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**MARGINBET**  
LIMITED

Prospectus 2007



Corporate Advisor



Lead Manager





## THIS ISSUE IS A SPECULATIVE ISSUE

### Prospectus

Prospectus for the offer of 10,000,000 ordinary shares at an offer price of \$0.20 each to raise \$2,000,000 (with the right to accept oversubscriptions of up to 2,500,000 ordinary shares at an offer price of \$0.20 to raise up to a total of \$2,500,000) together with one Attaching Option at no additional cost for every two New Shares issued, exercisable at \$0.20 each at any time on or before the third anniversary of the date on which the Company is admitted to the Official List of ASX.

### Important Information

This is an important document that outlines key risks of investing in Shares and should be read in its entirety. If you do not understand it, you should consult your professional advisors.

## CORPORATE DIRECTORY

### Directors

**Mr John Marshall Levy**  
*Non-Executive Chairman*

**Mr Robert McKenzie Drake**  
*Non-Executive Director*

**Mr David Simon Gray**  
*Non-Executive Director*

### Company Secretary

**Mr Pierre Van Der Merwe**

### Registered Office

**Thoroughbred Park – Betting Auditorium**  
Randwick Road  
Lyneham ACT 2602

### Legal Advisors to the Offer

**O'Loughlins Lawyers**  
Level 2  
99 Frome Street  
Adelaide SA 5000

### Share Registry

**Computershare Investor Services Pty Ltd**  
Level 5, 115 Grenfell Street  
Adelaide SA 5000

### Auditors

**PKF Chartered Accountants**  
Level 11, CGU Tower  
485 LaTrobe Street  
Melbourne Vic 3000

### Independent Accountants

**PKF Corporate Advisory Services (Vic) Pty Ltd**  
Level 11, CGU Tower  
485 LaTrobe Street  
Melbourne Vic 3000

### Corporate Advisor & Lead Manager

**Transparence Group Pty Ltd**  
Level 10, AXA Centre  
111 St Georges Terrace  
Perth WA 6000



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## IMPORTANT NOTES

**This Prospectus is dated 22 June 2007 and was lodged with ASIC on 22 June 2007.**

Marginbet Limited ACN 112 425 788 will apply for listing and quotation of the Shares and the Attaching Options on ASX within seven days after the date of this Prospectus. ASIC and the ASX take no responsibility for the contents of this Prospectus. No Shares or Attaching Options will be allotted, issued or sold on the basis of this Prospectus after 13 months of the date of this Prospectus.

No person is authorised to give any information or to make any representations in connection with this Offer that are not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by the Company in connection with this Offer.

### Exposure Period

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an exposure period ("**Exposure Period**") of 7 days from the date of lodgment with ASIC. This period may be extended by ASIC for a further period of up to 7 days. If the Exposure Period is extended, Applications will not be processed until after the expiry of the extended Exposure Period. No preference will be conferred on Applications received during the Exposure Period. The purpose of the Exposure Period is to enable examination of the Prospectus by market participants prior to the raising of funds. That examination might result in the identification of deficiencies in the Prospectus and, in those circumstances, any Application that has been received might need to be dealt with in accordance with section 724 of the Corporations Act.

### Restrictions on Distribution

This Offer is made available to Australian residents. This Prospectus does not constitute an offer or an invitation in any place outside Australia where, or to any person to whom, it would be unlawful to make such an offer or invitation. No action has been taken to register or qualify the Shares, the Attaching Options or the Offer, or otherwise to permit a public offering of the Shares or the Attaching Options, outside Australia.

Distribution of this Prospectus in jurisdictions outside Australia may be restricted by law, and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Prospective investors should read the entire Prospectus. If in doubt, prospective investors should consult a stockbroker, solicitor, accountant or other professional advisor before deciding whether to apply for Shares. The Shares and Attaching Options offered under this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of the Shares or Attaching Options.

### Prospectus Availability – Electronic Prospectus

This Prospectus is available to download and view as an electronic Prospectus by Australian residents only on the Company's website at [www.portlandbet.com](http://www.portlandbet.com) or at [www.prospectus.com.au](http://www.prospectus.com.au).

The Offer constituted by the electronic Prospectus is only available to persons receiving the electronic Prospectus within Australia.

Any person may obtain a free paper copy of the Prospectus by emailing or telephoning the Company with the request. Persons who access the electronic form of this Prospectus should ensure they download and read the entire Prospectus.



The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a hard copy of this Prospectus or the complete and unaltered electronic Prospectus (whether printed or remaining in an electronic medium).

Other than this Prospectus, no information or document on the Company's website is incorporated by reference into this Prospectus and any information or document other than this Prospectus should not be relied upon by potential investors.

### **Definitions and Interpretation**

Defined terms and abbreviations included in this Prospectus are explained in the Glossary.

### **Financial Amounts**

The financial amounts in this Prospectus are expressed in Australian dollars unless stated otherwise.

### **Market Share and Industry Data**

This Prospectus contains historical market data and industry forecasts, which have been obtained from industry publications, market research and publicly available information. The industry publications state that the historical information they provide has been obtained from sources, and through methods, believed to be reliable, but that they do not guarantee the accuracy and completeness of this information. Similarly, industry forecasts and market research, whilst believed to be reliable, have not been independently verified by the Company. Neither the Company nor its Directors represents that this historical information is accurate. Industry forecasts are, by their nature, subject to significant uncertainty. There can be no assurance that any of the forecasts will be achieved.

### **Privacy**

The privacy policy relating to this Prospectus is contained in the privacy disclosure statement in Section 8.11 of this Prospectus.

### **Photographs**

Photographs that appear in this Prospectus without descriptions are for illustrative purposes only, do not provide any form of endorsement and do not purport to represent the Company. Assets pictured in this Prospectus are not assets of the Company unless stated otherwise.



## INVESTMENT HIGHLIGHTS AND OFFER SUMMARY

### Investment Highlights

- Operates a government licensed fixed odds sports and horse racing bookmaking business accepting bets by internet and telephone
- On line wagering industry under-penetrated and forecast to grow substantially
- Demonstrated success in attracting international clients
- High barriers to entry in the on line wagering industry
- Experienced and enthusiastic management with a proven track record
- Bookmaking and risk management expertise
- Strong Board of Directors
- Healthy balance sheet with no debt after ASX Listing

### Key Investment Risks

**Key areas of risk that may affect the future operating and financial performance of the Company and the value of the Shares include (but are not limited to):**

- The speculative nature of an investment in the Company
- The Company's limited operating history
- Failure of the Company's development and growth strategies
- Competitors developing similar or superior offerings to the Company or eroding of the Company's margins

*\*Please refer to Section 6 of this Prospectus for more information on these and other risk factors*

### Description of the Offer

The Company is seeking to raise \$2,000,000 by issuing 10,000,000 New Shares at \$0.20 each (with the right to accept oversubscriptions of up to an additional 2,500,000 New Shares at \$0.20 each to raise up to a total of \$2,500,000) together with one Attaching Option at no additional cost for every two New Shares issued, exercisable at \$0.20 each at any time on or before the third anniversary of the date on which the Company is admitted to the Official List of ASX.

All Shares being offered pursuant to this Prospectus are New Shares. The existing Shareholders are not selling down any part of their respective shareholdings as part of this Offer.

All of the New Shares offered under this Prospectus will rank equally with all Shares currently on issue in the Company as set out in Section 1 of this Prospectus.

All Attaching Options issued under this Prospectus will be issued on the terms set out in Section 8.10.3 of this Prospectus.

The Offer is not underwritten.



## Offer Summary

Offer price	\$0.20 per share
Number of New Shares offered under this Prospectus if no oversubscriptions	10,000,000
Number of New Shares offered under this Prospectus if fully oversubscribed	12,500,000
Value of capital to be raised under this Prospectus if no oversubscriptions	\$2,000,000
Value of capital to be raised under this Prospectus if fully oversubscribed	\$2,500,000
Number of Shares on issue following the Offer if no oversubscriptions	51,347,063
Number of Shares on issue following the Offer if fully oversubscribed	53,847,063
Number of Attaching Options on issue following the Offer if no oversubscriptions	5,000,000
Number of Attaching Options on issue following the Offer if fully oversubscribed	6,250,000
Number of Options held by Directors following the Offer	500,000
Number of Options held by others following the Offer	4,887,500
Market capitalisation (approximate) of the Company at the Offer Price if no oversubscriptions	\$10,269,413
Market capitalisation (approximate) of the Company at the Offer Price if fully oversubscribed	\$10,769,413

In addition to the above and subject to the approval of Shareholders, the Company intends to issue 750,000 Shares and grant 1,000,000 Options to Transparence Group Pty Limited (a company associated with Mr David Simon Gray) following the Offer.

## Indicative Timetable

Offer opens	2 July 2007
Offer closes	31 July 2007
Expected despatch of shareholder statements	13 August 2007
Expected commencement of trading on ASX	17 August 2007

These dates are indicative only. The Company reserves the right to vary any date and/or time of any component of the Offer without notice to Applicants.

Investors are encouraged to apply as early as possible after the Offer opens as the Offer may close earlier than the date specified.

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## CHAIRMAN'S LETTER

22 June 2007

### Dear Investors,

Having a flutter has long been part of the Australian way of life.

Over 200 years ago there were those from Great Britain who (whether voluntarily or not) took the biggest gamble of all to sail to a new emerging world.

Then there came the mining booms of the 19th century when significant sums were won and then lost in a short space of time by those who risked everything in the hope of making that big find.

History also records that, until relatively recent times, there were not many towns or areas without the services of an SP bookmaker. Even the smallest town usually managed to have a racetrack. In different places within Australia, two-up games were also very much a part of life in earlier times.

But the landscape of gambling in Australia is changing. In particular there is a change in the nature and scope of the range of options open to those looking to try their luck – be it the emergence of the ubiquitous poker machines, the raft of keno and lottery products available or, in more recent times, the increasing interest in sports betting.

The Directors of Marginbet Limited ("**the Company**") believe that this is an opportune time to be developing a quality sports betting business licensed in Australia. Not only is there scope to continue to grow the sports betting market in Australia, but the increased "internationalisation" of western countries because of technological advances such as the internet means that there are opportunities to share in the strong projected international growth in the sports betting sector.

For the above reasons, it is my great pleasure to offer an opportunity for investors to become a shareholder in the Company and, by those means, to indirectly participate in the sports betting business that the Company intends to develop.

Under the terms of this Prospectus, the Company seeks to raise \$2 million by the issue of 10 million New Shares at an Issue Price of 20c per Share with the right to accept oversubscriptions of up to 2.5 million New Shares together with one Attaching Option at no additional cost for every two New Shares issued, exercisable at \$0.20 each at any time on or before the third anniversary of the date on which the Company is admitted to the Official List of ASX.

The Company has been formed to operate a well-funded, publicly listed sports betting business directed to the servicing of Australian and international sports wagering clients.

The Company looks forward to benefiting from the experience, practical expertise, drive and commitment of its CEO Mr Stephen Hobbs whose qualifications are set out in detail elsewhere in this Prospectus.

The Prospectus contains comprehensive information and details about the Company and its intentions including risks of investing in the Company and its Shares. You should read all of that information carefully and in its entirety. This information includes an outline of the risk factors involved in the business.

Although gambling is the core of our business, we intend to do all we can to ensure that luck plays a minimal part in the Company's success or failure. It is the Board's aim to put in place strategies that result in the Company being professionally and responsibly managed to develop a successful and sustainable business.

On behalf of my fellow Directors, I look forward to your support and participation as a shareholder in Marginbet Limited.

Yours faithfully,

**John Levy**

*Non-Executive Chairman.*

Marginbet Limited.

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## 1. DETAILS OF OFFER

**This Prospectus offers 10 million New Shares at \$0.20 each to raise \$2 million (with the right to accept oversubscriptions of up to 2,500,000 New Shares at \$0.20 each to raise up to a total of \$2,500,000) together with one Attaching Option at no additional cost for every two New Shares issued, exercisable at \$0.20 each at any time on or before the third anniversary of the date on which the Company is admitted to the Official List of ASX.**

All New Shares issued pursuant to this Prospectus will be issued as fully paid ordinary shares and will rank equally in all respects with the Shares already on issue. The rights attaching to the Shares are summarised in Section 8.9 of this Prospectus and the terms and conditions of the Attaching Options are summarised in Section 8.10.3 of this Prospectus.

### 1.1 Minimum Subscription

The Offer is not underwritten. The minimum amount to be raised under the Offer is \$2 million. If \$2 million has not been raised within four months of the date of this Prospectus, all Application Monies will be refunded to Applicants without interest.

### 1.2 Over-subscriptions

The Company reserves the right to accept over-subscriptions of up to \$500,000 through the issue of up to a further 2.5 million Shares at an issue price of \$0.20 per New Share. The maximum amount which may be raised under this Prospectus is therefore \$2,500,000 by the issue of a maximum of 12,500,000 Shares.

### 1.3 How to Apply

An Application for New Shares can only be made by completing the Application Form accompanying this Prospectus. The minimum application is for 10,000 New Shares and thereafter in multiples of 1,000 New Shares. Detailed instructions on the correct method of completing the Application Form are set out on the reverse of that form.

### 1.4 Lodgment of Application Forms

Application Forms must be accompanied by a personal cheque or a bank draft payable in Australian dollars, drawn on an Australian branch of an Australian represented bank, for an amount equal to the number of New Shares for which you wish to apply multiplied by the Offer Price of \$0.20 per New Share. Cheques should be made payable to 'Marginbet Limited Float Account' and crossed 'Not Negotiable'. Applicants should ensure that cleared funds are available at the time the Application is lodged, as dishonoured cheques will result in the Application being rejected. It is not a requirement to sign the Application Form. The Company reserves the right to reject any Application (including where an Application has not been correctly completed) or allocate any person fewer New Shares than that person applied for or vary the dates and times of the Offer without prior notice and independently of other parts of the Offer. Completed Application Forms and Application Monies should be mailed or delivered to the Company at the address shown on the reverse side of the Application Form at the end of this Prospectus by no later than 5.00pm EST on 31 July 2007.

The Company reserves the right to close the Offer early without prior notice or to extend it. Applicants are encouraged to lodge their Applications as early as possible.



### **1.5 Allocation of New Shares and Attaching Options**

Subject to ASX granting approval for the Company to be admitted to the Official List, the allotment of New Shares and Attaching Options to Applicants will occur as soon as possible after the Offer is closed, following which statements of Share and Attaching Option holdings will be dispatched. It is the responsibility of Applicants to determine their allocation prior to trading in Shares or Attaching Options. Applicants who sell their Shares or Attaching Options before they receive their holding statements will do so at their own risk. Pending the issue of the New Shares and Attaching Options or return of the Application Monies, the Application Monies will be held in trust for the Applicants. The Directors reserve the right to allocate to any Applicant a lesser number of New Shares than that applied for, or to decline any Application. Where no allocation is made to a particular Applicant or the number of New Shares allocated is less than the number applied for by an Applicant, surplus Application Monies will be returned to that Applicant as soon as practicable after the Closing Date. No interest will be paid on refunded Application Monies.

In accordance with the Corporations Act, before the allotment and issue of New Shares and Attaching Options pursuant to this Prospectus, all Application Monies shall be held by the Company in trust in a separate bank account pending allotment of the New Shares and Attaching Options or refund. Any interest earned on Application Monies will be retained by the Company.

Successful Applicants will be notified in writing of the number of New Shares and Attaching Options allotted to them as soon as possible following the allocation being made after the close of the Offer.

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## 1.6 Proforma Capital Structure

The proforma capital structure of the Company is set out below to reflect the issued and paid up capital structure of the Company under the two possible scenarios of the Offer:

- Fully subscribed Offer of \$2,000,000 with no over-subscriptions.
- Fully subscribed Offer of \$2,500,000 with maximum over-subscriptions of \$500,000.

No. of Securities	Description	% of Shares on completion of the Offer
<b>Current Issued Capital as at the date of this Prospectus</b>		
41,347,063 Shares	Existing Shares	80.5% (full subscription)
		76.8% (full over-subscription)
5,387,500 Options	Existing Options	
<b>Full Subscription</b> Upon receipt of the full subscription pursuant to this Prospectus, the issued capital of the Company will be as follows:		
10,000,000 New Shares	Full subscription	19.5% (full subscription)
		23.2% (full over-subscription)
51,347,063 Shares	Total issued Shares on receipt of full subscription	100%
5,387,500 Options	Existing Options	
5,000,000 Attaching Options	Attaching Options	
<b>Full Over-subscriptions</b> On receipt of the full over-subscriptions pursuant to this Prospectus the issued capital of the Company will be as follows:		
2,500,000 New Shares	Offered as over-subscriptions	4.6% (full over-subscription)
53,847,063 Shares	Total issued capital on receipt of full subscription and receipt of full over-subscriptions	100%
5,387,500 Options	Existing Options	
6,250,000 Attaching Options	Attaching Options	

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### 1.7 Purpose of the Offer

**The objective of the offer and subsequent listing of the Shares and the Attaching Options on ASX are to:**

- Provide the Company access to the capital markets and pursue growth opportunities through expansion, diversification or acquisition
- Assist the Company in attracting and retaining quality employees and align the interests of the Company with its staff, through the implementation of more attractive and flexible employee incentive schemes
- Provide an opportunity for employees to invest in the Company
- Provide working capital to fund anticipated growth

### 1.8 Application of Funds

The funds derived from the Offer will be applied to pay for Offer costs and meet working capital requirements. The Directors are of the opinion that following Completion of the Offer the Company will have sufficient working capital to carry out its stated objectives for a period of at least two years.

**A summary of how the funds raised will be utilised is set out in the table below assuming the Offer is fully subscribed with no oversubscriptions:**

Description	Amount
IT and telecommunications	\$430,000
Marketing and advertising	\$570,000
IPO expenses	\$220,000
Working capital	\$780,000
<b>Total</b>	<b>\$2,000,000</b>

**A summary of how the funds raised will be utilised is set out in the table below assuming the Offer is fully oversubscribed:**

Description	Amount
IT and telecommunications	\$460,000
Marketing and advertising	\$800,000
IPO expenses	\$240,000
Working capital	\$1,000,000
<b>Total</b>	<b>\$2,500,000</b>

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### **1.9 No Issue of New Shares or Attaching Options after 13 Months**

No New Shares or Attaching Options will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

### **1.10 ASX Listing**

The Company will apply to ASX within seven days after the date of this Prospectus for it to be admitted to the Official List of ASX and for Quotation of the Shares (other than Shares that may be classified as restricted securities) and Attaching Options.

The fact that ASX may admit the Company to its Official List is not to be taken as an indication of the merits of the Company, its Shares or Attaching Options. ASX, its officers and employees take no responsibility for the contents of this Prospectus.

If application for Quotation is not made within seven days after the lodgement of this Prospectus or permission for Quotation is not granted or deemed granted within three months after the date of issue of this Prospectus, none of the New Shares and Attaching Options offered under this Prospectus will be allotted unless an exemption is granted by ASIC permitting such allotment. If no allotment is made, at the discretion of the Directors, either all Application Monies will be refunded without interest to Applicants or a supplementary or replacement prospectus will be lodged with ASIC and provided to Applicants, with Applicants having one month after the receipt of the supplementary or replacement prospectus to withdraw their Applications and receive a refund of their Application Monies if they choose.

### **1.11 Restricted Securities**

ASX may, as a condition of granting the Company's application for Quotation of the Shares and Attaching Options, classify certain Shares and Options as restricted securities. Prior to Quotation, it will be necessary for the holders of these Shares and Options to enter into restriction agreements with the Company. The effect of the restriction agreements will be that the restricted securities cannot be dealt with for a period as determined by ASX.

### **1.12 Clearing House Electronic Subregister System (CHES)**

The Company will apply to participate in CHES. ASTC, a wholly owned subsidiary of ASX, operates CHES in accordance with the Listing Rules and the ASTC Settlement Rules. On admission to CHES, the Company will operate an issuer sponsored sub-register and an electronic CHES sub-register. The two sub-registers together will make up the Company's principal register of securities.

Under CHES, the Company will not issue certificates to investors. Instead, as soon as practicable after allotment, Applicants who elect to hold their Shares and Attaching Options on the issuer sponsored sub-register will be provided with a holding statement (similar to a bank account statement) which sets out the number of Shares and Attaching Options allotted to each investor under this Prospectus.

Following distribution of these initial holding statements to all successful Applicants, an updated holding statement will only be provided at the end of any subsequent month during which the balance of the investor's holding of Shares or Attaching Options changes. Holders of Shares and Attaching Options may also request a statement at any time; however a charge may be incurred for additional statements.

A holding statement (whether issued by CHES or the Company) will also provide details of a Shareholder's or Attaching Optionholder's Holder Identification Number in the case of a holding on the CHES sub-register or Shareholder Reference Number in the case of a holding on the issuer sponsored sub-register.

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### **1.13 Overseas Shareholders**

This Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. It is the responsibility of any Applicant who is resident outside of Australia to ensure compliance with all laws of any country relevant to their Application, and any such Applicant should consult their professional advisors as to whether any government or other consents are required, or any formalities need to be observed, to enable them to apply for and be allotted Shares and Attaching Options. No action has been taken to register or qualify the Shares, the Attaching Options or the Offer or otherwise permit a public offering of the Shares and Attaching Options in any jurisdiction outside Australia.

### **1.14 Lead Manager**

Transparence Group Pty Ltd has agreed to act as lead manager to the Offer. Details of the terms of appointment of the lead manager, including fees payable, are set out in Section 8.8.6 of this Prospectus.

### **1.15 Forward Looking Statements**

Except as required by law, and then only to the extent so required, neither the Company nor the Directors warrant the future performance of the Company or any return on an investment made pursuant to the Offer.

This Prospectus contains some forward looking statements which are identified by words such as "may", "could", "anticipates", "believes", "estimates", "intends", "plans" and other similar words that involve risks and uncertainties.

The Directors give no guarantee or assurance as to the performance of the Company or the maintenance or repayment of capital.

### **1.16 Enquiries**

This Prospectus provides information for potential investors in the Company and should be read in its entirety. If after reading this Prospectus you have questions about any aspect of the investment in the Company, please consult your stockbroker, accountant or independent financial advisor.

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## 2. MARKET OVERVIEW

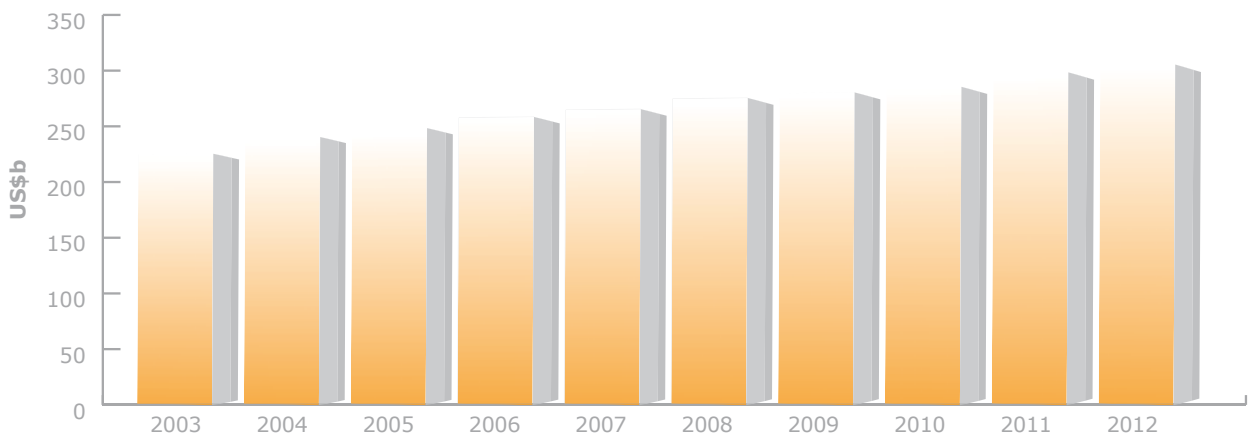
### Industry Overview

Estimates of the size and outlook of the wagering and gaming industry vary widely. This is due to a number of factors including the limited availability of reliable statistics in some locations. The industry data used in this Prospectus has primarily been sourced from the Global Gaming Report ("GGR") prepared by Global Betting and Gaming Consultants ("GBGC"). The GGR is commonly referred to in other prospectuses and industry reports and is widely considered to be the most comprehensive and reliable source of wagering and gaming data.

The global wagering and gaming market is considerable, with revenues of US\$248 billion in 2005. Revenue is forecast to grow by 22% to US\$302 billion by 2012.

The following graph provides an estimate of revenue from 2003 to 2005 and forecast revenue from 2006 to 2012.

**Global Wagering & Gaming Revenue**



Within the wagering and gaming industry revenue from the interactive sector (wagering and gaming via internet, interactive television, mobile telephone and other devices) has, in recent years, grown at a faster rate than revenue derived from offline services. The outlook for the interactive wagering and gaming sector is positive, with continued strong growth predicted in the short to medium term. The interactive wagering and gaming sector is still considered to be under-penetrated, with interactive activity contributing approximately 4.8% of total wagering and gaming revenue in 2005. Penetration is forecast to increase with total revenue from interactive wagering and gaming rising to 7.6% of total wagering and gaming revenue by 2012.

Interactive wagering and gaming growth is seen as a key indicator of future growth potential, especially considering Marginbet's on-line presence and focus.



The following graph provides an estimate of revenue from the interactive wagering and gaming sector from 2003 to 2005 and forecast revenue from 2006 to 2012.



The growth in interactive wagering and gaming has been attributable to the following factors –

- Improvement in interactive product offering, driven by –
  - › Increased and improved internet penetration, especially broadband, which allows faster and more advanced features
  - › Increased functionality, stability and presentation of wagering and gaming sites through improved technology
  - › Enhancements to security and payment processing resulting in increased consumer confidence
- The development of new distribution channels offering greater convenience and flexibility, such as wireless applications on mobile telephones and personal digital assistants
- Increased marketing investment
- Increased popularity of wagering and gaming
- Increased coverage of local and international sports and racing events
- Market deregulation

One of the key drivers of future growth in the interactive sector is the expansion of services into new and innovative channels, such as mobile phone wagering. The internet is expected to remain the most popular interactive channel, however higher growth rates are expected in other channels as the deliverable product on those channels improves.





The following table provides a breakdown of global interactive wagering and gaming revenue by channel type, including forecast revenue from 2006 to 2012.

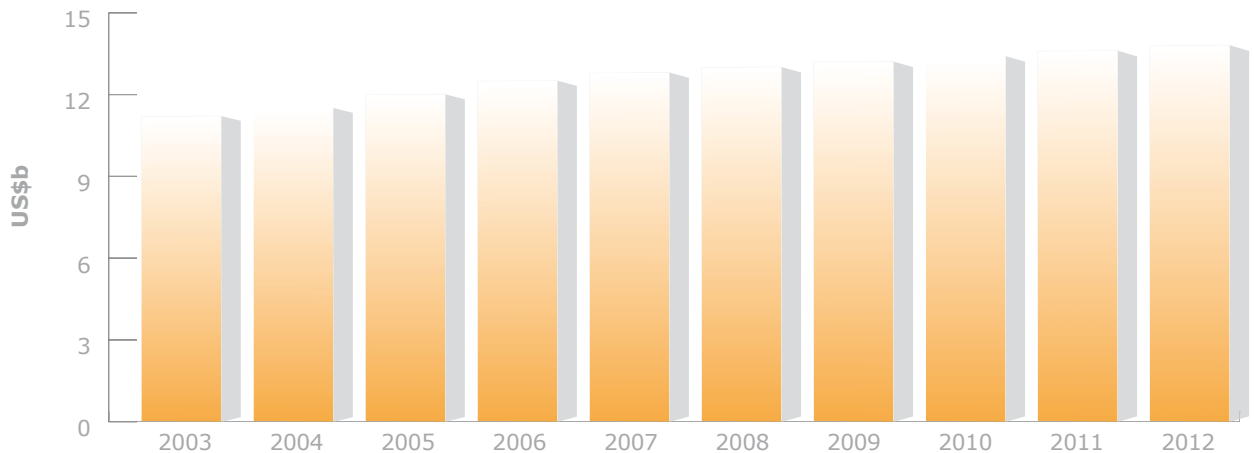
<b>Global Revenue</b> -Interactive (US\$b)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Internet</b>	6.31	7.77	9.88	11.83	13.85	14.91	16.36	17.21	17.93	18.54
<b>Mobile Phone /Other Devices</b>	0.66	1.31	1.59	1.81	2.22	2.54	2.81	2.93	3.03	3.06
<b>Itv</b>	0.18	0.27	0.39	0.68	0.94	1.14	1.21	1.30	1.37	1.49
<b>Total</b>	7.15	9.35	11.85	14.32	17.01	18.59	20.38	21.44	22.34	23.10

#### Local Market – Australia/New Zealand (Oceania)

Australians spend more per capita on wagering and gaming than do residents of any other country. Revenue of almost US\$12 billion in 2005 is expected to rise by more than 16% by 2012 to almost US\$14 billion. This rate is lower than the overall global growth rate, but should be viewed in the context of the more mature Australian market.

The following graph provides an estimate of revenue from the wagering and gaming sector in Oceania from 2003 to 2005 and forecast revenue from 2006 to 2012. Please note these figures include very small revenue amounts from Pacific Island countries, as well as the Australian and New Zealand markets.

**Oceania Revenue**





### Industry Characteristics

The global on-line wagering and gaming sector is highly fragmented. The number of on-line gaming operators significantly outweighs those in on-line wagering. This is mainly due to the more significant barriers to entry in on-line wagering, including the need for an experienced bookmaking team and sophisticated risk management systems.

**In general, there are substantial barriers to establishing a business in the wagering and/or gaming sector. These include –**

- **Bookmaking expertise and risk management systems** – recruitment, development and retention of an experienced bookmaking team and relevant risk management infrastructure is critical to a successful on-line wagering business.
- **Licensing and jurisdiction** (probity and integrity) – key stakeholders must meet strict guidelines to ensure their suitability for involvement in wagering and gaming operations. Additionally, a trusted jurisdiction with a recognized and reliable industry history adds to the operator's credibility.
- **Strong brand** – Important to provide credibility and integrity to clients. This is enhanced by operating from a trusted jurisdiction.
- **Capital expenditure/working capital** – For infrastructure, product development and staffing along with the ability to provide liquidity in the process of taking bets.
- **Payment processing expertise** – Technical and operational expertise is crucial in this area to provide the most reliable and widest range of payment methods to enhance usability from a customer perspective, with flexibility and security being key elements.

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### 3. BUSINESS OVERVIEW

#### 3.1 Marginbet History

The Company was incorporated on 10 January 2005 for the purpose of establishing and operating an international fixed odds internet and telephone sports and horse racing bookmaking business.

Subsequently Portlandbet Pty Ltd (a wholly owned subsidiary of the Company) applied for a sports bookmaking Licence in the Australian Capital Territory and on 18 August 2005 the ACT Gambling and Racing Commission granted to Portlandbet Sports Bookmaking Licence No. 9 ("**Licence**").

The Licence entitles Portlandbet to accept fixed odds and spread bets on an extensive range of sports and racing events, over the telephone and internet. Further details of the material terms of the Licence are set out in Section 8.8.1 of this Prospectus.

On 2 August 2006 Portlandbet commenced trading as a fixed odds sports bookmaker under the terms of the Licence granted in the Australian Capital Territory. In October 2006 Portlandbet extended its operations to include offering fixed odds betting on Australian and international horse racing events.

Portlandbet has already successfully demonstrated growth in both client numbers and monthly wagering turnover (see below). Portlandbet has signed up clients from over 40 different countries around the globe and has achieved in excess of \$6.5 million gross gambling turnover to the period ending 31 May 2007.

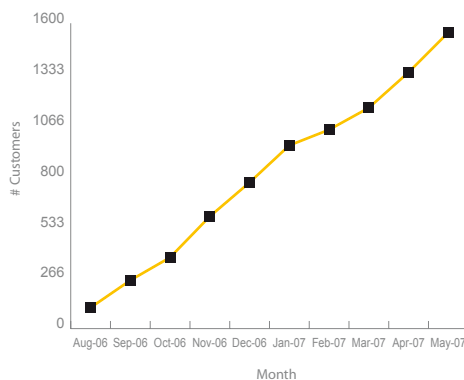
#### CUSTOMER GROWTH

Customer Numbers	Per Month	Cumulative
Aug-06	83	83
Sep-06	27	110
Oct-06	143	253
Nov-06	120	373
Dec-06	215	588
Jan-07	178	766
Feb-07	194	960
Mar-07	197	1157
Apr-07	186	1343
May-07	209	1552

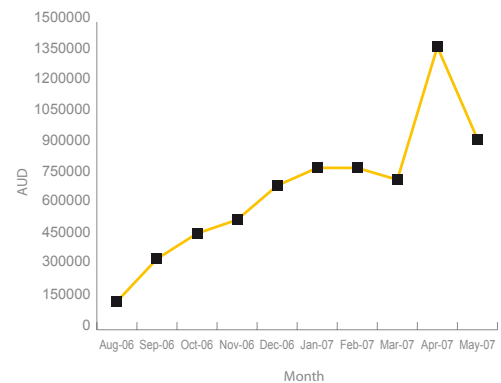
#### KEY FINANCIALS

Month	Gross Gambling Turnover
Aug-06	\$137,550
Sep-06	\$345,361
Oct-06	\$469,290
Nov-06	\$535,673
Dec-06	\$702,436
Jan-07	\$789,000
Feb-07	\$788,830
Mar-07	\$743,438
Apr-07	\$1,394,181
May-07	\$929,626

**MARGINBET CUSTOMER ACQUISITION (CUMULATIVE)**



**MARGINBET GROSS MONTHLY TURNOVER**



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### 3.2 Business Concept and Strategy

The Company aims to become a major participant in the growing international sports and horse racing betting market, building growth by delivering the widest possible range of entertaining betting opportunities and reliable and outstanding customer service.

Portlandbet offers clients in Australia and internationally the ability to bet 24 hours a day, seven days a week over the internet at [www.portlandbet.com](http://www.portlandbet.com) or over the telephone.

**The Company's strategy is to initially establish itself as a leading player in markets which have the following characteristics:**

- Strong existing gambling culture
- High internet penetration with broadband and mobile phone technology
- Strong potential for organic growth
- Local wagering activity with television coverage of sports
- Low regulatory risk

These markets include Australia, the United Kingdom and a number of other European markets.

### 3.3 Business Development

The Company is focussing on growing its business in its priority markets described in Section 3.2 of this Prospectus and around its extensive range of sports and racing events described in Section 3.5 of this Prospectus.

The Company will also look to expand its core business into new geographical markets which offer growth opportunities in on-line wagering. The Company believes that a geographical spread of clients will be a valuable asset in the Company being able to derive consistent returns from its business. Local industry regulation will be a key factor in deciding when and how to enter a new market and geographical expansion will therefore be driven by opportunities on a country-by-country basis rather than through a regional approach.

#### Marketing

**The continued growth and future success of the Company is dependent upon its ability to acquire new clients and to maintain an active customer base. Therefore the Company will focus on the following key areas in an effort to capitalise on management's experience and to fuel growth in the future:**

- Build and enhance brand image and awareness
- Drive customer acquisition
- Build customer loyalty



## Brand Strategy

All communications to both existing and prospective clients will strive to reinforce the Company's brand values. To date all betting products have been offered under the Portlandbet brand with the objective of developing a respected, market-leading brand in on-line sports betting.

### **Portlandbet should be perceived as entertaining:**

#### ■ **Innovative**

Sports betting is an entertaining leisure activity that should be fun and inviting, and therefore through its range of innovative and competitive products and odds the Company aims to establish itself as a leading provider of wagering entertainment.

#### ■ **User Friendly**

Portlandbet's websites and products are technically easy to access and use and appealing to clients in terms of style and presentation.

### **Portlandbet should be perceived as reliable:**

#### ■ **Secure**

Portlandbet has appropriate IT systems in place to facilitate a continuous, around the clock service including secure and encrypted communications and payment transaction methods to avoid any loss of transactional information e.g. bets and payments.

#### ■ **Trusted**

Clients can speak to a Portlandbet customer service operator 24 hours a day 7 days a week, removing the anonymity of an internet service for clients who prefer personal contact; payouts to clients are made to their personal accounts as soon as confirmed results are available; Portlandbet's privacy policy prohibits any re-selling of any personal information collected.

## Client Acquisition

**Portlandbet has prepared and is proceeding to implement a well-defined marketing strategy aimed at client acquisition in its target markets. This strategy focuses on brand awareness and recognition, and the attraction of internet traffic, and in general terms addresses –**

- On-line options such as display of betting options and prices on betting websites, banner advertising, search engines and affiliate arrangements with sports news/results sites
- Provision of editorial and articles of interest to various forms of media servicing the information requirements of potential clients, with a focus on the internet
- Market specific promotions driven by local representatives

## Client Retention

As it is generally more cost effective to maintain an active client than obtain a new one, Portlandbet places considerable importance on client retention. Portlandbet believes that its products – betting options and competitive odds – and customer service together form a solid client retention foundation as a result of the entertainment value and client excitement generated. Portlandbet has dedicated staff responsible for development of specific programs addressing client retention tailored to particular client characteristics.

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### **Product Development**

Portlandbet's strategy is to be in the forefront of product development, launching new and entertaining products on a regular basis with the objectives of retaining existing clients, attracting new clients and increasing gross profit per client. This includes the proposed launch, in the second half of 2007, of a spread betting product which has only one current Australian competitor.

## **3.4 Key Strengths**

### **Odds Compilation and Risk Management**

Portlandbet places great emphasis on the importance of bookmaking expertise in driving growth of product offering and maximising gross profit percentage. Portlandbet strives to develop a culture of professionalism in its bookmaking staff by implementing appropriate structures for responsibility, accountability, incentive, reward and promotion. This assists in attracting and retaining experienced and talented staff.

As Portlandbet grows, specialised sport specific teams will be created to ensure maximum efficiency in, and interaction between, the key tasks of odds compilation – the assessment of probabilities and setting of odds – and risk management – the overall control of trading risk.

### **Customer Service**

Portlandbet believes that the level of customer service provided by Portlandbet will be an important factor in acquiring and retaining clients. Portlandbet's communication centre is located in Canberra, Australia and deals with all client communications including telephone queries 24 hours a day, 7 days a week. Over time Portlandbet intends to build a team of client service operators capable of dealing with most clients in their preferred language.

### **IT Infrastructure**

Portlandbet's IT infrastructure has been built by Portlandbet, with appropriate external assistance, to specifically cater for the requirements of its business and using hardware and software appropriate to the crucial role information technology plays in the business. The infrastructure incorporates extensive security and redundancy measures designed to eliminate, to the greatest extent possible, potential for security breaches, service disruptions or loss of data. Portlandbet is putting in place off site arrangements which provide protection against loss of data in the event of a major disaster in the Canberra office.

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### 3.5 Products

Portlandbet's sports and horse racing betting service offers a comprehensive range of odds on a variety of international and local events, 24 hours a day, 7 days a week.

The most popular events for betting are the international sports of football (soccer), cricket, tennis, golf and rugby union and the Australian AFL and NRL football codes. Events shown live on television generate significant betting interest and therefore Portlandbet focuses on offering a comprehensive range of betting options on events which clients are able to watch live.

**Under current Australian Capital Territory legislation, Portlandbet is entitled to offer betting on approved sports bookmaking events in the following categories –**

- Academy awards
- American football
- Athletics (track and field)
- Australian Rules football
- Baseball
- Basketball
- Boxing
- Commonwealth games
- Cricket
- Cycling
- Darts
- Golf
- Ice hockey
- Iron man
- Motor racing (car and bike)
- Netball
- Olympic Games – summer and winter
- Political elections
- Rowing
- Rugby league
- Rugby union
- Showjumping
- Snooker
- Soccer
- Surfing
- Swimming
- Tennis
- Triathlon
- Yacht racing



Portlandbet is also licensed to offer betting on Australian and some international horse racing.

The current legislation relating to approved sports bookmaking events is being reviewed and may be amended to provide for a wider range of approved sports events later in 2007. Portlandbet has provided the ACT Gambling and Racing Commission with a detailed submission in relation to this review.

For each sporting event, there is a wide range of potential betting options. For example, betting on an English Premier League soccer match might include the following options –

**Match Result** - betting on the outright result, handicap betting with or without a draw option, total goals scored, total goals odd or even, correct score, first team to score, time of first goal, halftime/fulltime double, total corners.

**Half time Result** – betting on the result at halftime, total goals in first half, correct score at halftime.

**Player betting** – betting on first goal scorer, most goals (various options).

Which options are offered on each event is determined by the bookmaking staff and driven by demand.

In addition, clients will have the option to take single bets, multi bets and boxed multi bets.

A multi bet is a bet on more than one event where the client bets that all the selections will win.

A boxed multi bet is where the client takes various combinations of multi bets.

Multi bets and boxed multi bets offer the client much higher dividends, and consequently higher payouts, but are also theoretically more lucrative for the bookmaker. This is because, mathematically, the bookmaker's percentage on each event is multiplied in the multi bet.

### 3.6 Betting Process

All clients must first open a personal Portlandbet account by submitting their personal details and depositing funds with Portlandbet in the currency they have selected for their account. On opening an account, clients receive a client ID (account) number and are required to nominate a confidential password; this number and password are used when placing a bet on-line.

Winnings are paid to each client's personal Portlandbet account once results are confirmed – generally within minutes of the event being completed but subject to the type of event and the number of events finishing at any one time. Clients who wish to withdraw some or all of their funds are subject to identification checks to reduce the potential for fraud. Clients receive funds into their nominated bank account in the normal course of the banking system, generally within one to three business days.

Clients are able to place bets via Portlandbet's website or by telephone. It is expected that telephone bets will comprise less than five per cent of all bets.





### 3.7 Operational Risk

There are many operational risks involved in operating an internet and telephone sports and horse racing bookmaking business. Portlandbet takes these risks seriously and has implemented rules and procedures for identifying and handling the risks, particularly the following -

#### Market Risk

This is the risk that Portlandbet may lose money on its business due to unfavourable outcomes on events on which Portlandbet offers betting opportunities to clients.

Portlandbet's Chief Executive Officer, in conjunction with senior bookmakers, has designed and implemented risk management policies, both targeted and general, that control the maximum risk for every sport/event that is offered. Diversification - betting on a large number of events - also contributes to reduction of market risk.

Portlandbet's philosophy is to adopt a genuine bookmaking approach to its business, with a risk management policy which is consistently applied and with risks on individual events tightly controlled within conservative parameters.

#### Client Specific Risk

Client specific risk is the risk of Portlandbet losing money to clients who are extremely successful. Portlandbet limits this risk in part by properly addressing market risk (see above) and in part by implementation of policies designed to identify successful clients and control their betting activity.

#### **These policies can be implemented in a number of ways, including -**

- Portlandbet's bookmaking software includes extensive functionality for setting maximum risk levels for each bet - these can be set with reference to each bet type and/or particular clients or groups of clients.
- Portlandbet places great emphasis on bookmaking expertise, and bookmakers have a key role in managing potentially successful clients.
- Portlandbet maintains betting accounts with a number of reputable sports betting operators for the purpose of "bet backs" - laying off of bets to reduce exposure on an event.

Portlandbet does not accept individual bets which breach its risk management policy.

#### Credit Risk

No clients are allowed credit facilities with Portlandbet except in specific appropriate circumstances.

Portlandbet may transact with other reputable sports betting firms for risk management purposes. Those firms may have credit with Portlandbet and vice-versa, subject to specified limits.

#### Error Risk

Portlandbet has minimised risks associated with operational errors.

Portlandbet's Terms and Conditions and Betting Rules give Portlandbet the right to cancel bets in the event of an error in a bet offer, whether that error be an incorrect dividend, handicap or any other betting information and irrespective of the reason for the error.



If Portlandbet identifies an error, Portlandbet may cancel a relevant bet by notification to the client's email address and on sending of such notification the relevant bet is void.

If a betting option is paid out on an incorrect result or otherwise in error, Portlandbet reserves the right to reverse the payout. If this causes a debit balance in a client account, the client must on request deposit funds to cover the debit balance.

Combined with a sound operational framework, the risk posed to Portlandbet by human or operational errors is significantly reduced.

### **Employee Risk**

Portlandbet's employees are prohibited from maintaining an account with, or in any way placing bets with, Portlandbet.

### **Financial Control**

Portlandbet has implemented strong management and financial controls allowing the business to be monitored and controlled in a timely and effective manner. The management team generates internal financial reporting on the business on a daily, weekly and monthly basis and this reporting is available to the Board of the Company as frequently as the Board requires.

### **Client Deposits**

Clients wishing to place a bet with Portlandbet must first deposit sufficient funds – by credit or debit card, bank deposit, bank transfer or other payment method offered from time to time (e.g. BPay). Credit and debit card deposits are transacted in Australian dollars; other transactions will generally be in the currency of the client's betting account.

All client funds are held in separate bank accounts, with regular management of these funds to ensure that holdings in each currency reflect the currencies in which the client accounts are maintained, thus minimising any exchange rate risk to Portlandbet. All deposits into and withdrawals from Portlandbet's accounts on behalf of clients will be effected through recognised and reputable banks.

The procedures for opening an account with Portlandbet and processing withdrawal requests require detailed information to be registered about each client. This assists Portlandbet to ensure that payments to clients are only made to bona fide individuals out of cleared funds, minimising the possibility of fraud and money laundering.

## **3.8 ACT Code of Practice and Responsible Gambling**

Section 63 of the Race and Sports Bookmaking Act 2001 (ACT) requires the holder of a licence to comply with the requirements of a code of practice which relates to holders of a licence of that kind.

The Gambling and Racing Control (Code of Practice) Regulation 2002 (ACT) made under the Gambling and Racing Control Act 1999 (ACT) provides that the Code of Practice set out in Schedule 1 to the Regulation ("**Code of Practice**") applies to various licencees in the ACT including the holder of an ACT sports bookmaking licence under the Race and Sports Bookmaking Act 2001 (ACT).

Portlandbet is committed to full compliance with the Code of Practice and operates in accordance with it.



### **3.9 IT Infrastructure and Security**

#### **Betting Software**

Portlandbet uses betting software named WagerPlayer, which governs operation of the website and back-end administration, under licence from Betoptions Pty Ltd. Further details of the terms of the licence agreement are set out in Section 8.8.4 of this Prospectus.

The WagerPlayer software caters for fixed odds and spread betting on sports events and horse racing, and is subject to continued development at the request and/or direction of its various licensees. All future development will be made available to Portlandbet via regular updates.

Portlandbet has employed an IT Manager who has responsibility for management of Portlandbet's IT infrastructure.

#### **Disaster Recovery**

Portlandbet's network server hardware includes built-in redundancy measures. In addition, all data held on the network servers is backed up at regular intervals to back-up tapes which are securely stored off site by a third party.

Although Portlandbet's IT infrastructure is specifically designed to meet the requirements of its proposed business, including the ability to handle a large volume of transactions and adequate redundancy, the Directors feel it is important for Portlandbet to be able to handle a situation of force majeure. Therefore the Company is putting in place off site arrangements for real time replication of its live database which provides protection against loss of data in the event of a major disaster in the Canberra office.

#### **Security**

All access to Portlandbet's premises and computer server rooms is controlled by card key. Only authorised personnel have access to server rooms.

### **3.10 Operational Structure**

Portlandbet has 14 full-time employees – Chief Executive Officer, General Manager – Portlandbet, Information Technology Manager, Marketing Manager, nine bookmaking staff and one administration employee. In addition, Portlandbet uses casual bookmaker's clerks and/or telephone operators on an as needs basis. Portlandbet's staffing requirements are expected to grow as the business develops.

### **3.11 Regulatory Environment**

Portlandbet's sports betting operations are conducted in accordance with the terms of its Sports Bookmaking Licence issued by the ACT Gambling and Racing Commission pursuant to the ACT Race and Sports Bookmaking Act. In addition, Portlandbet's operations may be subject to regulation in the countries where its services are accessed. Portlandbet takes all reasonable steps to ensure that it complies with all legal and regulatory requirements in all jurisdictions in which it proposes to operate.



### 3.12 Competitors

The internet sports betting industry is fragmented, with a large number of operators none of whom exerts a dominant influence on the industry or, generally, on particular geographical markets.

Portlandbet is initially targeting markets which have strong gambling cultures.

The Directors believe that some of the larger existing operators in these markets, and therefore some of Portlandbet's major likely competitors, are Sportingbet, Pinnacle Sports, Betandwin, Betfair, Centrebet, Ladbrokes and Paddy Power.

### 3.13 Business Economics

The Directors believe that it is not possible to prepare forecasts of the financial performance of the proposed sports bookmaking business with sufficient accuracy to ensure that the forecasts would not be potentially misleading. Therefore no forecasts have been prepared.

The Directors have prepared a detailed cash flow and profit and loss forecast for the business. The Directors have identified the critical elements as –

- Number of active clients
- Average turnover per active client
- Gross win percentage
- Direct costs (closely related to turnover), primarily GST and turnover tax, financial transaction costs, software licence fees and bookmaking and telephone operator staff
- Indirect overhead costs, primarily relating to marketing, information technology and administration (corporate, finance and office)

The proposed application of funds raised pursuant to this Prospectus is set out in Section 1.8 of this Prospectus.

### 3.14 Growth Opportunities for the Company

**Beyond Portlandbet's initial focus on the rapid expansion of a fixed odds sports and horse racing betting business, and its planned offering of a spread betting product, there are numerous other possible opportunities for the Company to grow its business, including:**

- acquiring other sports betting businesses - the international sports betting industry remains fragmented and acquisition opportunities may arise
- expanding into on-line gaming such as casino gaming and on-line poker
- moving into new areas of wagering such as person to person betting exchanges

It should be noted that if any of these growth opportunities arise, the Company is likely to need to raise additional capital from equity or debt resources to fund these opportunities.

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## 4. FINANCIAL INFORMATION

### 4.1 Historical Consolidated Income Statements

Marginbet was incorporated on the 10 January 2005 as Portland International Limited and changed its name to Marginbet on 23 April 2007. On 2 August 2006 Marginbet commenced trading as an internet and telephone sports bookmaker. The main operating activities of Marginbet are conducted by its subsidiary company Portlandbet.

From the date of incorporation on 10 January 2005 to 30 June 2005, Marginbet recorded a consolidated loss after tax of \$53,257.

Set out below are the abbreviated historical Consolidated Income Statements of Marginbet for the financial year ended 30 June 2006 and the nine months ended 31 March 2007. The abbreviated historical Consolidated Income Statement for the year ended 30 June 2006 has been extracted from the general purpose financial statements of Marginbet for the financial year ended 30 June 2006. Marginbet's auditor, PKF Chartered Accountants, issued an unqualified audit opinion on the general purpose financial statements for that year.

The abbreviated historical Consolidated Income Statement for the nine months ended 31 March 2007 has been extracted from the financial records of Marginbet and has been subject to independent review by PKF Corporate Advisory Services (Vic) Pty Ltd.

The historical financial information set out below has been prepared on the basis of the significant accounting policies adopted by the Company as set out in Section 4.3 and should be read in conjunction with the accompanying notes.

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	Period ended 31 March 2007	Year ended 30 June 2006
	\$	\$
<b>Revenue from Continuing Operations:</b>		
Revenue from operations	22,715	-
Interest income	18,831	14,977
	<b>41,456</b>	<b>14,977</b>
<b>Expenses from Continuing Operations:</b>		
Employee benefits expense	(755,471)	(257,424)
Write off IPO related costs	-	(160,769)
Corporate advisory fees	(618,932)	-
Consulting fees	(81,945)	-
Marketing	(229,008)	-
Accounting fees	(30,879)	(16,610)
Legal fees	(58,139)	(1,977)
Software licence fees	(45,500)	-
Telephone	(38,361)	(2,595)
Computer expenses	(33,662)	(10,924)
Other expenses	(187,819)	(138,815)
Depreciation and amortization	(71,841)	(32,205)
Finance costs	(74,289)	(76,086)
<b>Loss before income tax</b>	<b>(2,184,390)</b>	<b>(682,428)</b>
Income tax expense	-	-
<b>Loss from continuing operations</b>	<b>(2,184,390)</b>	<b>(682,428)</b>
<b>Loss attributable to members of the parent</b>	<b>(2,184,390)</b>	<b>(682,428)</b>

Included as an expense for the nine months ended 31 March 2007 are Corporate Advisory Services of \$618,932. This expense includes an amount of \$596,000 which has been settled by the issue of 1.4 million fully paid 14 cent Convertible Notes for payment of Corporate Advisory Services of \$196,000 and the issue of 2 million fully paid ordinary shares at a fair value of \$400,000.



## 4.2 Historical and Pro-Forma Consolidated Balance Sheets

Set out below is the abbreviated historical Consolidated Balance Sheet as at 31 March 2007 which has been subject to independent review and the Pro-Forma Consolidated Balance Sheet as at 31 March 2007 and the Maximum Over-Subscription Pro-Forma Consolidated Balance Sheet as at 31 March 2007 which represents the actual Consolidated Balance Sheet as at 31 March 2007 adjusted for the pro-forma capital raising transactions and the maximum over-subscription capital raising transactions and other pro-forma adjustments set out in Section 4.4 as if they had taken place as at 31 March 2007.

The historical and pro-forma financial information has been prepared on the basis of the significant accounting policies adopted by the Company as set out in Section 4.3 and should be read in conjunction with the accompanying notes.

	Notes (Sec 4.5)	Consolidated 31 March 07 \$	Pro-Forma Consolidated 31 March 07 \$	Maximum Over- subscription Pro-Forma Consolidated 31 March 07 \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	1	291,563	2,619,115	3,099,115
Other receivables	2	4,120	4,120	4,120
Prepayments		2,778	2,778	2,778
<b>TOTAL CURRENT ASSETS</b>		<b>298,461</b>	<b>2,626,013</b>	<b>3,106,013</b>
<b>NON-CURRENT ASSETS</b>				
Plant & equipment	3	253,259	253,259	253,259
Other financial assets	4	260,000	260,000	260,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>513,259</b>	<b>513,259</b>	<b>513,259</b>
<b>TOTAL ASSETS</b>		<b>811,720</b>	<b>3,139,272</b>	<b>3,619,272</b>
<b>CURRENT LIABILITIES</b>				
Payables	5	131,256	131,256	131,256
Borrowings	6	2,050,099	200,727	200,727
Provisions	7	32,946	32,946	32,946
<b>TOTAL CURRENT LIABILITIES</b>		<b>2,214,301</b>	<b>364,929</b>	<b>364,929</b>
<b>TOTAL LIABILITIES</b>		<b>2,214,301</b>	<b>364,929</b>	<b>364,929</b>
<b>NET ASSETS</b>		<b>(1,402,581)</b>	<b>2,774,343</b>	<b>3,254,343</b>
<b>EQUITY</b>				
Issued capital	8	1,359,517	5,615,271	6,095,271
Option Reserve	9	157,978	88,175	88,175
Accumulated losses	10	(2,920,076)	(2,929,103)	(2,929,103)
<b>TOTAL EQUITY</b>		<b>(1,402,581)</b>	<b>2,774,343</b>	<b>3,254,343</b>

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### 4.3 Notes to the Financial Information

The Company's historical and pro-forma financial information has been prepared in accordance with the recognition and measurement requirements, but not all disclosure requirements, of Australian Accounting Standards, Urgent Issues Group Interpretations and the Corporations Act 2001. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. In the view of Directors of Marginbet, the omitted disclosures are not considered materially adverse to potential investors or inconsistent with any information contained elsewhere in Marginbet's Prospectus.

Marginbet is incorporated in Australia and is the legal parent entity of Portlandbet. The financial report is presented in Australian dollars.

#### **Basis of Preparation**

The financial report has been prepared on an accruals basis using historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies adopted have been consistently applied.

#### **Significant Accounting Policies**

The following significant accounting policies set out below have been applied in the preparation and presentation of the financial information presented in Section 4 of the Prospectus.

##### **a) Going Concern**

The historical and pro-forma financial statements for the Company have been prepared on a going concern basis which contemplates a continuation of normal business activity and the realisation of assets and liabilities in the ordinary course of business. The economic entity has incurred operating losses totalling approximately \$2.9 million to 31 March 2007 and has a deficiency in net assets as at 31 March 2007 of approximately \$1.4 million as disclosed in Sections 4.1 and 4.2. However, the Directors continue to monitor the ongoing funding requirements, and in conjunction with achieving the Minimum Subscription under the Offer and achieving budgeted revenues for the financial year ending 30 June 2008, the Directors believe that the Company will have sufficient cash resources to fund its ongoing working capital requirements. If the Company achieves the minimum subscription and does not achieve its budgeted revenues, then the Company may be required to raise further capital to fund ongoing working capital as required.

##### **b) Principles of Consolidation**

The consolidated financial statements comprise the financial statements of the Company being the parent entity, and its controlled entity.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the excess is credited to profit and loss in the period of acquisition.

The financial statements of the controlled entity are prepared for the same reporting period as the Company using consistent accounting policies. All inter-company balances and transactions between the entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. The operating results of the controlled entity have been included from the date control was obtained.

The financial statements of the controlled entity are included from the date of control commences until the date control ceases. Outside interests in the equity and results of the entities that are controlled by the Company are shown as separate item in the consolidated financial statements.





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**c) Significant Judgments and Key Assumptions**

No significant judgments have been made in applying accounting policies that have a significant effect on the amounts recognised in the financial statements contained in Section 4 of the Prospectus.

No key assumptions have been made concerning the future and there are no other key sources of estimation uncertainty at the balance date that the Directors consider have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**d) Cash and Cash Equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

**e) Trade and Other Receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

**f) Impairment of Assets**

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangibles assets not yet available for use are tested for impairment annually and whenever there is an indication now current assets may be impaired. An impairment of goodwill is not subsequently reversed.

**g) Acquisition of Assets**

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs incidental to the acquisition. Where shares are issued in an acquisition, the value of the shares is determined having reference to existing markets.

**h) Property, Plant and Equipment**

Property, plant and equipment are recorded at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the expected useful life of the asset as follows:

- Property plant and equipment                      15% to 40.0%
- Computer equipment                                      25% to 33.3%



## Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

Impairment losses are recognised in the income statement.

## Disposals

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is disposed.

### i) Convertible Notes

The component of the convertible notes that exhibits characteristics of a liability are recognised as a liability in the balance sheet, net of issue costs. On the issue of the convertible note, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of issue costs. The value of the conversion option is not changed in subsequent years.

Issue costs are apportioned between the liability and equity components of the convertible note based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

### j) Trade and Other Payables

Trade and other payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and paid within 30-90 days of recognition.

### k) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received. Contributed equity includes converting financial instruments where the conversion terms can be identified with reasonable certainty at balance date.

### l) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the economic entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:



### Wagering Turnover

Wagering by clients represents the value of bets received from clients and settled on completed events during the period.

Wagering revenue is the net of wagering wins and losses, after the deduction of GST, and is recognised at the point when the event to which the wager relates is officially completed and settled. Settlement by the economic entity usually takes place within one day of the events completion.

### Interest

Revenue is recognised as the interest accrues (using the effective interest rate method, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

### Dividends

Revenue is recognised when the right to receive the payment is established.

#### **m) Goods and Services Tax (GST)**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense, or
- ii) for receivables and payables which are recognised inclusive of GST, the net amount of GST recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Balance Sheet. Receivables and payables are stated with the amount of GST included.

#### **n) Employee Benefits**

##### Wages and Salaries and Annual Leave

Provision for employee benefits relates to liabilities made in respect of wages and salaries, annual leave and other employee benefits when it is possible that settlement will be required and they are capable of being measured reliably. The provision for employee benefits relates to liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

##### Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

##### Superannuation

The amount charged to the income statement in respect of superannuation represents the contributions made by the consolidated entity to the employees' nominated superannuation funds.

#### **o) Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.



Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Unused tax losses will be available in the period that they are utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**p) Borrowing Costs**

Borrowing costs are recognised as an expense in the period in which they are incurred except borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale. In this case the borrowing costs are capitalised as part of the cost of such a qualifying asset.

**q) Leased Assets**

Leases under which the Company or its controlled entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

**Operating Leases**

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments made under operating leases are expensed on a straight line basis over the term of the lease.

**Finance Leases**

Finance leases, which transfer to the economic entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset. Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

**r) Share Based Payment Arrangements**

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.



For equity settled share-based payments, goods or services received are measured directly at the fair value of the goods and services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value.

**s) New Accounting Standards and UIG Interpretations**

All the new and revised Accounting Standards and UIG Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the annual reporting period beginning on 1 July 2005 have been adopted by Marginbet. The directors have given due consideration to new and revised standards and interpretations issued by the AASB that are not yet effective and do not believe they will have any material financial impact on the financial statements of the consolidated entity.

**4.4 Pro-Forma Consolidated Balance Sheets**

The Pro-Forma Consolidated Balance Sheet has been based on the actual Consolidated Balance Sheet as at 31 March 2007, and reflects the following events and transactions as if they had taken place at that date:

- subscription of 10 million New Shares at an issue price of \$0.20 per New Share for a total of \$2 million inclusive of one attaching free option for every two New Shares subscribed. The terms of these options include an exercise price of \$0.20 per share and an expiry date of three years from the date of ASX Listing;
- payment of share issue expenses of approximately \$220,000 (inclusive of GST). This expense is inclusive of payments to brokers;
- settlement of convertible notes and accrued interest liabilities of \$1,631,754 by the issue of 12,072,063 Shares in May 2007;
- the repayment of an investor loan of \$200,000;
- issue of 5,275,000 Shares in May 2007 and June 2007 at an issue price of \$0.16 per Share with 2,637,500 free Options for a total of \$844,000;
- redemption of 650,000 convertible notes and accrued interest by cash payment of \$96,448 in May 2007; and
- inclusion of additional interest on Convertible Notes subsequent to 31 March 2007 of \$9,027.

The Maximum Over-Subscription Pro-Forma Consolidated Balance Sheet has been based on the Pro-Forma Consolidated Balance Sheet as at 31 March 2007, and incorporates the issue of an additional 2,500,000 New Shares for an issue price of \$0.20 per New Share for a total of \$500,000. If the maximum over-subscriptions are received, the share issue expenses are expected to increase to \$240,000 (inclusive of GST).

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#### 4.5 Notes to the Balance Sheets

	Consolidated 31-Mar-07 \$	Pro-Forma Consolidated 31-Mar-07 \$	Maximum Over Subscription Consolidated 31-Mar-07 \$
<b>Note 1: Cash and Cash Equivalents</b>			
Cash assets of Marginbet at 31 March 2007	291,563	291,563	291,563
Cash payment for redemption of convertible notes	-	(96,448)	(96,448)
Cash repayment of investor loan	-	(200,000)	(200,000)
5,275,000 fully paid Shares issued in May 2007 at 16 cents per share	-	844,000	844,000
Issue of 10 million fully paid Shares under the Offer at 20 cents per share	-	2,000,000	2,000,000
Issue of 2.5 million maximum over-subscription Shares under the Offer at 20 cents per share	-	-	500,000
Payment of share issue expenses from proceeds of the Offer	-	(220,000)	(240,000)
	291,563	2,619,115	3,099,155
<b>Note 2: Other Receivables</b>			
Sundry debtors	4,120	4,120	4,120
<b>Note 3: Plant &amp; Equipment</b>			
Plant & equipment	253,259	253,259	253,259
<b>Note 4: Other Financial Assets</b>			
Restricted Term Deposit	260,000	260,000	260,000
<b>Note 5: Trade &amp; Other Payables</b>			
Trade & other payables	131,256	131,256	131,256
<b>Note 6: Financial Liabilities</b>			
Convertible Notes	1,498,997	1,498,997	1,498,997
Accrued interest on Convertible Notes	150,375	159,402	159,402
	1,649,372	1,658,399	1,658,399
Less settlement of Convertible Notes plus accrued interest by the issue of fully paid Shares and cash payment for redemption of Convertible Notes	-	(1,658,399)	(1,658,399)
	1,649,372	-	-
Investor Loan	200,000	200,000	200,000



...Continued

	<b>Consolidated 31-Mar-07 \$</b>	<b>Pro-Forma Consolidated 31-Mar-07 \$</b>	<b>Maximum Over Subscription Consolidated 31-Mar-07 \$</b>
Less cash repayment of Investor Loan	-	(200,000)	(200,000)
	200,000	-	-
Client Funds	200,727	200,727	200,727
	2,050,099	200,727	200,727
<b>Note 7: Provisions</b>			
Employee Provisions	32,946	32,946	32,946
<b>Note 8: Issued Capital</b>			
24,000,000 Shares as at 31 March 2007	1,359,517	1,359,517	1,359,517
5,275,000 Shares issued in May 2007 for capital raising at 16 cents per share	-	844,000	844,000
Conversion of convertible notes and accrued interest into 12,072,063 Shares	-	1,631,754	1,631,754
Issue of 10 million New Shares under the Offer at 20 cents per share	-	2,000,000	2,000,000
Issue of 2.5 million over-subscription New Shares under the Offer at 20 cents per share	-	-	500,000
Payment of share issue expenses from proceeds of the Offer	-	(220,000)	(240,000)
	1,359,517	5,615,271	6,095,271
<b>On completion of the above transactions:</b>			
- the number of Marginbet ordinary shares on issue under the pro-forma and maximum over-subscription pro-forma	24,000,000	51,347,063	53,847,063
<b>Note 9: Option Reserve</b>			
Recognition of equity conversion component of Convertible Notes	69,803	69,803	69,803
Less conversion of Convertible Notes into New Shares	-	(69,803)	(69,803)
1,000,000 Incentive Options as at 31 March 2007	88,175	88,175	88,175
	157,978	88,175	88,175
<b>Note 10: Accumulated Losses</b>			
Accumulated losses at 31 March 2007	(2,920,076)	(2,920,076)	(2,920,076)
Additional interest on conversion of Convertible Notes	-	(9,027)	(9,027)
	(2,920,076)	(2,929,103)	(2,929,103)

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**Note 11: Share Options**

On completion of the Offer, ASX listing and issue of options pursuant to the Employee Share Option Plan, Marginbet will have the following options on issue: -

*Director Options – issued prior to 31 March 2007*

- 750,000 options with an exercise price of \$0.20, which expire five years from the date of listing on the ASX; and
- 250,000 options with an exercise price of \$0.40, which expire five years from the date of listing on the ASX.

*Options attaching to May 2007 and June 2007 share placements*

- 2,012,500 options with an exercise price of \$0.20, which expire 26 April 2010; and
- 625,000 options with an exercise price of \$0.20, which expire 7 June 2010.

*Options issued under ESOP*

- 1,750,000 options with an exercise price of \$0.20, which expire 28 May 2012.

*Options proposed to be issued on ASX Listing*

- The Offer under this Prospectus includes one attaching free option for every two New Shares subscribed. The terms of these options include an exercise price of \$0.20 per share and an expiry date of three years from the date of ASX Listing. Under the minimum subscription 5,000,000 options will be issued and under the maximum over-subscription an additional 1,250,000 options will be issued.

In addition to the above, the Company has entered into an Executive Service Agreement with Mr Stephen Hobbs (as disclosed at Section 8.8.5) which will result in the issue of an additional 1.5 million unlisted options on a successful ASX listing, with various attaching vesting conditions.

**Note 12: Commitments**

**Operating commitments**

Future operating lease rentals are not provided for in the financial statements  
Minimum lease payments under non-cancellable operating leases according to the time expected to elapse to the expected date of payment:

■ not later than one year	7,150
■ later than one year but not later than five years	3,575
	<hr/> 10,725 <hr/>

As disclosed at Section 8.8.2, by sublease made between Canberra Racing Club Incorporated and Portlandbet, there is a sublease of premises for a renewed term of 18 months commencing on 1 April 2007 and expiring on 30 September 2008, with one further right of renewal of 18 months. The annual rent is \$7,150 per annum (plus GST) payable in equal monthly instalments.





## 5. DIRECTORS AND CORPORATE GOVERNANCE

### 5.1 Directors

**- Mr John Marshall Levy LL.B, Grad Dip Management, FTIA**

*Non-Executive Chairman*

Mr Levy has practised as a commercial lawyer in Adelaide for more than 18 years and is currently a partner in the Corporate and Commercial Division of O'Loughlins Lawyers. He provides commercial, corporate and tax advice to clients throughout Australia. He has been involved in corporate and commercial fundraisings and restructures and has extensive experience in relation to the licensing of technology and other intellectual property rights.

Mr Levy is a member of the Law Society of South Australia and a Fellow of the Taxation Institute of Australia ("**TIA**"). For several years he served on the Education Committee of the SA Division of the TIA. He is also a serving member of the Taxation Law Committee of the Business Law Section of the Law Council of Australia.

Since September 2000, Mr Levy has been a non-executive director of Greyhound Racing SA Ltd ("**GRSA**"), the company that is the controlling body for greyhound racing in South Australia. In October 2006, Mr Levy was appointed non-executive Chairman of GRSA. In addition he is GRSA's nominated director to the Boards of Racing SA Ltd and Greyhounds Australasia Ltd.

**- Mr Robert McKenzie Drake B.Bus, Dip Tourism Mgt**

*Non-Executive Director*

Mr Drake has been involved in marketing for 20 years and is currently Managing Director of Carat Australia Media Services Pty Ltd ("**Carat Australia**"), a leading media and communications agency. Carat Australia provide a range of market research, strategic planning, brand consultancy and media buying and planning services to a range of clients in Australia.

Mr Drake has provided a variety of marketing communication and strategic planning services to a range of organisations and clients. He has led advertising agencies Singleton Ogilvy & Mather and George Patterson Bates Group's AdTown in Melbourne, as well as consulted to a number of clients including Jetstar Airways Pty Limited during their recent start up of domestic flying operations.

He has been involved in marketing from both supply side and client perspectives, and has much experience in brand management and market research. Robert is a member of the Market Research Society of Australia. Mr Drake spent a number of years working for Telstra Corporation ending as General Manager Marketing for the then Telstra MobileNet and in charge of merchandising for the whole organisation.

Mr Drake's career has included experience overseas, a highlight of which being involved with the marketing and research efforts of the XV Winter Olympic Games in Canada.

Mr Drake continues to be a member of the Victoria University Programme Advisory Committee for the Business School.



**- Mr David Simon Gray B Com, M App Fin, SA Fin, MAICD**

*Non-Executive Director*

David Gray is the founder and Managing Director of Transparence Group Pty Ltd ("**Transparence**").

Prior to establishing Transparence in 2004, David held senior investment advisory positions at some of Australia's largest institutions including Macquarie Bank, Commonwealth Bank of Australia and Bell Potter Securities Limited.

David brings his formal training in financial risk management and corporate finance to the Board.

David also has extensive expertise in technology and working with internet media business models. In 2006 he launched Website Investment Services (WISer), an online suite of membership-based, investment services websites including prospectus.com.au, fundfinder.com.au and sevenmarkets.com.au.

David is a Responsible Officer registered with ASIC, a member of the Australian Institute of Company Directors, a Senior Associate of FINSIA and an Accredited Derivatives Adviser with the Australian Securities Exchange.

David holds a Masters of Applied Finance with Macquarie University in Sydney and Bachelor of Commerce, Information Systems & Marketing with Curtin University in Perth.

## **5.2 Chief Executive Officer and Company Secretary**

**- Mr Stephen Downer Hobbs LL.B, B.Ec**

*Chief Executive Officer*

Mr Hobbs has extensive experience in professional legal and accounting practices and in private business.

Mr Hobbs practised as a commercial lawyer in Adelaide for seven years and subsequently joined chartered accounting firm Horwath NT in Alice Springs in its audit and investigation section.

In 1998 Mr Hobbs commenced employment with Centrebet Pty Ltd ("**Centrebet**"), then in its early days as Australia's first internet bookmaker, and had senior responsibility for product and risk management during Centrebet's rapid growth. Following the sale of Centrebet to Jupiters Limited in 2000, Mr Hobbs was appointed Bookmaking Operations Manager, responsible for management of Centrebet's international staff and for ongoing analysis and risk management of the bookmaking operations. Mr Hobbs left Centrebet in 2002 and in September 2003 Centrebet was sold for \$46.55 million.

Mr Hobbs has extensive experience of the fixed odds sports betting industry and is intimately aware of the challenges confronting a sports betting business as it grows from a small operation to an international participant in the industry. He has knowledge of which countries provide the best opportunities for acquiring new clients and strategies to attract these clients and he has particular expertise in bookmaking on the full range of European, American and Australian sports including the high turnover sports of soccer, tennis and golf.

**- Mr Pierre Andre Van Der Merwe CA, F Fin**

*Company Secretary*

Mr Van Der Merwe is a Chartered Accountant of 19 years experience and is currently a director of HLB Mann Judd (SA) Pty Ltd, a firm of Chartered Accountants in Adelaide, and a number of other private companies.

He provides corporate advice and support to a number of companies listed on the ASX and is the appointed Company Secretary for ASX listed Terramin Australia Limited.

Mr Van Der Merwe has extensive experience in the provision of professional services to clients in Australia and South Africa. These services include tax consulting, management of client accounting systems, reporting at Board level, assisting with financial interpretations and strategic planning. He is also a Fellow of the Financial Services Institute of Australasia.



### 5.3 Corporate Structure

Marginbet Limited is a public company and will be the company that is listed on ASX. It owns 100% of the shares in Portlandbet Pty Ltd, the company that operates the sports betting business.

### 5.4 Corporate Governance

The Board of Directors of the Company will be responsible for the corporate governance of the Company including its strategic development.

**The format of this Section is guided by the ASX Corporate Governance Council's best practice recommendations. The Company's corporate governance principles and policies are therefore structured as follows:**

- › Principle 1 Lay solid foundations for management and oversight
- › Principle 2 Structure the Board to add value
- › Principle 3 Promote ethical and responsible decision making
- › Principle 4 Safeguard integrity in financial reporting
- › Principle 5 Make timely and balanced disclosure
- › Principle 6 Respect the rights of Shareholders
- › Principle 7 Recognise and manage risk
- › Principle 8 Encourage enhanced performance
- › Principle 9 Remunerate fairly and responsibly
- › Principle 10 Recognise the legitimate interests of stakeholders

With the exception of the departures from the Corporate Governance Council recommendations in relation to the independence of the Board, the nomination committee and the audit, risk and compliance committee as detailed below, the corporate governance practices of the Company are compliant with the Council's best practice recommendations.

#### **a) Board Responsibilities**

The Board will be accountable to the Shareholders for the performance of the Company and will have overall responsibility for its operations. Day to day management of the Company's affairs, and the implementation of the corporate strategy and policy initiatives, will be formally delegated by the Board to the CEO.

**The key responsibilities of the Board will include:**

- approving the strategic direction and related objectives of the Company and monitoring management performance in the achievement of these objectives;
- adopting budgets and monitoring the financial performance of the Company;
- reviewing the performance of the CEO;
- overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;
- overseeing the implementation and management of effective safety and environmental performance systems;
- ensuring all major business risks are identified and effectively managed; and
- ensuring that the Company meets its legal and statutory obligations.



For the purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at the Company's expense, unless the Board determines otherwise. The Board schedules meetings on a regular basis and other meetings as and when required.

**b) Size and Composition of the Board**

The Directors consider the size and composition of the Board are appropriate given the size and status of the Company. However the composition of the Board will be subject to review in a number of ways.

- The Constitution provides that at every annual general meeting, one third of the Directors shall retire from office but may stand for re-election.
- Board composition will be also reviewed periodically either when a vacancy arises or if it is considered the Board would benefit from the services of a new director, given the existing mix of skills and experience of the Board, which should match the strategic demands of the Company. Once it has been agreed that a new director is to be appointed, a search will be undertaken, sometimes using the services of external consultants. Nominations would then be received and reviewed by the Board.

**c) Ethics and Independence**

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Company intends to maintain a reputation for integrity. The Company's officers and employees are required to act in accordance with the law and with the highest ethical standards.

The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the Board. Those Directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors' meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors.

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. In addition, Recommendation 2.2 requires the chairperson of the Company to be independent. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement.

In accordance with this definition, John Levy, Robert Drake and David Gray are independent.

The Company considers industry experience and specific expertise to be important attributes of its Board members and therefore believes that the composition of the Board is appropriate given the size and development of the Company at the present time.

**d) Board Committees**

It is the role of the Board to oversee the management of the Company and it may establish appropriate committees to assist in this role. The composition of the committees shall be as follows:

- the majority of the members of each Committee of the Board will be non-executive Directors;
- each committee will have a charter approved by the Board; and
- each committee will maintain minutes of each meeting of the committee, which will be circulated to all Directors.

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The Board will initially establish an audit, risk and compliance committee. At the present time no other committees will be established because of the size of the Company and the involvement of the Board in the operations of the Company. The Board takes ultimate responsibility for the operations of the Company including remuneration of Directors and executives and nominations to the Board.

#### **Audit, Risk and Compliance Committee**

The audit, risk and compliance committee will initially be comprised of Messrs Levy, Drake and Gray, each of whom is non-executive and independent of senior management and operating executives of the Company, and free from any relationships which might, in the opinion of the Board, be construed as a conflict of interest. The Board will annually confirm the membership of the committee.

#### **The committee's primary responsibilities are to:**

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Company;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- nominate external auditors;
- review the performance of the external auditors and existing audit arrangements; and
- ensure compliance with laws, regulations and other statutory or professional requirements, and the Company's governance policies.

The size and nature of the activities of the Company does not presently require the services of a chief financial officer. It is proposed the Company Secretary, Pierre Van Der Merwe of HLB Mann Judd (SA) Pty Ltd (Chartered Accountants), will initially provide accounting and financial support to the Company. The CEO and the Company Secretary will be required to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards. Included in this statement will be confirmation that the Company's risk management and internal controls are operating efficiently and effectively.

#### **e) Shareholder Communication**

The Board strives to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and its Directors and to make well-informed investment decisions.

#### **Information is communicated to Shareholders through:**

- annual and half-yearly financial reports and quarterly reports;
- annual and other general meetings convened for Shareholder review and approval of Board proposals;
- continuous disclosure of material changes to ASX for open access to the public; and
- the Company maintains a website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

The auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.



**f) Identification and Management of Business Risk**

The Board has identified the significant areas of potential business and legal risk of the Company. The identification, monitoring and, where appropriate, the reduction of significant risk to the Company will be the responsibility of the CEO and the Board.

The Board reviews and monitors the parameters under which such risks will be managed. Management accounts will be prepared and reviewed with the CEO at subsequent Board meetings. Budgets are prepared and compared against actual results.

**g) Remuneration**

The Chairman and the non-executive Directors are entitled to draw Directors fees and receive reimbursement of reasonable expenses for attendance at meetings. The Company is required to disclose in its annual report details of remuneration to Directors. The maximum aggregate annual remuneration which may be paid to non-executive Directors is \$200,000. This amount cannot be increased without the approval of the Company's shareholders. A detailed explanation of the basis and quantum of Directors remuneration is set out in Section 8.4.3 of this Prospectus.

**h) Securities Trading Disclosure**

The Company has a formal policy for dealing in the Company's securities by Directors, employees and contractors. This sets out their obligations regarding disclosure of dealing in the Company's securities.

The Constitution permits Directors to acquire securities in the Company, however Company policy prohibits Directors and senior management from dealing the Company's securities at any time whilst in possession of price sensitive information and for 24 hours after:

- any major announcements;
- the release of the Company's annual financial results to ASX; and
- the annual general meeting.

Directors must advise the Chairman of the Board before buying or selling securities in the Company. All such transactions are reported to the Board. In accordance with the provisions of the Corporations Act and the Listing Rules, the Company advises ASX of any transaction conducted by Directors in the securities of the Company.

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## 6. BUSINESS RISKS

There are a number of risk factors that may affect the operating and financial performance of the Company. While some of these risks can be mitigated by the use of safeguards and appropriate systems and actions, some fall outside the control of the Company and cannot be mitigated. There are also general risks associated with any investment in shares and investors should therefore consider their personal circumstances (including financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional advisor before deciding to invest in the Company.

**The main risk factors applicable to an investment in the Company include, but are not limited to, the following:**

### 6.1 No Long Term Operating History

The Company was incorporated on 10 January 2005 and Portlandbet commenced trading as a fixed odds sports betting company on 2 August 2006. The limited operating history of the Company offers little data upon which an evaluation of the Company and its long-term prospects can be based.

### 6.2 Regulatory Environment

#### General approach of governments

The gambling industry is highly regulated. In general terms, the approach taken by governments tends to be either to prohibit gambling, to restrict it using de facto monopolies or to permit it in a licensed environment so that it can be regulated and taxed. The internet is a relatively new phenomenon and the laws of many jurisdictions have not yet been adapted to suit the particular circumstances of the internet. There is a lack of clarity as to where internet transactions take place and who has jurisdiction over them. There is therefore a high level of uncertainty as to the application in many jurisdictions of laws potentially relating to the Company's business.

The laws in many jurisdictions relating to the internet generally, and internet gambling in particular, are under review and may change in the future.

#### Particular jurisdictions

The Directors cannot predict when (or if) the regulatory regime in any jurisdiction may change, what changes (if any) will be made and what effect (if any) such changes will have on the Company's activities. Investors should be aware that such changes could have a significant adverse effect on the Company's business and financial position.

### 6.3 Dependence on Regulatory Licences

Portlandbet's sports betting operation will take place pursuant to the Licence. The Board of Directors believe Portlandbet has a good relationship with the relevant regulatory authority, namely the ACT Gambling and Racing Commission, and foresees no reason why Portlandbet would not be granted a renewal of the Licence in the future. However, there can be no guarantee that any renewal of the Licence will not be on terms which are less favourable to Portlandbet.





#### **6.4 Key Personnel**

The business of Portlandbet is dependent on the expertise and continued service of key personnel. The Company's ability to expand its operations will also depend on its ability to attract and retain sufficient qualified personnel, particularly within areas such as business development, odds compilation and risk management.

#### **6.5 Foreign Exchange Rate Risk**

The exchange rates between the Australian dollar and other currencies fluctuate constantly and may in the future fluctuate significantly. These fluctuations may, in the future, have an effect on the Company's results, operations and financial position and may affect the comparability of its results between financial periods.

The extent of this risk has to be considered in the following context. Portlandbet currently trades in many different currencies, but expects that inflows will primarily be received in Australian dollars, whilst outflows are expected to comprise mainly Australian dollars, British Pounds, US dollars and Euros.

The outflows from Portlandbet will be less predictable than the inflows. The currency required for the outflow will depend on where the winning clients reside; the amount of the outflow will depend on the size of the clients' winnings; the timing of the outflow will depend on which events the clients win on. Portlandbet intends to manage the outflow requirements by converting Australian dollars into the specific currencies required as and when the need arises.

#### **6.6 Seasonality**

Portlandbet's business is affected to an extent by the seasons for key sports, such as the major football leagues in Europe, the major golf and tennis tournaments and the winter football seasons in Australia. The seasonality of these events may result in fluctuations in Portlandbet's quarterly performance.

#### **6.7 Reliability of Market Statistics**

Many of the market statistics quoted in this Prospectus and relied upon by the Directors in reaching their own estimates of the size and growth potential of the global and local gambling and on-line gambling markets may not be wholly reliable. Although the Directors have sought to use reputable and reliable sources and to use more than one source wherever possible, verifiable, public information about the nature and extent of gambling is not always available and much of what is published relates to financial periods that ended two or more years ago. Whilst the Directors have exercised care in the selection and use of such data, prospective investors should be aware that it is unverified and may not present an accurate picture of the markets it describes or their growth potential.

#### **6.8 Dependence on the Internet**

The internet continues to experience substantial growth both in terms of the number of users and the quantity of data it supports. The rate at which internet use will increase will depend on a number of factors, including the speed at which technological improvements can reduce the cost of access, enhance the ease and speed of use, increase the capacity and reliability of the infrastructure and increase the level of consumer and business confidence in the security and reliability of internet based transactions. As Portlandbet's major distribution channel will be the internet, disturbances on the internet such as viruses, attacks by computer hackers or a general decrease in speed of internet connections due to capacity problems may have a material adverse affect on Portlandbet's business, particularly if such disturbances occur often and continue over time.

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Any publicised security problems affecting e-commerce companies could inhibit the growth of internet-based commerce and cause Portlandbet's then existing clients to stop using its services. The secure transmission of confidential information over the internet, and the security of Portlandbet's systems in general, will be essential in maintaining consumer and supplier confidence in its services. Portlandbet relies on licensed encryption and authentication technology to secure transmission of confidential information.

There have been instances where unidentified third parties have individually or collectively taken action to deliberately disrupt the operations of major commercial web sites similar to that operated by Portlandbet. If similar action were to be taken against Portlandbet's web site in the future this may limit Portlandbet's ability to operate its web site and damage the systems which Portlandbet uses to operate its business. This could have a negative impact on Portlandbet's reputation and turnover. A party that is able to circumvent Portlandbet's security systems could steal proprietary information. Security breaches could also expose Portlandbet to a risk of loss or litigation and possible liability.

#### **6.9 Systems Failures and Breaches of Security**

Portlandbet's operations are highly dependent on technology and information systems. Portlandbet's IT infrastructure and thus its operations are vulnerable to damage or interruption from events which are beyond Portlandbet's control, such as natural disasters, telecommunications failure or external data network failure.

#### **6.10 Regulation of the Internet**

Failure to comply with relevant internet and e-commerce legislation or regulation may leave Portlandbet open to civil and criminal sanctions. E-commerce is new and rapidly changing, and regulation relating to the internet and e-commerce is evolving. Currently, there are few laws or regulations directly applicable to the internet or e-commerce. Due to the increasing popularity of the internet, it is possible that such laws and regulations may be enacted to cover issues such as customer privacy, pricing, taxation, content, copyright, distribution, antitrust issues and the quality of products and services. Additionally, the rapid growth of e-commerce may trigger the development of tougher consumer protection laws. The adoption of additional laws or regulations relating to the internet could reduce the rate of growth of e-commerce and could harm Portlandbet's future business both directly and indirectly.

Due to the global nature of the internet, it is possible that, although the servers and infrastructure used to provide Portlandbet's services are based in Canberra and transmission by Portlandbet of content over the internet originates from Canberra, the governments of other countries might attempt to regulate the content of Portlandbet's web site or transmission or might attempt to prosecute Portlandbet for violations of that country's laws. Any legislation or regulation proscribing the content of Portlandbet's web site or transmission, the application of laws or regulations from jurisdictions whose laws do not currently apply to Portlandbet's business, or the application to the internet and other on-line services of laws and regulations which do not currently apply to them, could make it difficult for Portlandbet to operate its business.

#### **6.11 Competition**

Portlandbet faces competition from a variety of gambling companies, including national monopolies with a dominant market share of overall gambling in their domestic market and local and international on-line gambling companies. There can be no assurance that competition in the future will not have a material adverse affect on Portlandbet's business.



### **6.12 Additional Capital Requirements to Fund Operations and Finance Growth**

The Directors believe that, based on the Company's current financial position, strategies and objectives, its expected growth and the estimated net proceeds from the Offer, there will be sufficient working capital available to fund the Company's operations for the foreseeable future. However, if the Company's working capital needs exceed current expectations or if growth opportunities arise, either through strategic acquisitions or organic growth, the Company may need to raise additional capital from equity or debt sources. Further equity financing may be dilutive to existing shareholders.

### **6.13 Economy**

Demand for Portlandbet products may be affected by the strength and/or weakness of the global economy or the economies of particular countries in which Portlandbet seeks to acquire clients.

Interest rate fluctuations may change the future cost of capital. This may affect the cost of financing business initiatives that require the use of debt funding. At the date of listing, the Company will be debt free so this is not expected to be a significant risk at that time.

### **6.14 Stock Market**

Investors should recognise that the price of the Shares may fall as well as rise. The Shares carry no guarantee in respect of profitability, dividends, return on capital or price at which they may be traded on ASX. If an investor sells Shares, the amount received may be more or less than the amount originally invested. Many factors will affect the price of Shares, including local and international stock markets, movements in interest rates, economic conditions and investor sentiment.

### **6.15 Other**

Changes in accounting policies and standards may affect the future financial results of the Company. It is noted that accounting standards change regularly and that the Company will not be immune from changes in accounting standards.



## 7. INDEPENDENT ACCOUNTANT'S REPORT



22 June 2007

The Board of Directors  
Marginbet Limited  
PO Box 7070  
KALEEN ACT 2617

Dear Directors

### INDEPENDENT ACCOUNTANT'S REPORT

#### 1. INTRODUCTION

This report has been prepared by PKF Corporate Advisory Services (Vic) Pty Ltd ("PKF Corporate") for inclusion in a prospectus for Marginbet Limited ("the Company") to be dated on or about 22 June 2007 relating to a public invitation to subscribe for 10 million New Shares at an issue price of \$0.20 per together with one free attaching option for every two shares subscribed, exercisable at \$0.20 each to raise \$2 million before Offer costs, with provision for oversubscriptions of up to 2.5 million New Shares to raise up to a further \$500,000 before Offer costs ("Prospectus"). The free attaching options are exercisable at any time on or before the third anniversary of the date on which the Company is admitted to the Official List of ASX.

Expressions defined in the Prospectus have the same meaning as in this report.

#### 2. BACKGROUND

The Company was incorporated on 10 January 2005 for the purpose of establishing and operating an international fixed odds internet and telephone sports betting business. The Company, through its wholly owned subsidiary, Portlandbet Pty Ltd ("Portlandbet"), was granted a sports bookmaking licence in the Australian Capital Territory ("ACT") by the ACT Gambling and Racing Commission on the 18 August 2005. On 2 August 2006, Portlandbet commenced trading as a fixed odds sports bookmaker under the terms of its licence. The monies raised under this Prospectus are to be used to provide working capital for the administration of the Company and Portlandbet, and to pay for the costs of the Offer.

The historical consolidated financial information presented in Section 4 of the Prospectus for the financial period ended 31 March 2007 and for the financial year ended 30 June 2006 has been extracted from the Company's general purpose consolidated financial statements. The Company's auditor, PKF Chartered Accountants ("PKF"), has issued an unqualified audit opinion on the general purpose consolidated financial statements of the Company for the financial year ended 30 June 2006.

The Pro-Forma Consolidated Balance Sheet and the Maximum Over-Subscription Pro-Forma Consolidated Balance Sheet have been prepared based on the Company's Consolidated Balance Sheet as at 31 March 2007, adjusted for the proposed capital raising transactions that are the subject of the Prospectus and payment of Offer expenses as if they occurred on 31 March 2007.

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Further and better particulars in relation to the proposed capital raising transactions and the other pro-forma adjustments are set out in Section 4.4 of the Prospectus.

The historical and pro-forma consolidated financial information presented in Section 4 of the Prospectus has been prepared in accordance with the measurement and recognition requirements of Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards and other mandatory professional reporting requirements. However, the consolidated financial information presented in Section 4 is in an abbreviated form as it does not include all of the disclosures required by Australian Accounting Standards applicable to consolidated financial reports prepared in accordance with the Corporations Act 2001.

### **3. SCOPE**

PKF Corporate was appointed Independent Accountant to perform the following in connection with the issue of the Prospectus:

- undertake review procedures on the Consolidated Income Statements of the Company for the financial year ended 30 June 2006 and for the financial period ended 31 March 2007, and the Consolidated Balance Sheet of the Company as at 31 March 2007 for the purposes of rendering a review opinion on the Company's Consolidated Income Statements and the Consolidated Balance Sheet as set out in Sections 4.1 and 4.2 of the Prospectus, and the notes to the financial statements; and
- undertake review procedures on the Pro-Forma Consolidated Balance Sheet and Maximum Over-Subscription Pro-Forma Consolidated Balance Sheet of the Company as at 31 March 2007 as set out in Section 4.2 of the Prospectus, and the notes to financial statements, for the purposes of rendering a review opinion on the Pro-Forma Consolidated Balance Sheet and the Maximum Over-Subscription Pro-Forma Consolidated Balance Sheet as at 31 March 2007.

The Directors are responsible for the preparation of the historical consolidated financial statements, the Pro-Forma Consolidated Balance Sheet and the Maximum Over-Subscription Pro-Forma Consolidated Balance Sheet and have determined that the basis of accounting used is appropriate.

This report does not form the basis of an independent expert opinion with respect to the valuation of the Company or a valuation of the share issue price of \$0.20 per share nor does it address the rights attaching to the securities to be issued in accordance with the Prospectus, nor the risks associated with the investment. We have not been requested to consider the prospects for the Company, nor its ability to continue as a going concern, the securities on Offer, nor the merits and risks associated with becoming a shareholder, and accordingly, take no responsibility for those matters or for any matter or omission in the Prospectus, other than responsibility for this report.

We have conducted our review in accordance with Australian Auditing Standard - AUS 902 "Review of Financial Reports" relating to review engagements and Auditing Guidance Statement "Reporting in Connection with Proposed Fundraisings", to report whether anything has come to our attention which would cause us to believe that the historical and pro-forma financial information (and the assumptions on which they are based), that has been reviewed by PKF Corporate as set out above, were not properly drawn up in accordance with the Company's accounting policies and the pro-forma assumptions as set out in Section 4.3 and 4.4 respectively.



Our review is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. Review procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit and, accordingly, we do not express such an audit opinion. Our examination included:

- enquiries of Directors and other officers of the Company;
- a review of contractual arrangements and agreements, a summary of which is set out in Section 8 of the Prospectus;
- review of the work papers, accounting records and other documents provided by the Company;
- the methodology by which the pro-forma consolidated financial information was prepared;
- the arithmetical accuracy of the historical and pro-forma consolidated financial information;
- the consistent application of the underlying assumptions to the pro-forma consolidated financial information; and
- review of the consistent application of the recognition and measurement requirements of Australian Accounting Standards and accounting policies adopted by the Company as disclosed in Section 4.3..

#### **4. OPINION**

##### **4.1 Consolidated Income Statements and Consolidated Balance Sheet**

Based on the scope of our review, which is not an audit, other than the going concern matter noted by directors and set out in Section 4.3 of our report below, nothing has come to our attention which would cause us to believe that the Consolidated Income Statements of the Company for the financial year ended 30 June 2006 and for the financial period ended 31 March 2007, and Consolidated Balance Sheet of the Company as at 31 March 2007, and notes to the financial statements, are not fairly presented in accordance with the recognition and measurement requirements prescribed in Australian Accounting Standards and other mandatory professional reporting requirements and accounting policies adopted by the Company as disclosed in Section 4.3 of the Prospectus.

##### **4.2 Pro-Forma Consolidated Balance Sheet and the Maximum Over-Subscription Pro-Forma Consolidated Balance Sheet**

Based on the scope of our review, which is not an audit, other than the going concern matter noted by directors and set out in Section 4.3 of our report below, nothing has come to our attention which would cause us to believe that the Pro-Forma Consolidated Balance Sheet and the Maximum Over-Subscription Pro-Forma Consolidated Balance Sheet of the Company as at 31 March 2007 and the assumptions on which they are based, as set out in Section 4.4 of the Prospectus, are not fairly presented on the basis of the pro-forma adjustments and in accordance with the recognition and measurement requirements prescribed in Australian Accounting Standards and other mandatory professional reporting requirements and accounting policies adopted by the Company as disclosed in Sections 4.3 and 4.4.

##### **4.3 Going Concern**

As set out in Section 4.3 (a) of the Prospectus, the Company has stated the following in relation to going concern:

"The historical and pro-forma financial statements for the Company have been prepared on a going concern basis which contemplates a continuation of normal business activity and the realisation of assets and liabilities in the ordinary course of business. The economic entity has incurred operating losses totalling approximately \$2.9 million to 31 March 2007 and has a deficiency in net assets as at 31 March 2007 of approximately \$1.4 million as disclosed in Sections 4.1 and 4.2. However, the Directors continue to monitor the ongoing funding requirements, and in conjunction with achieving the



Minimum Subscription under the Offer and achieving budgeted revenues for the financial year ending 30 June 2008, the Directors believe that the Company will have sufficient cash resources to fund its ongoing working capital requirements. If the Company achieves the minimum subscription and does not achieve its budgeted revenues, then the Company may be required to raise further capital to fund ongoing working capital as required."

No adjustment has been made to the financial report relating to the recoverability and classification of recorded asset amounts and the classification of liabilities that might be necessary if the entity does not continue as a going concern.

**5. SUBSEQUENT EVENTS**

To the best of PKF Corporate's knowledge and belief, there have been no material items, transactions or events subsequent to 31 March 2007, up to the date of this report not otherwise disclosed in this report or in the Prospectus that have come to our attention during the course of our review which would cause the information in this report to be misleading.

**6. INDEPENDENCE**

Neither PKF, PKF Corporate (a wholly owned entity of PKF) nor the persons preparing this report, have any interest in the securities of the Company, the outcome of the Offer, or other interests that would be reasonably regarded as capable of affecting their ability to give an unbiased opinion. PKF Corporate will receive professional fees for preparation of this report as set out in Section 8 of the Prospectus. PKF are the auditors of the Company and have received or are entitled to receive audit fees as set out in Section 8 of the Prospectus. Neither PKF, PKF Corporate, nor the persons preparing this report are entitled to receive or have received other fees from the Company.

Yours faithfully  
**PKF Corporate Advisory Services (Vic) Pty Ltd**

**D J Garvey**  
Director

**G P Andreola**  
Director

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## 8. ADDITIONAL INFORMATION

### 8.1 Incorporation

The Company was incorporated on 10 January 2005 as a public company.

On 12 April 2007, at a duly constituted General Meeting, the shareholders of the Company resolved to change the name of the Company from Portland International Limited to Marginbet Limited.

### 8.2 Balance Date and Tax Status

The first accounts for the Company were made up to 30 June 2005. Subsequent accounts for the Company have been and will be made up to 30 June annually.

The Company will be taxed as an Australian resident at the prevailing corporate tax rate which is currently 30%.

### 8.3 Litigation

The Directors are not aware of any legal proceedings which have been threatened or actually commenced against the Company.

### 8.4 Directors' Relevant Interest

#### 8.4.1 Interests in Securities

The table appearing below shows the interests of each Director and his associates in securities of the Company as at the date of listing the Company on the ASX.

Name of Director	Number of Shares	Number of Options
J M Levy	298,907	250,000
Dennis Denuto Nominees Pty Ltd <sup>1</sup>	400,000	0
R M Drake	0	250,000
Big Bob's Investments Pty Ltd <sup>2</sup>	269,775	0
D Gray	0	0
Transparence Group Pty Ltd <sup>3</sup>	750,000 <sup>4</sup>	1,000,000 <sup>5</sup>
D Gray and R Gray as trustees of DG Superannuation Fund <sup>3</sup>	50,000	25,000

<sup>1</sup> Associated with J M Levy

<sup>2</sup> Associated with R M Drake

<sup>3</sup> Associated with D Gray

<sup>4</sup> The grant of these Shares is subject to the approval of Shareholders

<sup>5</sup> The grant of these Options is subject to the approval of Shareholders

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#### 8.4.2 Interests of Directors

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had in the two year period ending on the date of this Prospectus, any interest in:

- a) the formation or promotion of the Company;
- b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- c) the Offer.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or given or agreed to be paid or given to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or any company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Offer.

Details of the Shares and Options issued to Directors and/or their associates over the past two years are set out in Section 8.4.1 of this Prospectus.

Directors are not permitted to have betting accounts with the Company.

#### 8.4.3 Remuneration of Directors

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the non-executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the non-executive Directors has been fixed at a maximum of \$200,000 per annum to be apportioned among the non-executive Directors in such manner as they determine. Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

John Levy is the non-executive Chairman of the Company. He receives director's fees of \$30,000 per annum. In the two year period ending on the date of this Prospectus, John Levy received director's fees of \$45,102 (including superannuation). In the two year period ending on the date of this Prospectus, O'Loughlins Lawyers has received \$93,540.23 from the Company for the provision of legal services. John Levy is a partner in the firm of O'Loughlins Lawyers.

Robert Drake and David Gray are non-executive Directors of the Company. They each receive director's fees of \$20,000 per annum. In the two year period ending on the date of this Prospectus, Robert Drake received director's fees of \$17,656 (including superannuation) and David Gray did not receive any director's fees. In the two year period ending on the date of this Prospectus, Carat Australia Pty Limited (a company associated with Robert Drake) received \$3,500 from Portlandbet for services rendered. In addition to the fees disclosed in the Lead Manager Agreement, Subscribe Pty Ltd, a company associated with David Gray, will receive \$9900 (inc GST) for the management and production of the Prospectus.

#### 8.5 Interests of Named Person

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner nor any company with which any of those persons is or was associated has now, or has had in the two year period ending on the date of this Prospectus, any interest in:





### 8.5.1

The formation or promotion of the Company;

### 8.5.2

Property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer under this Prospectus; or

### 8.5.3

The Offer under this Prospectus.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, options or otherwise) have been paid or given or agreed to be paid or given to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Offer under this Prospectus.

PKF Corporate Advisory Services (Vic) Pty Ltd ("**PKF Corporate**") has acted as independent accountants in relation to the Offer. As independent accountants, PKF Corporate has prepared the Independent Accountant's Report which has been included in this Prospectus. In respect of this work the Company has agreed to pay PKF Corporate a total of \$30,000 for these services. During the two years preceding the lodgement of this Prospectus with ASIC, PKF Corporate has received \$40,225 for the provision of corporate advisory services.

PKF Corporate's sole involvement in the preparation of this Prospectus was the preparation of the Independent Accountant's Report. PKF Corporate has not, other than as set out above, been involved in the preparation of, nor has it authorised or caused the issue of, any other part of this Prospectus and takes no responsibility whatsoever for any other part of this Prospectus.

PKF Chartered Accountants ('**PKF**') are the auditors of Marginbet. As auditors, PKF has been involved in auditing the 30 June 2006 financial report of Marginbet and in respect of this work the Company has agreed to pay PKF \$18,000 for these services. During the two years preceding the lodgement of this Prospectus with ASIC, PKF has received \$20,225 from the Company.

O'Loughlins Lawyers has acted as the solicitors to the Company in relation to the Offer and in that capacity and otherwise assisting the Company with the preparation of this Prospectus, O'Loughlins Lawyers has been involved in undertaking certain due diligence enquiries in relation to legal matters and providing legal advice to the Company in relation to the Offer. In respect of this work, the Company has agreed to pay O'Loughlins Lawyers \$22,000 for these services up to the date of this Prospectus. O'Loughlins Lawyers has or may receive professional fees at their normal rates for other legal work for the Company. During the two year period preceding the lodgement of this Prospectus with ASIC, O'Loughlin's Lawyers has received \$93,540.23 from the Company for the provision of legal services. John Levy is the Chairman of the Company and a partner in the firm of O'Loughlins Lawyers. Details of Shares and Options held by John Levy and his associates and amounts received by John Levy from the Company over the past two years are set out in Section 8.4 of this Prospectus.

Transparence Group Pty Ltd has acted as lead manager to the Offer. Details of the remuneration payable to Transparence Group Pty Ltd are set out in Section 8.8.6 of this Prospectus. David Gray is a Director of the Company and Managing Director of Transparence Group Pty Ltd. Details of Shares and Options held by David Gray and his associates and amounts received by David Gray from the Company over the past two years are set out in Section 8.4 of this Prospectus.



## 8.6 Expenses of the Offer

The total estimated costs of the Offer, including legal fees incurred, fees for other advisors, Prospectus design, printing and advertising expenses and other miscellaneous expenses, will be approximately \$220,000 at the minimum subscription inclusive of GST. At the maximum subscription as a result of the increased brokerage likely to be payable, the cost of the Offer may be as high as \$240,000 inclusive of GST.

## 8.7 Consents

Each of the parties referred to in this Section 8.7:

### 8.7.1

Does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section 8.7; and

### 8.7.2

To the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 8.7.

PKF Corporate has given its written consent to the inclusion in Section 7 of this Prospectus of their Independent Accountant's Report and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgment of this Prospectus with ASIC.

PKF Corporate has participated only in the preparation of the Prospectus to the extent of preparing its Independent Accountant's Report; and PKF Corporate and PKF was not involved in the preparation of any other part of the Prospectus and did not authorise or cause the issue of any other part of the Prospectus.

Computershare Investor Services Pty Limited has given and, as at the date hereof, not withdrawn, its written consent to be named as Share Registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

O'Loughlins Lawyers has given and, as at the date hereof, not withdrawn, its written consent to be named as legal advisors to the Offer in the form and context in which it is named. O'Loughlins Lawyers has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

**Furthermore, each of the following has consented in writing to being named in the Prospectus in the capacity as noted below and has not withdrawn such consent prior to the lodgement of this Prospectus with ASIC:**

- PKF Corporate as independent accountants;
- PKF as auditors;
- O'Loughlins Lawyers as legal advisors to the Offer; and
- Transparence Group Pty Ltd as lead manager.

Copies of the consents to the issue of this Prospectus are available for inspection, without charge, at the registered office of the Company.

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## 8.8 Material Contracts

Set out below is a brief summary of the material contracts which have been entered into by the Company and its subsidiaries, all of which have been identified as material and relevant to an investor. To fully understand all rights and obligations of a material contract it is necessary to review it in full and these summaries should be read in that light. Copies of the material contracts may be inspected during normal business hours at the registered office of the Company.

### 8.8.1 Sports Bookmaking Licence

Sports bookmaking licences in the ACT are issued by the ACT Gambling and Racing Commission ("**Commission**") pursuant to the Race and Sports Bookmaking Act 2001 (ACT) ("**Act**"). Licences are normally issued for a period of 15 years. The annual licence fee is currently \$10,370. Sports bookmaking operations must be conducted from approved sports bookmaking venues.

There are extensive rules in place regulating the operation of the sports bookmaking business including which sports events and betting options can be offered and requirements relating to record keeping and handling of client funds. Prior to accepting internet bets, the licensee's internet betting system must satisfy an independent audit as to its integrity and security and comply with the Commission's standard for interactive wagering systems.

**Portlandbet has been issued with a Sports Bookmaking Licence pursuant to the Act for the period 18 August 2005 to 14 July 2020 subject to the following conditions:**

- a) Portlandbet is not to undertake a buy-back of share capital without the prior approval of the Commission;
- b) Portlandbet is not to encumber the Licence or use it as security; and
- c) sports bookmaking operations can only be conducted with computer, telecommunications and internet systems that the Commission has advised are satisfactory based on an independent external audit.

Under the Act, the Commission may hold an inquiry into the possible need to take action against a licensee. Following that inquiry, the Commission must cancel each licence held by a corporate licensee if the Commission is satisfied that one of the following criteria (among others) is satisfied:

- i) the licensee, any director of the licensee or any influential shareholder of the licensee does not meet the suitability requirements, which include financial and probity (that is, character and reputation) requirements;
- ii) the licensee or any director of the licensee has engaged in a prohibited act, which includes engaging in sports bookmaking at a place other than a sports bookmaking venue, contravening a written direction of the Commission for the operation of a sports bookmaking venue and contravening the rules for sports bookmaking;
- iii) any director of the licensee is not an individual or holds a sports bookmaking licence; or
- iv) the licensee has not paid a fee payable under the Act in relation to the licence within the period it is required to be paid.

**Following the inquiry the Commission may take disciplinary action (which includes cancellation or suspension of the licence) against the licensee if the Commission is satisfied that one of the following criteria (among others) is satisfied:**

- a) the licensee has contravened a condition of the licence;
- b) the licensee has failed to pay a financial penalty within the period it is required to be paid;



- c) the licensee has failed to comply with a direction given by the Commission about the conduct of the licensee's operations;
- d) the licensee has contravened a Code of Practice;
- e) the licence was obtained by a representation or declaration that was false or misleading in a material particular or in any other improper way;
- f) the licensee has failed to give the Commission an authorisation for police checks from a new director, influential shareholder (if an individual) or director of an influential shareholder (if a corporation);
- g) the licensee, any director or influential shareholder of the licensee has contravened the Act or a corresponding law; or
- h) the licensee has failed to provide information to the Commission about a disputed bet or fails to pay to a backer an amount directed by the Commission.

### 8.8.2

#### **Sublease - Unit 1 Canberra Sports Betting Auditorium Thoroughbred Park, Lyneham, ACT**

By sublease made between Canberra Racing Club Incorporated ("**Club**") as sublessor and Portlandbet as sublessee, Portlandbet subleases the area delineated as Unit 1 in SL Plan 4319 being portion of the land comprised in ACT Certificate of Title Volume 1618 Folio 97 on the following terms and conditions:

- a) The sublease is for an initial term of 18 months commencing on 1 October 2005 and expiring on 31 March 2007, with two rights of renewal of 18 months each. The Company and the Club have agreed to extend the sublease until 30 September 2008.
- b) The current rent is \$7,150 per annum (plus GST) payable in equal monthly installments.
- c) The rent is to be reviewed on 1 September annually in accordance with the Consumer Price Index (Canberra All Groups).
- d) Portland must pay for all services and utilities consumed by it. Portland is required to maintain public liability insurance of \$10 million.
- e) The permitted use is 'licensed bookmaking service'.
- f) Portland must pay a cash bond equivalent to three months' rent, \$1,966.25.
- g) The sublease is collateral to the management fee agreement (see Section 8.8.3 of this Prospectus). A breach of the management fee agreement is a breach of the sublease.

### 8.8.3 Management Fee Agreement

#### **By letter agreement between the Club and Portlandbet, Portlandbet agrees to pay a management fee on the following terms and conditions:**

- a) The management fee is calculated as follows:
  - i) 0.06% of Portlandbet's gross turnover on all sports betting on racing harness and greyhound racing ("**Race Betting**"); and
  - ii) 0.06% of Portlandbet's gross turnover on all sports betting excluding Race Betting. This part of the management fee is capped at \$36,000 for the period of 1 July 2005 to 30 June 2006, which cap will increase on each 1 July in accordance with the Consumer Price Index (Canberra All Groups).



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- b) The Club may on 30 days' prior written notice to Portlandbet:
    - i) increase the management fee; or
    - ii) apply a different management fee to turnover on different types of events.Portlandbet may dispute the notice within 30 days, in which case the dispute will be determined by the Commission.
  - c) The management fee is payable monthly in arrears on the tenth day of each month. Portlandbet must provide to the Club at least five days prior to each payment date:
    - i) details relating to its turnover for the month immediately preceding that payment date; and
    - ii) a copy of any form containing those details that sports bookmakers are required to give to the Commission or any other government or statutory authority under the Act.
  - d) The agreement remains in force during the term of the sublease and any renewal of the sublease (see Section 8.8.2 of this Prospectus). A breach of the sublease is deemed to be a breach of the agreement.

#### **8.8.4 Software License and Support Agreement**

By Software License and Support Agreement between Betoptions Pty Ltd ACN 097 275 600 ("**Betoptions**") and Portlandbet, Betoptions agrees to supply, install, commission, maintain and, on request, further enhance WagerPlayer software ("**Software**") for internet and call centre bookmaking on the following terms and conditions:

- a) The Agreement is for a term of four years commencing on 24 November 2005 and expiring on 23 November 2009, with four options to extend of one year each.
- b) Portlandbet must pay:
  - i) a purchase price of \$65,000 in the following instalments:
    - \$32,500 on the date of execution of the Agreement;
    - \$16,250 on completion of installation; and
    - \$16,250 on launch or 31 March 2006 (whichever first occurs);
  - ii) from the date of launch, a licence fee of between \$6,500 and \$26,000 per month, depending upon the number of wagering accounts maintained by Portlandbet with active clients for placing bets and receiving winnings;
  - iii) a software development fee of \$1,300 per day on a project basis; and
  - iv) travelling and accommodation costs and expenses incurred by Betoptions in performing its obligations under the Agreement.
- c) Betoptions may terminate the Agreement if:
  - i) Portlandbet enters into an arrangement with its creditors, is unable to pay its debts as they become due, ceases to carry on business or has a mortgagee, receiver, receiver and manager, administrator, liquidator or provisional liquidator appointed;
  - ii) Portlandbet ceases to operate a sports bookmaking licence business using the Software and does not continue to pay the licence fee;
  - iii) Portlandbet fails to pay the licence fee within seven days of notice requiring payment by Betoptions; or
  - iv) Portlandbet commits a material breach of the Agreement and fails to rectify that breach in accordance with the result of a determination or mediation pursuant to the Agreement.



- d) Portlandbet indemnifies Betoptions against all expenses, losses, damages and costs that Betoptions suffers or incurs as a result of:
- i) incorrect settlement of bets by the system in the settlement process;
  - ii) Portlandbet not holding or complying with all necessary licences and regulatory approvals in each jurisdiction in which it conducts business or which is otherwise applicable to its acceptance of bets from a person;
  - iii) any enquiry, investigation or proceeding in relation to Portlandbet or Betoptions initiated by a regulator or law enforcement body;
  - iv) Portlandbet breaching its contractual or other legal obligations to a person who bets or otherwise does business with it; and
  - v) Portlandbet otherwise acting unlawfully.

#### **8.8.5 Executive Service Agreement – Stephen Hobbs**

By Executive Service Agreement dated 27 May 2007 the Company employs Mr Hobbs as Chief Executive Officer for a term of two years and eleven months which commenced on 1 May 2007 (“**Term**”). On expiration of the Term, if the parties agree in writing, the Agreement will continue upon the same terms and conditions until terminated by either the Company or Mr Hobbs.

**The Company may terminate the Agreement immediately without compensation if:**

- a) Mr Hobbs fails to perform his duties and does not remedy that failure on receiving 14 days’ notice to do so;
- b) Mr Hobbs is guilty of serious or willful misconduct;
- c) Mr Hobbs seriously or repeatedly breaches the Agreement;
- d) Mr Hobbs becomes bankrupt;
- e) Mr Hobbs is guilty of conduct likely to bring himself, the Company or an affiliate into disrepute;
- f) Mr Hobbs is permanently incapacitated; or
- g) Mr Hobbs disregards or disobeys any of the policies and procedures of the Company in a manner that jeopardises the good standing and reputation of the Company or significantly detracts from the efficient conduct of the business of the Company.

The Company may also terminate the Agreement on or after expiry of the Term by three months’ notice to Mr Hobbs or paying him three months total remuneration. If this occurs before 1 October 2011, the Company must pay Mr Hobbs the full reasonable cost of relocating to Melbourne, Australia.

**Mr Hobbs may terminate the Agreement:**

- a) on or after the expiry of the Term by giving three months notice in writing to the Company; or
- b) by giving six months notice in writing to the Company within 30 days of any change in the Board which results in the directors of the Board at the time of listing on ASX subsequently ceasing to hold 50% of the seats on the Board, which right if not exercised arises again with each subsequent change in the Board which results in the directors of the Board at the time of listing on ASX subsequently ceasing to hold 50% of the seats on the Board.

If Mr Hobbs terminates the Agreement in accordance with (a) or (b) above before 1 October 2011 the Company must pay Mr Hobbs the full and reasonable costs of relocating to Melbourne, Australia.

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The Company has agreed to pay Mr Hobbs a salary of \$150,000 per annum plus the compulsory superannuation guarantee levy. Upon listing on ASX, Mr Hobbs will receive a cash bonus of \$25,000 plus the compulsory superannuation guarantee levy. He is also entitled to be granted performance options as follows:

- a) 500,000 options exercisable following the expiration of the first occurrence of the Group being cash positive for two consecutive months;
- b) 500,000 options exercisable following the expiration of the first financial year for which the Group's audited net profit before tax exceeds zero; and
- c) 500,000 options exercisable following the expiration of the first financial year for which the Group's audited net profit before tax exceeds \$1,500,000.

**These options will be granted on the following terms:**

- a) the Company will make application to ASX for the quotation of the Shares allotted and issued upon exercise of an option;
- b) all Shares issued upon exercise of the options will rank pari passu in all respects with the Company's then existing ordinary shares;
- c) the rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation;
- d) the number of options held and/or the exercise price of each option will be adjusted proportionally to reflect a reorganisation of capital of the Company and in no other case;
- e) the exercise price of each option is \$0.20;
- f) options are exercisable at any time during a period ending five years after issue;
- g) the options are subject to the Company's Constitution, the Corporations Act and the Listing Rules; and
- h) the options may not be transferred.

Mr Hobbs is entitled to be reimbursed for all reasonable business expenses incurred in carrying out his duties.

Mr Hobbs is also entitled to the usual leave entitlements.

#### **8.8.6 Lead Manager Agreement**

By mandate letter dated 1 June 2007 (**Mandate**), Transparence Group Pty Limited (**Transparence**) has agreed to act as lead manager to the Offer.

As lead manager Transparence will assist the Company by developing and managing the Offer timetable, manage the share allocation policy and coordinate and manage the overall Offer process.

The Company has agreed to pay Transparence a capital raising fee of 5.5% (GST inclusive) of the gross amount raised under the Offer, and commencing on 1 June 2007, a retainer of \$9,900 (GST inclusive) per month for a minimum period of three months to compensate Transparence for the time and resources employed in the pre-Offer capital raising process. Transparence is required to refund 50% of the retainer on completion of the Offer.

**The Company has agreed to indemnify Transparence and to hold Transparence harmless from:**

- a) all actions, claims, demands or proceedings which may be instituted against; and
- b) all liabilities, losses, damages, costs and expenses (including reasonable legal costs and expenses) which may be suffered or incurred by, Transparence in connection with or arising out of the engagement, except for any liabilities, losses, damages, costs or expenses to the extent to which they result from willful default, negligence or breach of law or contract on the part of Transparence.

The Mandate is exclusive and may not be terminated by the Company.

The Mandate is governed by the laws of Western Australia.



## **8.9 Rights Attaching to Shares**

The New Shares to be issued under this Prospectus will rank equally with the fully paid existing ordinary Shares in the Company. The rights attaching to the shares are set out in the Company's Constitution, and, in certain circumstances, are regulated by the Corporations Act, the ASX Listing Rules and general law. The Constitution of the Company may be inspected during normal business hours at the registered office of the Company. The following is a summary of the more significant rights of the holders of ordinary shares of the Company. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's members. The summary assumes that the Company is admitted to the Official List of ASX.

### **8.9.1 General Meeting**

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Company's Constitution, the Corporations Act or the Listing Rules.

### **8.9.2 Voting**

Subject to any rights or restrictions for the time being attached to any class or classes of shares whether by the terms of their issue, the Constitution, the Corporations Act or the ASX Listing Rules, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by a representative has one vote on a show of hands and every such holder present in person or by a representative, proxy or attorney has one vote per share on a poll. A person who holds an ordinary share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share. A member is not entitled to vote unless all calls and other sums presently payable by the member in respect of shares in the Company have been paid. Where there are two or more joint holders of the share and more than one of them is present at a meeting and tenders a vote in respect of the share (whether in person or by proxy or attorney), the Company will count only the vote cast by the member whose name appears before the other(s) in the Company's register of members.

### **8.9.3 Issues of Further Shares**

The Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Company's Constitution, the ASX Listing Rules, the Corporations Act and any rights for the time being attached to the shares in special classes of shares.

### **8.9.4 Variation of Rights**

At present, the Company has on issue one class of shares only, namely ordinary shares. The rights attached to the shares in any class may be altered only by a special resolution of the Company and a special resolution passed at a separate meeting of the holders of the issued shares of the affected class, or with the written consent of the holders of at least three quarters of the issued shares of the affected class.

### **8.9.5 Transfer of Securities**

Subject to the Company's Constitution, the Corporations Act, the ASTC Settlement Rules and the ASX Listing Rules, securities are freely transferable.

The securities may be transferred by a proper transfer effected in accordance with ASTC Settlement Rules, by any other method of transferring or dealing introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by the Directors that is permitted by the





Corporations Act. The Company may decline to register a transfer of securities in the circumstances described in the Company's Constitution and where permitted to do so under the ASX Listing Rules. If the Company declines to register a transfer, the Company must, within five business days after the transfer is lodged with the Company, give the lodging party written notice of the refusal and the reasons for refusal. The Directors must decline to register a transfer of shares when required by law, by the ASX Listing Rules or by the ASTC Settlement Rules.

#### **8.9.6 Partly Paid Shares**

The Directors may, subject to compliance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, issue partly paid shares upon which amounts are or may become payable at a future time(s) in satisfaction of all or part of the unpaid issue price.

#### **8.9.7 Dividends**

The Company in general meeting may declare a dividend if the Directors have recommended a dividend, and a dividend shall not exceed the amount recommended by the Directors. The Directors may authorise the payment to the members of such interim dividends as appear to the Directors to be justified by the Company's profits and for that purpose may declare such interim dividends.

Subject to the rights of members entitled to shares with special rights as to dividend (if any), all dividends in respect of shares (including ordinary shares) are to be declared and paid proportionally to the amount paid up or credited as paid up on the shares.

#### **8.9.8 Winding Up**

Subject to the rights of holders of shares with special rights in a winding up, if the Company is wound up, members (including holders of ordinary shares) will be entitled to participate in any surplus assets of the Company in proportion to the shares held by them respectively irrespective of the amount paid up or credited as paid up on the shares.

#### **8.9.9 Dividend Plans**

The Directors or the members of the Company, in general meeting, may establish and maintain dividend plans under which (among other things) a member may elect that dividends payable by the Company be reinvested by way of subscription for shares in the Company or a member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive instead some other entitlement, including the issue of shares.

#### **8.9.10 Directors**

The Company's Constitution states that the minimum number of directors is three.

#### **8.9.11 Powers of the Board**

The Directors have power to manage the business of the Company and may exercise that power to the exclusion of the members, except as otherwise required by the Corporations Act, any other law, the ASX Listing Rules or the Company's Constitution.

#### **8.9.12 Ownership Restrictions**

The Constitution contains provisions which entitle the Board to enforce certain restrictions by:

- a) requiring a Shareholder or proposed Shareholder to provide information so that the Board can determine whether that Shareholder or proposed Shareholder has become, or is taking action to become, an influential shareholder (as defined in the Act);



- b) refusing to register a transfer of Shares where the Board is aware that the transfer may result in the person to whom the transfer is to be made becoming an influential shareholder (as defined in the Act);
- c) limiting the voting power of a Shareholder who is an influential shareholder (as defined in the Act) and also the voting power of other Shareholders (as contemplated by the use of the word 'others' in the definition of influential shareholder in the Act) to 0% until the Commission is satisfied that the Shareholder meets the suitability requirements (as defined in the Act), notwithstanding that the Shareholder and the other Shareholders may otherwise be entitled to a higher voting power; and
- d) if a Shareholder fails to provide information as contemplated above or the Board reasonably believes that the Shareholder does not meet the suitability requirements (as defined in the Act), selling the Shares of that Shareholder where that Shareholder has failed to dispose of Shares 21 days after receiving notification from the Company to do so.

## 8.10 Options

### 8.10.1 Employee Share Option Plan

The Company has established The Marginbet Ltd Employee Share Option Plan ("Plan") to assist in the attraction, retention and motivation of employees of the Company and its related bodies corporate ("Group"). As at the date of this Prospectus, 1,750,000 Options have been granted under the Plan.

**A summary of the Rules of the Plan is set out below:**

- a) All employees (full and part-time) will be eligible to participate in the Plan after a qualifying period of 12 months' employment by a member of the Group, although the Board may waive this requirement.
- b) The allocation of Options to each employee is in the discretion of the Board.
- c) If permitted by the Board, Options may be issued to an employee's nominee (for example, a spouse or family company).
- d) Each Option is to subscribe for one fully paid ordinary share in the Company and will expire five years from its date of issue. An Option is exercisable at any time from its date of issue.
- e) Options will be issued free. The exercise price of Options will be determined by the Board, subject to a minimum price equal to the market value of the Company's shares at the time the Board resolves to offer those options. The total number of shares the subject of Options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.
- f) If, prior to the expiry date of Options, a person ceases to be an employee of a Group company for any reason other than retirement at age 60 or more (or such earlier age as the Board permits), permanent disability, redundancy or death, the Options held by that person (or that person's nominee) must be exercised within 1 month thereafter otherwise they will automatically lapse. If a person dies, the Options held by that person will be exercisable by that person's legal personal representative.
- g) Options cannot be transferred other than to the legal personal representative of a deceased optionholder.
- h) The Company will not apply for official quotation of any Options.
- i) Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.



- j) Optionholders may only participate in new issues of securities by first exercising their Options.
- k) If there is a bonus share issue to the holders of shares, the number of shares over which an Option is exercisable will be increased by the number of shares which the optionholder would have received if the Option had been exercised before the record date for the bonus issue.
- l) If there is a pro rata issue (other than a bonus share issued) to the holders of shares, the exercise price of an Option will be reduced to take account of the effect of the pro rata issue as per the formula in (h) of Section 8.10.2 of this Prospectus.
- m) If there is a reorganisation of the issued capital of the Company, unexercised Options will be reorganised in accordance with the Listing Rules.
- n) The Board may amend the Plan Rules subject to the requirements of the Listing Rules.

#### **8.10.2 Options**

**The Options which have been issued to Directors have the following terms and conditions:**

- a) The Optionholder is entitled on payment of \$0.20 per Share ("**Exercise Price**") to be allotted one Share for each Option exercised (subject to possible adjustments referred to below).
- b) The Options held by the Optionholder are exercisable in whole or in part at any time on or before the fifth anniversary of the date on which the Company is admitted to the Official List ("**Exercise Period**"). Options not exercised before the expiry of the Exercise Period will lapse.
- c) Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the Exercise Price in cleared funds.
- d) The Company will not apply for Quotation of the Options. The Company will make application for Quotation of new shares allotted on exercise of the Options. Those shares will participate equally in all respects with existing Shares, and in particular new shares allotted on exercise of the Options will qualify for dividends declared after the date of their allotment.
- e) Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the Optionholder dies, the legal personal representative of the deceased Optionholder may:
  - i) elect to be registered as the new holder of the Options;
  - ii) whether or not the legal personal representative becomes so registered, exercise those Options in accordance with the terms and conditions on which they were granted; and
  - iii) if the deceased has already exercised Options, pay the Exercise Price in respect of those Options.
- f) An Optionholder may only participate in new issues of securities to holders of Shares if the Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give prior notice to the Optionholder of any new issue before the record date for determining entitlements to the issue in accordance with ASX Listing Rules.
- g) If there is a bonus issue to Shareholders, the number of Shares over which the Option is exercisable will be increased by the number of Shares which the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.



- h) If the Company makes a rights issue (other than a bonus issue), the exercise price of Options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

**Where:**

A = the new exercise price of the Option;

O = the old exercise price of the Option;

E = the number of underlying Shares into which one Option is exercisable;

P = the average closing sale price per Share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

- i) If, during the currency of the Options the issued capital of the Company is reorganised, those Options will be reorganised to the extent necessary to comply with ASX Listing Rules.

It is likely that ASX will impose escrow restrictions on the Directors' Options.

In addition to the Directors' Options and Options issued to employees under the Plan, the Company has granted 3,137,500 Options on the terms and conditions set out above except that these Options are exercisable in whole or in part at any time within five years after Quotation and 250,000 of these Options have an exercise price of \$0.40 per Share.

### 8.10.3 Attaching Options

**Under this Prospectus, one Attaching Option will be issued for every two New Shares allotted, on the following terms:**

- a) The Optionholder is entitled on payment of \$0.20 per Share ("**the Exercise Price**") to be allotted one Share for each Attaching Option exercised (subject to possible adjustments referred to below).
- b) The Attaching Options held by the Optionholder are exercisable in whole or in part at any time during the period from the date of issue of the Attaching Options until 5.00pm EST on or before the third anniversary of the date on which the Company is admitted to the Official List ("**Exercise Period**"). Reminder notices will be forwarded to the Optionholder prior to the expiry of the Exercise Period. Attaching Options not exercised before the expiry of the Exercise Period will lapse.
- c) If the Company is admitted to the Official List, the Company will make application for Quotation of the Attaching Options, subject to the Listing Rules relating to restricted securities.



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- d) Attaching Options are exercisable by the Optionholder completing and signing a notice of exercise of Attaching Options and lodging it at the office of the Company's share registry, together with payment of the Exercise Price. A notice of exercise of Attaching Options will only be effective when the Company has received the full amount of the Exercise Price in cleared funds.
  - e) The Company will make application for Quotation of Shares allotted on exercise of the Attaching Options, subject to the Listing Rules relating to restricted securities. Those Shares will rank, from the date of allotment, equally in all respects with existing Shares.
  - f) Attaching Options do not carry any dividend entitlement. Shares allotted on exercise of the Attaching Options will qualify for dividends declared after the date of their allotment.
  - g) The Optionholder may only participate in new issues of securities to holders of Shares in the Company if the Attaching Option has been exercised and Shares allotted in respect of the Attaching Option before the record date for determining entitlements to the issue. The Company must give prior notice to the Optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.
  - h) If, between the date of issue and the date of exercise of an Attaching Option, there is a bonus issue to Shareholders, the number of Shares over which the Attaching Option is exercisable will be increased by the number of Shares which the holder of the Attaching Option would have received if the Attaching Option had been exercised before the record date for the bonus issued.
  - i) If between the date of issue and the date of exercise of an Attaching Option the Company makes a rights issue (being a pro rata issue of Shares that is not a bonus issue), the exercise price of Attaching Options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

**Where:**

- A = the new exercise price of the Attaching Option;
  - O = the old exercise price of the Attaching Option;
  - E = the number of underlying Shares into which one Attaching Option is exercisable;
  - P = the average closing sale price per Share (weighted by reference to volume) recorded on the stock market of ASX during the 5 trading days ending on the day before the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);
  - S = the subscription price for a Share under the pro rata issue;
  - D = the dividend due but not yet paid on each Share at the relevant time (except those to be issued under the pro rata issue); and
  - N = the number of Shares that must be held to entitle holders to receive a right to one new Share in the pro rata issue.
- j) If, during the currency of the Attaching Options the capital of the Company is reorganised, the rights attaching to the Attaching Options will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.



- k) Attaching Options may be transferred or transmitted at any time prior to their expiry, subject to any restriction agreement entered into by the Optionholder pursuant to the Listing Rules.
- l) The Optionholder, if appearing on the Company's Register of Optionholders at the relevant date, will be entitled to receive and will be sent all reports and accounts required to be laid before Shareholders in general meeting and all notices of general meetings and will have the right to attend but shall have no right to vote at such meetings.

### **8.11 Privacy**

Persons who apply for Shares pursuant to this Prospectus are asked to provide personal information to the Company, either directly or through the Share Registry. The Company and the Share Registry collect, hold and use that personal information to assess applications for Shares, to provide facilities and services to shareholders and to carry out various administrative functions. Access to the information collected may be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the relevant privacy laws. If the information requested is not supplied, applications for Shares may not be processed. In accordance with privacy laws, information collected in relation to specific shareholders can be obtained by that shareholder by contacting the Company or the Share Registry.

### **8.12 Electronic Prospectus**

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus on the basis of a paper prospectus lodged with ASIC and the issue of securities in response to an electronic application form subject to compliance with certain provisions.

If you have received this Prospectus as an electronic prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email or telephone the Company and the Company will send to you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such case, the Application Monies received will be dealt with in accordance with section 722 of the Corporations Act.

### **8.13 ASX Waivers and Approvals**

ASX has approved clause 166 of the Company's Constitution as appropriate and equitable for the purposes of Listing Rules 6.10.5 and 6.12.3. Clause 166 of the Company's Constitution is summarised in Section 8.9.12 of this Prospectus.



#### **8.14 Directors' Responsibility Statement and Consent**

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements by the Directors in this Prospectus are not misleading or deceptive and that with respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making those other statements were competent to make such statements and each of those persons have given their consent to the issue of this Prospectus and have not withdrawn that consent, before lodgment of this Prospectus with ASIC, or to the Directors' knowledge, before any issue of New Shares pursuant to this Prospectus. This Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisors.

Each Director has consented in writing to the lodgment of the Prospectus with ASIC and has not withdrawn that consent.

Signed for and on behalf of Marginbet Limited on 22 June 2007.

**John Marshall Levy**  
*Chairman*

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## 9. GLOSSARY

<b>"ACT"</b>	means the Australian Capital Territory.
<b>"Applicant"</b>	means a person who submits an Application.
<b>"Application"</b>	means a valid application to subscribe for Shares.
<b>"Application Form"</b>	means the application form contained in this Prospectus or a copy of the application form contained in the Prospectus or a direct derivative of the application form which is contained in this Prospectus.
<b>"Application Monies"</b>	means the amount of \$0.20 multiplied by the number of Shares for which an Applicant has applied.
<b>"ASIC"</b>	means the Australian Securities and Investments Commission.
<b>"ASTC"</b>	means the ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.
<b>"ASTC Settlement Rules"</b>	means the operating rules of the ASTC and, to the extent that they are applicable, the operating rules of the ASX and the operating rules of Australian Clearing House Pty Ltd ACN 001 314 503.
<b>"ASX"</b>	means ASX Ltd ACN 008 624 691.
<b>"Attaching Options"</b>	means the options on the terms set out in Section 8.10.3 of this Prospectus that the Company will issue at no additional cost to all successful Applicants on the basis of one Attaching Option for every two New Shares subscribed.
<b>"AU\$" and "\$"</b>	means the lawful currency of the Commonwealth of Australia.
<b>"Board of Directors" &amp; "Board"</b>	means the board of Directors for the time being of the Company.
<b>"Business Day"</b>	means a day on which the trading banks are open in Canberra, ACT.
<b>"CHESS"</b>	means ASX Clearing House Electronic Subregistry System.
<b>"Closing Date"</b>	means the date on which the Offer closes.
<b>"Company" or "Marginbet"</b>	means Marginbet Limited ACN 112 425 788 and where appropriate includes its wholly owned subsidiary Portlandbet Pty Ltd ACN 112 732 199.
<b>"Completion of the Offer"</b>	means the allotment of all the Shares offered under this Prospectus.
<b>"Constitution"</b>	means the Constitution of the Company.
<b>"Corporations Act"</b>	means the Corporations Act 2001 (Cth).
<b>"Directors"</b>	means the directors for the time being of the Company.
<b>"Directors Options"</b>	means Options issued to directors as detailed in Section 8.10.2 of this Prospectus.
<b>"EST"</b>	means Eastern Standard Time as applicable in Canberra, ACT and references to time in this Prospectus are references to EST unless otherwise indicated.
<b>"Group"</b>	means Marginbet and its wholly owned subsidiary Portlandbet Pty Ltd ACN 112 732 199.





<b>"GGR"</b>	means Global Gaming Report prepared by GBGC.
<b>"GBGC"</b>	means Global Betting and Gambling Consultants.
<b>"IPO"</b>	means the initial public offering comprised of the Offer and the listing of the Company on the ASX.
<b>"Issue"</b>	means the issue of New Shares and Attaching Options pursuant to this Prospectus.
<b>"Listing Rules"</b>	means the official Listing Rules of ASX and any other rules of ASX which are applicable while any Shares are admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.
<b>"New Shares"</b>	means the Shares offered for subscription pursuant to this Prospectus.
<b>"Offer"</b>	means the offer of New Shares and Attaching Options for subscription under this Prospectus.
<b>"Offer Period"</b>	means the period commencing on the Opening Date and ending on the Closing Date.
<b>"Offer Price"</b>	means the price of \$0.20 for each New Share issued under this Prospectus.
<b>"Official List"</b>	means the official list of entities that ASX has admitted and not removed.
<b>"Opening Date"</b>	means the date immediately following the expiry of the exposure period referred to in the Important Notes section of this Prospectus.
<b>"Optionholder"</b>	means a holder of any Options.
<b>"Options"</b>	means the Options referred to in Sections 8.10.1 and 8.10.2 of this Prospectus.
<b>"Portlandbet"</b>	means Portlandbet Pty Ltd ACN 112 732 199 a wholly owned subsidiary of Marginbet.
<b>"Prospectus"</b>	means this document.
<b>"Quotation"</b>	means quotation of the Shares and Attaching Options on the Official List.
<b>"Share Registry"</b>	means Computershare Investor Services Pty Limited ACN 078 279 277.
<b>"Shareholder"</b>	means any person holding Shares.
<b>"Shares"</b>	means ordinary fully paid shares in the Company.
<b>"Subsidiaries"</b>	means the same as that term is defined under section 9 of the Corporations Act.
<b>"US\$"</b>	means the lawful currency of the United States of America.



## 10. SPORTS BETTING TERMINOLOGY

### 10.1 Sports Betting Terms

There are a number of terms used within the betting industry that are different to those terms commonly used when describing other industries and terms may even vary within the industry in different sectors and/or countries.

Marginbet uses the following key terms –

**“Gross Gambling Turnover”** means the total of all bets placed by clients and is a true measure of the actual amount of business done by a sports bookmaker over any given period.

It should be noted that the turnover figure is likely to be considerably higher than simply the total of amounts deposited with Marginbet by clients – this is because clients who place winning bets will receive their winnings into their personal Marginbet account and frequently will use those funds to place further bets. Therefore, for example, a \$200 client deposit may generate many times that amount in turnover.

**“Gross Win”** refers to total bets placed by clients (that is, Turnover) less winning bets settled (paid) to personal client accounts. For example, if clients place bets totalling \$1,000 on an event and Marginbet settles (pays) winning bets of \$900, the Gross Win is \$100. This figure takes no account of taxes or other direct expenses, but is a true measure of the actual amount won from clients and is therefore a key indicator of Marginbet’s performance.

**“Gross Win Percentage”** is Gross Win as a percentage of Turnover. In the above example, a Gross Win of \$100 on Turnover of \$1,000 represents a Gross Win percentage of 10%.

When betting on an event, the sports bookmaker sets the dividends (or odds) at a level which provides the bookmaker with a notional Gross Win Percentage. This is notional because it is only realised if the betting can be balanced so that the win percentage is guaranteed, which is rarely the case because clients will not always place exactly the bets that the bookmaker wants – see ‘Market risk’ and ‘Client specific risk’ in Section 3.7 of this Prospectus.

However, in setting the dividends in this way, the bookmaker has an inherent mathematical advantage and this is known as the **“bookmaker’s percentage”**. Over a large number of betting events, if properly managed, the bookmaker’s percentage should produce a Gross Win for the bookmaker.



**MARGINBET**  
LIMITED

For personal use only

# MARGINBET LIMITED

ACN 112 425 788

## Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the prospectus.

Registry Use Only

Broker Code

Adviser Code

**A** I/we apply for

Number of shares in Marginbet Limited at 20 cents per share or such lesser number of shares which may be allocated to me/us

**B** I/we lodge full Application Money

A\$

**C** Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name	Given Name(s)	Surname
<input type="text"/>	<input type="text"/>	<input type="text"/>

Joint Applicant 2 or Account Designation

<input type="text"/>	<input type="text"/>
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Joint Applicant 3 or Account Designation

<input type="text"/>	<input type="text"/>
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**D** Enter your postal address - Include State and Postcode

Unit	Street Number	Street Name or PO Box /Other Information
<input type="text"/>	<input type="text"/>	<input type="text"/>

<input type="text"/>	<input type="text"/>
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City / Suburb / Town	State	Postcode
<input type="text"/>	<input type="text"/>	<input type="text"/>

**E** Enter your contact details

Contact Name

Telephone Number - Business Hours / After Hours

**F** CHESSE Participant

Holder Identification Number (HIN)

X

Please note that if you supply a CHESSE HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESSE, your application will be deemed to be made without the CHESSE HIN, and any securities issued as a result of the IPO will be held on the Issuer Sponsored subregister.

**Cheque details - Make your cheque or bank draft payable to Marginbet Limited Float Account**

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>
Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company.

See back of form for completion guidelines

ASXAAASXAAA MRB



# How to complete this form

## A Shares Applied for

Enter the number of shares you wish to apply for.

## B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of shares by the price per share.

## C Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

## D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

## E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

## F CHES

Marginbet Limited (the Company) will apply to the ASX to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHES, the company will operate an electronic CHES Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of shares allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

## G Payment

Make your cheque or bank draft payable to Marginbet Limited Float Account in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

**Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.**

Before completing the Application Form the applicant(s) should read this prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for shares in Marginbet Limited is upon and subject to the terms of the prospectus and the Constitution of Marginbet Limited agrees to take any number of shares that may be allotted to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

## Lodgement of Application

Application Forms must be received at the Adelaide office of Computershare Investor Services Pty Limited by no later than 5.00pm EST on 31 July, 2007  
Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited OR Computershare Investor Services Pty Limited  
GPO Box 1903 Level 5,  
ADELAIDE SA 5001 115 Grenfell Street  
ADELAIDE SA 5000

## Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of our personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail [privacy@computershare.com.au](mailto:privacy@computershare.com.au)

If you have any enquiries concerning your application, please contact the Computershare Investor Services Pty Limited on 1300 738 249.

## Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

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