

8 October 2014

Dear Shareholders,

On 18 September OnCard announced the conditional disposal of its 50% interest in its Sino Joint Venture operation in China, Shanghai Smart Service Company Limited ("SmartPASS") for RMB210million.

This potentially concludes a very lengthy and uncertain journey for OnCard. While SmartPASS has been a successful business for OnCard, over the last few years there has been a growing need to either work with our partner to obtain a licence or for us to exit the partnership. The company has been unable to either obtain a licence for SmartPASS to operate (as potentially required by regulations introduced in September 2011) or to sell SmartPASS to the many third parties who expressed interest.

This disposal, which is conditional on the approval by various Chinese authorities, is still uncertain and will take some time to conclude and for OnCard to receive the proceeds. Final proceeds to be received are also uncertain as the tax payable arising from this transaction is yet to be determined.

OnCard's major remaining operating business is Buffet Club. As described in the most recent Half Year Report lodged with the ASX in August, Buffet Club has seen a material reduction in profitability and Tony Robinson (CEO) is conducting a Strategic Review to determine if this performance can be resurrected. Tony's initial view is that a turnaround in the fortunes of Buffet Club would be, if the board decided to pursue such a strategy, a lengthy process and require a rebuilding of the development and sales teams and significant funds. A final view of the Buffet Club strategy will be provided in February 2015.

For some time now OnCard has carried a significant cash balance (and no debt), an asset which has increased over time due to healthy profits and dividends received from both SmartPASS and Buffet Club. Today this cash balance sits at about \$A23 million equivalent to approximately 12.5 cents per share.

The primary reason for holding this cash has been to ensure we hold sufficient funds to meet the required minimum capital in the event SmartPASS obtained its Chinese licence. With the signing of the contract to sell, and assuming the contract completes, this requirement is no longer relevant.

Options for what the Board may decide to do with the cash balance range from further investment in Buffet Club and other new ventures in China utilising OnCard's existing management team, to returning capital to shareholders in the most tax effective manner or a combination of both.

Today we are announcing two initiatives which makes use of a portion of that cash. Both are designed to achieve favourable outcomes for shareholders. They are:

- An on-market buyback of up to 10% of the issued capital of OnCard; and
- Establishing a sale facility for non-marketable parcels ("small parcel sale facility").

The buy-back facility is a capital management initiative designed to provide a certain cash value for those shareholders who would like to exit now in a market with the additional liquidity our buyback programme will provide.

The alternative is to look for potentially higher value at some time in the future subject to completion of the sale of SmartPASS and the future direction of the company.

The small parcel sale facility will provide an opportunity for approximately 1,800 small shareholders who have held a non-marketable parcel for nearly four years now to have their shares sold through a facility free from any transaction costs.

We will keep shareholders updated on these various activities as they develop.

Yours Sincerely

A handwritten signature in black ink, reading "Ross Burney". The signature is fluid and cursive, with the first name "Ross" and last name "Burney" clearly legible.

Mr Ross Burney

Chairman