



22 September 2014

ASX: RGX

### **ASX Market Announcements**

Australian Securities Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

### **TRANSACTION & MARKET UPDATE- AUSTRALIAN TRAVEL GROUP**

- **Strong sales growth exhibited with the Australian Travel Group on track to record TTV of \$110m for the full 2015 calendar year.**
- **Capital raising mandate agreed and executed.**
- **Transaction terms improved with further alignment of vendors and shareholders.**
- **Relisting of Australian Travel Group to complete in 4Q 2014.**

The Directors of Red Gum Resources Limited (ASX : RGX; “**Red Gum**” or “the **Company**”) are pleased to announce that it has concluded legally binding amendments to the Share Sale Agreements with each of the shareholders of Holiday Planet, Asia Escape Holidays and Motive Travel for the acquisition of their leisure and tourism businesses, to form the "Australian Travel Group ("ATG"), as previously announced to the market in June and July 2014 (the “**Acquisition**”). All parties believe that these amendments are of mutual benefit, and place the Company on the strongest footing to succeed in its strategy to refocus from the mining sector and become a significant player in the leisure and tourism industry.

The Company has also signed a Lead Manager Mandate with D J Carmichael Pty Ltd for the capital raising required for the Acquisition, with the expectation that the capital raising and relisting process will be completed 4Q CY14.

### **MARKET UPDATE**

Trading performance of Holiday Planet, Asia Escape and Motive Travel has been strong and in anticipation of the Acquisition cooperative measures have already yielded substantial benefits. Red Gum is pleased to update the market with the following guidance as provided by these companies, assuming successful completion of the Acquisition:

- Gross TTV (Total Transaction Value) for the 2015 calendar year is anticipated to exceed \$110 million.
- Business cooperation to date has already generated estimated annualized increased revenue efficiencies of the order of \$7 Million, with the group targeting some \$10 Million by 2016.



- Before transaction and integration costs the group is on target to generate EBITDA earnings of \$2.2 million for the full 2015 calendar year, post-acquisition.

## **AMENDED TRANSACTION TERMS**

The Company is pleased to update the market that the transaction terms for the acquisition of Holiday Planet, Asia Escape and Motive Travel have been improved and are summarized as follows:

- Agreed to an extension in the termination date - now 31 December 2014.
- Shareholders of Holiday Planet, Asia Escape Holidays and Motive Travel have agreed to a reduction in the cash up-front consideration to be paid by the Company, from a total of \$3.5 million to a total of \$2.0 million.
- In lieu of the reduction in the cash component of this consideration, the shareholders of Holiday Planet, Asia Escape and Motive Travel will be issued \$1.5 million in Convertible Notes maturing in 2 years, and subject to RGX Shareholder approval.
- Agreed that the threshold capital raising will be a minimum of \$3 million.
- RGX will seek its shareholders' approval to consolidate its current issued capital on the basis of a ratio of 1 for 25 (previously 1 for 22).

Following execution of these amendment agreements the overall status of the transaction to gain shareholder approval is now:

- All parties are close to finalising their respective due diligence;
- The detailed Notice of Meeting for the necessary shareholder approval of the Acquisition is expected to be finalised and despatched to Shareholders shortly;
- The Company has prepared an advanced draft of the necessary Prospectus and expects to finalise and lodge the Prospectus with ASIC shortly.

It has taken longer than anticipated for the Company to prepare the necessary documents for the transaction, largely due to the complexity of bringing together the different businesses of Holiday Planet, Asia Escape Holidays and Motive Travel to form ATG, for these purposes. This aggregation process is now advanced, and the Board is pleased with the efforts made by the management and shareholders of Holiday Planet, Asia Escape and Motive Travel, which should well position ATG following the re-listing.

## **CONVERTIBLE NOTES**

Shareholders of Holiday Planet, Asia Escape Holidays and Motive Travel will subscribe for a total of \$250,000, \$750,000 and \$500,000 Convertible Notes, respectively, subject to RGX Shareholder approval. Overall terms are consistent with those for commercial instruments of this type, the key terms of which are:

- Each Note will have a \$1 face denomination value convertible into 5 ordinary shares at \$0.20 each.
- Term is for a maximum of 2 years, commencing upon transaction settlement.



- At maturity the Note Holders may elect whether to redeem the Notes for cash or shares or combination thereof.
- Early redemption for cash is provided for in the case of significant capital raising or after 13 months and prior to 24 months – subject to the Company's available cash reserves.
- Company may elect at any time to repay the full cash equivalent of the Convertible Notes together with interest accruing at a rate of 10% pa.

## CAPITAL RAISING

As previously announced, and in order to fund the Acquisition and to re-comply with Chapters 1 & 2 of the ASX Listing Rules (among other things), the Company intends to undertake a capital raising through the issue of a minimum of 15,000,000 shares, at an issue price of \$0.20 each in order to raise at least \$3 million on a post-consolidation basis (**Capital Raising**). As part of the offer, the Company will also be offering up to 7,500,000 options exercisable at \$0.25 each (on a post-consolidation basis). The Company intends to accept oversubscriptions for a further 10,000,000 shares and 5,000,000 options, to raise up to a further \$2 million. The Capital Raising will be completed pursuant to a full form prospectus, which the Company expects to lodge with ASIC shortly. DJ Carmichael will be the Lead Manager for the capital raising.

Dr Shaw, Chairman of Red Gum, said he was particularly delighted with the outcome of these amendments as it will free up more available working capital and provide greater opportunity for the Company going forward, in addition to demonstrating the very real commitment of the incoming Shareholders of Holiday Planet, Asia Escape and Motive Travel to align their future prosperity with that of other shareholders of the Company.

For further information please contact:

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