

PHUMELELA GAMING AND LEISURE LIMITED

(IN BUSINESS RESCUE)

REGISTRATION NUMBER (1997/016610/06)

COMPARISON OF BUSINESS RESCUE PLAN TO BETFRED PROPOSAL

Business Rescue Plan published on 18/08/20	Betfred Proposal received on 25/08/20
<p>Main Proposal:</p> <p>Sale of all assets of Phumelela in a number of transactions.</p> <p>Confirmed Purchaser: Mary Oppenheimer and Daughters (Pty) Ltd (“MOD”)</p> <p>Two transactions agreed to:</p> <ul style="list-style-type: none">• Sell horse racing assets to MOD for R180 million• Sell the shares held in Phumelela Gold International (PGI) to MOD for R300 million <p>Other:</p> <p>Transactions being negotiated with various parties include the sale of:</p> <ul style="list-style-type: none">• Betting World• Supabets• Interbet• Arlington Racecourse• Flamingo Park (Kimberley) <p>All assets of the company will ultimately be sold.</p>	<p>Main Proposal:</p> <p>Sale of all assets of Phumelela in a <u>single</u> transaction.</p> <p>Proposed Purchaser: LightCatch Limited, a wholly owned subsidiary of Betfred Group Limited or one of its affiliates (“Betfred”)</p> <p>Proposal to acquire all assets of Phumelela for aggregate purchase consideration of between R875 million and R925 million (“Betfred Acquisition”) dependant on the profitability of horse racing assets and excluding taxes, comprising:</p> <ul style="list-style-type: none">• Initial payment of R875 million (“the initial purchase consideration”); and• Deferred payment of R50 million (“the deferred consideration”) <p>The deferred consideration amount of R50 million is dependent upon EBITDA performance milestones being achieved by the horse racing business. These milestones are, as yet, undetermined by Betfred.</p> <p>The initial purchase consideration amount will decrease if and to the extent that any of the sale assets cannot be delivered by the seller.</p>

Conditions of Sale of Assets

Conditions precedent to the MOD acquisition:

- Adoption of the proposed Business Rescue Plan
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- Definitive legal agreements
- All necessary regulatory approvals:
 - Competition Commission and Competition Tribunal
 - Gambling Boards
 - JSE
- The acquisition of PGI is conditional on the other shareholder/s not exercising or waiving their rights to acquire Phumelela's shareholding in PGI.
- Limited exclusivity conditions
- MOD is satisfied with powers of attorney given in favour of MOD by the Company to enable the registration of bonds which form part of agreed security for the PCF
- Written guarantees which form part of agreed security are given by relevant members of the Group as security for obligations under 1st and 2nd PCF agreement

Conditions of Sale of Assets

Conditions precedent to the Betfred acquisition:

- The adoption of a new business rescue plan reflecting the terms of the Betfred offer by creditors (see timing and implementation below)
- All necessary board and shareholder approvals
- The Definitive Legal Agreements being executed and becoming unconditional in accordance with their terms (any and/or all definitive legal agreements still would need to be negotiated)
- All necessary regulatory approvals:
 - Competition Commission and Competition Tribunal
 - South African Reserve Bank
 - Gambling Boards
 - JSE
 - All necessary third-party approvals
- Each sale of shares agreement where required in respect of a target company, a waiver by the other shareholder/(s) of the Target Company or any of their pre-emptive or similar rights.
- Neither the Company or any person acting on its behalf shall solicit, entertain or accept any third party offers to acquire any of the Sale Assets and/or to provide funding (whether in the form of debt or equity) to the Company or any members of the Company Group. The Company will notify the Lender with the full details immediately on receipt of an approach by a third party potentially interested in making such an offer.

<p>Estimated Business Rescue Plan Outcome summary (Annexure E to plan):</p> <table border="0"> <tr> <td>Sale of Horse Racing Assets</td> <td>R180 million</td> </tr> <tr> <td>PGI Assets</td> <td>R300 million</td> </tr> <tr> <td>Accrued distributions due from PGI</td> <td>R70 million</td> </tr> <tr> <td>Sale of other assets, subsidiaries, and investee companies</td> <td>R370 million</td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td>R920 million</td> </tr> </table>	Sale of Horse Racing Assets	R180 million	PGI Assets	R300 million	Accrued distributions due from PGI	R70 million	Sale of other assets, subsidiaries, and investee companies	R370 million	TOTAL	R920 million	<p>Details of Proposed Transaction:</p> <table border="0"> <tr> <td>Horse racing Assets & other asset</td> <td>R325 million</td> </tr> <tr> <td>PGI Assets</td> <td>R330 million</td> </tr> <tr> <td>The Betting World Assets</td> <td>R220 million</td> </tr> <tr> <td style="text-align: right;">TOTAL</td> <td>R875 million</td> </tr> <tr> <td>Possible additional price (performance related)</td> <td>R50 million</td> </tr> <tr> <td style="text-align: right;">POSSIBLE TOTAL</td> <td>R925 million</td> </tr> </table>	Horse racing Assets & other asset	R325 million	PGI Assets	R330 million	The Betting World Assets	R220 million	TOTAL	R875 million	Possible additional price (performance related)	R50 million	POSSIBLE TOTAL	R925 million
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<p>Detailed Comparison</p>	<p>Detailed Comparison</p>																						
<p>Purchase of PGI – Total receipts – R370 million</p> <p>R300 million for: 100% of the assets of Phumelela Gold International Limited (PGI), including (for the avoidance of doubt), PGI’s 50% shareholding in each of Premier Gateway International Limited and Premier Gateway International Services Limited (the PGI Assets).</p> <p>Excludes accrued dividends of c.R70 million as at 31 July 2020 and additional dividends accrued to the date of sale.</p> <p>NOTE: TABCORP have indicated that they wish to exercise their rights in accordance with their agreement with PGI. Accordingly, if exercised, these shares will not be available for purchase by either MOD or Betfred. This will result in an immediate payment of the purchase price by Tabcorp. The proceeds will be available for repayment of creditors.</p>	<p>Purchase of PGI – Total receipts – R330 million</p> <p>R330 million for: 100% of the assets of Phumelela Gold International Limited (PGI), including (for the avoidance of doubt), PGI’s 50% shareholding in each of Premier Gateway International Limited and Premier Gateway International Services Limited (the PGI Assets).</p> <p>Silent on accrued dividends of c.R70 million as at 31 July 2020.</p> <p>NOTE: TABCORP have indicated that they wish to exercise their pre-emptive rights in accordance with their agreement with PGI. Accordingly, if exercised, these shares will not be available for purchase by either MOD or Betfred. This will result in an immediate payment of the purchase price by Tabcorp. The proceeds will be utilised to repay the Betfred loan and will reduce the purchase price by R330 million.</p>																						

<p>Purchase of Assets – Total estimated receipts – R550 million</p> <p>R180 million for the Horse Racing Assets:</p> <ul style="list-style-type: none"> • Turffontein, Vaal, Fairview (including the artificial surface) • media assets • the Totalisator licences and Totalisator Betting Outlets and any related comingling agreements • the assets of TAB North West (Pty) Limited • the assets of each property-owning subsidiary of the Seller <p>Other Assets Available for Sale: (estimated value R370 million)</p> <ul style="list-style-type: none"> • 50% of the of the issued share capital of Supabets SA Holdings • 50% of the issued share capital of Uptonvale Services t/a Interbet • 100% of the assets of Betting World (the Betting World Assets) • 33% of the shares in SW Security Solutions SA Proprietary Limited • Arlington and Flamingo Park racetracks 	<p>Purchase of Assets – Total estimated receipts – R545 million</p> <p>R325 million for the Horse Racing Assets:</p> <ul style="list-style-type: none"> • Turffontein, Vaal, Fairview (including the artificial surface), Arlington and Flamingo Park racetracks • the TellyTrack partnership interest and all media rights • the Totalisator licences and Totalisator Betting Outlets and any related comingling agreements • the assets of TAB North West (Pty) Limited • the assets of each property-owning subsidiary of the Seller • 50% of the of the issued share capital of Supabets SA Holdings • 50% of the issued share capital of Uptonvale Services t/a Interbet • 33% of the shares in SW Security Solutions SA Proprietary Limited <p>R220 million for:</p> <ul style="list-style-type: none"> • 100% of the assets of Betting World (the Betting World Assets)
<p>The above excludes the following assets: The Sales Assets exclude any cash at bank (excluding cash in client accounts), debtors, pension fund surplus, and legal claims against third parties (the Excluded Assets).</p>	<p>The above excludes the following assets: The Sales Assets exclude any cash at bank (excluding cash in client accounts), debtors, pension fund surplus, and legal claims against third parties (the Excluded Assets).</p>

Post-commencement Finance (PCF)

- 1st PCF loan R100 million to fund working capital (R60 million advanced to date)
- 2nd PCF loan R550 million to guarantee payment to creditors via the plan fund
- Availability period of 2nd PCF loan from 29 October 2020 until 30 November 2021
- Portioned into 3 equal draws of R183.3 million being on:
 - 29 October 2020 (“draw 1”),
 - 29 March 2021 (“draw 2”) and
 - 30 November 2021 (“draw 3”)
- The 2nd PCF Facility will only participate in distributions from the Plan Fund once R550m has been distributed from the Plan Fund in accordance with the provisions of this plan. MOD will from that point participate in distribution from the Plan Fund in accordance with the provisions of paragraph 8.4.3 of the BR plan

Loan agreements have been signed by the Company and MOD

Post-commencement Finance (PCF)

- No PCF loan advanced to date
- R650 million loan (“the principal loan amount”), comprising:
 - Betfred loan of R250 million payable within 5 days of Creditor approval after future publishing of new business rescue plan (“the initial advance date”) (See implementation and timing section below)
 - Payment of additional loan of R400 million by 15 November 2020

Loan agreements still need to be negotiated between the Company and Betfred

<p>Repayment of Loan</p> <ul style="list-style-type: none"> • Subject to early repayment and an event of default, the outstanding balance of each of draw 1, draw 2 and draw 3, including interest, shall be paid or repaid in full within 12 months of the end of the availability period (30 November 2022) 	<p>Repayment of Loan</p> <ul style="list-style-type: none"> • Loan shall be repaid in full by no later than 12 months after the initial advance date (estimated Oct/Nov 2021) • A matching portion of the Loan will be set-off against the purchase consideration attributable to each Sale Asset that is transferred to the Lender pursuant to the Betfred Acquisition • In relation to the acquisition of 100% of the shares in PGI, if Tabcorp exercises its rights to acquire the shares in PGI under any applicable pre-emptive right the proceeds of such disposal shall reduce the purchase consideration and the Company shall be required to use the proceeds to repay a matching portion of the Loan Outstanding. • The proceeds of any disposed asset shall immediately be used to repay a matching portion of the Loan
<p>Conditions of signed loan agreement:</p> <ul style="list-style-type: none"> • Adoption of Business Rescue Plan as published • Signing of powers of attorney enabling the registration of security (once same becomes available after repayment of secured creditors) • Written Guarantees from subsidiary companies • Signing of Sale Agreements for horse racing assets and PGI. 	<p>Proposed Conditions of Loan (agreements still to be negotiated)</p> <ul style="list-style-type: none"> • The adoption of a new business rescue plan reflecting the terms of the Betfred offer by creditors. • Definitive Legal Agreement: any and/or all definitive legal agreements still would need to be negotiated): <ul style="list-style-type: none"> ○ Loan Agreement ○ Security Documents ○ Any other documents necessary to give effect to the transactions contemplated in the Loan Agreement and Security Documents

<p>Outcome for Creditors:</p> <p>Estimated distribution of 100 cents in the rand to all creditors</p> <p>Minimum guaranteed payment of 72 cents in the rand</p> <p>Potential upside for shareholders</p>	<p>Outcome for Creditors:</p> <p>“The return from the sale of assets is significant and should result in all creditors being paid 100% of their claims and shareholders potentially realising some value.”</p> <p>No minimum guaranteed payment to creditors</p>
<p>Implementation and Timing:</p> <p>Implementation to commence immediately on adoption of the proposed Business Rescue Plan (1 September 2020)</p> <p>Contributions to the plan fund:</p> <ul style="list-style-type: none"> • On conclusion of each sale transaction • From PCF2 on the dates above – First payment 29 October 2020 	<p>Implementation and Timing:</p> <p>New consultations with employees, creditors and shareholders (1-3 weeks)</p> <p>Finalise loan and sale of assets agreements</p> <p>Prepare and publish new business Rescue Plan (Est 4 weeks)</p> <p>Convene creditors meeting to approve plan (2 weeks after publication)</p> <p>First loan payment - 5 days after adoption of business rescue plan (Est 3rd week of October 2020)</p>