

ASX Announcement

30 September 2015

Australian Securities
Exchange Code: **FEL**

Ordinary Shares:

219,714,630

Unlisted Options:

3,850,000

Board of Directors:

Tony Sage

Non-Executive Chairman

Mark Gwynne

Executive Director

Paul Kelly

Non-Executive Director

Eloise von Puttkammer

Company Secretary

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Fe Limited is an Australian domiciled
mineral resources exploration and
development company.

Fe Limited

ABN: 31 112 731 638

Fe to acquire proposed online gaming provider Cardinal House Group

Fe Limited (**ASX:FEL**) ("Fe" or "**the Company**") is pleased to announce that it has signed a binding conditional term sheet (**Term Sheet**) to acquire 100% of Cardinal House Group Pty Ltd ACN 606 958 123 (**Cardinal House**) (**Transaction**). Cardinal House is an Australian registered proposed business-to-business (B2B) and business-to-consumer (B2C) provider of online social gaming products and real money gambling platforms.

Overview of Cardinal House and the online gaming industry

Cardinal House is applying to be granted an Australian gaming licence and negotiating access to online gaming platform technology, which will underpin its planned future operation in Australia and in international gaming markets.

Subject to negotiating access to this platform and the granting of the Australian gaming licence, Cardinal House proposes to become an innovative entertainment provider for business and direct customer delivery of online social gaming and gambling, in addition to providing a compliant and fully integrated payment processing system.

Cardinal House's focus is on seeking to acquire an audience of local and international gaming markets where it proposes to offer safe, securely regulated real money gambling experiences and enriched user entertainment through highly enhanced social gaming networks.

Cardinal House's proposed product range is anticipated to be delivered via platform technology accessed from third parties, which are already fully operational in various international jurisdictions. It is proposed to include bingo initially and in future potentially one or more of:

- Fantasy Football;
- Binary options;
- Lotto/Keno;
- Sports betting;
- Virtual sports;
- Live streaming casino;
- eSports betting; and
- Social gaming.



The Asia Pacific represents a large prospective growth market for gaming services and Cardinal House is well placed to take advantage of these opportunities. Cardinal House is currently in B2B partnership negotiations with regional groups who operate across South-East Asia. The partnership agreements may also include the opportunity to deliver over-the-top content (OTT)/video on demand (VOD) and internet protocol TV (IPTV) solutions via multi-level digital platforms.

Cardinal House has the support of a highly skilled team with significant industry experience led by Mr. Graham Martin, Chairman and Mr. Paul Carroll, Managing Director of Cardinal House.

Mr. Graham Martin is a third generation betting entrepreneur with extensive international gaming experience.

Mr. Martin founded Bonne Terre Limited, a licensed and regulated sports book in the Channel Islands, which company became a wholly owned subsidiary of BskyB Group PLC, operating as Sky Bet. BskyB sold an 80% stake in the business to funds advised by CVC Capital Partners and members of the Sky Bet management team in 2015. This transaction valued Sky Bet at £800 million.

Mr. Martin was Chairman of Probability Games Corporation, which was successfully listed on the London AIM in 2006. It was one of the world's market leaders in mobile phone gambling services and technology providers. The Group was eventually bought by GTECH.

Graham then founded Scotbet International Limited, a holding company for the betting businesses of Scotbet and Morrisons Bookmakers. This new group comprised the largest Scottish retail betting company.

Graham is highly respected in the industry and recognised for his contribution to the establishment of gaming laws within a number of jurisdictions and is considered a pioneer of the online gaming and gambling industry. Graham also advises a number of public and private gaming groups around the world.

Mr. Paul Carroll has over 22 years of success with B2B and B2C business management, specialising in corporate governance and operational enhancement. Mr. Carroll has held senior leadership positions with a number of tier-one organisations operating throughout the world including Europe (specifically the United Kingdom), the Caribbean, various South Atlantic Regions and for the past four years in Australia. Paul has successfully guided and influenced sustainable business management procedure and group diversification strategies within these roles. Mr. Carroll focuses on customer care and responsible gambling and maintains the highest regard for the health and wellbeing of all patrons and employees alike.

Change in Nature and Scale of Activities

Fe considers that the Transaction and associated capital raising (described below) will constitute a significant change in the nature and scale of Fe's activities. As a result, subject to ASX's discretion, Fe will need to seek shareholder approval for the Transaction and will also need to re-comply with the back-door listing requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

This will involve the preparation of a full form prospectus and, if required by ASX, a consolidation of Fe's existing securities in a ratio to be determined in line with ASX's minimum 20 cent price rule.

Terms of the Transaction

The consideration for the acquisition of all securities in Cardinal House by Fe is a maximum of 300,000,000 Fe shares (before any consolidation of Fe's shares), subject to reduction to offset for certain Cardinal House liabilities at completion of the sale. Specifically, the total number of Fe consideration shares is proposed to be reduced by one share for each \$0.02 of Cardinal House liabilities up to \$200,000 at completion of the Transaction.



Conditions Precedent

Under the Term Sheet Fe proposes to acquire 100% of Cardinal House subject to the satisfaction or waiver of a number of conditions precedent. Key conditions precedent to completion of the Transaction are summarised as follows:

- (a) Fe completing financial and legal due diligence on Cardinal House to Fe's satisfaction, in its sole discretion;
- (b) Fe having obtained all necessary shareholder approvals required by the Corporations Act and the ASX Listing Rules in relation to the Transaction;
- (c) Engagement of Paul Carroll (one of the vendors of Cardinal House) as Managing Director of Fe at a fee of \$175,000 per annum;
- (d) Fe shall not incur expenses in excess of \$50,000 between the date of the Term Sheet being executed and completion of the Transaction other than:
 - (i) expenses relating to the completion of the Transaction proposed in the Term Sheet such as, but not limited to, Legal fees, Accounting fees and Corporate Advisory fees;
 - (ii) expenses relating to Fe maintaining its current business operations and regulatory obligations such as, but not limited to, Registered Office fees, ASX listing fees, Insurances and Registry fees; and
 - (iii) expenses incurred with the prior written consent of Cardinal House.
- (e) Fe raising a minimum of \$1,700,000 pursuant to a capital raising and obtaining conditional approval to be quoted on ASX and for the Share Consideration to be admitted to ASX (subject to ASX imposed escrow restrictions) subject to standard conditions, acceptable to Fe;
- (f) all necessary statutory and regulatory approvals and any other third party consents or waivers necessary or desirable, to complete the Transaction, being obtained;
- (g) Cardinal House being granted a gaming licence from the Department of Gaming of Norfolk Island allowing non-restricted access to international gaming markets; and
- (h) Cardinal House entering into a lease agreement with an affiliated Group for access to its suitably reliable and robust gaming platform,

(together, the **Conditions**).

Capital Raising

In order for the Transaction to proceed, the Company will need to raise capital to fund commitments and to comply with Chapters 1 and 2 of the Listing Rules (which is proposed to include the issue of a prospectus).

The proposed indicative capital raising is set out in Condition (e) above, but the final nature, structure and timing of the capital raising is subject to change. Any such changes which occur will be immediately announced to the market.

Proposed Executive and Employee Incentive Scheme

The Company proposes to seek shareholders' approval for an Executive and Employee Incentive Scheme for issues of options to subscribe for shares in the Company. The terms, number of options, potential participants and allocation policy for such scheme have not yet been determined.



Proposed Consultant Options

Upon completion and subject to shareholders' approval, Fe proposes to issue options to subscribe for Fe shares to consultants as consideration for services. The options are contemplated to be issued for nil cash consideration. The terms, number of options and potential recipients of such consultant options have not yet been determined and will represent no more than 10% of Fe's issued capital following completion of the Transaction.

Indicative Capital Structure* - Pre-consolidation basis and subject to finalisation

Description	Ordinary Shares	Options
Current Issued Capital	219,714,630	3,850,000 ¹
Debt conversion	35,954,999 ²	
Maximum number of securities to be issued pursuant to the Transaction	300,000,000 ³	
Compliance Capital Raising (Condition (e) described above)	To be confirmed ⁴	
Executive and Employee Incentive Scheme		To be confirmed*
Consultant options		To be confirmed*
Total securities after Transaction	To be confirmed*	To be confirmed*

1 Unlisted Employee and Consultant Options exercisable at \$0.04 per share on or before 30 November 2016 on a pre-consolidation basis (subject to vesting conditions)

2 Conversion at \$0.012 per share pursuant to converting loan agreements totaling \$431,460. Fe notes that \$50,000 of the \$481,460 funds initially received under converting loan agreements as announced via ASX on 26 August 2015 were subsequently repaid.

3 Maximum number of shares to be issued as consideration for 100% acquisition of Cardinal House (subject to reduction for outstanding liabilities of Cardinal House at completion of Transaction)

4 Assumed minimum compliance capital raising of \$1,700,000 (final capital raising amount is subject to change in accordance with the Term Sheet and the issue price is to be determined in accordance with regulatory requirements)

* Assumptions: Capital Structure is shown on a pre-consolidation; capital raising shares to be confirmed; Executive and Employee Incentive Scheme options to be confirmed; Consultant options to be confirmed

The actual total number of shares and options on issue on completion of the Transaction, capital raising and other issues will also be dependent on the consolidation ratio to be undertaken by Fe, to the extent a consolidation is required, and on final numbers of securities to comprise the proposed issues described in this announcement. The market price of Fe's shares will largely influence the consolidation ratio which Fe proposes to put to shareholders for approval.

Existing Business

Should the Transaction proceed, Fe proposes to seek to divest of its existing mining exploration business.

Fe has not yet identified any potential buyers for its existing assets and will keep the market updated of any material developments.



Proposed Board Changes

The Term Sheet provides that upon completion of the Transaction one current director of Fe will resign with the remaining directors assigned non-executive roles and, the appointment of two nominees of the shareholders of Cardinal House to the board of directors of Fe. Those nominees to Fe's Board are anticipated to be Mr. Graham Martin and Mr. Paul Carroll and it is anticipated that Mr. Paul Kelly will resign from the Fe Board upon completion of the Transaction.

Proposed Change of Company Name

As part of the Transaction, the Company proposes to seek shareholder approval to change the Company's name to 'Cardinal House Group Limited' (or such other name as requested by Cardinal House) upon completion of the Transaction.

Indicative Timetable*

Complete due diligence on Cardinal House	October 2015
Execute long form agreement for the Transaction	October 2015
Dispatch Notice of Meeting	October 2015
Lodgement of Prospectus	November 2015
Shareholder Meeting	November 2015
Closing Date of Prospectus Offer	December 2015
Complete Transaction	January 2016
Re-instatement to trading on ASX (subject to ASX's discretion)	January 2016

** These dates are indicative and may be subject to change without notice.*

Financial impact on Fe

Given that Cardinal House is a start-up enterprise, it is not possible to provide financial forecasts. Fe expects Cardinal House will principally have intangible assets upon completion of the Transaction, as it is an emerging technology business.

Fe will be working with its legal and corporate advisors and the regulators to finalise all the documents required to complete the transaction with Cardinal House.

Yours faithfully
FE LIMITED

Mark Gwynne
Executive Director

Important Notice

Some of the statements appearing in this announcement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industries in which the Company operates and proposes to operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets, among other things. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. No forward looking statement is a guarantee or representation as to future performance or any other future matters, which will be influenced by a number of factors and subject to various uncertainties and contingencies, many of which will be outside the Company's control.



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