THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 4 of this Circular have been used in this front cover.

If you are in any doubt as to the action you should take, please consult your CSDP, Broker, banker, legal advisor, accountant or other professional advisor immediately.

ACTION REQUIRED

If you have disposed of all your Phumelela Shares, then this Circular should be handed to the purchaser of such Phumelela Shares or to the Broker, CSDP, banker or other agent through whom the disposal was effected.

Shareholders are referred to page 3 of this Circular, which sets out the detailed action required of them in respect of this Circular.

Phumelela does not accept responsibility and will not be held liable for any failure on the part of the CSDP or Broker of a Dematerialised Shareholder to notify such Shareholder of the details of this Circular.

This Circular is issued in compliance with the Listings Requirements, for the purpose of providing information with regards to Phumelela.

The rights that are represented by the Form of Instruction in respect of the Letters of Allocation are valuable and may be sold on the JSE. Letters of Allocation can, however, only be traded in dematerialised form and accordingly, all Letters of Allocation have been issued in dematerialised form.

Shareholders will have the right to apply for any excess Rights Offer Shares not taken up by other Shareholders subject to such rights being transferable upon renunciation of the Letters of Allocation, and any such excess Rights Offer Shares will be attributed equitably. In this regard, the attention of Shareholders is drawn to paragraph 3.5 of this Circular which sets out in detail the basis on which excess applications will be attributed.

The Rights Offer Shares, upon their issue, will rank *pari passu* with all other Phumelela Shares of the same class. There are no conversion or redemption provisions relating to the Rights Offer Shares.

The allocation of Rights Offer Shares will be such that only whole numbers of Rights Offer Shares will be issued and Shareholders will be entitled to rounded numbers of Rights Offer Shares based on the conventional rounding principle (as set out in Annexure 2 to this Circular).

The Rights Offer may be affected by the laws of the relevant jurisdictions of foreign Shareholders. Such foreign Shareholders should inform themselves about and observe any applicable legal requirements of such jurisdictions in relation to all aspects of this Circular that may affect them, including the Rights Offer. It is the responsibility of any foreign Shareholder to satisfy himself as to the full observation of the laws and regulatory requirements of the relevant jurisdiction in connection with the Rights Offer, including the obtaining of any governmental, exchange control or other consent or the making of any filings which may be required, the compliance with other necessary formalities, the payment of any issue, transfer or other taxes or other requisite payments due in such jurisdiction. The Rights Offer is governed by the laws of South Africa and is subject to any applicable laws and regulations, including the Exchange Control Regulations. Any foreign Shareholder who is in doubt as to his position, including without limitation, his tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay. In this regard, the attention of foreign Shareholders is drawn to paragraph 8 of this Circular which sets out in detail the position of foreign Shareholders.

Phumelela Gaming

Phumelela Gaming and Leisure Limited

(Incorporated in the Republic of South Africa)
(Registration number 1997/01661/06)
JSE share code: PHM ISIN: ZAE000039269
("**Phumelela**" or "**the Company**")

CIRCULAR TO SHAREHOLDERS

relating to:

- **a renounceable Rights Offer to Shareholders of a total of 16.6 million Rights Offer Shares at a Rights Offer Issue Price of R17.39 each, in the ratio of 21.91067 Rights Offer Shares for every 100 Phumelela Shares held on Friday, 20 January 2017, which Rights Offer opens on Monday, 23 January 2017;**

and enclosing:

- **a Form of Instruction for Shareholders (for use by Certificated Shareholders only).**

Financial advisor and sponsor to the Rights Offer

Investec Bank Limited

Investec Bank Limited
(Registration number 1969/004763/06)

Corporate law advisor

ROODT inc.
ATTORNEYS

Date of issue: 17 January 2017

This Circular is only available in English. Copies of this Circular may be obtained at the registered offices of the Company at the address set out in the "Corporate Information" section of the Circular from Thursday, 19 January 2017 to Friday, 3 February 2017 and is also available on the Company's website www.phumelela.com from Tuesday, 17 January 2017.

CORPORATE INFORMATION

Company secretary and registered office

Phumelela Gaming and Leisure Limited
(Registration number 1997/016610/06)
Company secretary: F Moloi
Turffontein Racecourse
14 Turf Club Street
Turffontein
Johannesburg
(PO Box 82625, Southdale, 2135)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank
2196
(PO Box 61051, Marshalltown, 2107)

Date and place of incorporation

1997, South Africa

Financial advisor and sponsor

Investec Bank Limited
(Registration number 1969/004763/06)
100 Grayston Drive
Sandton
2196
(PO Box 785700, Sandton, 2146)

Corporate law advisor

Roodt Inc.
Block A
7 Eton Road
Sandhurst
Johannesburg
(PO Box 78894, Sandton, 2146)

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IMPORTANT DATES AND TIMES

	2017
Declaration date announcement released on SENS on	Tuesday, 10 January
Declaration date announcement published in the press on	Wednesday, 11 January
Finalisation date announcement released on SENS on	Wednesday, 11 January
Finalisation date announcement published in the press on	Thursday, 12 January
Last day to trade in Phumelela Shares in order to participate in the Rights Offer	Tuesday, 17 January
Listing and trading of Letters of Allocation on the JSE under JSE code: PHMN and ISIN: ZAE000231437	Wednesday, 18 January
Phumelela Shares commence trading on the JSE ex-Rights Offer entitlement	Wednesday, 18 January
Rights Offer Circular and Form of Instruction distributed to Certificated Shareholders	Thursday, 19 January
Record Date for determination of Shareholders entitled to participate in the Rights Offer (**Initial Record Date**)	Friday, 20 January
Dematerialised Shareholders will have their accounts at their CSDP or Broker automatically credited with their entitlement	Monday, 23 January
Certificated Shareholders on the Register will have their entitlement credited to their accounts held with the Transfer Secretaries	Monday, 23 January
Rights Offer opens at 09:00	Monday, 23 January
Rights Offer Circular distributed to those Dematerialised Shareholders who have elected to receive documents in hard copy	Tuesday, 24 January
Last day to trade Letters of Allocation on the JSE	Tuesday, 31 January
Rights Offer Shares listed and trading therein commences on the JSE	Wednesday, 1 February
Payment to be made and Form of Instruction to be lodged with the Transfer Secretaries by Certificated Shareholders by 12:00	Friday, 3 February
Rights Offer closes at 12:00	Friday, 3 February
Record Date for Letters of Allocation (**Final Record Date**)	Friday, 3 February
Rights Offer Shares issued	Monday, 6 February
Dematerialised Shareholders' accounts updated and debited by CSDP or Broker (in respect of payment for Rights Offer Shares)	Monday, 6 February
Certificates distributed to Certificated Shareholders (in respect of the Rights Offer Shares)	Monday, 6 February
Results of Rights Offer announced on SENS	Monday, 6 February
Results of Rights Offer announced in the press	Tuesday, 7 February
Refunds (if any) to Certificated Shareholders in respect of unsuccessful excess applications made	Wednesday, 8 February
Dematerialised Shareholders' accounts updated and debited by their CSDP or Broker (in respect of successful excess applications)	Wednesday, 8 February
Certificates distributed to Certificated Shareholders (in respect of successful excess applications)	Wednesday, 8 February

1. All references to dates and times are to local dates and times in South Africa.
2. Dematerialised Shareholders are required to inform their CSDP or Broker of their instructions in terms of the Rights Offer in the manner and time stipulated in the agreement governing the relationship between the Shareholder and their CSDP or Broker.
3. Share certificates may not be dematerialised or rematerialised between 18 January 2017 and 20 January 2017, both days inclusive.
4. Dematerialised Shareholders will have their accounts at their CSDP or Broker automatically credited with their rights and Certificated Shareholders will have their rights credited to their accounts at the Transfer Secretaries.
5. CSDPs effect payment in respect of Dematerialised Shareholders on a delivery-versus-payment method.

ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 4 of this Circular apply to this section.

1. **DEMATERIALISED SHAREHOLDERS**

   If you hold Phumelela Shares in dematerialised form (including where you have elected own-name registration) you will not receive a printed Form of Instruction.

   Your CSDP or Broker will contact you to ascertain:

   - whether you wish to follow all or some of your rights in terms of the Rights Offer and in respect of how many Rights Offer Shares;
   - whether you wish your CSDP or Broker to endeavour to procure the sale of your rights on the JSE on your behalf and if so, in respect of how many rights;
   - whether you wish to renounce your rights and if so, how many rights you wish to renounce and the details of the renouncee; or
   - whether you wish for your rights in respect of the Rights Offer to lapse.

   Your CSDP or Broker will credit your account with the number of rights to which you are entitled in terms of the Rights Offer.

   If you do not hear from your CSDP or Broker, you should contact them and furnish them with your instructions. If your CSDP or Broker does not obtain instructions from you, they are obliged to act in terms of the custody agreement entered into between you and them.

2. **CERTIFICATED SHAREHOLDERS**

   A Form of Instruction is enclosed for use by Certificated Shareholders only. The rights in respect of such form are negotiable and can be sold on the JSE.

   If you hold your Phumelela Shares in certificated form and you wish to subscribe for some or all of the Rights Offer Shares allocated to you, you must complete the Form of Instruction enclosed herewith in accordance with the instructions contained therein and lodge it, together with payment for the amount due in respect thereof, with the Transfer Secretaries, whose details are set out on the inside front cover of this Circular, by no later than 12:00 on Friday, 3 February 2017.

   If you do not wish to subscribe for all of the Rights Offer Shares allocated to you, you may sell or renounce your rights or allow them to lapse. In such event, you must complete the relevant section of the Form of Instruction and return it to the Transfer Secretaries to be received by no later than 12:00 on Tuesday, 31 January 2017, if you wish to sell, and by no later than 12:00 on Friday, 3 February 2017, if you renounce your rights.

   If you intend to allow your rights to lapse, you need not take any action.

3. **IF YOU HAVE DISPOSED OF YOUR SHARES**

   If you have disposed of your Phumelela Shares, please forward this Circular to the purchaser of such Phumelela Shares or to the Broker or agent through whom the disposal was effected.

Note:

If you are in any doubt as to the action you should take, please consult your CSDP, Broker, banker, legal advisor, accountant or other professional advisor immediately.

Phumelela does not accept responsibility and will not be held liable for any failure on the part of the CSDP or Broker of a Dematerialised Shareholder to notify such Shareholder of the Rights Offer.

DEFINITIONS AND INTERPRETATIONS

In this Circular and the Annexures hereto, unless a contrary intention is indicated, an expression which denotes a gender includes the other genders, a natural person includes a juristic person and vice versa, the singular includes the plural and vice versa, and the expressions set out in the first column bear the meanings assigned to them in the second column

"Arena Racing Company"	Arena Racing Corporation Limited (Registration number 07997040), a limited liability private company duly incorporated according to the company laws of England and Wales, who Phumelela has licensed to supply and distribute audio-visual coverage, including data, of all South African race meetings to all licensed betting offices in the United Kingdom and Ireland;
"Betting World"	Betting World Proprietary Limited (Registration number 2000/008649/07), a limited liability private company duly incorporated according to the company laws of South Africa and a subsidiary of Phumelela;
"Board" or "Directors"	the board of directors of Phumelela, as set out on page 8 of this Circular;
"Broker"	any person registered as a broking member (equities) in terms of the rules of the JSE made in accordance with the provisions of the Financial Markets Act;
"Business Day"	any day other than a Saturday, Sunday or official public holiday in South Africa;
"Certificated Phumelela Shares"	Phumelela Shares which are evidenced by physical Documents of Title which have not yet been surrendered for Dematerialisation in terms of Strate;
"Certificated Shareholders"	holders of Certificated Phumelela Shares;
"Circular"	all documents and Annexes bound herein, dated Tuesday, 17 January 2017;
"Common Monetary Area"	collectively, South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
"CSDP"	a Central Securities Depository Participant appointed by a shareholder for purposes of, and in regard to, Dematerialisation and to hold and administer securities or an interest in securities on behalf of a shareholder;
"Committed Shareholders"	Certain Shareholders who irrevocably committed to follow their rights and to make application for excess shares in the Rights Offer;
"Dematerialisation"	the process whereby certificated shares are converted to an electronic form as uncertificated shares and recorded in the Sub-Register of shares maintained by a CSDP;
"Dematerialised Phumelela Shares"	Phumelela Shares which have been incorporated into the Strate system, title to which is no longer represented by physical Documents of Title;
"Dematerialised Shareholders"	holders of Dematerialised Phumelela Shares;
"Documents of Title"	share certificates and/or certified transfer deeds and/or balance receipts or any other documents of title in respect of Phumelela Shares;
"Effective Date"	1 March 2016, being the date on which all benefits of and risk in the Sale Shares is deemed to have passed to Phumelela;
"EFT"	electronic funds transfer;
"Emigrant"	an emigrant from South Africa whose address is outside the Common Monetary Area;
"Exchange Control Regulations"	the Exchange Control Regulations of South Africa issued under the Currency and Exchanges Act (Act 9 of 1933), as amended;
"Financial Markets Act"	the Financial Markets Act, No. 19 of 2012, as amended, which has replaced the Securities Services Act, (Act No. 36 of 2004);

"Final Record Date"	the Record Date for determining the persons to whom the Rights Offer Shares will be issued, being Friday, 3 February 2017;
"Form of Instruction"	the form of instruction in respect of the Letter of Allocation reflecting the entitlement of Certificated Shareholders to subscribe for Rights Offer Shares and on which Certificated Shareholders should indicate whether they wish to take up, sell or renounce all or some of their rights, which form is enclosed with this Circular;
"Gauteng Off-Course Bookmakers' Association"	an association formed to protect the interests of its members, being bookmakers located in Gauteng;
"Gold Circle"	Gold Circle Proprietary Limited (Registration number 1998/024366/07), a limited liability private company duly incorporated according to the company laws of South Africa;
"Group"	Phumelela and its subsidiaries;
"Investec"	Investec Bank Limited (Registration number 1969/004763/06), a limited liability public company duly incorporated in South Africa, acting through its Corporate Finance division;
"Initial Record Date"	the record date for determination of Shareholders entitled to participate in the Rights Offer, being Friday, 20 January 2017;
"JSE"	the JSE Limited (Registration number 2005/022939/06), a public company duly incorporated in accordance with the laws of South Africa and licensed as an exchange under the Financial Markets Act (Act No. 19 of 2012);
"Kenilworth Racing"	Kenilworth Racing Proprietary Limited (Registration number 2011/008903/07) a limited liability private company duly incorporated according to the company laws of South Africa;
"Last Practicable Date"	the last practicable date prior to finalisation of this Circular, being Friday 13 January 2017;
"Letters of Allocation"	renounceable nil paid letters of allocation to be issued to Shareholders in electronic form, conferring the right to subscribe and pay for a *pro rata* portion of the allotment of Rights Offer Shares and which are also referred to in this Circular, in respect of holders of Certificated Phumelela Shares, as the Form of Instruction;
"Listings Requirements"	the JSE Listings Requirements, as amended from time to time;
"MOI"	Memorandum of Incorporation;
"Own-name Registration"	Dematerialised Shareholders who have instructed their CSDP to hold their Phumelela Shares in their own name on the uncertificated securities registers of Phumelela;
"Phumelela" or "Company"	Phumelela Gaming and Leisure Limited (Registration number 1997/016610/06), a limited liability public company duly incorporated in South Africa and listed on the JSE;
"Phumelela Shares"	ordinary shares in Phumelela;
"Portapa"	Portapa Proprietary Limited (Registration number 2008/019297/07), a limited liability private company duly incorporated according to the company laws of South Africa;
"Portapa 2"	Portapa 2 Proprietary Limited (Registration number 2009/016148/07), a limited liability private company duly incorporated according to the company laws of South Africa;
"Portapa 16"	Portapa 16 Proprietary Limited (Registration number 2013/107709/07), a limited liability private company duly incorporated according to the company laws of South Africa;

"Purchase Consideration"	the consideration payable by Phumelela to the Seller for the Sale Shares in terms of the Sale Agreement of R437 million;
"Rand" or "R"	the South African Rand, the lawful currency of South Africa;
"Register"	the Register of Certificated Shareholders maintained by the Transfer Secretaries, including the Sub-Register;
"Regulations"	the Companies Regulations, 2011, published pursuant to section 223 of the Companies Act;
"Rights Offer"	the renounceable rights offer by Phumelela to Shareholders to subscribe for 16 602 230 Rights Offer Shares at an issue price of R17.39 per share per Rights Offer share, in the ratio of 21.91067 for every 100 Phumelela Shares held by them on the Initial Record Date;
"Rights Offer Issue Date"	the third Business Day following the date upon which Phumelela Shares are issued in terms of the Rights Offer;
"Rights Offer Issue Price"	the issue price of R17.39 per Rights Offer Share issued pursuant to the Rights Offer;
"Rights Offer Quantum"	a maximum amount of R289 million (two hundred and eighty four million Rand);
"Rights Offer Shares"	the 16 602 230 Phumelela Shares to be issued pursuant to the Rights Offer,
"Sale Agreement"	the agreement dated 21 July 2016 entered into between Phumelela, Seller and Supabets in terms of which Phumelela will acquire the Sale Shares subject to certain conditions;
"Sale Shares"	100 (one hundred) ordinary shares in Supabets representing 50% (fifty percent) of the issued share capital of Supabets;
"Securities Transfer Tax"	Securities Transfer Tax in terms of the Securities Transfer Tax Act, 2007 (Act No. 25 of 2007);
"Seller"	IHH Company Proprietary Limited (Registration number: 2015/197564/07), a limited liability private company duly incorporated according to the company laws of South Africa, the beneficial shareholders of which are the Anastassopoulos family who are unrelated parties to Phumelela and its Directors,
"SENS"	the Stock Exchange News Service, being the news service operated by the JSE;
"Shareholders"	holders of Phumelela Shares, including Certificated Shareholders and Dematerialised Shareholders;
"South Africa"	the Republic of South Africa;
"South African Bookmakers' Society"	an association formed to protect the interests of its members, being bookmakers located in KwaZulu-Natal;
"Strate"	Strate Proprietary Ltd (Registration number 1998/022242/07), a private company duly incorporated in accordance with the laws of South Africa, which is a registered central securities depository and which is responsible for the electronic settlement system on the JSE;
"Sub-Register"	the list of shareholders maintained by a CSDP and forming part of the Register;
"Subsidiaries"	has the meaning given to that term in the Companies Act;
"Supabets"	Supabets SA Holdings Proprietary Limited (Registration number 2015/046918/07), a limited liability private company duly incorporated according to the company laws of South Africa and a shelf company which will hold 100% of the share capital of each of the Supabets Operating Companies immediately prior to the Transaction;
"Supabets Operating Companies"	Portapa, Portapa 2 and Portapa 16;
"Transaction"	the acquisition by Phumelela of the Sale Shares from the Seller in terms of the Sale Agreement;

"Transaction Circular"	the circular posted to Phumelela Shareholders on 19 August 2016;
"Transfer Secretaries"	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company duly incorporated under the laws of South Africa;
"Treasury Phumelela Shares"	the Phumelela Shares held by Subsidiaries of Phumelela from time to time (being 1 329 533 Phumelela Shares as at the Last Practicable Date); and
"VWAP"	volume weighted average share price;
"VAT"	value added taxation, in terms of the Value Added Tax Act (Act 89 of 1991), as amended.

Phumelela Gaming

Phumelela Gaming and Leisure Limited

(Incorporated in the Republic of South Africa)
(Registration number 1997/016610/06)
JSE share code: PHM ISIN: ZAE000039269
("**Phumelela**" or "**the Company**")

Directors of Phumelela

Executive Directors

WA du Plessis (Group Chief Executive Officer)
AW Heide (Group Finance Director and Chief Operating Officer)
VJ Moodley
ML Ramafalo
JA Stuart

Non-executive Directors

*MP Malungani (Chairman)**
*R Cooper**
*BP Finch**
*MJ Jooste**
B Kantor
*SKC Khampepe**
*NJ Mboweni**
*Dr E Nkosi**
*CJH van Niekerk**
*JB Walters**

**Independent*

CIRCULAR TO SHAREHOLDERS

1. INTRODUCTION

In the Transaction Circular posted to Shareholders on 19 August 2016, Phumelela advised Shareholders of the Transaction, as well as the intention to undertake the Rights Offer to fund a portion of the Purchase Consideration in respect of the Transaction.

At a general meeting of Shareholders held on 21 September 2016, Shareholders approved, *inter alia:*

- the implementation of the Transaction as a category 1 transaction in terms of the Listings Requirements; and
- the approvals required in terms of the Companies Act to place sufficient Phumelela Shares under the control of the Directors to implement the Rights Offer.

The purpose of this Circular is to advise Shareholders of the terms and conditions of the Rights Offer for a quantum of R289 million and provide Shareholders with instructions on participating in the Rights Offer.

2. THE TRANSACTION

2.1 Overview

Phumelela concluded a Sale Agreement in terms of which Phumelela will acquire Sale Shares for the Purchase Consideration. Shareholders are advised that all conditions precedent save for the successful completion of the Rights Offer as outlined in the Transaction Circular have been satisfied. Shareholders are referred to the Transaction Circular for further detail on the Transaction.

2.2 Rationale

The Transaction is aligned to Phumelela's strategy to enhance and diversify its existing operations into higher growth earnings streams.

Supabets has revolutionised sports betting in South Africa. The Transaction represents a unique opportunity for Phumelela to invest in an industry leading business with an innovative and entrepreneurial management team that furthers various strategic objectives and will add value to Phumelela as a whole.

Supabets is a market leader in betting on sports other than horse racing and Phumelela is the market leader in betting on horse racing. The opportunity to share knowledge, technology, and product and industry best practice is attractive to both Phumelela and Supabets.

Phumelela will leverage off Supabets' successful business model and management team to enhance and add critical scale and mass to its existing Betting World operations. Betting World has an extensive retail footprint of 65 branches across South Africa. The opportunity exists to offer Phumelela's totalisator and fixed odds horse racing products in Supabets' retail network and also to offer Supabets' sports betting products in Betting World's retail network.

The Transaction secures the talent of the highly successful Supabets founders and management team, positioning Phumelela for further attractive growth.

As a result of the Transaction, Phumelela's portfolio of South African assets will be diversified. This diversification has the effect of reducing Phumelela's reliance on its horse racing and its related earnings.

Phumelela remains committed to horse racing in South Africa and has showed strong growth in its international broadcasting operations.

The Transaction is accretive to Phumelela and the increased earnings will allow Phumelela to continue to promote the interests of the sport of horseracing in South Africa.

Phumelela believes that the Transaction and the further growth opportunities that may arise from it will further enhance its position as a growing gaming and leisure player in the South African market.

2.3 Transaction funding

The Purchase Consideration payable by Phumelela for the Transaction is R437 million. In addition to the Purchase Consideration, Phumelela will pay the following to the Seller which will be settled in cash:

- nominal annual compounded interest calculated on the Purchase Consideration less the amount settled in terms of the Phumelela Acquisition Shares at 7.5% (seven point five percent) monthly in advance from the Effective Date to the Rights Offer Issue Date; and
- an amount equal to any dividends that would have been declared and payable to the Seller on the Phumelela Acquisition Shares during the period from the Effective Date to the Rights Offer Issue Date, if the Phumelela Acquisition Shares had, from the said date, been in issue and had participated in dividends declared by Phumelela.

The funding of the Purchase Consideration, additional amounts payable as stated above and the estimated Transaction Costs will be settled as follows:

- 35% of the Purchase Consideration through the issue of Phumelela Acquisition Shares to the Seller; and
- The remainder in cash, which will be financed by Phumelela as follows:
  - Through the issue of Phumelela Shares by way of the Rights Offer to Shareholders for the Rights Offer Quantum
  - Through existing cash and/or debt facilities of Phumelela for the remainder of the amount due to the Seller.

3. PARTICULARS OF THE RIGHTS OFFER

3.1 Terms of the Rights Offer

Phumelela is seeking to raise the Rights Offer Quantum through an offer of the Rights Offer Shares.

In terms of the Rights Offer:

- Shareholders will be offered 21.91067 Rights Offer Shares for every 100 Phumelela Shares held by them on the Initial Record Date; and
- the Rights Offer Issue Price will be R17.39 per Rights Offer Share; and
- the Rights offer is not underwritten and no minimum subscription is applicable.

3.2 **Rights Offer Issue Price**

The Rights Offer Issue Price of R17.39 per Rights Offer Share represents a 21.3% discount to the closing price of Phumelela Shares on the JSE on Monday, 9 January 2017.

3.3 **Shareholder commitments**

Phumelela has concluded agreements with Committed Shareholders in terms of which the Committed Shareholders have irrevocably committed to follow their rights and to make application for excess shares in the Rights Offer. As at the last practicable date, the following shareholders have irrevocably undertaken to follow their rights in terms of the Rights Offer as set out below:

Name of shareholder	Number of ordinary shares held in Phumelela before the Rights Offer	Number of Rights Offer Shares in the ratio of 21.91067	Letters of allocation irrevocably committed to be followed	Excess applications irrevocably committed to be applied for	Total irrevocable undertaking	Percentage of total Rights Offer Shares
The Thoroughbred Horse Racing Trust	27 185 164	5 956 452	5 750 431	–	5 750 431	34.6%
Kalamojo Trading and Investments (Proprietary) Limited	7 481 285	1 639 200	1 639 200	4 111 232	5 750 431	34.6%
Sanlam	4 556 645	998 391	998 391	2 739 389	3 737 780	22.5%
Yerranzano Property Investments Limited	3 689 596	808 415	808 415	–	808 415	4.9%
WA du Plessis	2 805 657	614 738	614 738	2 260 477	2 875 216	17.3%
Total	**45 718 347**	**10 017 197**	**9 811 176**	**9 111 098**	**18 922 274**	**114.0%**

Shareholders who have irrevocably undertaken to follow their rights will be paid a commitment fee equal to 0.25% the Rand value of the excess Rights Offer Shares subscribed for.

*B Kantor and MJ Jooste are equal shareholders in Kalamojo Trading and Investments (Proprietary) Limited

3.4 **Entitlement**

Shareholders will receive the right to subscribe for 21.91067 Rights Offer Shares for every 100 Phumelela Shares held on the Initial Record Date (being Friday, 20 January 2017).

Shareholders who do not hold a multiple of 100 Phumelela Shares, will be entitled, in respect of such holdings, to participate in the Rights Offer in accordance with Annexure 2.

The allocation of Rights Offer Shares will be such that Shareholders will not be allocated a fraction of a Rights Offer Share and as such any entitlement to receive a fraction of a Rights Offer Share which:

- is less than one-half of a Rights Offer Share, will be rounded down to the nearest whole number; and
- is equal to or greater than one-half of a Rights Offer Share but less than a whole Rights Offer Share, will be rounded up to the nearest whole number.

Certificated Shareholders will have their rights credited to their accounts held with the Transfer Secretaries on their behalf. The enclosed Form of Instruction reflects the number of Rights Offer Shares for which the Certificated Shareholder is entitled to subscribe. The procedure to be followed by Certificated Shareholders for the acceptance, sale or renunciation of their rights is reflected on the Form of Instruction.

Dematerialised Shareholders will have their rights to subscribe for Rights Offer Shares credited in electronic form to their account held by their appointed CSDP or Broker. The CSDP or Broker will advise Dematerialised Shareholders of the procedure to be followed and the timing for the acceptance, sale, renunciation or lapsing of such rights.

The Letters of Allocation to which the Form of Instruction relates are negotiable and can be traded on the JSE.

3.5 **Excess applications**

Shareholders will have the right to apply for any excess Rights Offer Shares not taken up by other Shareholders subject to such rights being transferable upon renunciation of the Letters of Allocation, and any such excess Phumelela Shares will be attributed equitably, taking cognisance of the number of Phumelela Shares and rights held by the Shareholder just prior to such allocation, including those taken up as a result of the Rights Offer, and the number of excess rights applied for by such Shareholder.

Certificated Shareholders who wish to apply for Rights Offer Shares in addition to those allocated to them in terms of the Rights Offer, may do so by indicating the number of additional Rights Offer Shares that they wish to subscribe for in Blocks (7) and (8) on the Form of Instruction and by enclosing payment, in accordance with paragraph 4.1.4 of this Circular, for such additional Rights Offer Shares with their subscription. The completed Form of Instruction, together with payment, should be lodged with the Transfer Secretaries at the addresses set out in the "Corporate Information" section of this Circular, so as to be received by the Transfer Secretaries by no later than 12:00 on Friday, 3 February 2017.

Dematerialised Shareholders who wish to apply for Rights Offer Shares in addition to those allocated to them in terms of the Rights Offer, should advise their CSDP or Broker in terms of the agreement entered into between them and their CSDP or Broker, as to the number of additional Rights Offer Shares for which they wish to apply and ensure that they have sufficient funds in their account.

An announcement will be published on SENS on Monday, 6 February 2017, stating the results of the Rights Offer and the basis of allocation of any excess applications.

Cheques refunding monies in respect of unsuccessful applications for additional Rights Offer Shares by Certificated Shareholders will be posted to the relevant applicants, at their risk, on or about Wednesday, 8 February 2017. No interest will be paid on monies received in respect of unsuccessful applications.

4. PROCEDURE FOR ACCEPTANCE, RENUNCIATION AND SALE OF RIGHTS

4.1 Certificated Phumelela Shares

4.1.1 *Acceptance*

Full details of the procedure for acceptance of the Rights Offer by Certificated Shareholders are contained in the Form of Instruction enclosed with this Circular. It should be noted that:

- acceptances are irrevocable and may not be withdrawn;
- acceptances may be made only by means of the enclosed Form of Instruction;
- any instruction to sell or renounce all or part of the rights may only be made by means of the Form of Instruction;
- the properly completed Form of Instruction together with proof of EFT payment or banker's draft (in the case of foreign Shareholders) in Rand in payment of the aggregate Rights Offer Issue Price payable for the relevant Rights Offer Shares must be received by the Transfer Secretaries by no later than 12:00 on Friday, 3 February 2017. All acceptances of the Rights Offer sent by post by the beneficial holders will be accepted provided the envelope is received by no later than 12:00 on Friday, 3 February 2017;
- the Form of Instruction to take up the rights in question will be regarded as complete only when proof of EFT payment or banker's draft (in the case of foreign Shareholders) has been cleared for payment;
- such payment will constitute an irrevocable acceptance of the Rights Offer upon the terms and conditions set out in this Circular and in the Form of Instruction once the cheque or banker's draft has been cleared for payment;
- the Transfer Secretaries should be contacted on +27 11 370 5000 during business hours from 08:00 to 16:30 in order to obtain the necessary banking details; and
- if any Form of Instruction is not received as set out above, the Rights Offer will be deemed to have been declined and the right to subscribe for the Rights Offer Shares in terms of the Form of Instruction will lapse regardless of who holds it.

4.1.2 *Renunciation or sale of rights*

Phumelela has issued all Letters of Allocation in dematerialised form and the electronic record for Certificated Phumelela Shares is being maintained by the Transfer Secretaries. This has made it possible for Certificated Shareholders to enjoy the same rights and opportunities as Dematerialised Shareholders.

Certificated Shareholders not wishing to subscribe for all or some of the Rights Offer Shares allocated to them as reflected in the Form of Instruction, may sell or renounce all or some of their rights or allow them to lapse.

Certificated Shareholders who wish to sell all or some of the Rights Offer Shares allocated to them as reflected in the Form of Instruction, must complete the relevant section of the Form of Instruction and return it to the Transfer Secretaries in accordance with the instructions contained therein, to be received by no later than 12:00 on Tuesday, 31 January 2017.

The Transfer Secretaries will endeavour to procure the sale of the rights on the JSE on behalf of such Certificated Shareholders and will remit the proceeds in accordance with the payment instructions reflected in the Form of Instruction, net of Brokerage charges and associated expenses. Neither the Transfer Secretaries nor the Company nor any Broker appointed by it will have any obligation or be responsible for any loss or damage whatsoever in relation to or arising out of the timing of such sales, the price obtained or any failure to sell such rights. References in this paragraph to a Certificated Shareholder include references to the person or persons executing the Form of Instruction and any person or persons on whose behalf such person or persons executing the Form of Instruction is/are acting. In the event of more than one person executing the Form of Instruction, the provisions of this paragraph shall apply to them, jointly and severally.

Certificated Shareholders who do not wish to sell all or some of the rights to the Rights Offer Shares allocated to them as reflected in the Form of Instruction, and who do not wish to subscribe for Rights Offer Shares offered in terms of the Form of Instruction, but who wish to renounce their rights, must complete the relevant section of the Form of Instruction and return it to the Transfer Secretaries in accordance with the instructions contained therein to be received by no later than 12:00 on Friday, 3 February 2017.

Certificated Shareholders who wish to subscribe for only a portion of the Rights Offer Shares allocated to them must indicate the number of Rights Offer Shares for which they wish to subscribe on the Form of Instruction.

If by 12:00 on Friday, 3 February 2017, Certificated Shareholders do nothing in response to this Rights Offer, their rights will lapse.

4.1.3 ***Payment***

The amount due on acceptance of the Rights Offer is payable in Rand.

4.1.4 ***Payment terms***

A duly completed Form of Instruction, together with proof of EFT payment, must be lodged by Certificated Shareholders and/or their renouncees by no later than 12:00 on Friday, 3 February 2017 in accordance with the instructions contained in the Form of Instruction and clearly marked "**Phumelela – Rights Offer**":

by hand to:

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
2196

or sent by post, at the risk of the Shareholder concerned to:

Computershare Investor Services Proprietary Limited
PO Box 61763
Marshalltown
2107

Form of Instructions which are not posted must be faxed to +27 11 688 5210 or emailed to corporate.events@computershare.co.za. The Transfer Secretaries will not be responsible for any loss and/or damage whatsoever in relation to or arising from the late or non-receipt of faxed or emailed election forms or owing to Forms of Instruction being forwarded to any other facsimile or email address other than those provided above. Forms of Instruction shall be deemed to be received on the date reflected in the Transfer Secretaries' electronic or facsimile systems. Notwithstanding anything to the contrary, it is the Shareholder's responsibility to ensure that their Form of Instruction is received by the Transfer Secretaries.

The Transfer Secretaries should be contacted on +27 11 370 5000 during business hours from 08:00 to 16:30 in order to obtain the necessary banking details for the purposes of making EFT payments.

The above is in respect of the subscription for Rights Offer Shares only.

All bankers' drafts received (in the case of foreign Shareholders) by the Transfer Secretaries will be deposited immediately for payment. In the event that any banker's draft (in the case of foreign Shareholders) is dishonoured, Phumelela, in its sole discretion, may treat the relevant acceptance as void or may tender delivery of the relevant Rights Offer Shares to which it relates against payment in cash of the aggregate Rights Offer Issue Price for such Rights Offer Shares. Money received in respect of an application which is rejected or otherwise treated as void by Phumelela, or which is otherwise not validly received in accordance with the terms stipulated in this paragraph, will be refunded (without interest) by way of an EFT in Rand to the applicant concerned on or about Wednesday, 8 February 2017. If Phumelela is not able to effect the refund by EFT for any reason whatsoever, then the relevant refund will be held by Phumelela until collected by the applicant. No interest in respect of such refund will be paid by Phumelela.

4.1.5 ***Phumelela Share certificates***

Certificates in respect of Rights Offer Shares will be distributed by registered post by the Transfer Secretaries, at the risk of the Certificated Shareholders concerned, on or about Monday, 6 February 2017. As Phumelela uses the certified transfer deeds and other temporary Documents of Title procedure approved by the JSE, only "block" certificates will be issued in respect of Rights Offer Shares.

4.1.6 ***Transaction costs***

Certificated Shareholders wishing to sell all or some of their rights will be liable to pay a cost of R154.48 (all inclusive of VAT) for trades of less than or equal to R40 000 and R154.48 (all inclusive of VAT) plus 0.35% of the value of trades for amounts equal to or greater than R40 000.

4.2 **Dematerialised Phumelela Shares**

4.2.1 ***Acceptance, renunciation or sale of rights***

The CSDP or Broker appointed by Dematerialised Shareholders is obliged to contact such Shareholders to ascertain:

- whether such Dematerialised Shareholders wish to follow their rights in terms of the Rights Offer or renounce their rights and in respect of how many Rights Offer Shares; or
- if such Dematerialised Shareholders do not wish to follow all or any of their rights, whether they wish to sell their rights and how many of their rights they wish to sell.

If you are not contacted by your CSDP or Broker, you should contact your CSDP or Broker and furnish them with your instruction. Should a CSDP or Broker not obtain instructions from a Dematerialised Shareholder, they are obliged to act in terms of the mandate granted to them by such Dematerialised Shareholder, or if the mandate is silent in this regard, they are obliged not to accept the rights on behalf of such Shareholder.

4.2.2 ***Payment***

Your CSDP or Broker will effect payment directly on your behalf, in Rand, on Monday, 6 February 2017 on a delivery-versus-payment basis.

4.2.3 ***Rights Offer Shares***

Dematerialised Shareholders will have their accounts credited with the Rights Offer Shares subscribed for in terms of the Rights Offer, on Monday, 6 February 2017.

5. STATEMENT AS TO LISTING ON STOCK EXCHANGE

The JSE has granted listings for the Letters of Allocation and the Rights Offer Shares as follows:

- Letters of Allocation in respect of 16 602 230 Rights Offer Shares will be listed from the commencement of business on Wednesday, 18 January 2017 to the close of business on Tuesday, 31 January 2017, both days inclusive, under the JSE code: PHMN and ISIN: ZAE000231437; and
- the Rights Offer Shares will be listed from the commencement of business on Wednesday, 1 February 2017.

6. SOUTH AFRICAN LAW

All transactions arising from the provisions of this Circular and the Form of Instruction shall be governed by and be subject to the laws of South Africa.

7. EXCHANGE CONTROL REGULATIONS

The following summary is intended only as a guide and is therefore not a comprehensive statement of the Exchange Control Regulations. Shareholders who are in any doubt as to the appropriate course of action to take should consult their professional advisors.

The Rights Offer Shares to be issued pursuant to the Rights Offer are not freely transferable from South Africa and must be dealt with in terms of South African Exchange Control Regulations.

Shareholders who are not resident in the Common Monetary Area should obtain advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to follow their rights in terms of the Rights Offer.

7.1 Non-residents of the Common Monetary Area

In terms of the Exchange Control Regulations, non-residents, excluding former residents, of the Common Monetary Area will be allowed to:

- take up rights allocated to them in terms of the Rights Offer;
- purchase rights on the JSE; and
- subscribe for Rights Offer Shares in terms of the Rights Offer, provided payment is in Rand from a non-resident account.

Share certificates issued pursuant to the application must be endorsed "non-resident".

All applications by non-residents for the above purposes must be made through a South African authorised dealer.

Where rights are sold on the JSE on behalf of non-residents, the proceeds of such sale are freely remittable through a South African authorised dealer in foreign exchange.

7.2 Former residents of the Common Monetary Area

Where a right in terms of the Rights Offer falls due to an Emigrant, which right is based on Phumelela Shares blocked in terms of the Exchange Control Regulations, then only blocked funds may be used to:

- take up rights allocated to such Emigrant in terms of the Rights Offer;
- purchase rights on the JSE; and
- subscribe for Rights Offer Shares in terms of the Rights Offer.

Applications by Emigrants using blocked Rands for the above purposes must be made through the South African authorised dealer controlling their blocked assets. Phumelela Share certificates issued pursuant to blocked Rand transactions must be endorsed "non-resident" and placed under the control of the authorised dealer through whom the payment was made.

Where rights are sold on the JSE on behalf of Emigrants, which rights are based on Phumelela Shares which are blocked in terms of the Exchange Control Regulations, the proceeds of such sales will be credited to the blocked Rand accounts of the Shareholders concerned.

Non-resident and Emigrant Dematerialised Phumelela Shares will have all aspects relating to Exchange Control managed by their CSDP or Broker.

8. FOREIGN SHAREHOLDERS

8.1 Introduction

Foreign Shareholders may be affected by the Rights Offer, having regard to prevailing laws in their relevant jurisdictions. Such foreign Shareholders should inform themselves about and observe any applicable legal requirements of such jurisdiction in relation to all aspects of this Circular that may affect them, including the

Rights Offer. It is the responsibility of each foreign Shareholder to satisfy himself as to the full observation of the laws and regulatory requirements of the relevant foreign jurisdiction in connection with the Rights Offer, including the obtaining of any governmental, exchange or other consents or the making of any filing which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes or other requisite payments due in such jurisdiction. The Rights Offer is governed by the laws of South Africa and is subject to applicable laws and regulations, including the Exchange Control Regulations.

8.2 Affected foreign Shareholders

Any Shareholder who is in doubt as to his position with respect to the Rights Offer in any jurisdiction, including, without limitation, his tax status, should consult an appropriate independent professional adviser in the relevant jurisdiction without delay. Foreign Shareholders are reminded that they may dispose of their Phumelela Shares on or prior to the last day to trade, in which case they will not participate in the Rights Offer.

Foreign Shareholders accordingly must take their own advice on whether they are entitled, after the Rights Offer, to continue to beneficially hold any Phumelela Shares distributed to them and take the appropriate action in accordance with that advice.

8.3 Note to U.S. Shareholders

The Rights Offer Shares will not be registered with the U.S. Securities and Exchange Commission ("**SEC**") under the U.S. Securities Act of 1933, as amended, or any U.S. state securities laws. Neither the SEC nor any U.S. federal or state securities commission has registered, approved or disapproved the Rights Offer Shares or passed comment or opinion upon the accuracy or adequacy of this Circular. Any representation to the contrary is a criminal offence in the U.S.

Shareholders who are citizens or residents of the U.S. are advised that the Rights Offer Shares have not been and will not be registered under the U.S. Securities Exchange Act of 1934, as amended.

8.4 Sale of rights

It is the responsibility of any person outside the Common Monetary Area (including, without limitation, nominees, agents and trustees for such persons) receiving this Circular and wishing to take up Rights Offer Shares under the Rights Offer, to satisfy themselves as to full observance of the applicable laws of any relevant territory, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

If a premium can be obtained over the expenses of the sale, the rights of Shareholders in the jurisdictions in which it is illegal to make an offer will be sold by the Transfer Secretaries on the JSE for the benefit of such Shareholders, in accordance with this section. Any premium over the expenses of the sale of the rights of Shareholders in these jurisdictions (including applicable taxes, Brokerage fees and commissions) shall be remitted to such Shareholders.

None of Phumelela, the Transfer Secretaries or any Broker appointed by them or Phumelela, will have any obligation or be responsible for any loss or damage whatsoever in relation to, or arising out of, the timing of such sales or the remittance of the net proceeds of such sales.

9. TAX CONSEQUENCES OF THE RIGHTS OFFER

Securities Transfer Tax will not be levied on the Rights Offer Shares issued in terms of the Rights Offer.

The Directors are of the opinion that the purchase, holding and disposal of the Letters of Allocation or Rights Offer Shares should, for taxation purposes, be treated according to the usual rules relating to the categorisation of an asset and its return as capital or revenue, however, Shareholders are advised to consult their professional advisers regarding the tax consequences of the Rights Offer.

10. JURISDICTION

The distribution of this Circular and/or accompanying documents and/or the transfer of the Rights Offer Shares and/or the rights to subscribe for Rights Offer Shares in jurisdictions other than South Africa may be restricted by law and failure to comply with any of those restrictions may constitute a violation of the laws of any such jurisdiction in which it is illegal to make such a Rights Offer. In such circumstances, this Circular and the Form of Instruction are sent for information purposes only.

11. NATURE OF BUSINESS AND PROSPECTS OF THE COMPANY

11.1 Nature of business

Phumelela is the horseracing and/or tote betting operator in seven of South Africa's nine provinces and also manages horseracing and tote betting in the Western Cape on behalf of Kenilworth Racing. Phumelela is recognised as a world leader in harnessing the latest technology to globalise horseracing.

Phumelela operates four racecourses, five training centres, over 200 tote outlets, a telephone-betting centre and an online tote betting site in South Africa.

Phumelela is a significant player in the international arena. Selected live racing from a host of countries, including the United Kingdom, Dubai, France, Singapore, Hong Kong, Australia, Mauritius and the United States of America, is imported daily and South African horseplayers are able to watch, and bet on, horseracing from around the globe from 10:00 daily. Phumelela also exports live coverage of South African races to more than 25 countries daily on its Johannesburg-based Racing International channel.

The philosophy and culture of Phumelela is embedded in the traditions of modern thoroughbred horseracing and the company looks for growth and investment opportunities internationally that can sustain the industry whilst striving to provide innovative products within the domestic market.

Income is derived from a commission on tote betting domestically and a share of provincial taxation on fixed-odds betting on horse races, fixed-odds betting through subsidiary company Betting World, as well as commissions or fees from its Racing International channel.

11.2 Prospects

Phumelela's international operations thrive on the quality of the year-round South African horseracing, for which there is strong and growing demand. Phumelela is opening up new markets to South African punters. The Group's agreement with Arena Racing Company will contribute meaningfully to earnings in 2017.

Phumelela's substantial investment in growing Betting World's footprint is yielding positive results with returns expected to continue.

Phumelela management are vigorously pursuing diversification and expansion opportunities locally and abroad, as evidenced by recent investments, including the Transaction, which will assist in continued growth and an expected improvement in profitability.

12. INFORMATION RELATING TO DIRECTORS

12.1 Details of directors

There will be no variation in the Directors' details (i.e. business address and function) as a consequence of the Rights Offer.

12.2 Directors remunerations and emoluments

There will be no variation in the remuneration payable to Directors as a consequence of the Rights Offer.

12.3 **Directors' interest in Phumelela Shares**

The direct and indirect beneficial interests of the Directors (and their associates) in the issued Share capital of Phumelela as at 31 July 2016 is set out in the table below.

Director	Indirect shareholding	Direct shareholding	Number of shares	% of total shareholding
Non-executive				
B Kantor	5 254 000		5 254 000	6.81%
MJ Jooste	2 481 285		2 481 285	3.22%
CJH van Niekerk		47 200	47 200	0.06%
JB Walters	44 850		44 850	0.06%
Executive				
WA Du Plessis	2 805 658		2 805 658	3.64%
AW Heide		172 238	172 238	0.22%
JA Stuart	5 295	267 158	272 453	0.35%
Total	**10 591 088**	**486 596**	**11 077 684**	**14.37%**

Dealings in Phumelela ordinary shares for the period beginning 31 July 2015 and ending on the Last Practicable Date by the Phumelela Directors, including Directors who have resigned during the 18 months prior to the Last Practicable Date, are as follows:

Director	Date	Transaction type	Volume	Price
B Kantor	14 Dec 2016	Sell	1 259 358	R24.00
MJ Jooste	14 Dec 2016	Buy	1 259 358	R24.00
ML Ramafalo	1 Dec 2016	Buy	188 675	R24.90
	13 Jan 2017	Sell	188 675	R22.00
VJ Moodley	16 Nov 2016	Buy	244 578	R24.90
	13 Jan 2017	Sell	120 000	R22.00
B Walters	21 Dec 2015	Buy	5 000	R20.29
	23 Dec 2015	Buy	8 000	R20.49
WA du Plessis	18 Dec 2015	Buy	3 691	R18.77
JA Stuart	22 Dec 2015	Buy	1 000	R20.50
	23 Dec 2015	Buy	900	R22.50
	24 Dec 2015	Buy	3 395	R23.00

The following are the number of grants and share options held by Directors, and individuals who were Directors of Phumelela during the past 18 months prior to the Last Practicable Date, as at 31 July 2016:

Director	Number of shares
WA Du Plessis	3 000 000
AW Heide	797 530
ML Ramafalo	597 188
JA Stuart	757 530
V Moodley	835 154
Total	**5 987 402**

The changes to Directors, and individuals who were directors of Phumelela during the past 18 months prior to the Last Practicable Date, with respect to their interests in share options between the end of the preceding financial year (i.e. 31 July 2016) and the Last Practicable Date are as follows.

- ML Ramafalo redeemed options amounting to 270 000 and accordingly now holds 327 188 share options as of the Last Practicable Date; and
- VJ Moodley redeemed options of 350 000 and accordingly now holds 484 154 share options as of the Last Practicable Date.

The Directors intend to execute any rights to which they will become entitled to Pursuant to the Rights Offer in respect of existing shareholding and share options.

13. SHARE CAPITAL

Provided below is information relating to the authorised and issued Share capital of the Company.

13.1 Phumelela's Share capital before the Rights Offer

The authorised and issued Share capital of Phumelela before the Rights Offer, as at the Last Practicable Date, is as follows:

	Number of Phumelela Shares	R'000
Authorised shares		
Ordinary shares of 2,5 cents each	480 000 000	12 000
Issued Phumelela Shares		
Ordinary shares of 2,5 cents each	77 101 885	1 927
Treasury Phumelela Shares		
Ordinary shares of 2,5 cents each	1 329 533	33
Issued Phumelela Shares excluding Treasury Phumelela Shares		
Ordinary shares of 2,5 cents each	75 772 352	1 894

13.2 Phumelela's Share capital after the Rights Offer

The authorised and issued Share capital of Phumelela after the Rights Offer will be as follows:

	Number of Phumelela Shares	R'000
Authorised shares		
Ordinary shares of 2,5 cents each	480 000 000	12 000
Issued Phumelela Shares		
Ordinary shares of 2,5 cents each	93 704 115	2 342
Treasury Phumelela Shares		
Ordinary shares of 2,5 cents each	1 329 533	33
Issued Phumelela Shares excluding Treasury Phumelela Shares		
Ordinary shares of 2,5 cents each	92 374 582	2 309

The holders in respect of the Treasury Phumelela Shares do not intend to follow their rights in respect of the Rights Offer.

14. PRICE AND VOLUME HISTORY OF PHUMELELA SHARES ON THE JSE

The Share price and volume history of Phumelela Shares:

- in the 12 months preceding the date of issue of the Circular; and
- in the 30 days preceding the Last Practicable Date, are set out in Annexure 1.

15. LITIGATION STATEMENT

Phumelela is a respondent in an application:

- in the High Court of South Africa, Gauteng Division, Johannesburg instituted by, *inter alia*, the Kwa-Zulu Natal Bookmakers Society ("KZNBS") to enforce the order made by the Gauteng Gambling Board on 9 October 2014 and secure access to the Tellytrack service pending the outcome of the proceedings before the Gauteng Gambling Board and Phumelela's review application;
- instituted by the KZNBS and GOBA in the High Court of South Africa, Gauteng Division, Pretoria. The applicants seek an order interdicting Phumelela from offering totalisator betting on sports other than horseracing. The parties have filed answering affidavits and the matter may be set down by the applicants.

Phumelela is a defendant in an action instituted by the KZNBS in the High Court of South Africa, Gauteng Division, Pretoria in which the KZNBS is claiming damages from Phumelela pursuant to the alleged infringement by Phumelela of the copyright vesting in the fixed betting odds supplied by the KZNBS distributed by the Bookmaking Odds and Distribution System ("BODDS"). Phumelela lodged exception to the particulars of claim lodged by the KZNBS on, *inter alia*, the ground that it was vague and embarrassing. On 25 August 2015 Judge Potterill ordered that the exception be upheld with costs. The plaintiff subsequently amended its particulars of claim. However, Phumelela again took exception thereto on the aforementioned grounds. The plaintiff must either cure the deficiencies in its particulars of claim or Phumelela will set the exception down for hearing.

Phumelela is the appellant in an appeal against the dismissal of its application to review and set aside a decision made by the Gauteng Gambling Board on 9 October 2014.

The outcome of the relevant actions noted above, and under corporate interests, remains uncertain and may have an impact on future earnings.

16. EXPENSES OF THE RIGHTS OFFER

The following expenses and provisions are expected or have been provided for by the Group in connection with the Rights Offer and will be settled out of the proceeds of the Rights Offer. All costs are stated exclusive of VAT:

Description	Payable to	Estimated amount (excluding VAT) R'000
JSE documentation	JSE	24
JSE listing fee	JSE	146
Printing and publication	Ince Proprietary Limited	70
Transfer Secretaries	Computershare Investor Services Proprietary Limited	80
Estimated costs		**320**

17. CONSENTS

The sponsor and financial advisor to the Rights Offer have consented in writing, and have not withdrawn their consent, to their names being included in the Circular in the form and context in which they are included.

18. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, whose names are given on page 8 of the Circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts which have been omitted that would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the Circular contains all information required by law and the Listings Requirements.

19. DOCUMENTS AND CONSENTS AVAILABLE FOR INSPECTION

The following documents, or copies thereof, will be available for inspection during normal business hours at the registered office of Phumelela from Thursday, 19 January 2017 up to and including Friday, 3 February 2017:

- the Memorandum of Incorporation of Phumelela and its subsidiaries;
- the agreement to acquire a 50% shareholding in Supabets;
- copies of service agreements with directors, managers or secretaries, vendors and promoters entered into during the last three years;
- the Group audited financial statements for the three financial periods ended 31 July 2016, 31 July 2015 and 31 July 2014;
- this Circular, signed by or on behalf of the Directors and the Form of Instruction; and
- the letters of consent referred to in paragraph 17 of this Circular.

Phumelela Gaming and Leisure Limited

WA du Plessis
17 January 2017

Turffontein Racecourse
14 Turf Club Street
Turffontien
Johannesburg

PRICE AND VOLUME HISTORY OF PHUMELELA SHARES ON THE JSE

Period	High (cents)	Low (cents)	Close (cents)	Volume	Value (R)
Monthly					
2016					
January	2 301	2 140	2 300	523 725	11 634 847
February	2 300	2 125	2 300	358 810	8 122 408
March	2 299	1 750	1 920	187 556	3 599 215
April	2 140	1 865	2 050	346 680	7 066 869
May	2 140	1 900	2 000	378 278	7 662 927
June	2 075	1 871	2 075	196 197	3 949 393
July	2 135	1 990	2 100	176 589	3 621 016
August	2 140	2 002	2 130	91 868	1 886 407
September	2 350	2 004	2 300	500 538	10 831 308
October	2 600	2 100	2 430	6 650 602	158 868 874
November	2 499	2 300	2 396	190 089	4 561 297
December	2 478	2 100	2 425	261 694	6 073 324
Daily					
2016 – 2017					
01 December 2016	2 390	2 350	2 390	5 271	123 976
02 December 2016	2 350	2 150	2 350	548	12 782
05 December 2016	2 478	2 350	2 478	91 093	2 145 475
06 December 2016	2 425	2 200	2 400	5 534	128 379
07 December 2016	2 400	2 300	2 400	2 200	51 386
08 December 2016	2 387	2 100	2 373	10 540	240 286
09 December 2016	2 250	2 205	2 250	4 400	97 220
12 December 2016	2 349	2 275	2 347	934	21 567
13 December 2016	2 347	2 325	2 347	13 030	302 991
14 December 2016	2 425	2 300	2 300	59 188	1 372 370
15 December 2016	2 350	2 300	2 350	2 166	49 851
19 December 2016	2 425	2 210	2 210	12 100	283 384
20 December 2016	2 300	2 210	2 300	20 835	468 277
21 December 2016	2 295	2 279	2 295	22 883	523 215
22 December 2016	2 300	2 295	2 300	5 291	121 431
23 December 2016	2 350	2 210	2 350	4 200	94 820
28 December 2016	2 425	2 425	2 425	1 481	35 914
29 December 2016	–	–	2 425	–	–
30 December 2016	–	–	2 425	–	–
03 January 2017	2 425	2 420	2 425	6	145
04 January 2017	–	–	2 425	–	–
05 January 2017	2 400	2 400	2 400	3 280	78 720
06 January 2017	2 218	2 212	2 217	7 655	169 514

Source: INET BFA

TABLE OF ENTITLEMENT

No fractions of Rights Offer Shares will be issued to Shareholders and the Rights Offer Shares will be issued based on the rounding principle (up or down, as the case may be). The table of entitlement of Shareholders to receive Rights Offer Shares is set out below.

Number of existing Shares	Number of Rights Offer Shares to which a Shareholder is entitled	Rounded number of Rights Offer Shares to which a Shareholder is entitled	Number of existing Shares	Number of Rights Offer Shares to which a Shareholder is entitled	Rounded number of Rights Offer Shares to which a Shareholder is entitled
1	0.21911	–	53	11.61266	12
2	0.43821	–	54	11.83176	12
3	0.65732	1	55	12.05087	12
4	0.87643	1	56	12.26998	12
5	1.09553	1	57	12.48908	12
6	1.31464	1	58	12.70819	13
7	1.53375	2	59	12.92730	13
8	1.75285	2	60	13.14640	13
9	1.97196	2	61	13.36551	13
10	2.19107	2	62	13.58462	14
11	2.41017	2	63	13.80372	14
12	2.62928	3	64	14.02283	14
13	2.84839	3	65	14.24194	14
14	3.06749	3	66	14.46104	14
15	3.28660	3	67	14.68015	15
16	3.50571	4	68	14.89926	15
17	3.72481	4	69	15.11836	15
18	3.94392	4	70	15.33747	15
19	4.16303	4	71	15.55658	16
20	4.38213	4	72	15.77568	16
21	4.60124	5	73	15.99479	16
22	4.82035	5	74	16.21390	16
23	5.03945	5	75	16.43300	16
24	5.25856	5	76	16.65211	17
25	5.47767	5	77	16.87122	17
26	5.69677	6	78	17.09032	17
27	5.91588	6	79	17.30943	17
28	6.13499	6	80	17.52854	18
29	6.35409	6	81	17.74764	18
30	6.57320	7	82	17.96675	18
31	6.79231	7	83	18.18586	18
32	7.01141	7	84	18.40496	18
33	7.23052	7	85	18.62407	19
34	7.44963	7	86	18.84318	19
35	7.66873	8	87	19.06228	19
36	7.88784	8	88	19.28139	19
37	8.10695	8	89	19.50050	20
38	8.32605	8	90	19.71960	20
39	8.54516	9	91	19.93871	20
40	8.76427	9	92	20.15782	20
41	8.98337	9	93	20.37692	20

Number of existing Shares	Number of Rights Offer Shares to which a Shareholder is entitled	Rounded number of Rights Offer Shares to which a Shareholder is entitled	Number of existing Shares	Number of Rights Offer Shares to which a Shareholder is entitled	Rounded number of Rights Offer Shares to which a Shareholder is entitled
42	9.20248	9	94	20.59603	21
43	9.42159	9	95	20.81514	21
44	9.64069	10	96	21.03424	21
45	9.85980	10	97	21.25335	21
46	10.07891	10	98	21.47246	21
47	10.29801	10	99	21.69156	22
48	10.51712	11	100	21.91067	22
49	10.73623	11	1 000	219.10670	219
50	10.95534	11	10 000	2 191.06700	2 191
51	11.17444	11	100 000	21 910.67000	21 911
52	11.39355	11	1 000 000	219 106.70000	219 107

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REF. JOB012335