

9 December 2015

ASX ANNOUNCEMENT

UPDATE – ACQUISITION OF VGW HOLDINGS LIMITED

Synergy Plus Limited (**Synergy** or the **Company**) provides an update regarding the acquisition of VGW Holdings Limited (**VGW**), a technology and online gaming business (the **Transaction**).

Synergy is pleased to announce that the parties have executed formal Merger Implementation Deeds, together with a revised binding Term Sheet and Underwriting Agreement incorporating some structural changes to the transaction which are summarized herein.

VGW is an Australian based public company which operates a social (or online) casino through its wholly-owned gaming platform, Chumba Casino at www.chumbacasino.com and through a Facebook application at apps.facebook.com/chumbacasino/.

Chumba Casino is a social (or online) casino based on virtual currency with embedded sweepstakes cash prize gameplay.

VGW has been in operation for 5 years and has over 10,000 paying players per month, most of whom are based in the United States. VGW currently has a monthly revenue run rate that is equivalent of \$27 million per annum.

Please refer to our announcement of 27 October 2015 for further details on VGW's business.

Synergy's acquisition of VGW will include the appointment of VGW founders and executive management to the Synergy board. The parties are pleased to announce that Messrs Mr Mats Johnson (Executive Director) and Mr Lorenzo Escalante (Non-executive Director) have agreed to join Mr Nigel Blythe-Tinker (Executive Chairman) and Mr Laurence Escalante (Chief Executive Officer) on the replacement Board of Directors on completion. Messrs Domenic Martino, Philip Silva and Christopher Martino will resign from the board on completion.

The key terms of the revised Transaction are as follows:

1. Synergy will conduct a 50:1 consolidation of its existing issued capital. This will reduce the issued capital of Synergy to approximately 14,808,157 fully paid ordinary shares (**Shares**);
2. Subject to receiving the consent of third party lenders and creditors, Synergy will issue up to 19,000,000 Shares (post consolidation) at a deemed issue price of \$0.05 per Share to payout, or as consideration for the conversion of previously advanced loans and creditors totaling approximately \$950,000 (**Conversion Shares**);
3. The issue of 20,000,000 Shares and 6,000,000 Options (exercisable at \$0.05 and with an expiry date of three years) (post consolidation) to Minimum Risk Pty Ltd in consideration for the off-set of outstanding loans made by Minimum Risk Pty Ltd to various subsidiaries of Synergy (**Minimum Risk Shares**). Minimum Risk Pty Ltd is a company associated with and controlled by Mr Christopher Martino, a director of Synergy;

4. Synergy will acquire VGW via the issue of:
 - a. up to 979,533,465¹ Shares (post-consolidation) at a deemed issue price of \$0.05 per Share, 650,000,000 Performance Shares (refer to paragraph 6 below) and 95,662,112 options (exercisable at \$0.05 and with an expiry date of 14 August 2017) (**Acquisition Securities**); and
 - b. agreeing to issuing 9,000,000 options (exercisable at \$0.05, proportionally vesting up to 15 May 2017 and with an expiry date of 5 years) to VGW's Executive Chairman, Mr Nigel Blythe-Tinker, and 96,926,780 Options (exercisable at \$0.05 with an expiry date of 5 years) to employees of VGW under a new Employee Share Option Plan to be adopted by the Company, of which 27,000,000 will be capable of exercise upon issue whereas, 69,926,780 will only vest over a three year period subject to a total shareholder return milestone of 100% greater than the return on the All Ordinaries Accumulation Index (XAOAI) from listing to 30 June 2018 (50%) and revenue milestones of audited gross revenues of \$10 million, \$30 million and \$50 million over three years (50%).
5. Subject to any necessary approvals that may be required, the Transaction will be implemented under schemes of arrangement with existing VGW securityholders. Pursuant to the ASX Listing Rules, the Acquisition Securities may attract escrow provisions;
6. Synergy will issue Performance Shares to Lance East Corporation, the founding shareholder of VGW controlled by Mr Laurence Escalante, who is a proposed director of the Company:

Milestone	No. of Performance Shares (Post Consolidation)	Performance Period
A\$10 million annual audited net revenues	120,000,000	5 years
A\$20 million annual audited net revenues	120,000,000	5 years
A\$30 million annual audited net revenues	120,000,000	5 years
A\$40 million annual audited net revenues	120,000,000	5 years
A\$50 million annual audited net revenues	120,000,000	5 years
A\$100 million annual audited net revenues	50,000,000	5 years

Each Performance Share will convert into one ordinary Share if the relevant Milestone is met within the Performance Period. Annual Net Revenue means the gross revenues (or player purchases) less refunds, disputes and chargebacks for the fiscal year (being the period from 1 July to 30 June next) determined in accordance with *Generally Accepted Accounting Standards*.

¹ This number includes 10,833,333 VGW shares to be issued on 1 January 2016 (unless it is agreed that these shares are otherwise issued on completion of the Transaction). 2,333,333 shares are to be issued to three overseas based VGW contractors in quarterly installments to June 2016 as payment for services; and 8,500,000 shares to be issued to three VGW employees in quarterly installments to June 2016 through non-recourse loan arrangements. The loan is repayable when the shares are sold or if triggered by a liquidity event. This number also includes 14,282,841 VGW shares still to be issued to convertible noteholders (reference paragraph 7).

7. VGW has four convertible notes on issue totaling \$400,000, which can be converted into VGW Shares, at the election of the Noteholders, once the Schemes become Effective. These notes comprise of: (a) three convertible notes with a total face value of \$250,000 convertible (at the noteholder's discretion) to 12,500,000 shares (post-consolidation) at 2 cents per share; and (b) one convertible note with a face value of \$150,000 convertible (at the noteholder's discretion) to up to 2,000,000 shares (post-consolidation), with the final number of shares being dependent upon the value of VGW at time of conversion, unless otherwise converted to equity prior to completion of the Transaction

The Convertible Noteholders have agreed with VGW that, if the Schemes become Effective, they will either redeem the convertible notes or convert them into VGW Shares. Accordingly, 14,282,841 VGW shares have been included in the number of Acquisition Securities referred to in paragraph 4(a) above.

8. Synergy will seek to issue 70,000,000 Shares (post-consolidation) at an issue price of \$0.05 per Share to raise not less than \$3,500,000 under a prospectus (**Capital Raising Shares**). The capital raising has been underwritten by Minimum Risk Pty Ltd, a related party of the Company and is subject to shareholder approval.
9. Synergy's subsidiary, Airdata Pty Ltd is to repay \$250,000 of its intercompany loans to Synergy in 12 monthly instalments of \$20,000 and one instalment of \$10,000, in advance, in full and final settlement. It is the intention of the parties that should Airdata recover its R&D rebate before 29 February 2016, any outstanding amounts will be repaid in full by 1 March 2016. Subject to completion of the Transaction and any necessary regulatory approvals, if required, Synergy has agreed to sell its 60% stake in subsidiary, Airdata Pty Ltd to Ingenious Holdings Pty Ltd in consideration for \$1,000.

On completion of the Transaction, Synergy will change its name to "VGW Gaming Limited".

Synergy proposes to undergo a capital consolidation as a part of the acquisition of VGW and a capital raising of \$3.5 million under a prospectus. Preference of allocation under the prospectus will be given to Synergy shareholders. The parties have agreed to reduce the capital raising as a result of VGW recently completing a capital raising of \$1.5 million.

VGW will use the proceeds of the capital raising to continue its United States growth, global expansion, and the development of new products.

Completion of the acquisition of VGW is subject to and conditional upon satisfaction of the following conditions by the dates indicated below (or such other dates as agreed between the parties):

1. Receipt from ASX of conditional listing approval on ASX by 29 February 2016;
2. Receipt of shareholder approval in relation to the underwriting agreement with Minimum Risk Pty Ltd with respect to the Capital Raising Shares before 31 January 2016; and
3. The parties obtaining all relevant approvals, including shareholder approval, court approval, board approval and any third party consents necessary to implement the Transaction by 29 February 2016.

To implement the Transaction, Synergy will prepare a notice of meeting seeking shareholder approval for, among other things, the acquisition of VGW. The Company is currently working with the respective parties and experts in order to dispatch the Notice of Meeting as soon as practical.

INDICATIVE CAPITAL STRUCTURE

The table below details the Company's current capital structure and its proposed indicative capital structure after the completion of the Transaction:

Securities	Current	Post-Acquisition
Shares	740,407,849	1,103,341,622
Options	-	280,088,892
Performance Shares	-	650,000,000

UNDERWRITING

Subject to shareholder and regulatory approvals, Minimum Risk Pty Ltd (an entity associated with Mr Christopher Martino, a current director of the Company) has agreed to underwrite the Company's proposed \$3.5 million capital raising.

A summary of the terms of the Underwriting Agreement is as follows:

- Minimum Risk Pty Ltd fully underwrites the Capital Raising;
- Minimum Risk Pty Ltd may procure sub-underwriters;
- The underwriting fee comprises:
 - an underwriting fee equal to 6% of \$3,500,000 (being the amount sought to be raised under the Capital Raising); and
 - the issue of 36,250,000 options (post-consolidation) (exercisable at \$0.05 and with an expiry date of 3 years from the date of issue) and 36,250,000 options (post-consolidation) (exercisable at \$0.06 and with an expiry date of 3 years from the date of issue). No payment is to be made by Minimum Risk Pty Ltd for the issue of those options.
- Minimum Risk Pty Ltd is to subscribe for any shortfall within 5 business days after it receives the shortfall notice from the Company;
- Various events (such as breach of any representations given by the Company under the Underwriting Agreement, the commencement of litigation against the Company after the date of the Underwriting Agreement, the level of the ASX 300 Index declining by an aggregate amount of 20% in the 20 business days preceding the offer or there is an outbreak of hostilities involving any of Australia, Japan, the United Kingdom, the USA, the People's Republic of China), enable Minimum Risk Pty Ltd to terminate the Underwriting Agreement where the event is likely to have a material adverse effect on the financial position of the Company;
- The obligations of the underwriting only arise if the Company's shareholders approve the issue of the underwriting fee, the prospectus is lodged with ASIC in accordance with an agreed timetable and the underwriter has approved the prospectus (which approval must not be unreasonably withheld).

The board of Synergy will continue to provide shareholders with updates regarding the Transaction.

For and on behalf of the Board

Leanne Ralph

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