

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

Voluntary shareholder and stakeholder communication and cautionary update announcement

Phumelela is a licensed totalisator, fixed odds and racing operator. The Company administers the sport of horse racing and conducts the business of a totalisator in, *inter alia*, Gauteng.

The prevailing legislative and operational dispensation dates back more than two decades and has resulted in significant socio-economic benefits throughout the horse racing value chain. Phumelela plays a pivotal role in the sport and prides itself on being a good corporate citizen.

Because the staging of thoroughbred horse racing and the conduct of totalisator betting thereon has traditionally been loss-making, and remains so, Phumelela has made significant strides to diversify its revenue base, locally and internationally, and in the face of competitive pressures from casinos and the national lottery. If Phumelela had stayed the business it was when first incorporated in 1997, there would be no business today.

Over more than twenty years, Phumelela has lived up to the letter and spirit of the original objectives of Government with respect to horse racing and, together with interested stakeholders who have a passion for the sport and the many who derive a living from the sport, participated in developing a proudly South African world-class offering.

In the interests of continued open and transparent communication with shareholders and stakeholders in general, the Company discloses the following information.

On 28 August 2019, the Province of Gauteng issued an Extraordinary Provincial Gazette in respect of the Gauteng Gambling Act (4/1995) ('the Act'), as amended. The purpose of the General Notice was to invite an expression of interest to develop, own and operate a race meeting licence in the Gauteng Province and to invite an expression of interest to operate a totalisator licence in the Gauteng Province.

The content of the General Notice is replicated below, without amendment, in italics. The General Notice is available for download free of charge at www.gpwonline.co.za

The Gauteng Gambling Board ("GGB") is established in terms of section 3 of the Gauteng Gambling Act, no. 4 of 1995 ("the Act"), as amended, to regulate the gambling industry in Gauteng. In terms of Act, the board is authorised to regulate the gambling industry within the Gauteng Province.

Section 19 of the Act read with section 91 of the Act empowers the board to invite applications for a race-meeting licence. Currently, there is only one racemeeting licence issued in the Gauteng Province. This licence was issued at the dawn of the democratic dispensation in South Africa. In the spirit of fostering competition in the horse racing betting industry, the board is expected to determine if there is a need and appetite for additional race-meeting licences.

In order to arrive at a decision whether to issue or invite for applications for a race-meeting licence in terms of section 19 of the Act, the board has nominated to test the market, amongst others, by way of calling for the interest in applying for a race-meeting licence in terms of the Act.

The responses to the call, must address amongst others, the following:

- operational details inclusive of the broadcasting of race-meetings, number*
- of envisaged race-meetings per annum, compliance with all other horse racing stakeholders' rules and regulations; and any other relevant matter;*

- *funding model of the prospective project;*
- *transformation imperatives; and*
- *any other relevant information.*

The deadline for submission of the expression of interest is 30 September 2019.

The Company conducts business in accordance with the Act and the attendant Gauteng Gambling Rules and Gauteng Gambling Regulations and believes that the legislative dispensation has worked well, both for licensed operators and for the public who choose to participate responsibly in gambling.

Phumelela is the appointed agent and duly licensed to conduct race meetings but has not been consulted in respect of this invitation and neither is it privy to the thinking and objectives in this regard. Given the integral role played by Phumelela, we are entitled to fair, open and honest communication rather than being kept in the dark.

This latest announcement creates more confusion for the Phumelela executive in a very competitive and difficult market where gaming margins are dropping all the time.

Moreover, the Company is facing legal actions principally relating to amendments to the Gauteng Gambling Regulations and the Public Protector's report into thoroughbred horse racing. This is public domain information.

The Regulations provide, *inter alia*, for the GGB to pay half of the betting tax deducted on winnings on horse racing bets over to Phumelela. However, the GGB has withheld Phumelela's share since April 2019, with the deprivation having had a material adverse financial effect forcing Phumelela to take corrective action. Phumelela finds it confusing that an institution with the credibility and fine record of the GGB would place them in this invidious position.

Phumelela would far prefer a constructive and sensible conversation for the good of the many people, and their dependents, who make their living from horse racing and from gaming. If Phumelela were faced with possible liquidation, the ripple effect throughout the horse racing value chain would be catastrophic and irreversible, threatening the livelihood of thousands of people and stakeholder dependant on the sport.

The Company is now in closed period but gave a comprehensive voluntary trading update on 12 July, ahead of year end. The year-end results are scheduled to be released on or around Friday, 4 October.

Further to the announcements dated 12 July 2019 and 12 August 2019, the Company remains under cautionary. Shareholders are advised to continue exercising caution when dealing in the Company's securities until a further announcement is made.

Turffontein

12 September 2019

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