



ASX / Press Release

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BLUE WHALE ENTERTAINMENT TO ACQUIRE INTERESTS OF AQUIS CANBERRA HOLDINGS SUBJECT TO INDEPENDENT SHAREHOLDER VOTE AND REGULATORY APPROVALS

Aquis Entertainment Limited (“Aquis” or the “Company” ASX: AQS) is pleased to announce that it has entered into a binding Implementation Deed (and related documentation) with Blue Whale Entertainment Pty Ltd (“Blue Whale”) (a company owned and controlled by Mr Michael Gu, the Group CEO of iProsperity Group) and Aquis Canberra Holdings (Aus) Pty Ltd (“ACH”). The transaction contemplates Blue Whale’s acquisition of the outstanding convertible loan and 137.0 million Company shares held by ACH. Pursuant to the transaction, ACH will transfer:

- 137,004,377 Company shares to Blue Whale; and
- its convertible loan with the Company (“Convertible Loan”) to Blue Whale, following which Blue Whale will forgive a minimum of \$2.0 million of the Convertible Loan and then immediately convert the balance of the Convertible Loan to Company shares at a conversion price of \$0.20 per share and subject to a cap.

The above transfers will result in Blue Whale replacing ACH as the controlling shareholder of the Company with a shareholding of up to a maximum of 86.99% of Aquis’ share capital.

Blue Whale also grants ACH a put option in respect of its remaining 26,867,497 shares, pursuant to which ACH may elect to sell those shares to Blue Whale after approximately 3 years should such shares not have a value of more than \$4 million at that time (subject to certain terms and conditions) (the above share transfer, convertible loan transactions and the put option being the “Transaction”).

The Transaction is subject to shareholder approval by the independent shareholders of Aquis and ACT gaming regulatory approvals. Blue Whale may also terminate the agreements if certain limited material adverse events occur. Subject to satisfaction or waiver of the conditions, completion is anticipated to occur in the second quarter of the 2019 calendar year.

Aquis’ entry into the Implementation Deed was approved by the Independent Directors of Aquis¹. The Independent Directors of Aquis unanimously recommend that Aquis independent shareholders vote in favour of the proposed transactions subject to there being no superior proposal, and subject to the Independent Expert providing a favourable opinion in respect of the Transaction.

¹ The independent directors being those directors being Alex Chow Yu Chun, Russell Shields and Jessica Mellor (that is all directors other than Tony Fung and Allison Gallagher).



Key Transaction Terms

- Blue Whale to acquire 137,004,377 of the shares in Aquis that are currently held by ACH for \$4.0 million (equivalent to 2.9 cents per share);
- Blue Whale to acquire the Convertible Loan held by ACH for \$24.0 million. The loan has a current outstanding balance of \$37 million with a maturity date of August 2024;
- Blue Whale will forgive a minimum of \$2.0 million of the Convertible Loan and then convert the remaining balance of the Convertible Loan into Aquis shares at a conversion price of 20 cents per share, provided that Blue Whale may not hold more than 86.99% of Aquis shares following the conversion and the transfer of the shares to Blue Whale;
- Blue Whale will grant a put option to ACH in respect of ACH's remaining 26,867,497 shares in Aquis with an exercise price of \$4.0 million, equivalent to 14.9 cents per share, exercisable on the earlier of 1 February 2022 or three years from the completion of the Transaction (or earlier in the event of a de-listing of Aquis) and provided that the Aquis share price is less than or equal to 14.9 cents per share
- The Company will have the right to use the Aquis trade mark and brand for a period of 12 months following completion.

The conversion and extinguishment of the Convertible Loan provides immediate value uplift to the Company and removes a medium-term repayment obligation. It provides Aquis with a more efficient capital structure going forward enabling the Company to focus on its growth ambitions.

CEO of Aquis, Jessica Mellor, said, "The Transaction provides considerable value to the Company and minority shareholders. It recognises the significantly improved operating performance of the business and has the effect of removing the existing Convertible Loan with relatively minimal dilution to minority holders. We look forward to working collaboratively with Blue Whale, who will become Aquis' majority shareholder if the transaction is approved."

Mr Michael Gu, said, "Blue Whale was established as the future of iProsperity Group's growing leisure and entertainment portfolio and this transaction sets the business in the right trajectory to realise these goals. With our wealth of experience in hotels, we believe this presents the business with a unique opportunity to release this largely untapped market and provide Canberra with more world class experiences".

Blue Whale intends to undertake further upgrades to Casino Canberra, including introduction of new world class restaurants, as well as continuing to utilise the premium gaming facilities of the venue. Blue Whale's vision is to reinforce Casino Canberra as the entertainment hub of the nation's capital to drive even greater numbers of visitors.

Blue Whale is associated with the investment manager of the SB&G Hotel Group (Australia) Fund, the owner of the Crowne Plaza Hotel, located adjacent to Casino Canberra on Glebe Park, and \$50 million Holiday Inn Express development proposed for the same site. Blue Whale is excited about the potential future synergies which could be generated for Canberra Casino through this relationship.



Aquis Independent Directors unanimously recommends the Transaction

The Independent Directors of Aquis unanimously recommends that the Company's shareholders vote in favour of the Transaction in the absence of a superior proposal and subject to a favourable opinion from the Independent Expert. Sumner Hall Associates Pty Ltd has been appointed as the Independent Expert.

Independent shareholder approval

The Transaction is conditional on Aquis obtaining the necessary independent shareholder approvals to the Transaction. It is currently expected that shareholder approval will be sought in a meeting expected to be held in March 2019.

To that end, further details on the Transaction will be included in a Notice of Meeting, expected to be sent to shareholders in February 2019, to convene a Shareholder Meeting at which shareholders will be asked to consider the proposal.

Conditions

The Transaction is subject to the following conditions:

- Blue Whale obtaining all necessary ACT Government and casino licensing approvals to implement the Transaction, including any consents required for the change of control of Casino Canberra's casino licence;
- Aquis obtaining independent shareholder approval; and
- an independent expert concluding that the Transaction is either fair and reasonable, or not fair but reasonable, to Aquis shareholders and maintaining that conclusion until the date of the shareholders meeting.

Blue Whale is also permitted to terminate the transaction documents if certain limited material adverse events occur to the Casino Canberra business, subject to certain exceptions.

Other key terms

The Implementation Deed contains certain standard "deal protections" in favour of Blue Whale that are customary for a transaction of this nature, including no-shop, no-talk and notification obligations (subject, in the case of the no-talk and notification right obligations, to standard fiduciary carve-outs).

Blue Whale has agreed to pay a break fee of AUD 280,000 (exclusive of GST) to the Company if the transaction cannot proceed due to ACT casino gaming approvals not being obtained.

A copy of the Implementation Deed, Share Purchase Agreement and other key binding documentation will be separately released to the ASX today.



Appointment of Allison Gallagher as Interim CEO

The Company is pleased to announce that it has appointed Allison Gallagher, currently Financial Controller, as Acting CEO effective from 1 January 2019. Ms Gallagher will replace outgoing CEO, Jessica Mellor, who is stepping down due to personal reasons (refer 21 August 2018 ASX announcement).

Ms Gallagher has been with the Company since March 2017 and is an experienced senior executive with a strong operational, strategic and leadership background.

For the term of this appointment, Ms Gallagher's base salary, incentive arrangements and other terms and conditions of employment will remain unchanged.

Next Steps

Aquis shareholders do not need to take any action at the present time.

Aquis is preparing a Notice of Meeting and Explanatory Statement which will contain information in relation to the Transaction, including reasons for the Independent Directors' recommendation and details of the Shareholder Meeting. The Notice of Meeting will also include the Independent Expert's Report.

The Notice of Meeting and Explanatory Statement is expected to be sent to shareholders in February 2019, and the Shareholder Meeting is expected to be held in March 2019. Completion is expected to occur in the second quarter of 2019. The dates are indicative and subject to change.

Grant Samuel is acting as financial advisor and Gilbert + Tobin is acting as legal advisor to Aquis.

About Aquis

Aquis Entertainment Limited is an ASX listed gaming and hospitality company. Aquis owns and operates Casino Canberra which it acquired in 2015.

About ACH

ACH is controlled by Mr Tony Fung, a Hong Kong resident who is involved in financial services and property investment including significant investments that have been made in Australia over the past twenty years.

ACH hold its interests in Aquis via Aquis Canberra Holdings (Aus) Pty Ltd.

About Blue Whale

Blue Whale is owned by Mr Michael Gu, the Group CEO of iProsperity Group, one of Australia's most trusted bespoke advisory companies for high net worth investors. Blue Whale is associated with the investment manager of the SB&G Hotel Group (Australia) Fund, which owns a number of hotel properties in Australia including the Crowne Plaza Canberra (located adjacent to Casino Canberra).

Blue Whale is focused on developing assets that provide world class experiences and showcase Australia to the world.



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This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. These forward looking statements are based on, among other things, the assumptions, expectations, estimates, objectives, plans and intentions of Aquis. Forward looking statements are subject to inherent risks and uncertainties. Although Aquis believes that the expectations reflected in any forward looking statement included in this announcement are reasonable, no assurance can be given that such expectations will prove to be correct. Actual events, results or outcomes may differ materially from the events, results or outcomes expressed or implied in any forward looking statement. None of Aquis (nor any of its officers and employees), or any other person named in this announcement, or any person involved in the preparation of this announcement makes any representation or warranty (express or implied) as to the accuracy or likelihood or fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this announcement reflect views held only as at the date of this announcement.

You are encouraged to read the Notice of Meeting to be dispatched to shareholders in connection with the Transaction.

This announcement does not take into account the individual investment objectives, financial or tax situation or particular needs of any person. It does not contain financial advice. You should consider seeking independent legal, financial and taxation advice in relation to the contents of this announcement.

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