

Re-compliance Update

Highlights

- ASX previously advised PC1 that the suspension in trading on PC1 shares will not be removed whilst the Company owns its lottery and gambling business.
- The Company to dispose of all its lottery and gambling business as a preliminary step to removing PC1 shares from suspension.
- The Company will buy back the 49% shareholding which Collingwood Football Club Limited owns in Sports Lottery (Australia) Pty Ltd.
- The Company will sell all the shares in its lottery and gambling subsidiary, Plus Connect Holdings Pty Ltd, to CDC Prosser Pty Ltd.
- The Company is committed to removing the suspension from trading in its shares. It is continuing its work to achieve that outcome at the earliest practical date.

Background to suspension in trading of PC1 shares

On 26 April 2017 the ordinary shares in Plus Connect Limited (the “**Company**” or “**PC1**”) were suspended from trading on the Australian Securities Exchange.

Since that time the Company has been working with the ASX to remove that suspension from trading. The ASX has advised the Company that the suspension in trading in its shares is unlikely to be removed whilst the Company owns its lottery and gambling business. The Company owns that business through its wholly owned subsidiary called Plus Connect Holdings Pty Ltd (“**PCH**”).

The Company’s Board of Directors (the “**Board**”) has resolved that it is in the best of interests of its shareholders to dispose of its lottery and gambling business as a preliminary step to removing PC1 shares from suspension.

The Board has considered a sale strategy for all or part of PCH’s lottery and gambling businesses in an effort to maximise the return to PC1 shareholders and is recommending the transaction detailed below.

The Board has determined that PCH should buy back the 49% shareholding held by Collingwood Football Club Limited (“**CFC**”) in Sports Lottery (Australia) Pty Ltd (“**SLA**”) for \$1 to bring that joint venture to an end (the “**Collingwood deal**”). The Board has also determined that all the issued shares in PCH should be sold to CDC Prosser Pty Ltd (the “**Prosser deal**”).

The Collingwood Deal

In December 2016, PCH entered into a joint venture arrangement with CFC. Under this arrangement CFC was issued 49% of the shares in SLA and PCH retained a 51% shareholding in SLA. PC1 operates all its sports-lottery products through SLA.

PC1 and CFC have agreed to terminate the joint venture arrangement. That arrangement will be terminated by CFC selling its 49% shareholding in SLA to PCH for \$1.

Following that transfer SLA will continue to operate its various sports lottery product offerings.

The completion of the Collingwood deal is one of the conditions which need to be satisfied before the Company can undertake the proposed Prosser transaction.

The Prosser Deal

On 4 August 2018 the Company and CDC Prosser Pty Ltd ("**Prosser**") entered into a legally binding Heads of Agreement for the sale by the Company to Prosser of all the issued shares in PCH. Prosser is a major shareholder and creditor of the Company.

The material terms of that proposed transaction are as follows:

- In consideration for the Purchase Price (as defined below), the Company has agreed to sell 100% of the shares in PCH ("**Shares**") to the Purchaser. PCH is currently 100% owned by the Company;
- Completion will be conditional upon satisfaction (or waiver) of the following conditions precedent:
 - PC1 obtaining an independent expert report on or before 22 August 2018 confirming that the sale of the Shares ("**Transaction**") is fair and reasonable to PC1 shareholders or the Purchase Price represents fair market value for the Shares;
 - negotiation and execution of final documentation required to give effect to the Transaction on or before 22 August 2018;
 - PCH acquiring 100% of the shares of Sports Lottery Australia Pty Ltd on or before 12 October 2018;
 - Plus Connect (NF) Pty Ltd and Plus Connect Gaming Singapore being wound up or deregistered on or before 12 October 2018; and
 - on or before 12 October 2018, PC1 (and Plus Connect (NT) Pty Ltd, if required) obtaining all necessary approvals and consents of its shareholders, counterparties and licensing or other regulatory authorities, including the Northern Territory Racing Commission.
- The purchase price for the Shares ("**Purchase Price**") will comprise:
 - \$10,000 (plus GST) (the "**Deposit**") to be paid in cash on completion of the transaction ("**Completion**"); and
 - \$200,000 to be paid on or before Completion. That amount is being paid by Prosser to the Company to replace the \$200,000 security previously provided by the Company for PCH's Northern Territory gambling and lottery licence. Prosser is entitled to deduct any working capital payments which he makes to PCH prior to Completion from that amount.
- A further amount of money is payable by Prosser to the Company if Prosser sells PCH or its material assets to a bona fide third party purchaser on arm's length terms within 12 months of Completion ("**Third Party Sale**"). The gross proceeds of that Third Party Sale ("**Gross Proceeds**") will be applied as follows:
 - firstly, to repay the loan provided by Prosser to the Company on the terms of the Convertible Note between the parties dated 8 March 2017 (the "**Convertible Note Agreement**");
 - secondly, 50% of the remaining proceeds of sale or such larger amount (as determined Prosser) will be paid to the Company;
- If a Third Party Sale does not occur within 12 months of Completion, or if the Purchaser sells PCH or its material assets and that sale is not to a bona fide third party purchaser on arm's length terms, then

on the twelve-month anniversary of Completion (or prior to the sale, if applicable), an independent accountancy firm will be appointed to determine the fair market value of the Shares in accordance with certain agreed principles (“**Fair Market Value**”). Within 5 business days of determination of the Fair Market Value:

- firstly, to repay the loan provided by Prosser to the Company on the terms of the Convertible Note between the parties dated 8 March 2017;
 - secondly, 50% of the remaining proceeds of sale or such larger amount (as determined by Prosser) will be paid to the Company;
- If the Purchaser intends to withdraw or revoke the Security at any time prior to Completion, the Purchaser must provide the Company with at least two weeks written notice of such intention to allow the Company sufficient time to provide alternative security for the Licence.
 - To the extent that the Security is still in place at Completion, it will remain with PCNT for at least 12 months post-Completion.
 - The parties agree to vary the transactions under the Convertible Note Agreement as follows:
 - the maturity date of the Convertible Notes will be extended to a date that is twelve months from Completion;
 - the Convertible Notes may be redeemed earlier by the Noteholder in connection with a Third Party Sale or valuation of PCH to determine the Fair Market Value (as required under the Heads of Agreement);
 - the loan amount may be capitalised by the amount of any proceeds from a Third Party Sale that Prosser decides not to receive but instead pays to the Company; and
 - the loan amount may be capitalised by the amount of Prosser’s entitlement to the upside from a Fair Market Valuation of PCH that Prosser decides to forgo and instead pay to the Company.
 - For the period ending on the later of the completion of a Third Party Sale or the twelve-month anniversary of Completion, Prosser must maintain the PCH business, including conducting the business in an appropriate manner, complying with all laws and maintaining and protecting all assets of PCH and its subsidiaries. In this regard, Prosser must ensure the PCH business is conducted in accordance with the agreed business plan. However, Prosser is permitted to deviate from that agreed business plan by plus or minus 5%.

The proposed Prosser deal is subject to more formal and comprehensive documentation. The Company will provide shareholders with further information about the proposed transaction at the time it requisitions a general meeting to obtain shareholder approval for that proposed transaction.

Going forward

The Company is committed to removing the suspension from trading in its shares. It is continuing to work to achieve that outcome at the earliest practical date. The Company will keep shareholders informed of its material progress in achieving that outcome.

– ENDS –

For more information, contact:

Paul Crossin
Executive Director
pcrossin@plusconnect.com.au

Carlie Hodges
Joint Company Secretary
chodges@cdplus.com.au