

Phumelela Gaming & Leisure Limited
(Registration number 1997/016610/06)
(Incorporated in the Republic of South Africa)
Share Code: PHM ISIN: ZAE000039269
("Phumelela" or the "Company")

AMENDMENTS TO THE GAUTENG GAMBLING REGULATIONS

On 28 March 2019, the Gauteng Member of the Executive Council responsible for Economic Development, Environment, Agriculture and Rural Development ("the MEC") published amendments to the Gauteng Gambling Regulations, 1997 ("the Regulations").

The Regulations provide, *inter alia*, for the deduction by a bookmaker of 6% of a punters' winnings on bets on horseracing in the form of a betting tax. This tax is paid over to the Gauteng Gambling Board, who is obliged to pay half of this tax to Phumelela, in terms of Regulation 276.

The payment of this tax to Phumelela was agreed to between the Gauteng Government and the racing industry when the industry was corporatized in the 1990's and it was intended to ensure the sustainability of the industry. The betting tax received by Phumelela in Gauteng constitutes 90% of the betting tax received by it in South Africa and amounts to approximately R75m per year.

The MEC has elected to amend Regulation 276, which will have the effect of depriving Phumelela of its portion of the betting tax and directing it towards the Board. This amendment will have a material adverse effect on Phumelela and on racing in general.

Phumelela submitted detailed representations in respect of the proposed amendments, supported by an economic report analysing the economic effects of the amendments. Regardless of these submissions, the MEC elected to effect the amendment to Regulation 276 and deprive Phumelela and the industry of a substantial amount of funding.

Phumelela has been advised that the amendment to Regulation 276 stands to be reviewed and set aside on, *inter alia*, the bases that it is a breach of the agreement between government and Phumelela, unlawful, irrational and unconstitutional.

Accordingly, on 29 March 2019, Phumelela instituted:

- a. an application to have the amendment of Regulation 276 reviewed and set aside; and
- b. an urgent application to suspend the implementation of the amended Regulation 276, pending the outcome of the review application.

The urgent application has been enrolled for 9 April 2019.

A copy of the application is available upon request.

Johannesburg
29 March 2019

Sponsor and Investment Bank
Investec Bank Limited