

DISPOSAL OF PLUS CONNECT HOLDINGS PTY LTD

Further to its announcement of 6 August 2018, the Board of Directors of Plus Connect Limited (**PC1 or the Company**) are pleased to advise that it has signed a Share Sale Agreement (**Sale Agreement**) that will see all of the shares of the Company's 100% owned subsidiary, Plus Connect Holdings Pty Ltd (**PCH**) sold to Newberry Gaming Pty Ltd (**Buyer**) (**Transaction**).

The sale of PCH was undertaken due the fact that, as announced by the Company on 8 June 2018, the Company had been 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 explored various alternatives in an effort to maximise a return for Shareholders and has satisfied itself that the divestment of PCH will allow the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules with a new business (**Re-compliance**) and as a result, create value for Shareholders.

The Company will seek shareholder approval to the Transaction at its upcoming Annual General Meeting. To assist shareholders in deciding whether to approve the Transaction, the Company engaged Hall Chadwick Corporate (NSW) Limited (**Independent Expert**) to provide an 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. A copy of this report will accompany the Notice of Annual General Meeting that will be sent out shortly.

The Chairman of the Board, Andrew Bald, stated: *"The Company has been through a very difficult time over the past 12 months or so and the Board had no choice but to sell PCH if we are to seek to have the Company's shares reinstated to the Official List of ASX. The forced sale has not enabled us to achieve full value of PCH but the structured transaction is expected to see some value realised over the coming year or so.*

With the sale of the lotteries business, the Company can now focus on identifying new business opportunities for the purposes of pursuing Re-compliance. If the Company successfully achieves Re-compliance, its shares will be reinstated to the Official List of ASX. We are currently actively engaged in pursuing new business opportunities.

The Board thanks its shareholders for their understanding and support and we expect to engage fully with our shareholder base to seek a way forward for all shareholders to create value in the Company."

The material terms of the Sale Agreement are set out in the attached Annexure.

– ENDS –

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ANNEXURE

The material terms of the Sale Agreement are as follows:

1. 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 8th November 2018; and
 - (iv) on or before 8 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). The Company will be seeking shareholder approval to the sale of PCH at its upcoming Annual General Meeting.
- (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.

2. Deferred Consideration

- (a) 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 2(a)(ii)(A) above (if any) (**Excess FMV**), pay 50% of the Excess FMV to the Company.

3. Working Capital Contributions prior to Completion

- (a) 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**).
- (b) 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.

4. Replacement Security

- (a) 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.
- (b) 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.
- (c) 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.

5. Convertible Note Agreement

- (a) The parties agree 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 2(a)(i)(A) and 2(a)(ii)(A) above).

6. Maintenance of Business and Warranties

- (a) 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.
- (b) 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.