



**NOTICE OF ANNUAL GENERAL MEETING
PLUS CONNECT LTD ACN 007 701 715**

TIME: 11am AEDT

DATE: 15 November 2018

PLACE: Offices of Coghlan Duffy & Co
Level 42, Rialto South Tower
525 Collins Street
Melbourne VIC 3000

Important notice

This Notice of Meeting should be read in conjunction with the Explanatory Memorandum. The Explanatory Memorandum contains important information about the matters to be considered at the Annual General Meeting of Plus Connect Limited to assist shareholders to determine how to vote on the resolution set out in the accompanying Notice of Meeting. Should you wish to discuss any of the matters detailed in this Notice of Meeting, please do not hesitate to contact the Company Secretary on +61 3 9614 2444 or companysecretary@plusconnect.com.au.

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Notice of Annual General Meeting of Shareholders of Plus Connect Limited

Notice is given that the Annual General Meeting of Shareholders of Plus Connect Limited (ACN 007 701 715) (the **Company**) will be held:

- i. on **15 November 2018** at **11am AEDT**
- ii. at the offices of Coghlan Duffy & Co at Level 42, Rialto South Tower, 525 Collins Street, Melbourne VIC 3000

Important Information

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 7pm AEDT on 13 November 2018.

Voting in person

To vote in person, please attend the Meeting at the time, date and place set out above.

Voting online

To vote online, please go to <https://investor.automic.com.au/#/loginsah> and follow the instructions on your Proxy Form.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the Shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the Shareholder's votes, then, in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular Resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the Resolution, the proxy must not vote on a show of hands; and
- if the proxy is the Chair at which the Resolution is voted on, the proxy must vote on a poll, and must vote that way (ie. as directed); and
- if the proxy is not the Chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie. as directed).

Transfer of non-chair proxy to Chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular Resolution at a Meeting of the Company's Shareholders; and
- the appointed proxy is not the Chair; and
- at the Meeting, a poll is duly demanded on the Resolution; and
- either of the following applies:
 1. the proxy is not recorded as attending the Meeting; or
 2. the proxy does not vote on the Resolution,the Chair is taken, before voting on the Resolution closes, to have been appointed as the proxy for the purposes of voting on the Resolution at the Meeting.

Corporate representatives

A Shareholder that is a body corporate may appoint an individual to act as its representative at the Meeting by providing a duly executed Certificate of Appointment of Corporate Representative (**Certificate**). Unless otherwise specified in the Certificate, the representative may exercise all or any of the powers that the body corporate may exercise at the Meeting or in voting on a Resolution. A Certificate is available upon request from the Share Registry.

Appointments may be lodged in advance of the Meeting with the Share Registry or handed in at the Meeting when registering.

ASX notice

ASX takes no responsibility for the contents of this Notice.

BUSINESS OF THE ANNUAL GENERAL MEETING

Ordinary business

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the Annual Report of the Company for the financial year ended 30 June 2018, including the financial statements, Directors' Report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as a **non-binding resolution**:

“THAT, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's Annual Report for the financial year ended 30 June 2018.”

Note: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
 - (b) a Closely Related Party of such a member,
- (each a **Restricted KMP Voter**).

However, a Restricted KMP Voter may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (c) the Restricted KMP Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (d) the Restricted KMP Voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – ELECTION OF DIRECTOR – MR SAM ALMALIKI

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

“THAT Mr Sam Almaliki, having been appointed as a Director on 5 February 2018 in accordance with Article 14.4 of the Constitution, and being eligible, having offered himself for election, be elected as a Director of the Company.”

The Chair intends to vote all undirected proxies in favour of this Resolution.

4. RESOLUTION 3 – ELECTION OF DIRECTOR – MR ANDREW BALD

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

“THAT Mr Andrew Bald, having been appointed as a Director on 22 August 2018 in accordance with Article 14.4 of the Constitution, and being eligible, having offered himself for election, be elected as a Director of the Company.”

The Chair intends to vote all undirected proxies in favour of this Resolution.

5. RESOLUTION 4 – APPROVAL OF DISPOSAL OF PLUS CONNECT HOLDINGS PTY LTD

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

“THAT, for the purposes of ASX Listing Rule 11.2 and for all other purposes, approval is given for the Company to dispose of Plus Connect Holdings Pty Ltd, being the main undertaking of the Company, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any Associates of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chair intends to vote all undirected proxies in favour of this Resolution.

6. RESOLUTION 5 – APPROVAL OF SHARE PLACEMENT

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary resolution**:

“THAT, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 350,000,000 Shares, on the terms and conditions set out in the Explanatory Memorandum.”

Voting Exclusion Statement:

The Company will disregard any votes cast in favour of this Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any Associates of those persons. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the Chair as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

The Chair intends to vote all undirected proxies in favour of this Resolution.

7. OTHER BUSINESS

To transact any other business which may legally be brought before the Meeting.

Dated: 15 October 2018

By order of the Board

Charly Duffy
Joint Company Secretary

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the Annual Report of the Company for the financial year ended 30 June 2018 together with the declaration of the Directors, the Directors' Report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Annual Report to Shareholders unless specifically requested to do so. The Annual Report is available on its website at <https://www.plusconnect.com.au/news-reports/annual-reports>.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that, at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and Key Management Personnel of the Company. The Remuneration Report is part of the Directors' Report contained in the Annual Report. The Chair must allow a reasonable opportunity for its Shareholders to ask questions about or make comments on the Remuneration Report at the Annual General Meeting.

2.2 Voting consequences

Under the Corporations Act, a company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at two consecutive annual general meetings, at least 25% of the votes cast on a resolution in respect of a remuneration report vote against the adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to a vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting. If a Spill Resolution is put to shareholders, all of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting, each person whose election or re-election as a director of the company was approved will continue as a director of the company.

2.3 Previous voting restrictions

At The Company's previous annual general meeting, the votes cast against the Remuneration Report considered at that annual general meeting were less than 25% of the votes cast. Accordingly, a Spill Resolution is not required for this Annual General Meeting.

2.4 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the following:

Person appointed as proxy	Where directions are given on Proxy Form	Where no directions are given on Proxy Form
Key Management Personnel ¹	Vote as directed	Unable to vote ³
Chair ²	Vote as directed	Able to vote at discretion of proxy if expressly authorised to do so under the Proxy Form ⁴
Other	Vote as directed	Able to vote at discretion of Proxy

Notes:

¹ Refers to Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that Key Management Personnel.

² Refers to the Chair (where he/she is also a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report), or a Closely Related Party of the Chair.

³ Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on this Resolution.

⁴ The Proxy Form notes it is the Chair's intention to vote all undirected proxies in favour of all Resolutions.

3. RESOLUTION 2 – ELECTION OF DIRECTOR – MR SAM ALMALIKI

3.1 General

Article 14.4 of the Constitution requires that, if a person has been appointed as a Director by the Board since the last annual general meeting of the Company, that Director must stand for election at the Company's next annual general meeting and is eligible for re-election at that meeting.

Mr Almaliki was appointed as a Director by the Board under Article 14.4 of the Constitution on 5 February 2018. Personal particulars for Mr Almaliki are set out below.

3.2 Mr Sam Almaliki

Sam is a strategically-focused business leader and board director. Sam is managing director of consultancy Activate Global, a commissioner on the Victorian Multicultural Commission and chairperson of the Caulfield Racecourse Reserve Trust. Sam was previously the Head of Community Engagement at Cricket Australia. In this role over a four-year period, he oversaw a period of significant growth to record levels of participation, sponsorship, and engagement. Sam is also chairperson of the Loddon Mallee Regional Advisory Council and a member of the ABC Advisory Council. Sam is currently completing his final year of a law degree.

3.3 Board Recommendation

The Board (other than Mr Almaliki) recommends that you vote in favour of this Resolution.

4. RESOLUTION 3 – ELECTION OF DIRECTOR – MR ANDREW BALD

4.1 General

Article 14.4 of the Constitution requires that, if a person has been appointed as a Director by the Board since the last annual general meeting of the Company, that Director must stand for election at the Company's next annual general meeting and is eligible for re-election at that meeting.

Mr Bald was appointed as a Director by the Board under Article 14.4 of the Constitution on 22 August 2018. Personal particulars for Mr Bald are set out below.

4.2 Mr Andrew Bald

Andrew is a Corporate Advisor with a focus on equity capital markets for ASX listed companies and a passion for start-ups. Andrew's experience spans a range of roles including 16 years working for a variety of domestic and offshore financial institutions where he provided advice and structured risk management solutions for most of the ASX top 200 listed companies, specialising in structured interest rate and currency derivatives. Since 1999, he has originated and completed numerous corporate finance transactions, assisting companies manage both their debt and equity requirements and has worked with a number of successful startups in both the resources and technology sectors.

Andrew now heads up Panthea Capital, a boutique corporate advisory company that specialises in providing:

- strategic planning, risk management and financing advice;
- advising companies in relation to listings (IPO);
- raising capital;
- identifying profitable and successful transactions; and
- creating, structuring and fostering new businesses.

4.3 Board Recommendation

The Board (other than Mr Bald) recommends that you vote in favour of this Resolution.

5. RESOLUTION 4 – APPROVAL OF DISPOSAL OF PLUS CONNECT HOLDINGS PTY LTD

5.1 Background

As announced by the Company on 8 June 2018, the Company was advised by the ASX that the Plus Connect business model was unlikely to be considered suitable for the purposes of re-complying with Chapters 1 and 2 of the ASX Listing Rules (**Decision**). Following the receipt of ASX's Decision, the Board has explored various alternatives in an effort to maximise a return for Shareholders and has satisfied itself that the divestment of Plus Connect Holdings Pty Ltd (**PCH**), its wholly-owned subsidiary, will allow the Company to re-comply with Chapters

1 and 2 of the ASX Listing Rules (**Re-compliance**) with a new business and as a result, create value for Shareholders.

On 27 September 2018, the Company entered into a share sale agreement (**Sale Agreement**) to sell 100% of its shares in PCH to Newberry Gaming Pty Ltd (**Buyer**) (**Transaction**). Completion of the Transaction (**Completion**) is conditional upon, among other things, the Company obtaining all necessary regulatory and shareholder approvals. The material terms of the Transaction are set out in Section 5.4 of this Explanatory Memorandum.

5.2 Current activities of the Company

As at the date of this Notice, PCH operates a betting business, offering its clients online betting and social gaming products as a fundraising tool for charities and sports clubs (**Business**). The Board considers the Business to be the Company's main business activity.

Given the cash position of the Company and ASX's Decision, the Company and the Business are currently operating in such a manner to preserve the Company's cash reserves for the purposes of completing the Transaction and working towards Re-compliance with a new business opportunity.

5.3 The Company's activities and direction post-Transaction and use of proceeds of the Transaction

Should Shareholders approve the Transaction and the parties complete the sale of PCH, as previously advised, the Board intends to pursue Re-compliance with a new business to create value for Shareholders. In anticipation of Completion, the Board is currently considering a number of Re-compliance opportunities.

The Company intends to use the proceeds of the Transaction for working capital purposes.

Whilst Paul Crossin has given notice of his resignation with effect from the Company's 2018 Annual General Meeting, there are no changes proposed to the Company's board or senior management in connection with, or as a consequence of, the Transaction.

5.4 Material terms of the Sale Agreement

The material terms of the Sale Agreement are as follows:

Sale and Purchase Price

- (a) In consideration for the Purchase Price (as defined below), the Company has agreed to sell 100% of the shares in PCH (**PCH Shares**) to the Buyer on a cash-free, debt-free basis.
- (b) Completion will be conditional upon satisfaction (or waiver) of the following conditions precedent:
 - (i) the Company obtaining an independent expert report confirming that the sale of the PCH Shares is fair and reasonable to the Shareholders or the Purchase Price represents fair market value for the PCH Shares. The Company advises that this condition precedent has been satisfied;
 - (ii) PCH acquiring 100% of the shares of Sports Lottery Australia Pty Ltd. The Company advises that this condition precedent has also been satisfied;
 - (iii) Plus Connect (NF) Pty Ltd and Plus Connect Gaming Singapore being sold to a third party or deregistered on or before 8 November 2018; and
 - (iv) on or before 15 November 2018, the Company (and PCNT, if required) obtaining all necessary approvals and consents of its Shareholders, counterparties and licensing or other regulatory authorities, including the Northern Territory Racing Commission (as required). Shareholder approval under Resolution 4 is one of the approvals required to satisfy this condition precedent.
- (c) The purchase price for the PCH Shares (**Purchase Price**) will comprise:
 - (i) the provision of a bank guarantee of \$200,000 to secure PCNT's Licence to be provided on or before Completion (**Replacement Security**); plus
 - (ii) \$10,000 (plus GST) to be paid in cash on Completion (**Completion Payment**); plus
 - (iii) the Deferred Consideration (defined below).
- (d) Within 3 months of Completion, the Purchase Price will be adjusted on account of any excess or deficiency in the working capital balance of the Company at Completion, targeting a nil working capital balance (**Adjustment Amount**).
- (e) If:
 - (i) the Adjustment Amount is greater than zero, then the Buyer must pay the Seller that amount in immediately available funds; or
 - (ii) the Adjustment Amount is less than zero, then the Seller must pay the Buyer that amount in immediately available funds.

The Adjustment Amount must be paid within two Business Days of the Adjustment Amount being confirmed.

Deferred Consideration

- (f) A further amount of money may be payable by the Buyer to the Company in the following circumstances (**Deferred Consideration**):
- (i) if the Buyer 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 (**On-Sale Proceeds**) will be applied as follows:
 - (A) firstly, if CDC Prosser Pty Ltd (**Noteholder**) elects to redeem any amount of its Convertible Notes after completion of the Third Party Sale, that amount must be paid by the Buyer from the On-Sale Proceeds to the Noteholder to redeem those Convertible Notes; and
 - (B) secondly, to the extent of any excess On-Sale Proceeds after the redemption of Convertible Notes (if any) (**Net On-Sale Proceeds**), 50% of the Net On-Sale Proceeds will be paid to the Company within 5 Business Days after completion of the Third Party Sale.
 - (ii) If a Third Party Sale does not occur within 12 months of Completion, or if the Buyer 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 accounting firm will be appointed to determine the fair market value of the PCH Shares in accordance with certain agreed principles (**Fair Market Value**). Within 5 Business Days after determination of the Fair Market Value, the Buyer must:
 - (A) first, if the Noteholder elects to redeem any amount of its Convertible Notes, to pay that amount to the Noteholder to redeem those Convertible Notes; and
 - (B) secondly, to the extent that the Fair Market Value exceeds the amount of Convertible Notes redeemed in accordance with paragraph 7(ii)(A) above (if any) (**Excess FMV**), pay 50% of the Excess FMV to the Company.

Working Capital Contributions prior to Completion

- (g) If agreed by the Company, the Buyer may, but is not obliged to, provide additional working capital funds to PCH prior to Completion (**Additional Working Capital Funds**).
- (h) The Buyer is entitled to set-off or deduct from the Purchase Price any Additional Working Capital Funds that it made to PCH prior to Completion. For the avoidance of doubt, the Replacement Security will not be included in the calculation of Additional Working Capital Funds.

Replacement Security

- (i) The Replacement Security replaces the \$200,000 bank guarantee previously provided by PCNT to secure the Licence. The Buyer has provided the Replacement Security which allowed PCH to withdraw its own \$200,000 bank deposit which was previously securing the Licence and use those funds for working capital of the Business up to Completion.
- (j) If the Buyer intends to withdraw or revoke the Replacement Security at any time prior to Completion, then the Buyer must provide the Company with at least 10 Business Days written notice to allow the Company sufficient time to provide alternative security for the Licence.
- (k) If the Sale Agreement is terminated for non-satisfaction of the conditions precedent, the Buyer will be entitled to immediately seek the return of the Replacement Security and the Seller must ensure that the Replacement Security is returned within 10 Business Days of the termination date.

Convertible Note Agreement

- (l) The parties agreed to vary the transactions under the Convertible Note Agreement as follows:
 - (i) the maturity date of the Convertible Notes will be extended to a date that is twelve months from Completion; and
 - (ii) 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 contemplated under paragraphs (f)(i)(A) and (f)(ii)(A) above).

Maintenance of Business and Warranties

- (m) The Buyer has given undertakings customary for a transaction of this nature to maintain and conduct the Business in an appropriate manner during the period from Completion until finalisation of the Deferred Consideration amount (if any), including, complying with all laws and maintaining and protecting all assets of PCH and its subsidiaries.
- (n) The Company has given customary warranties in relation to the Business and is liable for any breach of those

warranties. The Company has also agreed to indemnify the Buyer against all loss that the Buyer suffers or incurs as a result of any of the warranties being untrue or incorrect in any material respect.

5.5 Reasons for the Transaction

The Board has considered the Company's current available capital and its current opportunities, and, following an assessment of the advantages and disadvantages listed below, considers the Transaction to be in the Company's best interests.

In this regard, the Company has also elected to engage Hall Chadwick Corporate (NSW) Limited (**Independent Expert**) to provide an independent expert's report (**Independent Expert's Report**) on the Transaction. The Independent Expert has advised that it is of the view that the Transaction is **fair and reasonable** to Shareholders. The Independent Expert's Report is provided in Annexure B.

(a) Potential Advantages of the Transaction

In particular, the Board considers that the Transaction provides the following advantages for the Company:

- i. the Transaction enables and encourages the Buyer to invest in re-establishing the Business to the position and valuation existing prior to the Company's suspension from trading on the ASX imposed on 26 April 2017 (**Suspension**), which is expected to result in a greater return for Shareholders than if the Business were sold to a third party under the Company's current circumstances;
- ii. given ASX has restricted the Company from raising new capital for the purposes of the Business' operations, the Transaction provides access to funds for the Business which is necessary to maintain the licence granted to PCNT by the Northern Territory Racing Commission (**Licence**) and to continue trading so that the Business could be sold as a going concern and have the opportunity to realise a higher valuation under improved circumstances;
- iii. the Board considered all available funding options and considered that the Transaction provided the most favourable, non-dilutive terms to allow the Company to maintain the Business as a going concern until completion of the Transaction;
- iv. the Transaction will relieve the Company from having to fund the operating costs of the Business and, as a result, will allow the Company to preserve cash while it identifies new business opportunities for Re-compliance;
- v. without access to funding prior to the Meeting, PCH and/or the Company may have been required to be placed into voluntary administration;
- vi. the restrictions placed on the Business as a result of ASX's Decision diminished the ability of the Board to achieve a valuation which reflects the Board's opinion of the Business' growth and potential. The Board considers that, without the constraints imposed by the ASX, the Business will be able to capitalise on its opportunities and execute on its growth strategies and, as a result, achieve a valuation which is more likely to reflect the underlying value of the Business. The Board considers that the terms of the Transaction allow the value of the Business to be ascertained in more favourable circumstances than the Company's current circumstances; and
- vii. the Transaction enables the Company to focus and concentrate its resources on identifying new business opportunities for the purposes of pursuing Re-compliance. If the Company successfully achieves a Re-compliance, its shares will be re-instated to the Official List of ASX.

(b) Potential Disadvantages of the Transaction

The Board considers that the Transaction may involve the following disadvantages for the Company:

- i. given the potential delay in realising the value of the Business, and that the Company will not be in control of the Business during that time, there is a risk that the Buyer will not create value in the Business. Further, the Company will not have control over the terms on which the Business may be sold to a third party by the Buyer. Accordingly, there is a risk that the value of the Business as determined or agreed under a Third Party Sale or Fair Market Value does not meet the Board's current expectations, or return any significant cash to the Company;
- ii. if the Company requires additional working capital prior to Completion or is required to pay an Adjustment Amount to the Buyer, the Company may be required to raise additional funds via debt or equity funding;
- iii. the Company will no longer be the direct legal and beneficial holder of PCH and, accordingly, the Company will no longer have exposure to any profits which may be generated by PCH in the future. The Company may, however, be entitled to a payment of Deferred Consideration within 12 months of Completion in accordance with the terms of the Sale Agreement (refer to Section 5.4 above); and
- iv. the disposal of the Business may not be consistent with the investment objectives of all Shareholders. Similarly, subsequent to the Transaction, the Board will pursue Re-compliance with a new business, which also may not be consistent with the investment objectives of all Shareholders.

(c) Consequences if the Transaction is not approved

The Board believes the following consequences will occur if the Transaction is not approved by Shareholders:

- i. if the Transaction is not approved, PCH will be placed into voluntary administration. Under the terms of various convertible note agreements between the Company and several noteholders, this may result in the Company also being placed into voluntary administration;
- ii. as Shareholders have been advised, the Company has been working with the ASX to pursue Re-compliance in an attempt to lift its Suspension. The ASX has advised the Company that the Business is unlikely to be considered suitable for the purposes of Re-compliance and, accordingly, the suspension in trading in its Shares is unlikely to be removed whilst the Company continues to own the Business. Accordingly, if the Transaction does not proceed, it may have a significant impact on the Company's ability to achieve Re-compliance and may affect the Company's ability to remain listed on the ASX;
- iii. further, given the current cash position of the Company, the Board believes that, if the Transaction does not proceed, there is a real possibility that PCH will be required to enter into voluntary administration. If the Company enters into voluntary administration, Plus Connect (NT) Pty Ltd (**PCNT**) will be in breach of the terms of its Licence and the Licence may be terminated as a result. If PCNT loses the Licence, it is unlikely that the Company will achieve any material value under any future sale of the Business;
- iv. if the Transaction does not proceed, and the Buyer elects to withdraw the funds currently provided for the Security, the Company will have 10 Business Days to raise the funds required to maintain the Security. If the Company cannot maintain the Security, PCNT will be in breach of the terms of its Licence and the Licence may be terminated as a result. If PCNT loses the Licence, it is unlikely that the Company will achieve any value for any future sale of the Business; and
- v. given the current circumstances of the Company, the Board believes that the Transaction is in the best interests of Shareholders and is expected to generate the most advantageous result for Shareholders.

5.6 Financial effect

If the Transaction does not proceed, it is unlikely that the Company will be able to continue as a going concern.

An unaudited pro forma balance sheet of the Company showing the likely impact of the Transaction on the Company is set out in Annexure A.

5.7 Independent Expert Report

The Board has engaged the Independent Expert to prepare the Independent Expert's Report in respect of the Transaction. While an Independent Expert Report is not required for a resolution proposed under Listing Rule 11.2, the Company has obtained such a report to provide Shareholders with all necessary information that may assist them making an informed decision on this Resolution.

The Independent Expert has advised that it is of the view that the Sale is **fair** and **reasonable** to Shareholders. The Independent Expert Report is included in full at Annexure B.

5.8 ASX Listing Rule 11.2

ASX Listing Rule 11.2 provides that, where an entity proposes to make a significant change in the nature or scale of its activities, which involves the disposal of its main undertaking, it must first obtain the approval of its shareholders.

ASX Guidance Note 12 indicates that ASX Listing Rule 11.2 will only apply if the entity is proposing to dispose of all, or substantially all, of its assets and businesses.

On the basis of the above guidance, the Company considers that the Business operated by PCH would qualify as the Company's main undertaking and, accordingly, ASX Listing Rule 11.2 applies to the Transaction. The Company is now seeking Shareholder approval under ASX Listing Rule 11.2 to allow the disposal of PCH to the Buyer.

The Transaction requires Shareholder approval under the Listing Rules. In the event that Shareholder approval is not obtained and as a result, Completion is unable to occur, the Transaction will not proceed. The Board expects that this will significantly impact the Company's ability to pursue Re-compliance and reinstate trading of the Company's shares on the ASX.

5.9 Indicative Timetable

Subject to the ASX Listing Rules and Corporations Act requirements, the Company anticipates completion of the Transaction in accordance with the following timetable (which is subject to change by the Company):

Event	Date
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Execution of Sale Agreement	27 September 2018
Despatch of Notice of Meeting	15 October 2018
Annual General Meeting to approve the Resolution	15 November 2018
Completion of the Transaction	22 November 2018*

* Or such other date as may be agreed between the parties. This date also assumes that all conditions precedent will be either satisfied or waived by this date.

5.10 Directors' Interests in the Transaction

The Directors do not have any material interest in the Transaction, or the outcome of the Resolution, other than as a result of any interest that arises solely in their capacity as Shareholders.

No Director, nor any Associate of a Director, will receive any payment or any benefit of any kind as a consequence of the Transaction other than a benefit they may receive in their capacity as a Shareholder.

5.11 Board Recommendation

The Board unanimously recommends that Shareholders vote in favour of this Resolution. The Board has approved the Transaction and the proposal to put the Resolution to Shareholders. Those Directors who hold Shares intend to vote their respective shareholdings in favour of this Resolution.

The Chair intends to vote undirected proxies in favour of the Resolution.

6. RESOLUTION 5 - APPROVAL OF SHARE PLACEMENT

6.1 General

Resolution 5 seeks Shareholder approval for the issue of up to 350,000,000 Shares at a minimum issue price of 80% of the VWAP for Shares, calculated over the last 5 days on which sales in Shares were recorded before the day on which the issue was made or, if there is a prospectus relating to the issue, over the last 5 days on which sales in Shares were recorded before the date the prospectus is signed (**Placement**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 5 will be to allow the Company to issue up to 350,000,000 Shares pursuant to the Placement during the period of 6 months after the Meeting, without using the Company's 15% annual placement capacity.

6.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (a) the maximum number of Shares to be issued is 350,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting in accordance with ASX Listing Rule 7.3.2 and it is intended that issue of the Shares will occur on the same date;
- (c) the issue price will be no less than 80% of the VWAP for Shares calculated over the last 5 days on which sales in Shares were recorded before the date on which the issue was made or, if there is a prospectus relating to the issue, over the last 5 days on which sales in Shares were recorded before the date the prospectus is signed, in accordance with Listing Rule 7.3.3;
- (d) the Directors will determine to whom the Shares will be issued but these persons will not be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Placement towards finalising negotiations with a potential business acquisition for Re-compliance and, upon finalisation of the negotiations, the funds will be used to fund the completion of a reverse takeover.

6.3 Board Recommendation

The Board recommends that you vote in favour of this Resolution.

Glossary

\$ means Australian dollars.

Additional Working Capital Funds has the meaning given to it in Section 5.4(g).

Adjustment Amount has the meaning given to it in Section 5.4(d).

AEDT means Australian Eastern Daylight Savings Time as observed in Melbourne, Victoria, Australia.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

Annual Report means the annual financial report of the Company for the year ended 30 June 2018.

Associate has the meaning given to it in ASX Listing Rule 19.12.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of Directors of the Company.

Business has the meaning given to it in Section 5.2.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Buyer means Newberry Gaming Pty Ltd or its nominee.

Chair means the chair of the General Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001 (Cth)*.

Company means Plus Connect Ltd ACN 007 701 715.

Completion has the meaning given to it in Section 5.1.

Completion Payment has the meaning given to it in Section 5.4(c).

Constitution means the Company's constitution.

Convertible Note Agreement means the unsecured convertible note agreement between the Noteholder and the Company dated 8 March 2017 (as amended on or around 25 May 2017 and 27 September 2018) in respect of convertible notes that have a face value of \$2million.

Convertible Notes means the outstanding convertible notes (from time to time) issued by the Company to the Noteholder on the terms of the Convertible Note Agreement.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Decision has the meaning given to it in Section 5.1.

Deferred Consideration has the meaning given to it in Section 5.4(f).

Directors means the current directors of the Company.

Directors' Report means the directors' report contained in the Annual Report.

Explanatory Memorandum means the explanatory memorandum accompanying the Notice of Meeting.

Fair Market Value has the meaning given to it in Section 5.4(f)(ii).

Independent Expert means Hall Chadwick Corporate (NSW) Limited.

Independent Expert's Report means the independent expert's report prepared by Hall Chadwick Hall Chadwick Corporate (NSW) Limited.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Licence means the licence granted to PCNT by the Northern Territory Racing Commission.

Noteholder means CDC Prosser Pty Ltd ACN 160 589 435.

Notice or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Memorandum and the Proxy Form.

PCH means Plus Connect Holdings Pty Ltd ACN 164 388 783.

PCH Shares has the meaning given to it in Section 5.4(a).

PCNT means Plus Connect (NT) Pty Ltd ACN 148 004 344.

Placement has the meaning given to it in Section 6.1.

Proxy Form means the proxy form accompanying the Notice.

Purchase Price has the meaning given to it in Section 5.4(c).

Re-compliance means re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

Remuneration Report means the remuneration report set out in the Directors' Report contained in the Company's Annual Report.

Replacement Security has the meaning given to it in Section 5.4(c).

Resolutions means the resolutions set out in the Notice of Annual General Meeting, or any one of them, as the context requires.

Restricted KMP Voter is one of the following persons who or on whose behalf a vote on a Resolution must not be cast (in any capacity):

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

Sale Agreement has the meaning given to it in clause 5.1.

Section means a section of the Explanatory Memorandum.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Share Registry means the share registry of the Company, being Automic Registry Services.

Special Resolution means that at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting (in person, by proxy, by attorney or, in the case of a corporate shareholder, by a corporate representative) must be in favour of a Resolution for it to be passed.

Spill Meeting has the meaning ascribed to it in Section 2.2 of the Explanatory Memorandum.

Spill Resolution has the meaning ascribed to it in Section 2.2 of the Explanatory Memorandum.

Suspension has the meaning given to it in Section 5.5(a).

Third Party Sale has the meaning given to it in Section 5.4(f).

Transaction has the meaning given to it in Section 5.1.

VWAP means volume weighted average price.

ANNEXURE A: PRO-FORMA BALANCE SHEET

DISCLOSURE - Likely impact of the transaction on the entity			
	FY18	FY18	FY18
	<u>Audited Financial</u>	<u>PCH Entities</u>	<u>Proforma **</u>
	<u>Statements</u>		
Consolidated Total Assets	1,019,896	187,914	831,982
Consolidated Total Equity Interest	(1,967,771)	34,222	(2,001,993)
Consolidated Annual Revenue	95,972	91,436	4,536
Consolidated Annual Expenditure	(5,285,052)	(3,556,716)	(1,728,336)
Consolidated Annual Profit Before Tax	(5,189,080)	(3,465,280)	(1,723,800)

** The FY18 Proforma in the above table indicates the PC1 consolidated accounts less the Plus Connect Holdings Pty Ltd & controlled entities as at 30 June 2018.

ANNEXURE B: INDEPENDENT EXPERT'S REPORT

27 September 2018

The Directors
Plus Connect Limited
Level 42 Rialto South Tower
525 Collins Street
MELBOURNE VIC 3000

Dear Sirs,

Independent Expert's Report on the disposal of PCH shares

1. INTRODUCTION

Background

- 1.1 Plus Connect Limited ("PCL" or "the Company") is an Australian public company involved in online and application based betting and social gaming products. PCL shares have been suspended on the Australian Securities Exchange ("ASX") since 26 April 2017 and ASX have advised that the suspension in trading on PCL shares will not be removed whilst the Company owns this lottery and gambling business.
- 1.2 PCL owns 100% of the issued capital in Plus Connect Holdings Pty Ltd ("PCH"). PCH owns 100% of the issued shares of Plus Connect (NT) Pty Ltd ("PCNT") which holds a licence granted by the Northern Territory Racing Commission ("NTRC") under the *Racing and Betting Act 1983* (Northern Territory) to conduct the business of a sports bookmaker ("NT Licence") and 51% of Sports Lottery Australia Pty Ltd ("Sports Lottery Australia").
- 1.3 In order to comply with the ASX request to dispose of its lottery and gambling business and to remove PCL shares from suspension, PCL has entered into a Share Sale Agreement with with Newberry Gaming Pty Ltd ("Newberry") whereby PCL will sell to Newberry all of the issued shares in PCH, as detailed at section 2 ("the Agreement"). Newberry is a related party of CDC Prosser Pty Ltd ("Prosser"), a major shareholder and creditor of the Company.
- 1.4 The disposal of PCH shares by PCL and other conditions precedent detailed at section 2, is referred to in this report as the "Transaction".

Purpose of Report

- 1.5 You have requested Hall Chadwick Corporate (NSW) Limited ("HCC") to prepare an Independent Expert's Report to advise the shareholders of PCL other than those associated with the

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Transaction (“Non-Associated Shareholders”), whether the Transaction is fair and reasonable when considered in the context of the interests of Non-Associated Shareholders and to set out the reasons for our conclusions.

- 1.6 HCC understands and has agreed that this report will accompany the notice to convene a meeting of PCL shareholders, to assist the Non-Associated Shareholders in their consideration of the Transaction.

2. **OPINION**

- 2.1 In our opinion, the Transaction is *fair and reasonable* to the Non-Associated Shareholders of PCL.
- 2.2 The ultimate decision however on whether to accept the Transaction should be based on shareholders own assessment of their circumstances.

STRUCTURE OF REPORT

Our report is set out under the following headings:

- 3 TRANSACTION OVERVIEW AND PURPOSE OF REPORT
- 4 OPINION
- 5 BASIS OF EVALUATION
- 6 OVERVIEW OF PCL AND PCH
- 7 VALUATION METHODOLOGIES
- 8 VALUE OF PCH
- 9 ADVANTAGES AND DISADVANTAGES OF THE TRANSACTION
- 10 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

APPENDICES

- I SOURCES OF INFORMATION
- II STATEMENT OF DECLARATION & QUALIFICATIONS
- III FINANCIAL SERVICES GUIDE

3 TRANSACTION OVERVIEW AND PURPOSE OF REPORT

3.1 Transaction Overview

- 3.1.1 On 26 April 2017 the ordinary shares in PCL were suspended from trading on the ASX. 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, traded through PCH. The Company was advised by the ASX that the Plus Connect business model was unlikely to be considered suitable for the purposes of re-complying with Chapters 1 and 2 of the ASX Listing Rules
- 3.1.2 The Company's Board of Directors (the "Board") has resolved that it is in the best interests of shareholders to dispose of its lottery and gambling business as a preliminary step to removing PCL shares from suspension and allowing the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules with a new business that may create value for Shareholders.
- 3.1.3 On 27 September 2018 the Company and Newberry signed a Share Sale Agreement for the sale by the Company to Newberry of all the issued shares in PCH. The purchase price for the Shares ("Purchase Price") will comprise:
- a) Replacement Security, being \$200,000 to be made in the form of a bank guarantee on or before Completion to replace the \$200,000 security previously provided by the Company for PCH's Northern Territory gambling and lottery licence ("the Security").
 - b) Completion Payment, being \$10,000 (plus GST) to be paid in cash on completion of the Transaction ("Completion");
 - c) Deferred Consideration, being a further amount payable by Newberry to the Company if Newberry 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 ("On-Sale Proceeds") will be applied as follows:
 - firstly, at the election of Prosser, to repay the loan provided by Prosser, a related party of Newberry, to the Company on the terms of the Convertible Note between the Company and Prosser dated 8 March 2017 (as amended on or around 25 May 2017 and 27 September 2018) (the "Convertible Note Agreement");
 - secondly, 50% of the remaining net On-Sale Proceeds will be paid to the Company;
- 3.1.4 Newberry is entitled to deduct from the Purchase Price any working capital contributions that it makes to PCH prior to Completion.
- 3.1.5 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"), which will form the basis of the On-Sale Proceeds payments detailed above.
- 3.1.6 The total value of the Convertible Notes in PCL is \$2,400,000. PCL and Prosser agree to vary the Convertible Note Agreement under a Deed of Variation as follows:
- a) the maturity date of the Convertible Notes will be extended to a date that is twelve months from Completion; and

b) 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.

3.1.7 For the period ending on the later of the completion of a Third Party Sale or the twelve-month anniversary of Completion, Newberry 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.

3.1.8 The Transaction is also conditional upon:

- a) PCH buying 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. PCH already holds the other 51% shareholding in SLA and has operated its sports-lottery products through SLA. We are advised that PCL and CFC have agreed to terminate this joint venture arrangement and that this transfer of shares has occurred. Following this transfer, SLA will continue to operate its various sports lottery product offerings as a wholly owned subsidiary of PCH.
- b) Plus Connect (NF) Pty Ltd and Plus Connect Gaming Singapore being sold to a third party or deregistered. These two subsidiaries of PCL have no value, have never traded and have no assets.
- c) PCL (and PCNT, if required) obtaining all necessary approvals and consents of its shareholders, counterparties and licensing or other regulatory authorities, including the Northern Territory Racing Commission (as required).

3.2 Purpose of Report

3.2.1 ASX Listing Rule 11.2 provides that, where an entity proposes to make a significant change in the nature or scale of its activities, which involves the disposal of its main undertaking, it must first obtain the approval of its shareholders. ASX Guidance Note 12 indicates that ASX Listing Rule 11.2 will only apply if the entity is proposing to dispose of all, or substantially all, of its assets and businesses. On the basis of this guidance, the Company considers that the Business operated by PCH would qualify as the Company’s main undertaking and, accordingly, ASX Listing Rule 11.2 applies to the Transaction.

3.2.2 While an Independent Expert Report is not required for a resolution proposed under Listing Rule 11.2, the Company has obtained this report to provide shareholders with all necessary information that may assist them making an informed decision on the Transaction. The purpose of this report is to advise the Non-Associated Shareholders of PCL of the fairness and reasonableness of the Transaction. This report provides an opinion on whether or not the terms and conditions in relation to the Transaction are fair and reasonable to the PCL shareholders.

3.2.3 The ultimate decision whether to accept the terms of the Transaction should be based on each shareholders’ assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Transaction or matters dealt with in this report, shareholders should seek independent professional advice.

3.2.4 For the Transaction to be fair, the consideration received by PCL must be equal to or greater than the value of the PCH shares being disposed. To be reasonable the shareholders must obtain an overall benefit if the Transaction proceeds.

4. OPINION

- 4.1 In our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of PCL.
- 4.2 Our opinion is based solely on information available as at the date of this report.
- 4.3 The principal factors that we have considered in forming our opinion are summarised below.

Fair

- 4.4 According to RG 111, for the Transaction to be fair, the value of the consideration must be equal to or greater than the value of PCH shares being disposed.
- 4.4.1 Based on the analysis contained in section 8 of this report, the indicative value of PCH shares is between \$11,880 and \$34,221, based on the net tangible assets being disposed.
- 4.4.2 The minimum consideration to be received by PCL for the sale of PCH shares is the Purchase Price totalling **\$210,000**, comprising the Completion Payment of \$10,000 plus the Replacement Security of \$200,000. In addition, following any Third-Party Sale or Fair Market Appraisal 12-months from Completion, PCH may also receive Deferred Consideration depending on the On-Sale Proceeds or Fair Market Valuation determined at that time.
- 4.4.3 In our opinion the Transaction is **fair** as the value of the consideration is greater than the value of PCH shares being disposed.

Reasonable

- 4.5 ASIC Regulatory Guide 111 states that a transaction is reasonable if:
- The Transaction is fair; or
 - Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.
- 4.5.1 We have concluded that the Transaction is fair and therefore also reasonable. In forming our opinion we have also considered the following relevant factors.
- The Transaction may allow the suspension of the PCL shares to be lifted and for PCL to re-comply with Chapters 1 and 2 of the ASX Listing Rules with a new business that may create value and liquidity for Shareholders.
 - If the Transaction is not approved, PCH will be placed into voluntary administration. Under the terms of various convertible note agreements between the Company and several noteholders, this may result in the Company also being placed into voluntary administration.
 - PCH is not currently generating any profits and is not expected to in the future whilst it remains a subsidiary of PCL due to working capital restraints and minimal share liquidity. The Transaction will allow the Company to preserve cash while it identifies new business opportunities for Re-compliance.

- The Transaction may provide an opportunity for PCL shareholders to use the funds from the sale of the PCH shares to identify profitable investments and increase share value and liquidity.
- The Transaction is being undertaken with 100% cash consideration, therefore there will be no dilutionary effect on the equity interests of Non-Associated Shareholders.
- An immediate, properly organised sale of PCH by PCL itself was not considered an option as the Company does not have sufficient cash or management resources to facilitate this process. The Transaction, which contemplates selling the business to an associated party who can fund the stabilisation of the business and conduct an orderly sale is considered a more favourable option for shareholders than having to wind-up PCH for potentially no return.
- The Transaction provides future funding for the PCH business which is necessary to maintain the NT Licence and to continue trading so that the business may be sold as a going concern and have the opportunity to realise a higher valuation under more improved circumstances. ASX has restricted the Company from raising new capital for the purposes of the PCH business' operations.
- The restrictions placed on the PCH business as a result of ASX's Decision diminished the ability of the Board to achieve a valuation of the business which reflects the Board's opinion of its growth and potential. The Board considers that, without the constraints imposed by the ASX, PCH will be able to capitalise on its opportunities and execute on its growth strategies and as a result, achieve a valuation which is more likely to reflect the underlying value of the PCH business. The Board considers that the terms of the Transaction allow the value of PCH to be ascertained in more favourable circumstances than the Company's current circumstances
- The Company will benefit from any gross proceeds from the subsequent trade sale or increase in fair market value of PCH within twelve months of completion of the Transaction.
- If the Transaction does not proceed, and Newberry elects to withdraw the funds currently provided for the Security, the Company will have 10 days to raise the funds required to maintain the Security or risk being in breach of the terms of its Licence. If PCNT loses the Licence, it is unlikely that the Company will achieve any value for any future sale of PCH.
- We are unaware of any alternative proposal for PCH at the date of this report that would realise better value for PCL shareholders.

4.6 *Accordingly, in our opinion, the Transaction is fair and reasonable to the Non-Associated Shareholders of PCL.*

5 BASIS OF EVALUATION

- 5.1 In our assessment of whether the Transaction is fair and reasonable to PCL Non-Associated Shareholders, we have given due consideration to the Regulatory Guides issued by the ASIC, in particular, Regulatory Guide 74 “Transactions Agreed to by Shareholders”, Regulatory Guide 111 “Content of Experts Reports” and Regulatory Guide 112 “Independence of Experts Reports”.
- 5.2 ASIC Regulatory Guide 74 requires, amongst other things, that shareholders are provided with sufficient information to make an effective, informed decision on whether the Transaction is fair and reasonable. Under Regulatory Guide 111, a transaction is “fair” if the value of the consideration received is equal to or greater than the value of the asset being disposed (in this case the equity in PCH). Additionally, under Regulatory Guide 111 an offer is “reasonable” if it is fair. It is possible for an offer to be reasonable despite being unfair. This would be after the expert considers that, based on non-financial factors, the shareholders should still approve the Transaction in the absence of any alternative proposals.
- 5.3 Our report has compared the likely advantages and disadvantages to Non-Associated shareholders if the Transaction is agreed to, with the advantages and disadvantages to those shareholders if it is not. Comparing the value of the shares to be acquired under the Transaction and the value of the consideration to be paid is only one element of this assessment.
- 5.4 Normal valuation practice is to determine the fair market value of an asset assuming a counter party transaction between a willing and not anxious buyer and a willing but not anxious seller, clearly at arm’s length. We have adopted this approach in determining the market value of the equity of PCH.
- 5.5 In evaluating the Transaction, we have considered the value of PCH shares being disposed and compared this to the amount of consideration to be received by PCL. We consider that the Transaction will be reasonable if, on balance, the Non-Associated Shareholders in PCL will be better off if the Transaction is approved.
- 5.6 In our assessment of the Transaction we have considered, in particular the following:
- The operational and financial position of PCH and PCL;
 - The value of PCH shares;
 - The advantages and disadvantages associated with approving the Transaction;
 - Other qualitative and strategic issues associated with the Transaction.
- 5.7 The documents and information relied on for the purpose of this valuation are set out in Appendix I. We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld. The information provided was evaluated through analysis, enquiry and review for the purpose of forming an opinion as to whether the Transaction is fair and reasonable. However, in assignments such as this, time is limited and we do not warrant that our enquiries have identified or verified all of the matters which

an audit or more extensive examination might disclose. None of these additional tasks have been undertaken.

- 5.8 We understand the accounting and other financial information that was provided to us has been prepared in accordance with generally accepted accounting principles.
- 5.9 An important part of the information used in forming an opinion of the kind expressed in this report is the opinions and judgement of management. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 5.10 HCC are not the auditors of PCL. We have analysed and reviewed information provided by the Directors and management of PCL and made further enquiries where appropriate.
- 5.11 This report has been prepared after taking into consideration the current economic and market climate. We take no responsibility for events occurring after the date of this report which may impact upon this report or which may impact upon the assumptions referred to in this report.

6 OVERVIEW OF PCL AND PCH

6.1 Corporate History and Overview

- 6.1.1 PCL is an Australian public company involved in online and application based betting and social gaming products.
- 6.1.2 The business operated by PCH was founded by Paul Crossin in 2011 as Crossboard Pty Ltd, registered in Northern Territory. The business secured a Northern Territory Sports Betting Licence, contracted with Lloyd's Australian representative, for prize insurance, contracted with charity partners and implemented a technology platform for live betting operations.
- 6.1.3 Capital raising activity resulted in investors establishing a new unlisted public company in June 2014 (Plus Connect Limited) which acquired 100% of the shares in Crossboard Pty Ltd, which changed its name to Plus Connect NT Pty Ltd ("PCNT"). PCNT holds the NT licence to conduct the business of a sports bookmaker.
- 6.1.4 Activistic Limited made a takeover offer for all the shares in Plus Connect Limited, with the sale completing in January 2017. Plus Connect Limited changed its name to Plus Connect Holdings Pty Ltd (PCH) and Activistic Limited changed its name to Plus Connect Limited (PCL).
- 6.1.5 ASX formed the view that the PCH business was not properly acquired which therefore necessitated re-compliance which they declined to support. PCL shares have been suspended since the 26 April 2017 and ASX have advised that the suspension in trading on PCL shares will not be removed whilst the Company owns the lottery and gambling business.
- 6.1.6 The options available to the Board were:
- Wind-up PCH, conserve cash and pursue a possible takeover or merger with another business; or
 - Dispose of the business to a friendly party, who would fund the stabilisation of the business and conduct an orderly sale which may benefit the Company.
- 6.1.7 An immediate orderly sale of PCH by PCL itself was not considered an option as the Company does not have sufficient cash or management resources to facilitate this process. The business was also not in a position conducive to sale as limited working capital has been available to fund its development after suspension by the ASX.

6.2 PCH Business Overview

- 6.2.1 PCH was established to commercialise a new generation of online and app based betting and social gaming products. PCH aims to deliver a socially responsible wagering model providing significant benefits to partner charities and sporting organisations.
- 6.2.2 Management determined that the only Australian licence capable of delivering a charity lottery-style product nationally and efficiently was a Northern Territory Licence to Conduct the Business of a Sports Bookmaker granted by the Northern Territory Racing Commission under the *Racing and Betting Act 1983* (Northern Territory) (**NT Licence**).

The Northern Territory regulator granted the NT Licence in 2012 on the proviso that a minimum of 20% of charity product sales only be remitted to charity.

- 6.2.3 The charity product was launched in 2014 and PCH focused on implementing systems and partnerships to deliver the business strategies.
- 6.2.4 The PCH business model was a strategy targeting the traditional lottery market in Australia and Asia/Pacific. Lottery is a mature industry constrained by state lottery taxes and a dependence on a high cost retail distribution network. By focusing on Internet distribution, PCH offers lottery-style products that are substitutes for traditional lotteries.
- 6.2.5 Combining Internet and mobile technologies with online betting and lottery licences, supported by strong partnerships with quality charity and sports brands, PCH sought to create a competitive business with a price advantage over traditional lottery operators.
- 6.2.6 The PCH business model was developed with the knowledge that the privatisation of state lotteries has resulted in the removal of a major source of charity funding. PCH was committed to replacing some of that funding through its charitable and sporting product offerings. Support for charities and sporting bodies remained a key feature of the business as a responsible corporate citizen.
- 6.2.7 Significant change occurred within the Australian gambling industry during 2017 – 2018 which had a negative impact on PCH earnings, as summarised below:
- The Norfolk Island gaming jurisdiction was disbanded resulting in the cancellation of PCH’s commercial lottery licence;
 - The Northern Territory amended its Approved Sporting Events to remove the right to bet on Australian Lotteries. This forced PCH to cease conducting its own lottery draws and offering bets on that event to underpin its Sports Lottery products. It was necessary to shift to betting on “International Lotteries” as a substitute;
 - Legislation was introduced federally proposing a ban on betting on all lotteries. This legislation passed, but in the process, PCH adapted its products to betting on events other than lotteries (weather and general sports events);
 - The above changes significantly complicated the marketing messages of PCH and raised concerns from our charity and sports partners about the social acceptance of the business model, culminating in the withdrawal of Collingwood Football Club from the Sports Lottery (Australia) Pty Ltd Joint Venture;
 - All major states introduced regulatory changes designed to stamp-out Lottoland. This represented a significantly more difficulty regulatory compliance challenge;
 - All major states introduced, or are introducing, a Point of Consumption tax of between 10% and 15% of net gambling revenue. This tax undermines the margins of the PCH business where the net gambling revenue is 50% of sales but a further 20% - 25% of sales is paid to charities and sports clubs.

6.3 Financial Information

6.3.1 Set out below is the consolidated statement of financial position of PCL (including the PCH group) and the PCH group alone as at 30 June 2018. The PCH figures have been adjusted to exclude the net assets remaining with PCL and representing only the net assets of PCH being disposed of by PCL.

PCH Statement of Financial Position as at 30 June 2018		
	PCL Consolidated	PCH Consolidated
Current Assets		
Cash and cash equivalents	780,611	-
Trade and other receivables	5,656	-
Other current assets	224,349	187,913
	<u>1,010,616</u>	<u>187,913</u>
Non-Current Assets		
Property, plant & equipment	9,279	-
Intangibles ¹	1,108,334	1,108,334
	<u>1,117,613</u>	<u>1,108,334</u>
Total Assets	2,128,229	1,296,247
Current Liabilities		
Trade and other payables	444,537	148,684
Accrued expenses	85,711	-
Other current liabilities	52,411	-
Provisions	5,008	5,008
	<u>587,667</u>	<u>153,692</u>
Non-Current Liabilities		
Loans payable (convertible notes)	2,400,000	-
	<u>2,400,000</u>	<u>-</u>
Total Liabilities	2,987,667	153,692
Net Assets	(859,438)	1,142,555
Net Tangible Assets	(1,967,772)	34,221

¹ Intangibles represents the written down value of the PCH gambling licence (NT licence) described at section 6.2.

6.3.2 PCH was acquired by PCL (formerly Activistic Limited) in January 2017. We have presented below the financial information of PCH based on its own audited financial statements for FY2016 and management accounting data provided by PCL for FY2017 and FY2018.

PCH CONSOLIDATED PROFIT AND LOSS STATEMENT			
	FY2016	FY2017	FY2018
Revenue	20,435	136,227	84,709
Cost of sales	(6,986)	(35,897)	(43,621)
Gross profit	13,449	100,330	41,088
Other income	14,603	4,818	6,727
Marketing and business development	(100,595)	(120,758)	(440,764)
Administration and compliance costs	(301,731)	(446,220)	(773,474)
Depreciation and amortisation	(608,704)	(595,372)	(554,172)
Employment expenses	(1,413,547)	(415,191)	(395,735)
Finance costs	(4,067)	(19,634)	(748)
Other expenses	(563,376)	(1,076,902)	(267,253)
Loss before income tax – PCH group only	(2,963,968)	(2,568,929)	(2,384,331)
Corporate costs in remaining PCL entities ¹			(1,661,599)
Loss before income tax – PCL consolidated			(4,045,930)

¹ These represent costs of the PCL consolidated group incurred by the PCL parent entity and subsidiaries outside of the PCH group, including administration and compliance costs, corporate expenses, finance costs (interest on convertible notes in PCL), legal and professional fees.

7 VALUATION METHODOLOGIES

7.1 Selection of Methodology

7.1.1 In order to assess the fairness of the Transaction a value needs to be attributed to PCH.

7.1.2 In assessing the value of PCH we have considered a range of valuation methods. ASIC Regulatory Guide 111 *Content of Expert Reports* states that in valuing a company the expert should consider the following commonly used valuation methodologies:

- Capitalisation of Future Maintainable Earnings: the value of trading operations based on the capitalisation of future maintainable earnings;
- Discounted Cash Flow: the net present value of future cash flows;
- Realisation of Assets: the amount that would be available for distribution to security holders on an orderly realisation of assets;
- Comparable Market Transactions: the identification of comparable sale transactions or market information.

We consider each of these valuation methodologies below.

7.1.3 *Capitalisation of Future Maintainable Earnings*

Using the earnings based valuation method, the value of the asset is determined by capitalising the estimated future maintainable earnings of the asset at an appropriate capitalisation rate or multiplier of earnings. The multiple is a coefficient, representing the risk that the asset may not achieve projected earnings.

This method is appropriate in valuing an asset when there is a history of earnings, the asset is established and it is assumed the earnings are sufficiently stable to be indicative of ongoing earnings potential.

The earnings multiple used to value an asset reflects the risk of investing in the asset and the investor's required return on the investment. Many assets or businesses are valued or compared on reported price earnings ratios, which examines the value based upon a multiple of earnings.

This approach is not considered appropriate for the valuation of PCH as the business has a history of losses and therefore no positive earnings on which a valuation can be based.

7.1.4 *Discounted Cash Flow – Net Present Value*

Discounted cash flow valuations involve calculating the value of an asset on the basis of the net cashflows that will be generated from the asset over its life. The cash flows are discounted to reflect the time value of money and the risk involved with achieving the forecast cash flows. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value of the asset.

No long-term forecasts have been prepared by PCH as there is not sufficient data on which to base long term forecast assumptions. Therefore the use of the discounted cash flow method is not appropriate for the valuation of PCH.

7.1.5 Realisation of Assets

The asset approach to value is based on the assumption that the value of all assets (tangible and intangible) less the value of all liabilities should equal the value of the entity.

This approach is generally not appropriate where assets are employed productively and are earning more than the cost of capital.

For a revenue based business, the book value of net assets is not always representative of the inherent value of the business. However, given the history of losses and the lack of reliable information on the forecast cash flows of the business, we have considered the net asset value of PCH for the purpose of this report.

7.1.6 Comparable Market Transactions

This methodology involves the identification of comparable sale transactions or market pricing for a similar industry company or business to that being valued.

This method is not considered appropriate given the lack of earnings on which to apply comparable multiples based on transaction data.

We are not aware of any alternative offers or other transactions for the acquisition of the PCH shares.

8 VALUE OF PCH

8.1 Selected Methodologies

8.1.1 We have selected the Realisation of Net Assets to apply a value to PCH as detailed at section 7.

8.1.2 In forming an opinion on the valuation of PCH, and the selected methodology, HCC has considered the following:

- The historical operations of the business;
- The industry in which the business operates;
- The period of time for which the business has been operating;
- Information provided by management regarding future operations of the business.

8.1.3 Financial information relied upon in applying selected valuation method

We have reviewed the financial accounts of PCH. Ultimately, the management of PCH are responsible for the preparation and presentation of the financial information provided. The purpose of our review is to establish that the financial information used is not materially misstated. This review does not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

8.2 Realisation of Assets

8.2.1 As at 30 June 2018 PCH had net tangible assets totalling \$34,221, representing the net assets of PCH being disposed of by PCL, as shown in the balance sheet at section 6.3.

8.2.2 The net tangible assets excludes the value of intangibles in PCH totalling 1,108,334. Intangibles represents the written down value of the PCH gambling licence (NT licence) described at section 6.2.

8.2.3 Given the continued losses being incurred by PCH, the significant changes that have occurred within the Australian gambling industry detailed at section 6.2 which have had a negative impact on PCH earnings, and the resulting uncertainty regarding future profits that could be generated from the NT licence, we do not believe there is any reasonable basis on which to attribute a value to the NT licence.

8.2.4 We therefore believe that the net tangible assets of PCH being disposed of by PCL is an appropriate basis for valuing the PCH shares.

8.3 Resultant Valuation of PCH

8.3.1 The Agreement states that PCH is to be sold on a cash and debt free basis, except for the inclusion of accounts receivable aged less than 90 days and accrued liabilities incurred up to Completion such as income tax, employee entitlements, professional fees and deferred revenues (Working Capital Adjustment). This is the basis on which the balance sheet at section 6.3 has been prepared as at 30 June 2018.

- 8.3.2 Management accounts have also been provided for PCH as at 31 August 2018 which show net tangible assets in deficit by \$37,066, excluding cash, or \$11,880 net tangible assets after an estimated Working Capital Adjustment as allowed under the terms of the Agreement.
- 8.3.3 Based on the details above, we have determined the valuation of PCH shares to be between \$11,880 and \$34,221.

9 ADVANTAGES & DISADVANTAGES OF THE TRANSACTION

9.1 Approach to assessing Fairness and Reasonableness

HCC has followed the guidelines of ASIC Regulatory Guide 111 in assessing the fairness and reasonableness of the Transaction. In forming its conclusions in this report, HCC compared the advantages and disadvantages for Non-Associated Shareholders if the Transaction proceeds.

9.2 Advantages of the Transaction

- 9.2.1 The Transaction may allow the suspension of the PCL shares to be lifted and for PCL to re-comply with Chapters 1 and 2 of the ASX Listing Rules with a new business that may create value and liquidity for Shareholders.
- 9.2.2 If the Transaction is not approved, PCH will be placed into voluntary administration. Under the terms of various convertible note agreements between the Company and several noteholders, this may result in the Company also being placed into voluntary administration.
- 9.2.3 PCH is not currently generating any profits and is not expected to in the future whilst it remains a subsidiary of PCL due to working capital restraints and minimal share liquidity. The Transaction will allow the Company to preserve cash while it identifies new business opportunities for Re-compliance.
- 9.2.4 The Transaction may provide an opportunity for PCL shareholders to use the funds from the sale of the PCH shares to identify profitable investments and increase share value and liquidity.
- 9.2.5 The Transaction is being undertaken with 100% cash consideration, therefore there will be no dilutionary effect on the equity interests of Non-Associated Shareholders.
- 9.2.6 An immediate, properly organised sale of PCH by PCL itself was not considered an option as the Company does not have sufficient cash or management resources to facilitate this process. The Transaction, which contemplates selling the business to an associated party who can fund the stabilisation of the business and conduct an orderly sale is considered a more favourable option for shareholders than having to wind-up PCH for potentially no return.
- 9.2.7 The Transaction provides future funding for the PCH business which is necessary to maintain the NT Licence and to continue trading so that the business may be sold as a going concern and have the opportunity to realise a higher valuation under more improved circumstances. ASX has restricted the Company from raising new capital for the purposes of the PCH business' operations.
- 9.2.8 The restrictions placed on the PCH business as a result of ASX's Decision diminished the ability of the Board to achieve a valuation of the business which reflects the Board's opinion of its growth and potential. The Board considers that, without the constraints imposed by the ASX, PCH will be able to capitalise on its opportunities and execute on its growth strategies and as a result, achieve a valuation which is more likely to reflect the underlying value of the PCH business. The Board considers that the terms of the

Transaction allow the value of PCH to be ascertained in more favourable circumstances than the Company's current circumstances

- 9.2.9 The Company will benefit from any gross proceeds from the subsequent trade sale or increase in fair market value of PCH within twelve months of completion of the Transaction.
- 9.2.10 If the Transaction does not proceed, and Newberry elects to withdraw the funds currently provided for the Security, the Company will have 10 days to raise the funds required to maintain the Security or risk being in breach of the terms of its Licence. If PCNT loses the Licence, it is unlikely that the Company will achieve any value for any future sale of PCH.
- 9.2.11 We are unaware of any alternative proposal for PCH at the date of this report that would realise better value for PCL shareholders.

9.3 Disadvantages of the Transaction

- 9.3.1 Given the potential delay in realising the value of the PCH business, and that the Company will not be in control of the business during that time, there is a risk that Newberry will not create value in the PCH business. Further, the Company will not have control over the terms on which the PCH may be sold to a third party by Newberry. Accordingly, there is a risk that the value of the Business as determined or agreed under a Third Party Sale or Fair Market Value does not meet the Board's current expectations, or return any significant cash to the Company.
- 9.3.2 The Company will no longer be the direct legal and beneficial holder of PCH and, accordingly, the Company will no longer have exposure to any profits which may be generated by PCH in the future. The Company may, however, be entitled to a deferred purchase price payment within 12 months of Completion in accordance with the terms of the Sale Agreement.
- 9.3.3 The disposal of the Business may not be consistent with the investment objectives of all Shareholders. Similarly, subsequent to the Transaction, the Board will pursue ASX re-compliance with a new business, which also may not be consistent with the investment objectives of all Shareholders.

10 CONCLUSION AS TO FAIRNESS AND REASONABLENESS

10.1 Fairness

- 10.1.1 According to RG 111, for the Transaction to be fair, the value of the consideration must be equal to or greater than the value of PCH shares being disposed.
- 10.1.2 Based on the analysis contained in section 8 of this report, the indicative value of PCH shares is between \$11,880 and \$34,221, based on the net tangible assets being disposed.
- 10.1.3 The minimum consideration to be received by PCL for the sale of PCH shares is the Purchase Price totalling **\$210,000**, comprising the Completion Payment of \$10,000 plus the Replacement Security of \$200,000. In addition, following any Third-Party Sale or Fair Market Appraisal 12-months from Completion, PCH may also receive Deferred Consideration depending on the On-Sale Proceeds or Fair Market Valuation determined at that time.
- 10.1.4 In our opinion the Transaction is **fair** as the value of the consideration is greater than the value of PCH shares being disposed.

10.2 Reasonableness

ASIC Regulatory Guide 111 states that a transaction is reasonable if:

- The Transaction is fair; or
- Despite not being fair the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

10.2.1 We have concluded that the Transaction is fair and therefore also reasonable. In forming our opinion we have also considered the following relevant factors.

- The Transaction may allow the suspension of the PCL shares to be lifted and for PCL to re-comply with Chapters 1 and 2 of the ASX Listing Rules with a new business that may create value and liquidity for Shareholders.
- If the Transaction is not approved, PCH will be placed into voluntary administration. Under the terms of various convertible note agreements between the Company and several noteholders, this may result in the Company also being placed into voluntary administration.
- PCH is not currently generating any profits and is not expected to in the future whilst it remains a subsidiary of PCL due to working capital restraints and minimal share liquidity. The Transaction will allow the Company to preserve cash while it identifies new business opportunities for Re-compliance.
- The Transaction may provide an opportunity for PCL shareholders to use the funds from the sale of the PCH shares to identify profitable investments and increase share value and liquidity.
- The Transaction is being undertaken with 100% cash consideration, therefore there will be no dilutionary effect on the equity interests of Non-Associated Shareholders.
- An immediate, properly organised sale of PCH by PCL itself was not considered an option as the Company does not have sufficient cash or management resources to

facilitate this process. The Transaction, which contemplates selling the business to an associated party who can fund the stabilisation of the business and conduct an orderly sale is considered a more favourable option for shareholders than having to wind-up PCH for potentially no return.

- The Transaction provides future funding for the PCH business which is necessary to maintain the NT Licence and to continue trading so that the business may be sold as a going concern and have the opportunity to realise a higher valuation under more improved circumstances. ASX has restricted the Company from raising new capital for the purposes of the PCH business' operations.
- The restrictions placed on the PCH business as a result of ASX's Decision diminished the ability of the Board to achieve a valuation of the business which reflects the Board's opinion of its growth and potential. The Board considers that, without the constraints imposed by the ASX, PCH will be able to capitalise on its opportunities and execute on its growth strategies and as a result, achieve a valuation which is more likely to reflect the underlying value of the PCH business. The Board considers that the terms of the Transaction allow the value of PCH to be ascertained in more favourable circumstances than the Company's current circumstances
- The Company will benefit from any gross proceeds from the subsequent trade sale or increase in fair market value of PCH within twelve months of completion of the Transaction.
- If the Transaction does not proceed, and Newberry elects to withdraw the funds currently provided for the Security, the Company will have 10 days to raise the funds required to maintain the Security or risk being in breach of the terms of its Licence. If PCNT loses the Licence, it is unlikely that the Company will achieve any value for any future sale of PCH.
- We are unaware of any alternative proposal for PCH at the date of this report that would realise better value for PCL shareholders.

10.2.2 Having considered that the Transaction is fair, in our opinion the Non-Associated Shareholders of PCL should benefit if the Transaction proceeds and therefore, in our opinion the Transaction is reasonable.

Yours faithfully
Hall Chadwick Corporate (NSW) Limited



DREW TOWNSEND

APPENDIX I - SOURCES OF INFORMATION

- Plus Connect Limited Audited Financial Report for the financial year ended 30 June 2017 and management accounts for the year ended 30 June 2018;
- Plus Connect Holdings Pty Ltd Audited Financial Report for the financial year ended 30 June 2016 and unaudited management accounts for the financial years ended 30 June 2017 and 30 June 2018 and for the period 1 July 2018 to 31 August 2018;
- Share Sale Agreement between PCL and Newberry;
- PCL Notice of General Meeting and Explanatory Memorandum;
- PCH Company registry details;
- Publicly available information on PCL;
- Regulatory Guide 111 ‘Content of Expert Reports’;
- Regulatory Guide 112 ‘Independence of Expert’s Reports’;
- APES 225 ‘Valuation Services’.

APPENDIX II - STATEMENT OF DECLARATION & QUALIFICATIONS

Confirmation of Independence

Prior to accepting this engagement HCC determined its independence with respect to PCL with reference to ASIC Regulatory Guide 112 (RG 112) titled “Independence of Expert’s Reports”. HCC considers that it meets the requirements of RG 112 and that it is independent of PCL.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with PCL, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend, director of Hall Chadwick Corporate (NSW) Limited, has prepared this report. Neither he nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the Transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.

HCC provided a draft copy of this report to the Directors and management of PCL for their comment as to factual accuracy, as opposed to opinions, which are the responsibility of HCC alone. Changes made to this report, as a result of the review by the Directors and management of PCL have not changed the methodology or conclusions reached by HCC.

Reliance on Information

The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In the preparation of this report HCC has relied upon information provided on the basis it was reliable and accurate. HCC has no reason to believe that any information supplied to it was false or that any material information (that a reasonable person would expect to be disclosed) has been withheld from it. HCC evaluated the information provided to it by PCL as well as other parties, through enquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially mis-stated. We believe the information relied upon provides reasonable grounds upon which to base this report.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS). HCC does not imply and it should not be construed that it has audited or in anyway verified any of the information provided to it, or that its enquiries could have verified any matter which a more extensive examination might disclose.

The sources of information that we relied upon are outlined in Appendix I of this report.

PCL has provided an indemnity to HCC for any claims arising out of any mis-statement or omission in any material or information provided by PCL to HCC in preparation of this report.

Qualifications

Hall Chadwick Corporate (NSW) Limited (“HCC”) carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients. HCC’s representatives are therefore qualified to provide this report.

Consent and Disclaimers

The preparation of this report has been undertaken at the request of the Directors of PCL. It also has regard to relevant ASIC Regulatory Guides. It is not intended that the report should be used for any other purpose than to accompany the Notice of General Meeting to be sent to PCL shareholders. In particular, it is not intended that this report should be used for any purpose other than as an expression of HCC’s opinion as to whether or not the Transaction is fair and reasonable to Non-Associated shareholders of PCL.

HCC consent to the issue of this report in the form and context in which it is included in the Notice of General Meeting to be sent to PCL shareholders. Shareholders should read all documents issued by PCL that consider the Transaction in its entirety, prior to proceeding with a decision. HCC had no involvement in the preparation of these additional documents.

This report has been prepared specifically for the Non-Associated shareholders of PCL. Neither HCC, nor any member or employee thereof undertakes responsibility to any person, other than a Non-Associated shareholder of PCL, in respect of this report, including any errors or omissions howsoever caused. This report is "General Advice" and does not take into account any person's particular investment objectives, financial situation and particular needs. Before making an investment decision based on this advice, you should consider, with or without the assistance of a securities advisor, whether it is appropriate to your particular investment needs, objectives and financial circumstances.

Our procedures and enquiries do not include verification work, nor constitute an audit or review in accordance with Australian Auditing Standards (AUS).

Our opinions are based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. Furthermore, financial markets have been particularly volatile in recent times. Accordingly, if circumstances change significantly, subsequent to the issue of the report, our conclusions and opinions may differ from those stated herein. There is no requirement for HCC to update this report for information that may become available subsequent to this date.

APPENDIX III - FINANCIAL SERVICES GUIDE

Hall Chadwick Corporate (NSW) Limited (“HCC”) carries on business at Level 40, 2 Park Street, Sydney NSW 2000. HCC holds Australian Financial Services Licence No. 227902 authorising it to provide financial product advice on securities to retail clients.

The Corporations Act 2001 requires HCC to provide this Financial Services Guide (“FSG”) in connection with its provision of an independent expert’s report (“Report”) which is included in a Notice of Meeting (“Notice”) provided to members by the company or other entity for which HCC prepares the Report.

HCC does not accept instructions from retail clients. HCC provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. HCC does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

When providing Reports, HCC’s client is the Entity to which it provides the Report. HCC receives its remuneration from the Entity. In respect of the Report for Plus Connect Limited (“PCL”) in relation to the disposal of shares in Plus Connect Holdings Pty Ltd (“PCH”), HCC will receive a fee for its services on a time cost basis estimated to be \$25,000, excluding GST.

No related body corporate of HCC, or any of the directors or employees of HCC or of any of those related bodies or any associate receives any remuneration or other benefit attributable to the preparation and provision of the Report.

HCC is required to be independent of the Entity in order to provide a Report. The guidelines for independence in the preparation of Reports are set out in Regulatory Guide 112 issued by the Australian Securities & Investments Commission. The following information in relation to the independence of HCC is stated in Appendix II of the PCL Report:

“Hall Chadwick Corporate (NSW) Limited (“HCC”) has a license to prepare reports under the Corporations Act and its representatives are qualified to provide this report. Prior to accepting this engagement HCC determined its independence with respect to PCL with reference to ASIC Regulatory Guide 112(RG 112) titled “Independence of Expert’s Reports”. HCC considers that it meets the requirements of RG 112 and that it is independent of PCL.

Also, in accordance with s648 (2) of the Corporations Act we confirm we are not aware of any business relationship or financial interest of a material nature with PCL, its related parties or associates that would compromise our impartiality.

Mr Drew Townsend, director of Hall Chadwick Corporate (NSW) Limited, has prepared this report. Neither he nor any related entities of Hall Chadwick Corporate (NSW) Limited have any interest in the promotion of the Transaction nor will Hall Chadwick Corporate (NSW) Limited receive any benefits, other than normal professional fees, directly or indirectly, for or in connection with the preparation of this report. Our fee is not contingent upon the success or failure of the Transaction, and has been calculated with reference to time spent on the engagement at normal professional fee rates for work of this type. Accordingly, HCC does not have any pecuniary interests that could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion under this engagement.”

HCC has internal complaints-handling mechanisms and is a member of the Financial Ombudsman Service, membership number 11442.

HCC is only responsible for the Report and this FSG. Complaints or questions about the Notice should not be directed to HCC who is not responsible for that document. HCC will not respond in any way that might involve any provision of financial product advice to any retail investor.

If you are attending the meeting in person, please bring this with you for Securityholder registration.

Holder Number:

Vote by Proxy: PC1

Your proxy voting instruction must be received by **11.00am (AEDT) on Tuesday, 13 November 2018** being **not later than 48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all of the Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.

ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.

