

IQuad Group Limited
Incorporated in the Republic of South Africa
(Registration Number 2004/025177/06)
Share Code: IQG ISIN: ZAE000101622
("IQuad" or "the Company" or "the Group")

DISPOSAL BY IQUAD OF ITS 90% EQUITY INTEREST IN IQUAD VERIFICATION SERVICES (PTY) LIMITED AND RENEWAL OF CAUTIONARY ANNOUNCEMENT

1. THE DISPOSAL

Shareholders are hereby advised that IQuad ("the Seller"), has entered into an agreement with Messrs Trevor Hayter and Wade van Rooyen (collectively hereafter referred to as "the Purchasers"), dated 2 August 2011 ("the agreement"), in terms of which the Seller will dispose of its' 90% equity interest in IQuad Verification Services (Pty) Limited ("IQuad Verification Services"), a subsidiary of IQuad, on the terms and conditions set out below ("the disposal").

2. BUSINESS OF IQUAD VERIFICATION SERVICES

IQuad Verification Services is a provider of verification support services. Their services are mainly focussed on Broad Based Black Economic Empowerment ("BBBEE") compliance evaluations, BBBEE verification, BBBEE training, BBBEE consulting and BBBEE strategy planning.

3. BACKGROUND INFORMATION ON THE PURCHASERS

Messrs Trevor Hayter and Wade van Rooyen are the Purchasers in terms of the disposal. Wade van Rooyen is part of the management team and is an executive director of IQuad Verification Services. Until his recent resignation from the boards of Iquad Verification Services and Iquad Group Limited, Trevor Hayter was a non-executive director of both entities.

4. RELATED PARTY TRANSACTION

As a result of the fact that Mr Wade van Rooyen currently is and Mr Trevor Hayter recently was a director on the board of IQuad Verification Services, the disposal is regarded as a related party transaction in terms of the Listings Requirements of the JSE Limited. A fairness opinion is however not required as stipulated in terms of rule 21.11(d) of the Listings Requirements, as the categorisation of the disposal is less than 10%.

5. RATIONALE FOR THE DISPOSAL

IQuad Verification Services was founded in 2006 as the Group recognised the BBBEE verification industry as a major growth area. The IQuad board has considered the financial impact the investment has had on the Group since inception and recent changes in legislation surrounding BBBEE verification, and accordingly believe that the business model of IQuad Verification Services no longer fits in with the Group's long term strategy.

6. THE EFFECTIVE DATE OF THE DISPOSAL

In terms of the agreement the effective date of the disposal will be 1 August 2011.

7. PURCHASE CONSIDERATION

The purchase consideration payable by the Purchasers to the Seller in terms of the agreement is R1 500 000.

The Purchasers have a period of 90 days, from the effective date, to settle the purchase consideration in cash, failing which the consideration will be vendor financed by the Seller ("the vendor loan"). The vendor loan for the purchase consideration payable in terms of the agreement will be repaid over a 36 month term, with the first repayment commencing 6 months after the effective date. The vendor loan will bear interest at the prime interest rate plus 2%, compounded monthly.

Iquad shares will be provided by the Purchasers to the Sellers as security for the vendor financed portion of the purchase consideration payable, if applicable. The number of shares will be calculated on the loan value divided by the market value of the shares as at the effective date. The market value of the shares will be calculated using the 30 day VWAP on the effective date.

8. OTHER SIGNIFICANT TERMS OF THE AGREEMENT

Other significant terms of the disposal includes the following:

8.1. in the event that the Seller provides a vendor loan, the Purchasers shall repay R750 000 or such lesser amount outstanding of the vendor loan granted by the Seller, in the event that the Purchasers conclude an agreement to resell the shares in Iquad Verification Services to a third party, excluding management and employees of Iquad Verification Services;

8.2. Iquad Verification Services will cease trading as Iquad BEE Verification or Iquad Verification by 31 October 2011; and

8.3. the transfer of Iquad Verification Services shares to the Purchasers shall only take place on receipt of the purchase consideration in cash or upon shareholders approval of the vendor loan.

9. CONDITIONS PRECEDENT

The disposal is subject to shareholder approval, should the purchase consideration be financed by the vendor loan.

10. PRO FORMA FINANCIAL EFFECTS

The pro forma financial effects of the disposal are presented for illustrative purposes only and because of their nature may not give a fair reflection of the Company's financial position nor of the effect on future earnings after the disposal.

Set out below are the Unaudited Pro Forma financial effects of the disposal, based on the audited financial results for the year ended

28 February 2011. The directors of Iquad are responsible for the preparation of the unaudited pro forma financial information.

	Audited before the disposal (cents per share)	Unaudited Pro Forma after the disposal (cents per share)	Change (%)
Basic (loss) / earnings per share	(56.9)	(54.9)	3.5%
Headline earnings per share	37.3	39.3	5.4%
Net asset value per share	403.9	402.6	(0.3%)
Net tangible asset value per share	148.5	149.7	0.8%

Notes and assumptions:

1. The basic earnings per share and headline earnings per share figures in the "Unaudited Pro Forma after the disposal" column have been calculated on the basis that the disposal was effected on 1 March 2010.
2. The net asset value per share and the tangible net asset value per share figures in the "Unaudited Pro Forma after the disposal" column have been calculated on the basis that the disposal was effected on 28 February 2011.
3. Interest on the purchase consideration payable has been calculated based on the ruling prime interest rate plus 2%.
4. The taxation rate applicable is assumed to be 28%.
5. The basic earnings per share and headline earnings per share figures are calculated based on weighted average number of shares in issue, net of treasury shares, of 27 382 113 shares as at 28 February 2011.
6. The net asset value per share and net tangible asset value per share have been calculated based on 27 382 113 shares in issue, net of treasury shares, as at 28 February 2011.

11. RENEWAL OF CAUTIONARY

Shareholders are referred to the cautionary announcement dated 6 July 2011 and are advised that negotiations are still in progress which, if successfully concluded may have a material effect on the price of the Company's securities. Accordingly shareholders are advised to continue exercising caution when dealing in their IQuad shares until a further announcement is made.

5 August 2011
Port Elizabeth

Corporate Adviser
PSG Capital (Pty) Limited

Designated Adviser
Questco Sponsors (Pty) Limited