require any additional information at this stage.

Regards,

From: Pieter van der Merwe
Sent: Monday, October 12, 2015 8:58 PM
To: 'Denise Govender'; Matodzi Ramashia; patricia@vitoliconsulting.co.za; Fortune Legoabe (Fortunel@denel.co.za); heidiw@denel.co.za

Good evening Denise,

Herewith the latest version of the agreement as discussed this afternoon.

Please check with your team and if there are any further questions please do not hesitate to contact me at any time.

It is was (and still is) a real privilege to work with you and your team. It is really pleasant to work with a team who is *bona fide* in negotiations.

Regards,



Pieter van der Merwe

Chief Executive Officer

+27 72 172 4098

+27 11 306 8000

pieterm@vrlaser.co.za

www.vrlaser.co.za

+27 11 306 8018

10 Maggie Road
Dunswart Ex15
Gauteng, South Africa

P.O. Box 5162
Boksburg North 1461
Gauteng
Republic of South Africa

COOPERATION AGREEMENT

THIS AGREEMENT IS ENTERED INTO BY AND BETWEEN:

VR LASER ASIA LTD

(Certificate of Incorporation 2111273)

a limited company incorporated and existing in Hong Kong under the Companies Ordinance
(Chapter 622 of the Laws of Hong Kong)

having its business address at

BLK A, 15/F HILLIER COMM BUILDING, 65-67 BONHAM STRAND EAST, SHEUNG WAN, HONG KONG
("VR ASIA")

AND

DENEL SOC LTD

(Registration number: 1992/001337/30)

a company incorporated and existing under the laws of the Republic of South Africa
having its business address at

368 Selborne Avenue, Lyttelton, Centurion, Gauteng
("DENEL")

WHEREAS **VR LASER ASIA LTD** is a Company registered in Hong Kong and possesses skills and know-how in steel processing, particularly providing unique solutions for the defence industry and vehicle protection which includes, inter alia, laser cutting, armour works, fabrication, machining related to such fabrication and integration which services are supported by the latest technology and further understand the international fabrication market and industrial landscape; and

WHEREAS **VR LASER ASIA LTD** has an established network of potential business sources, which continues to expand.

WHEREAS **DENEL SOC LTD ("DENEL")** is a commercially driven state owned Company, renowned for innovative defence, security and related technology solutions. Denel offers turn-key solutions for defence equipment to its clients by designing, developing, integrating and supporting, inter alia, artillery, munitions, missiles, aerostructures, aircraft maintenance, unmanned aerial vehicle systems and optical payloads based on high-end technology; and

WHEREAS Denel has a number of equity partnerships, joint ventures and cooperation agreements with international players in the defence industry; and

WHEREAS both Parties have identified Asia, more particularly India as a key strategic region for cooperation between the Companies and are interested in co-operating with each other to, inter alia, support the requirements of key local and/or international clients and prospective clients in these countries;

NOW THEREFORE, the Parties agree and commit to work together on the terms and conditions contained in this agreement:

1. COMPANY TO BE FORMED AND INCORPORATED

- 1.1 The Parties agree to establish a joint venture company (hereinafter the "Company"), to be registered in Hong Kong.
- 1.2 The Company's core business will be to trade in various defence products, amongst others the marketing, selling, manufacturing and delivery of any products currently manufactured or sold by DENEL, as well as to bid or otherwise become involved in special projects for the provision of defence products and expertise as and when such opportunities arise within identified territories.
- 1.3 In addition to this Agreement, certain agreements (including a shareholders agreement) will be entered into among the Parties and the Company, either concurrently with the execution of this Agreements or upon establishment of the Company, alternatively as soon as possible after the incorporation/registration of the Company, in order to give effect to the purpose of this agreement.

- 1.4 The Parties shall act as quickly as possible to establish a company under the laws of Hong Kong. The name of the Company shall be Denel Asia. The Parties shall immediately attend to all practical requirements in order to register the Company. The Parties agree that KPMG will be appointed to register the Company and to attend to all ancillary agreements and requirements.
- 1.5 The Company shall adopt Articles of Incorporation pursuant to the laws of Hong Kong. The Articles of Association and Shareholders agreement shall be consistent with the terms of this Agreement and in case of any conflict, the terms of the Articles of Association and Shareholders agreement shall prevail.

2. SHAREHOLDING AND CONTROL

- 2.1 DENEL shall hold 51% of the share capital of the Company and VR ASIA shall hold 49%.
- 2.2 VR ASIA shall lend to the Company the equivalent of up to R100 000 000-00, over 5 years (R20 000 000 per year), as a shareholders loan, to set up an office for sales and marketing. This amount shall bear interest at the Repo Rate of the South African Reserve Bank, per annum, and this shareholder's loan plus such interests accruing thereon, shall be repaid from of the first profits of the Company. If there are insufficient profits to pay the full shareholder's loan plus interest no dividends shall be declared until such time as this shareholder's loan plus interest has been fully repaid.
- 2.3 Until such time as the Company has been formed, the proposed directors in 3.2.1 below shall act as a Management Committee in order to execute the terms and conditions of this agreement, as set out in clause 3.3 below. Each party shall be entitled to alternate their representatives, acting on the Management Committee, with written notice to the other party.
- 2.4 The Company shall provide for its own loan financing according to the decision of its Board of Directors. The Parties shall support the Company in obtaining the most favorable terms for its loan financing. None of the Parties shall be obliged to make any guarantees of financing unless this is separately agreed by the Parties. If project finance or other funding is required, the Shareholders shall provide financial assistance in proportion to their respective shareholding.
- 2.5 Neither Party shall, without the prior written consent of the other Party pledge, hypothecate or otherwise use its shares as security, or grant options over its legal and beneficial interest in its shares. Any action of a Party violating this provision shall be void and shall be considered a material breach of this Agreement.
- 2.6 No Party shall sell, transfer or otherwise dispose of its shares, unless all loans by any Party, to the Company, have been repaid and the party to whom the shares are being transferred to agrees in writing to be party to this Agreement or the shareholders agreement referred to in 1.3. In the case that either Party desires to sell to a *bona fide* third party all or any of its shares of the Company (such Party

hereinafter the "Selling Party"), the other Party shall have a right of first refusal to purchase such shares. The Selling Party shall first give a written notice to the other Party (hereinafter the "Receiving Party") and the Company, setting forth;

i) the number of shares proposed to be transferred (hereinafter the "Offered Shares");

ii) the proposed purchase price, terms and payment and other material terms and conditions received from a bona fide third party; and

iii) an irrevocable offer to sell Offered Shares to the Receiving Party (hereinafter the "Sale Offer") at the same price and on the same terms and conditions as set forth therein.

- 2.7 The Receiving Party shall have the right to purchase the Offered Shares pursuant to the Sale Offer, in whole or in part, by delivering a written notice to the Selling Party within 30 days from the date of the Sale Offer, irrevocably stating therein that all of the Offered Shares will be purchased by the Receiving Party.
- 2.8 If the Receiving Party provides to the Selling Party the notice specified in the immediately preceding paragraph, then the Receiving Party shall have 30 days to complete the purchase of the Offered Shares upon the terms set forth in the Sale Offer (hereinafter the "Purchase Period"), provided, however, that the Purchase Period shall be extended until such date as all required approvals, consents or authorizations in connection with such purchase are obtained.
- 2.9 If the Receiving Party shall not have completed such purchase within the Purchase Period, as extended as provided herein, then the Selling Party shall have the right for 90 days thereafter (hereinafter the "Transfer Period") to transfer the Offered Shares not subject to any of the restrictions set forth in this Agreement; provided, however, that such transfer is consummated on terms not more favorable to the purchasers thereof than the terms specified on the Sale Offer; and provided, further, that the Transfer Period shall be extended until such date as all required approvals, consents or authorizations in connection with such purchase are obtained.
- 2.10 If at the end of the Transfer Period, as extended as provided herein, the Selling Party has not completed the sale of the Offered Shares, the Selling Party shall no longer be permitted to sell such Offered Shares pursuant to this Section.
- 2.11 Notwithstanding anything to the contrary of other provisions set forth in this agreement, neither Party shall sell any of its shares of the Company to any Competitors of the Company, or to any other entity which has not signed and agreed to be bound by the provisions of the Company's Articles of Association and Shareholders Agreement. For purposes of this Agreement, a Competitor shall mean a company which conducts similar businesses of any of the parties or the Company at any time.

3. Management Structure and Operation

3.1 Shareholders Meeting

3.1.1 Matters to be decided by the Shareholders Meeting shall be as follows:

- (a) Revision of the Articles of Association;
- (b) Approval of the balance sheet and other financial statements received from the Board of Directors;
- (c) Determination of dividends and of disposition of losses;
- (d) Merger, consolidation, restructuring or reorganization of the Company;
- (e) Sale of all or substantially all assets of the Company;
- (f) Appointment and removal of the Company's auditors;
- (g) Voluntary submission by the Company to bankruptcy, or any similar status;
- (h) Establishment of subsidiaries, opening and closing of branch offices, acquisition of the whole or part of the assets of another company or business, establishment of new business sites and closing of existing ones;
- (i) Liquidation or dissolution of the Company; and
- (j) Other matters reserved to the determination of the Shareholders Meeting by the Company Law of Hong Kong.

3.1.2 Matters such as the method of announcing the Shareholders Meeting, the legally required number of attendants, and the required number of votes for decisions shall be in accordance with the Articles of Association of the Company and the Company Law of Hong Kong subject to the following:

- a) Each shareholder of the Company shall be given timely, written notice of the time, date, agenda and place of the Shareholders Meeting, in no event later than 15 days prior to the date of such meeting. All notices and agendas of Shareholders Meetings shall be accompanied by accurate and complete English language translations thereof.
- b) A quorum for a Shareholders Meeting shall require the presence, in person or by proxy, of shareholders of the Company holding more than 60% of the total outstanding shares of the Company.
- c) Resolutions of the Shareholders Meetings, on any of the matters described in 3.1.1 (a) to (i) shall be adopted by the affirmative vote of 75% of the shares represented in person or by proxy at a Shareholders Meeting, at which a quorum is present. Any other matters will be adopted by a normal majority vote.

- d) Each share shall be entitled to one vote.
- e) In case where a shareholder cannot attend a Shareholders Meeting, such shareholder may appoint a representative by issuing a proxy in writing in accordance with the laws of Hong Kong.

3.2 Directors and Chairman

- 3.2.1 The Company shall have a minimum of 4 directors. The first directors shall be Zwelakhe Ntshepe (DENEL), Stephan Burger (DENEL), Pieter van der Merwe (VR ASIA) and Kamal Singhala (VR ASIA). Each Party shall be entitled to nominate 2 directors and shall be entitled to replace their nominated directors. The Chairman shall have the casting vote.
- 3.2.2 If the Company needs to comply with legal requirements for the appointment of independent directors or a company secretary, as will be provided in the Company Law any other laws or regulations, the Parties agree to co-operate in good faith and to work out an appropriate contractual arrangement to maintain the Company as joint venture between the Parties as equal partners with regard to the directors, supervisors and the management of the Company.
- 3.2.3 The responsibilities of the Board of Directors shall be as follows:
 - a) Appointment and removal of the Chairman of the Board. The first Chairman of the Board shall be a DENEL appointed representative.
 - b) Approval of the annual and quarterly budgets (including but not limited to the production plan, the business plan, the profit and loss plan, the capital investment plan, and the financial plan);
 - c) Change of issued and outstanding share capital of the Company;
 - d) Determination of long term policies of the Company including substantial change in the organizational structure and business operation of the Company;
 - e) Determination of employment terms including compensation packages;
 - f) Setting the limits of authorities of various positions and approving the chart of authorities;
 - g) Preparation and submission to the Shareholders Meeting of the financial accounts (including dividends and disposition of losses);
 - h) Creation of pledge, hypothecation, encumbrance or other security on the Company's assets;
 - i) Transfer, sale or any other disposal of major assets other than in the ordinary course of business in the amount of more than the equivalent (at time of the decision) of R5 000 000-00;
 - j) Conclusion or termination of agreements regarding intellectual property rights and know how;
 - k) Conclusion of any agreement or other arrangement with, or for the benefit of any director of the Company;
 - l) Initiation of new product lines or discontinuation of existing product lines;
 - m) The commencement of any litigation as plaintiff or the settlement by the Company of any litigation against it;

- n) Submission of other matters to the Shareholders Meeting for consideration or approval as may be required by law;
- o) Decision of other important matters related to the Company and transactions other than in the ordinary course of business of the Company;
- p) Any decision in regards to the allocation and/or payment of the loan amount mentioned in clause 2.2.

3.2.4 All the directors, in person or through representation, shall be necessary to form a quorum. Resolutions/decisions of the Board of Directors, as mentioned in 3.2.3 (a) to (p), shall be in writing, and shall be adopted by a 75% vote of all Directors. All other resolutions shall be adopted by a normal 51% majority.

3.2.5 In case where any director of the Company cannot attend a meeting of the Board of Directors, that director may appoint another director as representative in accordance with the Company law of Hong Kong. All or any of the directors may participate in a meeting of the Board of Directors by means of a video conference which allows all persons participating in the meeting to see and hear each other. A director so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

3.2.6 Meetings of the Board of Directors shall be called by the Chairman. Each director of the Company shall be given timely, written notice of the time, date, agenda and place of the Directors meeting, in no event later than 15 days prior to the date of such meeting. In emergency cases the meeting of the Board of Directors can be called by the Chairman by giving a minimum of two working days notice.

3.2.7 Advisory Committee

3.2.7.1 After the Company has been established, an Advisory Committee will be constituted. The Advisory Committee shall provide the Board with advice and shall consist of experts nominated by the Board.

3.3 Management Committee

3.3.1 The parties shall within one month of the Effective Date of this cooperation agreement establish a management committee which shall be responsible for, and shall make decisions or determinations with regard to all matters arising out of this cooperation agreement, including matters which have been referred to it by any of the parties, until such time that the Board of the Company is formed. Notwithstanding any other provision in this agreement, and until the Shareholders agreement has been signed, the Management Committee shall be entitled to take any decision in regards to Denel Asia's anticipated office, including but not limited to its location.

3.3.2 The parties shall be entitled to appoint and replace from time to time by written notice to the other party, representatives on the management committee as follows:

3.3.2.1 DENEL shall appoint and replace 2 (two) representatives on the management committee;

- 3.3.2.2. VR ASIA shall appoint and replace 2 (two) representatives on the management committee.
- 3.3.3 Other persons shall be entitled to attend meetings of the management committee or be co-opted by the management committee, by invitation, which invitation shall require the mutual consent of the management committee. A member of the management committee may not unreasonably withhold his consent to the aforesaid invitation. Such co-opted or invited members shall not have any voting rights. Resolutions shall be adopted by a 75% vote of all members present.
- 3.3.4 The management committee shall meet as frequently as may reasonably be necessary to perform its functions in terms of this cooperation agreement.
- 3.3.5 A quorum of the management committee shall be a one representative of each party to this cooperation agreement. In the case of neither representatives of a party being able to attend a scheduled meeting and an alternative date cannot be set, the decisions taken at the meeting need to be ratified in writing by the other parties representative to make the said decisions binding. Decisions of the management committee shall be reached by consensus and will be binding on the parties.
- 3.3.6 In order for a decision of the management committee to have the effect of an amendment of this agreement, the decision must be reduced to writing and signed by a representative of each party who would ordinarily be entitled to sign an amendment to this agreement.
- 3.3.7 The Parties shall manage their relationship through the Management Committee, which shall be the highest decision making body for purposes of this Agreement.
- 3.3.8 The Parties shall ensure that their representatives on the Management Committee shall be duly authorised to bind the Parties in respect of all matters arising before the Management Committee.
- 3.3.9 The Management Committee shall monitor all costs anticipated to be incurred in respect of the obligations performed under this Agreement and shall procure that a quarterly reconciliation is done. The Parties shall reimburse each other to the extent as evidenced by such reconciliation, provided that the Parties may employ set-off where applicable and only make payments of net amounts. The Parties may determine how frequently such payments shall be made, provided that they occur (if applicable) at least twice a year.

4. OPERATIONS

- 4.1 Due to the nature of each Party's business, VR ASIA shall attend, advise and execute all functions in regards to fabrication, manufacturing and operational aspects at an agreed rate. DENEL shall make available to the Company, all products manufactured by DENEL in South Africa, for manufacturing and sale, and shall transfer all information in regards to these products to the Company on terms to be agreed between Denel and the company. DENEL and VR ASIA shall be jointly responsible for the sales and marketing of the Company and its products. DENEL

shall enter into a relevant licensing agreement with the Company. For the avoidance of doubt, DENEL shall not alienate its intellectual property in any way whatsoever.

- 4.2 Notwithstanding anything contained in 4.1 above, it is specifically recorded that VR ASIA shall be obliged to utilize all its resources, including its established network of potential business sources as referred to in the preamble of this agreement, in performing marketing activities on behalf of the Company and in generally ensuring that potential business opportunities are fully exploited within the Company.
- 4.3 The Company shall be liable for any Offset Obligations and or similar obligations that may arise in the territories in which it has secured opportunities.
- 4.4 Each of the Parties shall transfer to the Company sufficient start-up training and other transfer support. Each party shall transfer technology, information and training to the Company in order to operate.
- 4.5 The Parties agree that the Company shall establish its own information systems organization that is responsible for procuring and/or providing all of the information systems and technology required for the operation of the Company (the "Company's IT Organization"). The Company's IT Organization shall establish and operate the Company's IT infrastructure, including information systems and all supporting services.
- 4.6 It is specifically agreed that where opportunities are identified which are in the interests of the Company, and in respect of which VR Asia or Denel may also benefit, thereby creating a conflict of interest, VR Asia and Denel shall defer its own interests to those of the Company, and shall ensure that all potential opportunities are first offered to the Company. Should the Board, for any reason, resolve not to pursue any such opportunity, then VR Asia or Denel may pursue such an opportunity and give due notice to the Board.

5. ACCOUNTING

- 5.1 The accounting year of the Company shall be determined by the Managing Committee.
- 5.2 Within 10 days after the end of each month and 20 days after the end of each quarter, the Company shall submit to each Party its unaudited balance sheet and profit and loss statement of such month or such quarter, as the case may be.
- 5.3 Each Party shall have the right to audit or have audited, and/or require copies of the accounts of the Company. The accounts of the Company shall be kept in accordance with the laws of Hong Kong.
- 5.4 Unless otherwise determined by the Board of Directors, the Parties agree to appoint KPMG as its certified public accountants.

6. DURATION

- 6.1 This Agreement (other than clause 7, 9, and 10 which shall be binding from the signature date) shall become effective upon final approval in terms of the Public Management Financing Act no 1 of 1999 or other approvals required for the implementation of this agreement (hereafter the "Effective Date"), and continue in force unless terminated on the grounds set out herein.
- 6.2 Other than set forth in the Sections 6.3 and 6.4 of this Agreement, this Agreement shall terminate on –
- 6.2.1 to the extent that the company is incorporated, the date on which the parties conclude the agreements, including the shareholders agreement, contemplated in 1.3;
- It being specifically agreed that the parties may terminate this agreement by mutual consent prior to incorporating the company.
- 6.3 In case of the occurrence of any of the following circumstances this Agreement may be terminated with immediate effect by either Party by serving written notice (the "Termination Notice") to the other Party:
- a) Material breach of this Agreement by a Party (where only the non-breaching Party shall have the right to unilaterally terminate this Agreement as specified in 6.3 and the breaching Party was granted a 60 days cure period before the Termination Notice is served and did not remedy the material breach within this 60 day period);
 - b) In the case that the non-terminating Party has applied for liquidation or reorganization under applicable insolvency law, or has applied for or is the subject of a third party action for insolvency or business rescue, or is unable to honor its debts, or in the case of a *Force Majeure* which continues uninterrupted for a period in excess of 12 months.
- 6.4 In the event that all the shares of the Company are transferred to one of the parties, the terms and conditions of this agreement shall still be applicable except insofar as any term refers to the parties as co-shareholders. For the avoidance of any doubt, the terms in regards to the operational duties of each party, such as the duties set out in 4.1 and 4.2 above, shall remain to apply.
- 6.5 In case any of the circumstances stipulated in Section 6.3 occurs, the Party serving Termination Notice may elect either of the following options:
- a) Within 45 days after the day the Termination Notice was served, to serve a sale notice (the "Sale Notice") on the other Party offering to sell all of its shares at 120% of the Market Value or Net Asset Value, whichever is higher (the "Put Option Price"). The Party who receives the Sale Notice must, by itself or through a third party nominee, accept the offer and must purchase all of the requesting Party's shares at the Put Option Price within 45 days after the above notice is served.

- b) Within 45 days after the day the Notice was served, to serve a purchase notice (the "Purchase Notice") on the other Party offering to purchase all of its shares at 70% of either the Market Value or Net Asset Value, whichever is lower (the "Call Option Price"). The Party who receives the Purchase Notice must, by itself or through a third party nominee, accept the offer and must sell all of its shares to the requesting Party at the Call Option Price within 45 days after the above notice is served.
- 6.6 For the purpose of this Section 6.5, Market Value shall mean, the value per share appraised by an internationally recognized independent appraiser, appointed by the Managing director of KPMG Hong Kong.
- 6.7 For the purpose of this Section 6.5, Net Asset value shall mean the book value of the Company as determined by its latest available audited financial statements, as adjusted for capital increase or decrease of the Company or other major corporate activities which may affect the content of such financial statements, such adjustments to be made and certified by the Company's auditors within 30 days after the Sale Notice or Purchase Notice was served.
- 6.8 In case of occurrence of the termination event set forth in the Subsection 6.3(a), the non-breaching Party shall, in addition to the rights as set forth in the Section 6.5, be entitled to demand the breaching Party to compensate its damages incurred by such termination event.

7. GENERAL CONDITIONS

- 7.1 Notwithstanding any other provision, clause 7 shall become effective upon signature date and shall survive termination of this Agreement. No termination shall relieve any Party from liability for any breach of this Agreement.
- 7.2 Confidentiality and Non-use
 - 7.2.1 During a period beginning at the Effective Date and ending ten (10) years after the later of the termination of this Agreement, it shall be prohibited for either Party to disclose to any third party information which has been disclosed by the other, whether such disclosure is direct or indirect, by any means such as a writing, factory tour, or other means used to communicate information, provided that such information shall be documented or described in a tangible form and shall be marked "Confidential" (hereinafter "Confidential Information"). Any such Confidential Information shall be used only for the purposes of carrying out this Agreement.
 - 7.2.2 Any other use of Confidential Information is prohibited. Each of the Parties will cause its own and employees of the Company to adhere to the obligations of this through provisions in their respective employment agreements or otherwise. Confidential Information specifically includes the terms of this Agreement and its conditions provided however that the Parties may in connection with an actual or proposed merger or acquisition, and in connection with the enforcement of its rights under this Agreement disclose the terms and conditions of this agreements in confidence to its legal counsel, accountants and other advisors.

7.3 Confidential Information does not include information:

- a) Which was obtained legally by the receiving Party prior to its receipt from the disclosing Party.
- b) Which was or has become public not through any act of the receiving Party.
- c) Which has been received from a third party with no obligation of confidentiality;
- d) Which has been independently developed by the receiving Party or its Affiliates.
- e) This obligation of confidentiality shall not apply in such case that information is requested by a government agency of competent jurisdiction but in any case that Confidential Information is disclosed under this paragraph the Party disclosing Confidential Information to such government agency shall give the other Party (the "Information Owning Party") notice prior to such disclosure which notice shall be reasonably sufficient to allow the Information Owning Party to seek appropriate action to prevent such disclosure.

7.4 Non Circumvention

- 7.4.1 A Party shall not, without the prior written consent of the other Party, directly or indirectly initiate, solicit, negotiate, contract or enter into any business transactions, agreements or undertakings, with any third party identified or introduced by the other Party or the Company, or seek to bypass, compete, avoid or circumvent the other Party or Company from any business opportunity, that relates to the Company's business, by utilising any information received as a result of this agreement, or by otherwise exploiting or deriving any benefit from such information.

8. **FORCE MAJEURE**

- 8.1 In the event that either Party is delayed in performing or is prevented from performing in whole or in part its obligations hereunder due to Force Majeure then the Party so affected shall have no liability to the other Party in respect of any resultant delay in performance or non-performance, partially or in whole, of its obligations under this Agreement (and the other Party shall to a similar extent not be liable for non performance or delay in performance of its obligations).
- 8.2 For the purpose of this Agreement, a Force Majeure shall exist only if and during a period when an event is beyond the control of the Party claiming Force Majeure. Such event of Force Majeure shall include but not be limited to:
- a) labor disputes,
 - b) fire, explosion directly affecting the facilities concerned,
 - c) power outages or water shortages and any resultant losses incurred as a result, or
 - d) war or other hostilities, flood, earthquake, severe weather conditions of an extraordinary nature directly affecting the facilities concerned.

8.3 A Party wishing to invoke Force Majeure shall promptly notify the other Party in writing giving details thereof, and of the anticipated effect on this Agreement and of the estimated duration of Force Majeure. Such Party shall use its best endeavors to resume full performance of its obligations under this Agreement without avoidable delay.

8.4 Notwithstanding any provision in clause 8, Force Majeure cannot be invoked insofar as it relates to the Parties' rights and obligations as shareholders.

9. APPLICABLE LAW AND DISPUTES

9.1 This Agreement shall be construed in accordance with and governed by the laws of South Africa and shall be interpreted thereunder.

9.2 In case of any dispute between the Parties to this Agreement or in case of any alleged breach of this Agreement, the Parties shall cooperate to reach an amicable resolution of such dispute. In such case that they are unable to reach such an amicable resolution, the Parties shall submit such dispute to arbitration under this subsection.

9.2.1 The arbitration shall be held subject to the provisions of this clause:

- i) Pretoria;
- ii) informally;
- (iii) in accordance with the provisions of the Arbitration Act No 42 of 1965, as amended and/or further Rules agreed on between the parties or directed by the arbitrator.

9.2.2 The parties will endeavour to nominate an arbitrator within seven days after the dispute has been referred to arbitration by any of the parties and if the parties are unable to nominate an arbitrator either party may approach the president of the Law Society of the Northern Provinces to appoint an arbitrator.

9.2.3 The arbitrator shall, if the question in issue is:

- (i) primarily an accounting matter, an independent chartered accountant, together with a legal arbitrator referred to in ii) below or;
- (ii) primarily a legal matter, preferably a retired judge of the High Court of South Africa or a practicing senior counsel practicing at the Pretoria bar of advocates;
- (iii) any other matter, an independent person so agreed on or appointed.

9.2.4. The parties irrevocably agree that the decision in the arbitration proceedings shall be final and binding on them, shall be carried into effect and may be made an order of court on application of any of the parties. No party shall have the right to appeal.

- 9.2.5. Nothing contained in this clause shall preclude any of the parties from approaching a court of competent jurisdiction for interlocutory or urgent relief.

10 NOTICE

- 10.1 All notices required under this Agreement, and all communications made by agreement of the Parties, shall be made in writing, and shall be delivered either personally, by facsimile, e-mail or by mail. The date of actual receipt by the receiving party shall be deemed the date of notice under this Agreement. The addresses of each Party for purposes of notice under this Agreement shall be as follows:

For VR ASIA:

Mr Pieter van der Merwe

10 Haggie Road, Boksburg, RSA

PO Box 5362, Boksburg North, 1461

Tel: 011 306 8000, Fax: 011 306 8018

E-mail: pieterm@vrlaser.co.za

For DENEL:

Mr Zwelakhe Ntshepe

Denel SOC Ltd Office

Nellmapius Drive, Irene, Centurion

PO Box 8322, Centurion, 0046

Title: Chief Executive Officer

Tel: 012 671 2853

Fax: 012 671 2751

E-mail: zwelakhen@denel.co.za

- 10.2 No right or obligation under this Agreement shall be transferable or assigned to any third party without the express agreement in writing of the other Party.
- 10.3 No modification or amendment of this Agreement shall be valid without such amendment being in writing and signed by both Parties.
- 10.4 If any provision contained in this Agreement is or becomes ineffective or is held to be invalid by a competent authority or court having final jurisdiction thereover, or

the competent authorities find a provision to be invalid or request modifications, all other provisions of this Agreement shall remain in full force and effect and there shall be substituted for the said invalid provision a valid provision having an economic effect as similar as possible to the original provision.

- 10.5 This Agreement and any documents attached hereto constitute the entire agreement between the Parties with respect to the transactions contemplated hereby and, except as otherwise expressly set forth herein, supersedes all prior discussions, understandings, agreements and negotiations between the Parties with respect to such subject matter.

THIS DONE AND SIGNED AT PRETORIA ON THIS ____TH DAY OF OCTOBER 2015.

WITNESSES:

1. _____

2. _____

MR ZWELAKHE NTSHEPE OBO DENEL

WITNESSES:

1. _____

2. _____

MR PIETER VAN DER MERWE obo VR
ASIA