PLUKKA

FINE JEWELLERY

23 January 2018

PKA to close operational business

The Board of Directors of Plukka Limited (**Plukka** or the **Company**) wish to advise that after careful consideration the Company will be closing its fine jewellery business. The decision has been made following a thorough review of the Company's options as previously announced. The outcome of this review was that the Directors consider the closure of the business, preservation of the Company's remaining cash reserves and potential acquisition of a new asset or business to be the best way to maximise shareholder value.

The primary drivers for the decision to close the fine jewellery business include:

1. whilst the re-allocation of resources to pursue the scalable channels of the business model (ie. online and B2B channels) saw promising and significant progress in those areas, the Company's revenues are not growing fast enough to see the business reach positive net operating cashflows (including the corporate overheads of the listed entity) without substantial additional investment;

2. the recent dispute and subsequent termination of the Treliss Manufacturing Agreement resulting in the Company no longer having a manufacturing partner nor a working capital facility to fund inventory. This means that the business will need to fund its own inventory, and bear the risk of that inventory, or revert back to the made-to-order model, which is expected to have a detrimental impact on conversion rates and cashflow;

3. a material decline in sales during the December quarter, driven by both a lack of inventory and also cash available to spend on marketing initiatives;

4. resignation of key senior personnel, namely the Company's CEO, Natalia Obolensky, in December 2017 followed by the Company's CTO in January 2018;

5. a lack of appetite from the investment community to provide the further funding required to continue to pursue the business plan in its current form; and

6. the Board is continuing to engage in discussions with various parties regarding a potential sale of the business, however, given the status and uncertainty of such discussions, the Board do not consider that the costs of continuing the business justify any potential value which may be attributed to the business as a going concern.

A detailed plan has been developed by the Company to ensure all appropriate steps are taken to close the business and retain the core assets for any potential interested buyers. It is currently anticipated that the operating business will cease to trade by 31 March 2018.

As announced on 21 August 2017, the Company initiated a process to identify potential acquirers for the assets of the jewellery business. A number of preliminary discussions have been held with various parties since this date, including recently initiated discussions however it should be noted that these are still preliminary and there can be no assurance that these discussions, or any future discussions, will lead to a successful conclusion. Any future sale of the assets of the jewellery business will be subject to all shareholder approvals required under the ASX Listing Rules or the Corporations Act.

In parallel with the closure of the jewellery business, the Board will increase its focus on investigating new potential opportunities with the objective of acquiring an asset or business which it believes can help drive shareholder returns.

For more information, please contact:

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