



POINTSBET

Issuer
PointsBet Holdings Limited
(ACN 621 179 351)

PROSPECTUS

For personal use only

Lead Manager:

BELL POTTER

Initial Public Offering of Shares

IMPORTANT NOTICES

THE OFFER

This Prospectus is issued by PointsBet Holdings Limited (ACN 621 179 351) (**Company** or **PointsBet**) for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**). The offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares (**Shares**) in the Company (**Offer**).

LODGEMENT AND LISTING

This replacement prospectus is dated 23 May 2019 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (**ASIC**) on that date. It is a replacement prospectus, which replaces the prospectus dated 16 May 2019 and lodged with ASIC on that date (**Original Prospectus**). For the purposes of this document, this replacement Prospectus will be referred to as the **Prospectus**.

The Prospectus provides updated and additional disclosure regarding the Company's Registered Clients and Active Clients – see Sections 1.3, 3.1.3 and 3.2.3.

The Company applied to the Australian Securities Exchange (**ASX**) for admission of the Company to the Official List and quotation of its Shares on the ASX on 20 May 2019. None of ASIC, ASX or their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

The Company, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

REFERENCES TO POINTSBET AND COMPANY

PointsBet Holdings Limited was incorporated on 18 August 2017. Prior to its incorporation, the PointsBet business was owned and operated by PointsBet Pty Limited (incorporated on 16 March 2015) (**PointsBet IP**) and PointsBet Australia Pty Limited (incorporated on 1 July 2015) (**PointsBet Australia**). On incorporation of PointsBet Holdings Limited (initially, as a proprietary company and subsequently converted to a public company), the PointsBet business was restructured such that shareholders of PointsBet IP and PointsBet Australia received Shares in the Company in exchange for their shares in PointsBet IP and PointsBet Australia, in equal proportions, and the directors of PointsBet IP and PointsBet Australia were appointed as Directors of the Company (**Restructure**).

The Restructure was completed on 28 September 2017 (**Restructure Date**). See Sections 4.2.1 and 9.3.2 for more information on the Restructure.

Accordingly, unless otherwise specified, references to PointsBet, the Company, its business, operations and management after the Restructure Date are references to the business, operations and management of PointsBet Holdings Limited, and references to PointsBet, the Company, its business, operations and management before the Restructure Date are references to PointsBet IP and PointsBet Australia and the business, operations and management of those entities.

SHARE SPLIT AND REFERENCES TO SHARES AND OPTIONS

On 16 May 2019, the Company undertook a capital reconstruction by which each Share was split into 125.758 Shares and each Option was split into 125.758 Options. This resulted in the issued capital of the Company increasing from 576,502 to 72,500,000 Shares and from 69,392 to 8,726,631 Options.

For ease of reference and consistency, references to numbers of Shares and Options in this Prospectus are references to numbers of Shares and Options on a post-reconstruction basis (notwithstanding that the Shares or Options may be issued before the split took place).

EXPIRY DATE

This Prospectus expires on the date that is 13 months after the date of the Original Prospectus (**Expiry Date**) and no Shares will be issued on the basis of this Prospectus after the Expiry Date.

NOTE TO APPLICANTS

The information in this Prospectus is not investment or financial product advice and does not take into account your investment objectives, financial circumstances, tax position or particular needs. This Prospectus should not be construed as financial, taxation, legal or other advice. It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. There are risks associated with an investment in the Shares and the Shares offered under this Prospectus should be regarded as a speculative investment.

In particular, you should consider the risk factors that could affect the performance of the Company and other information in this Prospectus. You should carefully consider these risks in light of your personal circumstances (including your investment objectives, financial circumstances and tax position) and seek professional guidance from your stockbroker, accountant, lawyer or other professional adviser before deciding whether to invest in the Company. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

No person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company or the repayment of capital by the Company or any return on investment made pursuant to this Prospectus.

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance is not indicative of future performance.

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company, the Lead Manager or any other person in connection with the Offer. You should rely only on information contained in this Prospectus when deciding whether to invest in the Company.

FINANCIAL INFORMATION PRESENTATION

Section 4 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of that information.

The Financial Information included in Section 4 has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards issued by the Australian Accounting Standards Board (**AASB**), which are consistent with the International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board and the accounting policies of the Company.

All financial amounts contained in this Prospectus are expressed in Australian currency and are rounded to the nearest \$1.00 (unless

otherwise stated). Any discrepancies between totals and sums of components in tables and figures contained in this Prospectus are due to rounding. Tables and figures contained in this Prospectus have not been amended by the Company to correct immaterial summation differences that may arise from this rounding convention.

The Financial Information in this Prospectus should be read in conjunction with, and is qualified by reference to, the Investigating Accountant's Report in Section 8. Where Financial Information and metrics represent pro forma amounts, they have been labelled pro forma.

FORECAST FINANCIAL INFORMATION

Given the fact that the Company is in an early, growth stage of development, there are significant inherent uncertainties associated with forecasting the future revenues and expenses of PointsBet. On this basis, the Directors believe that there is no reasonable basis for the inclusion of financial forecasts in the Prospectus.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are identified by words such as may, could, believes, estimates, expects, intends, considers and other similar words that involve known or unknown risks and uncertainties.

Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual results, performance, events or outcomes to differ materially from the results, performance, events or outcomes expressed or anticipated in these statements, many of which are beyond the control of the Company and the Directors. Such forward-looking statements are based on an assessment of present economic and operating conditions and a number of best estimate assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place. The forward-looking statements should be read in conjunction with, and are qualified by reference to, the risk factors as set out in Section 5 and other information contained in this Prospectus.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward-looking statements. Except where required by law, the Company does not intend to update or revise forward-looking statements, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

This Prospectus uses market data and third-party estimates and projections. The Company has obtained significant portions of this information from market research prepared by third parties, including the Independent Market Report. There is no assurance that any of the third-party estimates or projections contained in this information will be achieved. The Company has not independently verified this information. Estimates and projections involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

STATEMENTS OF PAST PERFORMANCE

This Prospectus includes information regarding past performance of the Company. Investors should be aware that past performance is not, and should not be relied upon as being, indicative of future performance.

DISCLAIMERS

Bell Potter Securities Ltd ACN 006 390 772 (**Bell Potter**) is acting as Lead Manager and Underwriter to the Offer. Bell Potter has not authorised, permitted or caused the issue or lodgement, submission, despatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by it or by any of its affiliates, officers or employees. To the maximum extent permitted by law, Bell Potter and its affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to its name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

NO OFFERING WHERE OFFERING WOULD BE ILLEGAL

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, any person in the United States unless accompanied by the US Offering Circular. In particular, the Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (**US Securities Act**), or the securities laws of any state of the United States and may not be offered or sold in the United States unless the Shares are registered under the US Securities Act, or an exemption from the registration requirements of the US Securities Act and applicable US state securities laws is available. See Section 7.11 for more details on the selling restrictions that apply to the Offer and sale of Shares in jurisdictions outside Australia.

EXPOSURE PERIOD

The Corporations Act prohibits the Company from processing Applications in the seven-day period after lodgement of the Original Prospectus (**Exposure Period**). ASIC may extend this period by up to a further seven days (that is, up to a total of 14 days). The Exposure Period enabled the Original Prospectus to be examined by market participants prior to the processing of Applications. The Exposure Period will expire on 23 May 2019 unless extended by ASIC. Applications received during the Exposure Period will not be processed by the Company until after the expiry of the Exposure Period and will not receive any preference.

PROSPECTUS AVAILABILITY

During the Offer Period, a paper copy of this Prospectus is available free of charge to Australian resident investors by calling the PointsBet Offer Information Line on 1300 375 696 (within Australia) or +61 3 9415 4322 (outside Australia) from 9:00 am to 5:00 pm (Melbourne time), Monday to Friday (excluding public holidays). This Prospectus is also available to Australian resident investors in electronic form at the Offer Website, www.pointsbetipo.com.au.

The Offer constituted by this Prospectus in electronic form is available only to persons downloading or printing it within Australia and is not available to persons in any other jurisdiction, except Institutional Investors in certain other jurisdictions. Persons who access the electronic version of this Prospectus must ensure that they download and read the entire Prospectus.

APPLICATIONS

Applications may only be made during the Offer Period in respect of the Broker Firm Offer by completing an Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form, which must be downloaded in its entirety from the Offer Website, and in respect of the Priority Offer (whichever is relevant to you) by visiting the Offer Website and completing the Priority Offer Application Form. By making an Application, you represent and warrant that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing on to another person an Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus.

OFFER MANAGEMENT

The Offer is being arranged and managed by Bell Potter.

NO COOLING-OFF RIGHTS

Cooling-off rights do not apply to an investment in Shares issued under the Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

DEFINITIONS

Defined terms and expressions used in this Prospectus are explained in the Glossary at Appendix C. Unless otherwise stated or implied, references to times in this Prospectus are to the time in Melbourne, Victoria (**Melbourne time**).

PRIVACY

By filling out an Application Form to apply for Shares, you are providing personal information to the Company and the Share Registry, which is contracted by the Company to manage Applications. The Company, and the Share Registry on its behalf, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the *Income Tax Assessment Act 1997* (Cth) and the Corporations Act. If you do not provide the information requested in an Application Form, the Company and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by the Company, that it considers may be of interest to you. Your personal information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with applicable laws. The agents and service providers of the Company may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the register of members;
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public register of members. If you do not provide all the information requested, your Application Form may not be able to be processed.

The information contained in the Company's register of members must remain there even if a person ceases to be a Shareholder. Information contained in the Company's register of members is also used to facilitate dividend payments (if applicable) and corporate communications (including financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to access and correct the information that the Company and the Share Registry hold about that person, subject to certain exemptions under law.

The Share Registry's complete privacy policy is available at the Share Registry's website: www.computershare.com/au/privacy-policies. Queries regarding the Share Registry's privacy policy may also be emailed to privacy@computershare.com.au.

PHOTOGRAPHS AND DIAGRAMS

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

INVESTIGATING ACCOUNTANT'S REPORT

The Investigating Accountant has prepared the Investigating Accountant's Report in relation to the Financial Information. The Investigating Accountant's Report is provided in Section 8.

QUESTIONS

If you have any questions about how to apply for Shares, please call the PointsBet Offer Information Line on 1300 375 696 (within Australia) or +61 3 9415 4322 (outside Australia) from 9:00 am to 5:00 pm (Melbourne time), Monday to Friday (excluding public holidays). Instructions on how to apply for Shares are set out in Section 7 and on the Application Form.

If you have any questions about whether to invest in the Company, you should seek professional advice from your stock broker, accountant, lawyer or other professional adviser.

IFC

IMPORTANT NOTICES

4

KEY OFFER INFORMATION

5

CHAIRMAN'S LETTER

6

1. INVESTMENT OVERVIEW

19

2. INDEPENDENT MARKET REPORT

36

3. COMPANY OVERVIEW

55

4. FINANCIAL INFORMATION

77

5. RISKS

85

6. KEY PEOPLE, INTERESTS AND BENEFITS

102

7. DETAILS OF THE OFFER

111

8. INVESTIGATING ACCOUNTANT'S REPORT

117

9. ADDITIONAL INFORMATION

140

APPENDIX A: SIGNIFICANT ACCOUNTING POLICIES

147

APPENDIX B: ADDITIONAL HISTORICAL FINANCIAL INFORMATION

150

APPENDIX C: GLOSSARY

IBC

CORPORATE DIRECTORY

For personal use only

KEY OFFER INFORMATION

OFFER STATISTICS

Offer Price	\$2.00 per Share
Total proceeds from the Offer	\$75.0 million
Number of Shares offered under the Offer	37.5 million
Number of Shares held by Existing Shareholders at the Prospectus Date ¹	72.5 million
Total number of Shares on issue on Completion of the Offer	110 million
Market capitalisation at the Offer Price ²	\$220.0 million
Estimated net proceeds from the Offer	\$70.7 million
Enterprise Value ³	\$149.3 million
Enterprise Value ³ /CY2018 Net revenue ⁴	8.37x
Expected free float on Completion of the Offer ⁵	74.2%

KEY DATES

Prospectus Date	23 May 2019
Retail Offer opens	24 May 2019
Retail Offer closes and Applications due	30 May 2019
Settlement of the Offer	4 June 2019
Issue of Shares under the Offer (Completion of the Offer)	5 June 2019
Expected despatch of holding statements	6 June 2019
Shares expected to begin trading on ASX on a normal settlement basis	12 June 2019

Notes:

- Shares held by Existing Shareholders will be subject to escrow arrangements as described in Section 9.6.
- Market capitalisation at the Offer Price is defined as the Offer Price multiplied by the total number of Shares on Completion of the Offer.
- Enterprise Value is equal to the market capitalisation of the Company less the estimated net proceeds from the Offer.
- CY2018 Net revenue is defined as Gross revenue less Client promotional costs, combining H2 FY2018 and H1 FY2019.
- Free float is calculated as the percentage of Shares on Completion of the Offer that are not subject to voluntary or mandatory escrow (see Section 9.6) nor held by Directors or affiliated Shareholders of the Company.

DATES MAY CHANGE

The dates above are indicative only and may change. Unless indicated otherwise, all dates and times are the date and time in Melbourne. The Company (in consultation with the Lead Manager) reserves the right to vary the dates of the Offer without prior notice (subject to the ASX Listing Rules, the Corporations Act and other applicable laws), including to close the Offer early, extend the date the Offer closes, to accept late Applications or to withdraw the Offer before Completion of the Offer (in each case without notifying any recipient of the Prospectus or any Applicant).

HOW TO INVEST

Applications for Shares can be made in accordance with the procedures described in this Prospectus. Instructions on how to apply for Shares in the Retail Offer are set out in Sections 7.3 and 7.4 and on the back of the Application Form. There is no general public offer.

CHAIRMAN'S LETTER

POINTS BET

DEAR INVESTOR,

On behalf of the Directors I am pleased to offer you the opportunity to become a Shareholder of PointsBet Holdings Limited.

PointsBet is a corporate bookmaker, offering innovative sports and racing betting products and services direct to Clients via its scalable cloud-based technology Platform. Founded in 2015, PointsBet has grown rapidly since launching its innovative sports betting product, PointsBetting, in Australia in February 2017. By March 2018, PointsBet provided a full-service corporate bookmaker offering in Australia, adding Fixed Odds Racing (September 2017) and Fixed Odds Sports (March 2018) to complement its PointsBetting product.

There continues to be strong industry growth in Australia, with the total size of the racing and sports wagering market being approximately \$4.37 billion in revenue in 2017. Online wagering has grown over the period 2014 to 2018 at a CAGR of 11.7%.¹ Since launch, PointsBet has continued to expand its Client base, Turnover and Net Revenue in the Australian market. PointsBet's scalable technology Platform and experienced staff means that it is well placed to continue this growth and gain market share.

There is a significant market opportunity in the United States for PointsBet, as a result of the Professional and Amateur Sport Protection Act (**PASPA**) being overturned by the US Supreme Court in May 2018. This has enabled individual states to introduce legislation to permit sports betting, including online wagering. The Independent Market Report in Section 2 provides further detail about the potential size of this market opportunity.

In July 2018, PointsBet entered the United States market by signing the New Meadowlands Agreement, giving the Company a commercial licence to operate as an online corporate bookmaker in New Jersey. PointsBet commenced taking bets in New Jersey in December 2018 and launched its brand and marketing campaign in January 2019. In addition to the New Meadowlands Agreement for New Jersey, the Company has demonstrated an ability to win commercial partnerships in other states of the United States:

- in July 2018, PointsBet entered into the Tioga Downs Option Agreement, giving the Company the option to acquire a commercial licence to expand its wagering operations into New York, subject to the passing of enabling legislation;
- in April 2019, PointsBet signed an agreement with the Catfish Bend Casino in Iowa to enable PointsBet to operate the exclusive retail sports book operations at the Catfish Bend Casino and to offer online and mobile sports wagering in Iowa; and
- in April and May 2019, PointsBet signed agreements with operators in Colorado and Illinois to enable PointsBet to operate the exclusive retail sports book operations at properties owned by those operators and to offer online and mobile sports wagering in the States of Colorado and Illinois respectively. Both agreements are subject to the passing of enabling legislation by the relevant state.

In May 2019, PointsBet signed the Mexico Wagering and Gaming Agreement with a consortium who intend to build and operate a casino in Mexico and offer land-based and online sports and casino betting. Commencement of operations in Mexico is subject to receipt of necessary regulatory approvals. This further demonstrates PointsBet's ability to win competitive partnerships in new markets.

PointsBet is led by an experienced Management team and highly competent Board of Directors, with a demonstrated track record in the Wagering Industry, with relevant business knowledge, financial management, legal expertise, corporate strategy and corporate governance experience.

The Offer will raise \$75 million, which will be used primarily to fund marketing and customer acquisition, software and Platform development, business development and to pay for the costs of the Offer. On Completion of the Offer, Successful Applicants will hold 34.1% of the Shares and Existing Shareholders will hold 65.9% of the Shares.

This Prospectus contains detailed information about the Offer, the Wagering Industry, the Company's operations, financial position and performance and key personnel. It also provides detailed information on the risks associated with an investment in Shares, which are set out in Section 5. Key risks include the level of regulation in the Wagering Industry, failure to obtain and retain key licences, exposure to changes in payment obligations, levies and taxes and the competitive nature of the Wagering Industry.

I encourage you to read this Prospectus in detail paying particular attention to the Company's growth strategy as well as the risks associated with the Offer before making an investment decision.

On behalf of the Board, I look forward to welcoming you as a Shareholder of PointsBet.

Yours faithfully,



BRETT PATON
Chairman

1. Independent Market Report (see Section 2.5.3).

SECTION 1.

INVESTMENT OVERVIEW

For personal use only



1.1 INTRODUCTION

TOPIC	SUMMARY	FOR MORE INFORMATION
Who is PointsBet?	<p>PointsBet is a corporate bookmaker with operations in Australia and New Jersey (United States). PointsBet has developed a scalable cloud-based wagering Platform through which it offers its Clients innovative sports and racing wagering products.</p> <p>PointsBet commenced developing its scalable cloud-based Platform in 2015 with a vision to disrupt the traditional fixed odds betting market in Australia by offering new and innovative ways to place bets on Australian and US sports. The Founders recognised that Australian wagering operators were offering similar products and marketing campaigns and that there was an opportunity to differentiate PointsBet's product offering via the introduction of an innovative betting product, PointsBetting. In addition, the Founders saw the potential for PointsBet to utilise its Platform and its innovative product offering to gain market access in high potential new markets, in particular the United States.</p>	Section 3.1
What industry and markets does the Company operate in?	<p>PointsBet is a participant in the Wagering Industry in Australia and the State of New Jersey in the United States.</p> <p>PointsBet's product offering includes Fixed Odds Sports, Fixed Odds Racing and PointsBetting.</p>	Section 2 and Section 3.1.4
What is PointsBet's business model?	<p>PointsBet's business model is to acquire new Clients, retain existing Clients and maximise Client engagement in order to become their primary betting partner.</p> <p>PointsBet achieves this through a data-driven business model, a targeted marketing strategy that optimises its marketing spend and innovative products and services, all of which are enabled by the Company's scalable cloud-based Platform.</p>	Section 3.2
What is PointsBet's Platform?	<p>PointsBet has developed its own scalable cloud-based technology Platform using a combination of proprietary internally developed software and technologies and licensed third-party software and technologies. PointsBet either owns or has an irrevocable licence to use all material intellectual property associated with the Platform.</p> <p>The Company's Platform enables it to quickly innovate, develop and release new products to ensure alignment with Clients' evolving needs.</p>	Section 3.4
What is the Offer?	<p>The Offer is an initial public offering of 37.5 million Shares by the Company at the Offer Price of \$2.00 per Share to raise gross proceeds of \$75 million. All Shares issued pursuant to this Prospectus will, from the time that they are issued and allotted, rank equally with all other Shares on issue at the Prospectus Date.</p>	Section 7.1
Why is the Offer being conducted?	<p>The purpose of the Offer is to:</p> <ul style="list-style-type: none"> • provide PointsBet access to capital markets, which it expects will provide additional financial flexibility to pursue further growth opportunities; • achieve a listing on ASX to broaden the Company's shareholder base and provide a liquid market for its Shares; • assist PointsBet in attracting and retaining high quality staff; and • pay the costs of the Offer. 	Section 7.1

1.2 BACKGROUND ON THE WAGERING INDUSTRY

TOPIC	SUMMARY	FOR MORE INFORMATION
What is Wagering?	<p>Wagering (also referred to as sports betting) involves the placement of a wager on the outcome of a sporting or racing event. For the purposes of this Prospectus, sports betting includes wagering on racing (thoroughbred, greyhounds and harness). Wagers may be placed through offline or online channels. Online wagering involves placing of a wager through the Internet using a computer, Internet-enabled mobile phone or some other connected device.</p>	Sections 2.2 and 2.3
What is the size of the Wagering Industry in the Company's markets?	<p>Australia</p> <p>There continues to be strong industry growth in Australia across racing and sports wagering, driven by consumer behaviour trends, increased availability of Internet access, smartphone penetration and product innovation, with the total size of the racing and sports wagering market being approximately \$4.37 billion in revenue in 2017. Sports betting over the period 2001 to 2017 grew at a CAGR of 20.9%. Online wagering grew over the period of 2014 to 2018 at a CAGR of 11.7%.¹</p> <p>United States</p> <p>The market potential for wagering in the United States is unpredictable given the early stage of legislation and the uncertain regulatory process in individual states. The United States gambling market is estimated at approximately 6.4 times that of Australia (in 2016), reflecting the fact that although the United States population was approximately 13.2 times larger than Australia's, per capita gambling in the United States is less than half that of Australia.²</p> <p>It is forecast that annual sports betting revenue will reach US\$5.7 billion (or \$7.95 billion using an exchange rate of AUD:USD 1:0.717) by 2023 (assuming 36 US states plus Washington DC legalise sports betting). If all 50 US states fully legalise sports betting, including through online channels, the US sports betting market (across all channels) is forecast to be US\$17.3 billion (or \$24.1 billion using the same exchange rate) in revenue per annum.³</p>	Sections 2.4.3 and 2.5.6
Who are the Company's key competitors?	<p>Australia</p> <p>Wagering participants in Australia include Tabcorp, SportsBet, BetEasy, Ladbrokes and bet365.</p> <p>United States</p> <p>Prior to the repeal of PASPA in May 2018, operators such as William Hill US, Caesars and MGM operated in the legal Nevada market. Post PASPA, additional market entrants including FanDuel/Paddy Power Betfair, DraftKings and BetStars have entered the market via partnerships with existing gambling permit holders.</p>	Sections 2.4.5 and 2.5.5
How is the Wagering Industry regulated in the Company's markets?	<p>Australia</p> <p>In order to conduct Wagering legally in Australia, an operator must hold a licence under a law of a state or territory that authorises wagering. On 2 February 2017, the Northern Territory Racing Commission (NTRC) granted PointsBet a licence to conduct the business of a sports bookmaker. On 1 April 2016, ASIC issued a declaration declaring that specific PointsBetting arrangements provided by the Company are not a financial product for the purposes of Chapter 7 of the Corporations Act.</p> <p>United States</p> <p>PASPA was overturned by the US Supreme Court in May 2018. Unlike Australia, however, current regulations permit service providers to only operate in the state (or states) in which they are licensed and being licensed in one state does not permit an operator to operate in any other state.</p>	Sections 2.4.1, 2.4.2, 2.5.1, 2.5.2 and 2.5.3 and Section 3.8

1. Independent Market Report (see Section 2.4.3).

2. Independent Market Report (see Section 2.5.6).

3. Independent Market Report (see Section 2.5.6).

TOPIC	SUMMARY	FOR MORE INFORMATION
What licences, authorisations and permits does the Company require to conduct its operations?	<p>Australia</p> <ul style="list-style-type: none"> • Integrity and Fee Agreements: In order to publish and use Australian sporting and racing event information, PointsBet has entered into product fee and integrity agreements and race field arrangements with the major Australian sports and racing controlling bodies. • Regulatory overview: In order to conduct wagering legally, an operator must hold a licence under a law of a state or territory that authorises such activity. On 2 February 2017, the Northern Territory Racing Commission (NTRC) granted the Company a licence to conduct the business of a sports bookmaker (Sports Bookmaker Licence) pursuant to section 90 of the <i>Racing and Betting Act (NT)</i> and is recognised as a lawful service in all states and territories. • ASIC Declaration: On 1 April 2016, ASIC issued a declaration declaring that the specific spread-betting arrangements provided by the Company as described in the declaration are not financial products for the purposes of Chapter 7 of the Corporations Act. As such, the Company is relieved from any requirement to hold an Australian Financial Services Licence (AFSL) or comply with the obligations in Chapter 7 in relation to the spread-betting services described in the declaration. • Point of Consumption Tax: The majority of Australian state and territory governments have introduced a "Point of Consumption" tax that applies to licensed wagering operators. Operators are required to pay a tax on revenue generated from the jurisdiction in which bets are placed. <p>United States</p> <p>Following the overturn of PASPA, individual states may legislate to allow sports betting, and even prior to the Supreme Court decision several had made moves to enact legislation which would permit sports betting in one form or another in the event PASPA was overturned, including New Jersey, Delaware, West Virginia and Mississippi. State-based legislation may include legalisation of land-based (offline) as well as online sports betting. As at May 2019, 10 states, with a cumulative population of around 39 million, have legalised sports betting to some extent, with online sports betting currently permitted in five states, being, Nevada, New Jersey, West Virginia, Pennsylvania and Iowa, which cumulatively account for around 9% of the United States population. Licences to offer sports betting have so far largely been restricted to existing gambling licence holders (such as casino and racetrack operators), who may enter into partnership agreements with wagering operators such as PointsBet.</p>	Sections 2, 3.8, 9.4.2 and 9.4.3

1.3 KEY FEATURES OF POINTSBET'S BUSINESS MODEL

TOPIC	SUMMARY	FOR MORE INFORMATION
How does PointsBet generate revenue?	<p>PointsBet offers its Clients an extensive range of sports and racing betting products via its scalable cloud-based technology Platform.</p> <p>PointsBet generates Turnover when its Clients place a bet on an event.</p> <p>PointsBet's Gross Win is calculated as the dollar amount received from Clients who placed losing bets less the dollar amount paid to Clients who placed winning bets, excluding Client promotional costs. PointsBet's trading personnel and quantitative team focus on delivering strong returns on Turnover over the long term.</p> <p>In the period H1 FY2019, the Company's Gross Win as a proportion of Turnover was approximately 10.4%.</p>	Section 3.2.2
Who are PointsBet's Clients?	<p>PointsBet has a large and expanding Client base primarily located in Australia, the majority of whom are males between the ages of 25 to 45 years.</p> <p>As at 30 April 2019, PointsBet had approximately 105,905 Registered Clients, the majority of which (81,644) have been acquired in the 12 months to 30 April 2019, expanding its Registered Client base by 336% over this period. During the 12 months to 30 April 2019, PointsBet had 72,302 Active Clients. In New Jersey, the Company had acquired 21,798 Clients as at 22 May 2019.</p> <p>Over the 12 months to 30 April 2019, the average stake per bet was \$53.16 (in Australia) and US\$74.52 (in New Jersey, United States). As at 30 April 2019, there were 72,302 Active Clients and 105,905 Registered Clients, meaning that 68.3% of Registered Clients were Active Clients and 31.7% of Registered Clients were not Active Clients. Of those Clients who were Active Clients in the 12 months to 31 March 2019, 97.4% remained Active Clients in the 12 months to 30 April 2019. A total of 59,011 Active Clients placed five or more bets in the 12 months to 30 April 2019 and 44,126 Active Clients placed one or more bets in the three months to 30 April 2019.</p>	Section 3.2.3

TOPIC	SUMMARY	FOR MORE INFORMATION
What is PointsBet's Marketing strategy?	<p>PointsBet maintains a focussed and controlled strategy to maximise its returns from its marketing spend.</p> <p>PointsBet's overall marketing spend has grown in line with the Company's product and Platform enhancements.</p> <p>The Company has a comprehensive integrated multi-channel marketing strategy that optimises its marketing spend based on the analysis of the category's target audience. PointsBet has a focus on free-to-air television, subscription television and digital advertising, complemented by radio, press and outdoor advertising. In addition, PointsBet utilises leading technology to deliver marketing campaigns across paid search, social (paid and organic), programmatic content and media networks including YouTube, Google Display Network and affiliate partners.</p> <p>PointsBet also utilises promotions such as bonus bets, money back specials and enhanced pricing initiatives. Promotions are data driven and aimed at acquiring new Clients, retaining existing Clients and maximising Client engagement.</p>	Section 3.5
Does the Company have brand and media partnerships?	<p>Australia</p> <p>PointsBet positions itself as being an innovative and bold challenger brand. Key marketing deals include:</p> <ul style="list-style-type: none"> • Channel 7's "Summer of Cricket" in 2018/19, making PointsBet the exclusive wagering partner for the Big Bash League and Australian test series; • Channel 7's AFL 2019 Season (100% category exclusivity in regional Australia and Tier 2 partner in metro Australia); • Channel 9's NRL Regional 2019 Season (100% category exclusivity); • ESPN coverage during NBA, NFL, X Games and Tennis telecasts until March 2019; and • in April 2019 PointsBet signed a partnership and stadium naming rights agreement with the Cronulla Sharks (NRL) for a period of four years. <p>Given the growth and popularity of betting on US sports in Australia, PointsBet secured NBA legend Allen Iverson as a brand ambassador to front the Company's campaigns across all television and digital communications with the tagline: "There's a new player in town".</p> <p>United States</p> <p>In the United States, the Company's marketing strategy is currently focussed towards digital media due to the regulatory landscape and the geography of the United States media market.</p> <p>PointsBet will utilise its brand ambassadors, Allen Iverson and Darrelle Revis, to drive early brand awareness and recognition in the United States market.</p> <p>The Company has also entered into a Corporate Sponsorship Agreement with global sports and entertainment leader Topgolf.</p>	Section 3.5
What is PointsBet's growth strategy?	<p>PointsBet's strategy is to acquire new Clients, retain existing Clients and maximise Client engagement in order to become their primary betting partner.</p> <p>The Company aims to achieve this strategy by:</p> <ul style="list-style-type: none"> • expanding into new markets and entering into commercial partnerships; • continuing to invest in its Platform, which: <ul style="list-style-type: none"> - drives innovation and automation; - ensures speed and security; - promotes Client credibility; - gives the Company the ability to scale across multiple jurisdictions; and - enables the Company's data-driven focus on trading and risk management; • an ongoing commitment to product development and innovation, to meet and exceed Client expectations; • excellence in marketing and brand awareness; and • attracting, retaining and developing industry-leading talent. 	Section 3.6

TOPIC	SUMMARY	FOR MORE INFORMATION																																																							
How does PointsBet expect to fund its operations?	PointsBet's principal source of funds is expected to be cash flow generated from operations and cash on hand. The estimated net proceeds from the Offer will be \$70.7 million.	Sections 4.6 and 7.1.2																																																							
What is PointsBet's pro forma historical financial performance?	<p style="text-align: center;">PRO FORMA HISTORICAL</p> <table border="1"> <thead> <tr> <th></th> <th>FY2017</th> <th>FY2018</th> <th>H1 FY2018</th> <th>H1 FY2019</th> </tr> </thead> <tbody> <tr> <td>Net revenue</td> <td>373,049</td> <td>9,381,959</td> <td>3,596,610</td> <td>12,060,380</td> </tr> <tr> <td>Cost of sales</td> <td>(269,980)</td> <td>(4,322,912)</td> <td>(1,419,138)</td> <td>(5,168,127)</td> </tr> <tr> <td>Gross profit</td> <td>103,069</td> <td>5,059,047</td> <td>2,177,472</td> <td>6,892,253</td> </tr> <tr> <td>Other income</td> <td>236,151</td> <td>471,294</td> <td>409,364</td> <td>390,213</td> </tr> <tr> <td>Sales and marketing expense</td> <td>(551,795)</td> <td>(6,188,451)</td> <td>(1,572,024)</td> <td>(7,644,105)</td> </tr> <tr> <td>Employee benefits expense</td> <td>(2,284,799)</td> <td>(4,445,798)</td> <td>(1,735,582)</td> <td>(5,337,981)</td> </tr> <tr> <td>Product and technology expense</td> <td>(152,317)</td> <td>(260,825)</td> <td>(100,074)</td> <td>(513,085)</td> </tr> <tr> <td>Administrative and other expenses</td> <td>(737,917)</td> <td>(1,205,885)</td> <td>(473,325)</td> <td>(1,630,267)</td> </tr> <tr> <td>Total operating expenses</td> <td>(3,726,828)</td> <td>(12,100,959)</td> <td>(3,881,005)</td> <td>(15,125,438)</td> </tr> <tr> <td>EBITDA</td> <td>(3,387,608)</td> <td>(6,570,618)</td> <td>(1,294,169)</td> <td>(7,842,972)</td> </tr> </tbody> </table> <p>The information presented above contains non-IFRS financial measures, is intended as a summary only and should be read in conjunction with the more detailed discussion on the Financial Information disclosed in Section 4 as well as the risk factors set out in Section 5.</p> <p>The Pro Forma Historical Financial Information included in this Prospectus has been prepared on the basis described in Sections 4.2.1 and 4.2.2.</p>		FY2017	FY2018	H1 FY2018	H1 FY2019	Net revenue	373,049	9,381,959	3,596,610	12,060,380	Cost of sales	(269,980)	(4,322,912)	(1,419,138)	(5,168,127)	Gross profit	103,069	5,059,047	2,177,472	6,892,253	Other income	236,151	471,294	409,364	390,213	Sales and marketing expense	(551,795)	(6,188,451)	(1,572,024)	(7,644,105)	Employee benefits expense	(2,284,799)	(4,445,798)	(1,735,582)	(5,337,981)	Product and technology expense	(152,317)	(260,825)	(100,074)	(513,085)	Administrative and other expenses	(737,917)	(1,205,885)	(473,325)	(1,630,267)	Total operating expenses	(3,726,828)	(12,100,959)	(3,881,005)	(15,125,438)	EBITDA	(3,387,608)	(6,570,618)	(1,294,169)	(7,842,972)	Section 4.3
	FY2017	FY2018	H1 FY2018	H1 FY2019																																																					
Net revenue	373,049	9,381,959	3,596,610	12,060,380																																																					
Cost of sales	(269,980)	(4,322,912)	(1,419,138)	(5,168,127)																																																					
Gross profit	103,069	5,059,047	2,177,472	6,892,253																																																					
Other income	236,151	471,294	409,364	390,213																																																					
Sales and marketing expense	(551,795)	(6,188,451)	(1,572,024)	(7,644,105)																																																					
Employee benefits expense	(2,284,799)	(4,445,798)	(1,735,582)	(5,337,981)																																																					
Product and technology expense	(152,317)	(260,825)	(100,074)	(513,085)																																																					
Administrative and other expenses	(737,917)	(1,205,885)	(473,325)	(1,630,267)																																																					
Total operating expenses	(3,726,828)	(12,100,959)	(3,881,005)	(15,125,438)																																																					
EBITDA	(3,387,608)	(6,570,618)	(1,294,169)	(7,842,972)																																																					
What is the Company's dividend policy?	<p>The payment of dividends by the Company is at the complete discretion of the Directors. Given the stage of development of the Company, the Directors have no current intention to declare and pay a dividend.</p> <p>In determining whether to declare future dividends, the Directors will have regard to PointsBet's earnings, overall financial condition, capital requirements and the level of franking credits available. There is no certainty that the Company will ever declare and pay a dividend.</p>	Section 4.10																																																							
Why are there no financial forecasts in the Prospectus?	<p>The Company is a growth-stage company, with Turnover, Gross revenue and Net revenue having significantly increased with the introduction of Fixed Odds Racing (September 2017) and Fixed Odds Sports (March 2018) in addition to its PointsBetting product.</p> <p>In addition, in January 2019 the Company launched its brand and marketing campaign in New Jersey, having commenced taking bets in December 2018. This is a new and material business for the Company.</p> <p>Given the recent, significant growth of the Australian business and, in particular, the launch of the New Jersey business in January 2019, there are significant inherent uncertainties in forecasting the Company's future revenues and expenses.</p> <p>On this basis, the Directors believe that there is no reasonable basis for the inclusion of financial forecasts in the Prospectus.</p>	Section 4.7																																																							

1.4 KEY STRENGTHS

TOPIC	SUMMARY	FOR MORE INFORMATION
Attractive industry fundamentals	<p>There continues to be strong industry growth in Australia across sports betting, driven by consumer behaviour trends, increased availability of Internet access, smartphone penetration and product innovation, with the total size of the racing and sports wagering market estimated to be approximately \$4.37 billion in revenue in 2017.⁴</p> <p>Sports betting in Australia over the period 2001 to 2017, grew at an estimated CAGR of 20.9% and online wagering grew over the period of 2014 to 2018 at an estimated CAGR of 11.7%.⁵ Recent market consolidation has seen the exit of brands such as Sportingbet, Centrebet, tomwaterhouse.com, William Hill, CrownBet and Tatts/Ubet.</p> <p>As a result of PASPA being overturned by the US Supreme Court in May 2018, there is a significant market opportunity for PointsBet in the United States. Unlike Australia however, current regulation permits service providers to only operate intrastate. This has enabled individual states to introduce legislation to permit sports betting, including online sports betting.</p> <p>It is forecast that annual sports betting revenue will reach US\$5.7 billion (or \$7.95 billion using an exchange rate of AUD:USD 1:0.717) by 2023 (assuming 36 US states plus Washington DC legalise sports betting).⁶</p>	Sections 2.4.3 and 2.5.2
Highly experienced Board and Management team	<p>PointsBet's Board has a demonstrated track record in the Wagering Industry, together with relevant industry and business knowledge, financial management, legal, corporate strategy and corporate governance experience and expertise.</p> <p>PointsBet's Management team has significant experience and expertise across wagering, corporate strategy, product development, technology, marketing, legal expertise and finance.</p>	Sections 6.1 and 6.2
Scalable technology Platform	PointsBet has developed its own scalable cloud-based technology Platform using a combination of proprietary internally developed software and technologies and licensed third-party software and technologies.	Section 3.4
Expanded product offering	<p>In 2018, PointsBet's Australian offering covered over 85,700 sporting events across 23 sports (including novelty markets) and more than 153,900 racing events across 22 countries. PointsBet aims to offer more pre-match markets on the NBA, NFL, MLB, NHL and AFL than any other bookmaker in the world.</p> <p>PointsBet has a clearly defined strategy for expanding its product offering. The Company's product offerings across Fixed Odds Racing, Fixed Odds Sports and PointsBetting, along with the scalability of the cloud-based technology Platform provides the Company with the ability to innovate, develop and release new products to ensure alignment with its Clients' evolving needs. Through this continuous development, PointsBet expects to continue to grow revenue from existing Clients and win new Clients.</p>	Section 3.3
Proven growth strategy	<p>Since inception, PointsBet has experienced significant growth and has established a solid foundation from which to support domestic and international expansion:</p> <ul style="list-style-type: none"> • 105,905 Registered Clients as at 30 April 2019 (336% y-o-y increase); • pro forma Net revenue grew from \$3.6 million in H1 FY2018 to \$12.1 million in H1 FY2019; and • pro forma Gross profit grew from \$2.2 million in H1 FY2018 to \$6.9 million in H1 FY2019. 	Sections 3.1 and 4.3

4. Independent Market Report (see Section 2.4.3).

5. Independent Market Report (see Sections 2.4.3 and 2.7).

6. Independent Market Report (see Section 2.5.6).

TOPIC	SUMMARY	FOR MORE INFORMATION
Existing partnerships	<p>PointsBet has:</p> <ul style="list-style-type: none"> developed strong partnerships with leading media enterprises, driving further brand awareness and Client acquisition; a proven ability to win commercial partnerships, having entered into the New Meadowlands Agreement (New Jersey), the Tioga Downs Option Agreement (New York), the Catfish Bend Casino Agreement (Iowa), the Colorado Casino Agreement (Colorado) and the Illinois Agreement (Illinois); and engaged leading brand ambassadors Allen Iverson and Darrelle Revis to drive brand awareness and recognition in the Australian and United States markets. 	Section 3.5
Future growth opportunities	<p>The Company is well-positioned to capitalise on future growth opportunities, including:</p> <ul style="list-style-type: none"> growth opportunities in domestic and international markets, with the potential to increase Clients and Net revenue; and in the rapidly evolving US market, where PointsBet will apply its experience and expertise to capitalise on the growth opportunity and leverage its position as an early mover in the US sports betting market to deliver further strategic partnerships. 	Section 3.6

1.5 KEY RISKS

TOPIC	SUMMARY	FOR MORE INFORMATION
The sports betting industry is highly regulated	<p>The Wagering Industry is subject to extensive regulations, which vary between jurisdictions. The Company faces significant costs to comply with these regulations in Australia and New Jersey and any additional jurisdictions in which it commences operations.</p> <p>The Company may be adversely affected if any changes are made to the regulations which have the effect of prohibiting, restricting or further regulating the Company's operations. The Company may fail to comply with relevant regulations, which could lead to increased costs, penalties or the revocation of its operating licences.</p>	Section 5.2.1
United States-specific risks	<p>The Company's growth strategy includes expansion overseas, and in particular into the developing sports betting industry in the United States.</p> <p>Following the invalidation of PASPA in 2018, each state of the United States may now introduce their own regulatory and licencing frameworks, however:</p> <ul style="list-style-type: none"> there is no guarantee that states will move to legalise sports betting; and the timing of any enabling legislation or regulations, and the issuance of licences, cannot be assessed with any certainty in states that do move to legalise sports betting. <p>In addition, should enabling legislation be enacted, there is a risk that the Company may be unable to secure a commercial licence to operate in a state.</p> <p>Any delay or restriction to access in the United States, or failure to enter into commercial partnerships with licence holders, is likely to have a significant adverse effect on the Company's growth plans and future financial performance.</p>	Section 5.2.2
The Company relies on licences to conduct its business	<p>In Australia, the Company relies on a statutory licence granted by the Northern Territory Racing Commission to operate its business. In New Jersey, the Company relies on a commercial licence granted by the ultimate licence holder, New Meadowlands Racetrack LLC, to operate its business.</p> <p>The Company may be unable to obtain new licences in jurisdictions into which it is hoping to expand, or renew its current licences if they expire or are terminated, on terms acceptable to the Company. In addition, the Company may lose or breach the terms of its Northern Territory licence or a commercial licence in the United States. Likewise, its commercial partners in the United States may breach their commercial or statutory licences, which may result in the loss of, or material adverse change to, the Company's commercial licences in the United States.</p> <p>A failure to win new licences, the loss of an existing licence, or a material adverse change to the terms of a licence would significantly adversely impact the Company's financial performance and growth plans.</p>	Section 5.2.3

TOPIC	SUMMARY	FOR MORE INFORMATION
The Company is exposed to adverse changes in payment obligations, levies and taxes	The Company has commercial and regulatory payment obligations in the jurisdictions in which it operates. Any adverse changes to the Company's commercial and regulatory payment obligations, or the imposition of new levies, taxes or other duties or charges in any of these jurisdictions could materially and adversely affect the operations, financial performance and prospects of the Company.	Section 5.2.4
The Company operates in a highly competitive industry	The Company faces a high level of competition from its competitors within the Wagering Industry and from other leisure activities. The Company may be unable to effectively compete with its competitors, who may have more capital and time to spend on developing and testing products and services, undertake more extensive marketing campaigns, adopt more aggressive pricing or promotional policies or otherwise develop more commercially successful products or services than the Company. Failure to effectively compete could result in a loss of market share, or a failure to grow market share, both of which would have a material adverse effect on the Company's operations, financial performance and prospects.	Section 5.2.5
The Company may fail to attract new Clients or retain existing Clients on a sustainable basis	The Company may fail to win new Clients or retain existing Clients for a number of reasons, including failure to obtain licences, unsuccessful or ineffective marketing campaigns, customers increasingly engaging with competitors, failures in the service offerings of the Company and negative publicity. If the Company fails to retain existing Clients or add new Clients, or if its Clients decrease their level of engagement with its products, the Company's revenue, financial results, and business may be significantly harmed.	Section 5.2.6
Ineffective marketing may lead to a lack of brand awareness	Client acquisition and retention, and therefore the Company's business, financial condition and results of operations, depends significantly upon the effectiveness of the Company's marketing activities. Ineffective and/or inefficient marketing undertaken by the Company, including, in particular, any wasted costs and/or missed opportunities, may mean that the Company is unable to maintain, develop and enhance its brand, and its ability to implement its strategic goals may be adversely affected.	Section 5.2.7
System disruptions and outages	The Company's critical IT systems and communication networks may be damaged, interrupted or unable to support a significant increase in online traffic or increased customer numbers during peak times or events. Any failure of the Company's IT infrastructure could lead to significant maintenance and repair costs, and disruptions could reduce revenue, harm the Company's business reputation and have a material adverse effect on the operations, financial performance and prospects of the Company.	Section 5.2.8
Cyber security risks	The Company's IT systems and networks may be vulnerable to cyber attacks, unauthorised access, computer viruses and other security issues. These events could damage the Company's reputation and harm its business.	Section 5.2.9
Additional capital may be required to support growth plans	The Company is likely to require additional capital in order to support and implement its growth plans. The Company's ability to obtain additional capital, if and when required, will depend on its business plans, investor demand, the capital markets and other factors. If the Company is unable to obtain additional capital when required, or is unable to obtain additional capital on satisfactory terms, its ability to continue to support its business growth or to respond to business opportunities, challenges or unforeseen circumstances could be adversely affected.	Section 5.2.10
Other risks	A number of other risks are included in Section 5.	Sections 5.2 and 5.3

1.6 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

TOPIC	SUMMARY				FOR MORE INFORMATION	
	SHARES HELD AT THE PROSPECTUS DATE		SHARES HELD AT COMPLETION OF THE OFFER			
	SHARES	%	SHARES	%		
Who are the Existing Shareholders and what will be their interest in the Company on Completion of the Offer?	Existing Shareholders (excluding Founders and Non-Executive Directors)	47,394,211	65.4	47,394,211	43.1	Section 7.1.3
	Founders*	14,719,901	20.3	14,719,901	13.4	
	Non-Executive Directors [#]	10,385,888	14.3	10,385,888	9.4	
	New Shareholders	–	–	37,500,000	34.1	
	Total	72,500,000	100.0%	110,000,000	100.0%	

* The Founders are Sam Swanell, Nick Fahey and Andrew Fahey.

The Non-Executive Directors are Brett Paton, Peter McCluskey and Tony Symons.

What significant benefits and interests are payable to Directors and what significant interests do they hold?

On Completion of the Offer, the Directors' relevant interests in Shares and Options are expected to be as follows. The table does not take into account any Shares the Directors may acquire under the Offer:

Section 6.3.4

DIRECTOR	RELEVANT INTERESTS IN SHARES AND OPTIONS AT COMPLETION OF THE OFFER ¹			
	NUMBER OF SHARES	%	NUMBER OF OPTIONS	%
Brett Paton	9,474,139	8.6	–	N/A
Sam Swanell	3,209,607	2.9	2,789,323	32.0
Nick Fahey ²	11,510,294	10.5	1,149,559	13.2
Peter McCluskey	344,201	0.3	125,759	1.4
Tony Symons	567,548	0.5	238,313	2.7
Total	25,105,789	22.8%	4,302,954	49.3%

1. Directors may hold their interests in the Shares shown above directly, or through holdings by companies or trusts.

2. Andrew Fahey has a relevant interest in 11,217,780 of the Shares that Nick Fahey has a relevant interest in.

All Non-Executive Directors will receive directors' fees. All Non-Executive Directors (with the exception of the Chair) have been granted Options for nil consideration.

Director Tony Symons is Managing Director and majority owner of Clarendon Lawyers, the Company's Australian legal adviser to the Offer and a material services provider to the Company.

Sam Swanell and Nick Fahey will receive executive remuneration as the Group CEO and Group CFO respectively.

Advisers and other service providers are entitled to fees for services.

For personal use only

TOPIC	SUMMARY	FOR MORE INFORMATION																																													
Will any Shares be subject to restrictions on disposal following Completion of the Offer?	<p>The following Shareholders or classes of Shareholders have entered into ASX escrow agreements in relation to a total of 28,376,923 Shares in which they (or their associated entities) will hold a relevant interest on Completion of the Offer, as summarised below:</p> <table border="1"> <thead> <tr> <th>SHAREHOLDER</th> <th>NUMBER OF SHARES</th> <th>NUMBER OF ESCROWED SHARES</th> <th>% OF SHARES ESCROWED ON LISTING</th> <th>ESCROW PERIOD</th> </tr> </thead> <tbody> <tr> <td>Brett Paton</td> <td>9,474,139</td> <td>5,325,514</td> <td>56.2</td> <td>2 Years from Listing</td> </tr> <tr> <td>Sam Swanell</td> <td>3,209,607</td> <td>3,149,729</td> <td>98.1</td> <td>2 Years from Listing</td> </tr> <tr> <td>Nick Fahey</td> <td>11,510,294</td> <td>11,151,484</td> <td>96.9</td> <td>2 Years from Listing</td> </tr> <tr> <td>Tony Symons</td> <td>567,548</td> <td>447,910</td> <td>78.9</td> <td>2 Years from Listing</td> </tr> <tr> <td>Peter McCluskey</td> <td>344,201</td> <td>45,656</td> <td>13.3</td> <td>2 Years from Listing</td> </tr> <tr> <td>Other Existing Shareholders</td> <td>47,394,211</td> <td>8,256,630</td> <td>17.4</td> <td>12 Months from issue to 2 Years from Listing</td> </tr> <tr> <td>New Shareholders</td> <td>37,500,000</td> <td>–</td> <td>–</td> <td>N/A</td> </tr> <tr> <td>Total</td> <td>110,000,000</td> <td>28,376,923</td> <td>25.8%</td> <td></td> </tr> </tbody> </table> <p>All of the Options (and Shares issued on exercise of the Options) held by Sam Swanell, Nick Fahey, Tony Symons and Peter McCluskey will be subject to escrow for a period of two years from Listing.</p>	SHAREHOLDER	NUMBER OF SHARES	NUMBER OF ESCROWED SHARES	% OF SHARES ESCROWED ON LISTING	ESCROW PERIOD	Brett Paton	9,474,139	5,325,514	56.2	2 Years from Listing	Sam Swanell	3,209,607	3,149,729	98.1	2 Years from Listing	Nick Fahey	11,510,294	11,151,484	96.9	2 Years from Listing	Tony Symons	567,548	447,910	78.9	2 Years from Listing	Peter McCluskey	344,201	45,656	13.3	2 Years from Listing	Other Existing Shareholders	47,394,211	8,256,630	17.4	12 Months from issue to 2 Years from Listing	New Shareholders	37,500,000	–	–	N/A	Total	110,000,000	28,376,923	25.8%		Section 9.6
SHAREHOLDER	NUMBER OF SHARES	NUMBER OF ESCROWED SHARES	% OF SHARES ESCROWED ON LISTING	ESCROW PERIOD																																											
Brett Paton	9,474,139	5,325,514	56.2	2 Years from Listing																																											
Sam Swanell	3,209,607	3,149,729	98.1	2 Years from Listing																																											
Nick Fahey	11,510,294	11,151,484	96.9	2 Years from Listing																																											
Tony Symons	567,548	447,910	78.9	2 Years from Listing																																											
Peter McCluskey	344,201	45,656	13.3	2 Years from Listing																																											
Other Existing Shareholders	47,394,211	8,256,630	17.4	12 Months from issue to 2 Years from Listing																																											
New Shareholders	37,500,000	–	–	N/A																																											
Total	110,000,000	28,376,923	25.8%																																												

1.7 PROPOSED USE OF FUNDS AND KEY TERMS AND CONDITIONS OF THE OFFER

TOPIC	SUMMARY	FOR MORE INFORMATION																								
Who is the issuer of this Prospectus?	PointsBet Holdings Limited (ACN 621 179 351), a company incorporated in Victoria, Australia.	Section 7.1																								
What is the Offer?	<p>The Offer contained in this Prospectus is an invitation to apply for 37.5 million Shares offered for issue by PointsBet.</p> <p>The Shares being offered will represent 34.1% of the total number of Shares on issue on Completion of the Offer.</p>	Section 7.1																								
What is the proposed use of the funds raised under the Offer?	<p>The proposed use of funds raised under the Offer is set out below:</p> <table border="1"> <thead> <tr> <th>USE OF FUNDS</th> <th>\$ MILLION</th> <th>% OF OFFER PROCEEDS</th> </tr> </thead> <tbody> <tr> <td>Marketing and Client acquisition</td> <td>30.6</td> <td>40.8</td> </tr> <tr> <td>Technology and Platform development</td> <td>10.0</td> <td>13.3</td> </tr> <tr> <td>United States business development, comprising:</td> <td></td> <td></td> </tr> <tr> <td>• Market access and government licensing fees</td> <td>24.3</td> <td>32.4</td> </tr> <tr> <td>• Sportsbook fitout costs</td> <td>5.8</td> <td>7.7</td> </tr> <tr> <td>Costs of the Offer</td> <td>4.3</td> <td>5.8</td> </tr> <tr> <td>Total uses</td> <td>\$75.0</td> <td>100.0%</td> </tr> </tbody> </table>	USE OF FUNDS	\$ MILLION	% OF OFFER PROCEEDS	Marketing and Client acquisition	30.6	40.8	Technology and Platform development	10.0	13.3	United States business development, comprising:			• Market access and government licensing fees	24.3	32.4	• Sportsbook fitout costs	5.8	7.7	Costs of the Offer	4.3	5.8	Total uses	\$75.0	100.0%	Section 7.1.2
USE OF FUNDS	\$ MILLION	% OF OFFER PROCEEDS																								
Marketing and Client acquisition	30.6	40.8																								
Technology and Platform development	10.0	13.3																								
United States business development, comprising:																										
• Market access and government licensing fees	24.3	32.4																								
• Sportsbook fitout costs	5.8	7.7																								
Costs of the Offer	4.3	5.8																								
Total uses	\$75.0	100.0%																								

TOPIC	SUMMARY	FOR MORE INFORMATION
Will the Shares be quoted on ASX?	<p>PointsBet applied to ASX on 20 May 2019 for its admission to the Official List, and quotation of the Shares on ASX under the code "PBH".</p> <p>Completion of the Offer is conditional on ASX approving that application and granting permission for the Shares to be quoted on ASX on terms acceptable to the Company. If this approval is not given within three months of the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>	Section 7.2
How is the Offer structured and who is eligible to participate in the Offer?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> • the Institutional Offer, which consists of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares; and • the Retail Offer, comprising: <ul style="list-style-type: none"> – the Broker Firm Offer, which is open to persons who have received an invitation from their Broker and who have a registered address in Australia; and – the Priority Offer, which is open to selected investors in Australia who have received a Priority Offer Invitation. 	Section 7.1.1
Is the Offer underwritten?	Yes. The Offer is fully underwritten by the Lead Manager, subject to the terms of the Underwriting Agreement.	Section 9.4.1
What is the allocation policy?	<p>The allocation of Shares:</p> <ul style="list-style-type: none"> • between the Retail Offer and the Institutional Offer; • between the Broker Firm Offer and Priority Offer components of the Retail Offer; and • among Applicants in the Institutional Offer and Priority Offer, <p>will be determined by agreement between the Company and the Lead Manager.</p> <p>With respect to the Broker Firm Offer, it is a matter for Brokers as to how they allocate Shares among their retail clients.</p>	Sections 7.3.4, 7.4.5 and 7.6.2
Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty will be payable by Applicants on the acquisition of Shares under the Offer. Applicants should obtain their own stamp duty advice prior to deciding whether or not to invest. Please see Section 9.9.4.	Section 7.2
What are the tax implications of investing in the Shares?	A summary of certain Australian tax consequences of participating in the Offer and investing in Shares is set out in Section 9.9. The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether or not to invest.	Section 9.9
When will Successful Applicants receive their holding statements?	It is expected that holding statements will be despatched to Successful Applicants by standard post on or around 6 June 2019.	Section 7.2
When can I sell my Shares on ASX?	<p>It is expected that trading of the Shares on the ASX will commence on a normal settlement basis on or about 12 June 2019.</p> <p>It is the responsibility of each person who trades Shares to confirm their holding before trading Shares. Any person who sells Shares before receiving a holding statement does so at their own risk.</p>	Section 7.2

TOPIC	SUMMARY	FOR MORE INFORMATION
How can an Applicant apply for Shares?	<p>Broker Firm Offer Applicants</p> <p>Applicants under the Broker Firm Offer may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus and following the instructions of their Broker who invited them to participate in the Broker Firm Offer.</p> <p>Priority Offer Applicants</p> <p>Applicants under the Priority Offer must apply using the Priority Offer Application Form in accordance with the relevant instructions provided in the form and their Priority Offer Invitation made under this Prospectus.</p> <p>Institutional Offer Applicants</p> <p>The Lead Manager has separately advised Institutional Investors of the Application procedure under the Institutional Offer.</p>	Sections 7.3.2, 7.4.2 and 7.6.1
What is the minimum Application size?	<p>The minimum Application size under the Broker Firm Offer and the Priority Offer is \$2,000 (which is equivalent to 1,000 Shares in aggregate).</p>	Section 7.2
Can the Offer be withdrawn?	<p>The Company may withdraw the Offer at any time before the issue of Shares to Applicants under the Offer. If the Offer, or any part of it, does not proceed, Application Monies received will be refunded (without interest) in accordance with the Corporations Act.</p>	Section 7.8
Where can I find out more information about the Offer?	<p>All enquiries in relation to this Prospectus should be directed to the PointsBet Offer Information Line on:</p> <ul style="list-style-type: none"> • within Australia 1300 375 696; or • outside Australia: +61 3 9415 4322, <p>from 9:00am to 5:00pm (Melbourne time), Monday to Friday (excluding public holidays).</p> <p>If you have any questions about this Prospectus, the Offer or whether or not to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, tax adviser, lawyer or other professional adviser.</p>	Section 7.2

For personal use only

SECTION 2.

INDEPENDENT MARKET REPORT

For personal use only



FROST AND SULLIVAN MARKET REPORT

2.1 MARKET REPORT

This report describes the Sports Wagering market, with a specific focus on the markets in Australia, USA and Mexico. This report has been commissioned from Frost & Sullivan by PointsBet Holdings Limited (**PointsBet** or **the Company**).

2.2 INTRODUCTION AND BACKGROUND

PointsBet is a wagering service provider (**WSP**), offering traditional fixed odds betting on racing and sports, as well as spread betting, a form of betting in which the bettor wins or loses money according to the margin by which the value of a particular outcome varies from the spread of expected values quoted by the bookmaker. PointsBet operates under a license issued by the Northern Territory Racing Commission, allowing it to provide services to Australian residents in all states and territories. In Australia, PointsBet operates through the online channel.

Additionally, PointsBet has entered the market in the United States, where recent regulatory change has led to a significant opening of the sports wagering market. The Company is currently providing online sports wagering services in New Jersey after entering into an agreement with New Meadowlands Racetrack LLC in July 2018. The Company signed an option agreement with American Racing and Entertainment LLC, the owner of Tioga Downs Casino Resort in New York, in July 2018. At the date of this report, New York has not passed enabling legislation to authorise online sports betting. The Company signed a partnership with Catfish Bend Casino in the State of Iowa on the 3rd April 2019, which will include the launch of both retail and mobile sportsbook operations. In May 2019, sports betting was legalised in Iowa. In April 2019, PointsBet signed an agreement to obtain a licence to partner with a casino in Colorado, if legislation passes that grants the casino licence. As of May 2019, Colorado has not passed enabling legislation to authorise sports betting. Additionally, PointsBet has signed a partnership agreement in Illinois to provide sports betting services. As of May 2019, Illinois has not passed enabling legislation to authorise sports betting.

PointsBet is also considering entry into the market in Mexico. The sports wagering markets in Australia, USA and Mexico are therefore described in this report. Frost & Sullivan understands that the Company will consider expansion opportunities in additional markets in the future.

References to dollars (\$) in this report are to Australian dollars. When converting from other currencies, the exchange rate at April 2019 has been used.

2.3 DEFINITIONS

Wagering (also referred to as sports betting) is one of two forms of gambling, and involves the placement of a wager on the outcome of a sporting event. Wagers may be placed through offline or online channels. Online wagering involves placing of a wager through the Internet using a computer, Internet-enabled mobile phone or some other connected device. For the purposes of this report, sports wagering includes wagering on racing (horses and greyhounds) and wagering on other sports, including sporting events and other events deemed to be a 'sporting event' by a regulator. The other form of gambling is gaming, which involves placing a wager on an event of pure chance, or mixed skill and chance, including electronic gaming machines (**EGMs**), lotteries, Keno, casino games etc.

The size of gambling markets is measured in two main ways: **turnover** (also known as the handle) is the total amount wagered, before payment of winnings, and **expenditure**, which, as defined in this report, is the total amount lost by gamblers on gambling activities and equates to the **revenue** (after payment of winnings) for gambling service providers, before payment of taxes or operating costs. It is sometimes referred to as net gaming revenue (**NGR**) or net wagering revenue (**NWR**).

A significant development in the Wagering Industry over the past 20 years has been the emergence and rapid growth of online wagering (also known as interactive or Internet wagering). The accessibility of online wagering and its ease of use have led to this becoming the fastest growing gambling format worldwide.

2.4 AUSTRALIAN ONLINE WAGERING MARKET

2.4.1 REGULATORY STATUS

Under Australia's constitutional system, the Commonwealth constitution does not give the Commonwealth Government power expressly to regulate gambling, and traditionally gambling legislation was the preserve of the state and territory governments. This has resulted in different regulatory regimes in each state and territory. However, in 2001 the Commonwealth Government enacted the first federal law on gambling, the Interactive Gaming Act 2001 (**IGA**), which prevails to the extent of any inconsistency with state or territory legislation. The development of the IGA at federal level was due to recognition by policymakers that interactive gaming was a new type of gambling activity for which legislation at a national level was needed.

The regulation of online sports wagering is considered an expansion of the existing legal framework at state and territory level, and online wagering services are therefore still subject to state and territory legislation. The IGA prohibits operators from providing specified interactive gambling services to persons resident within Australia and in other designated countries (although no other countries have yet been designated). However, the IGA differentiates between online gaming (e.g. online casino games) and online wagering on sports or other events. According to the IGA (section 8A(1)) online wagering (i.e. betting on racing, or other sports or events) is not prohibited in Australia, however the Act only permits online wagers on sports being placed before an event has started. Services that contemplate a wager on sports being accepted after the event has commenced, or for contingencies within the event (other than in racing), known as in-play betting, are prohibited by section 8A(2). The Minister for Communications has clarified the application of the in-play betting rules to cricket matches,

golf tournaments and cycling events that take place over multiple days. The effect of this determination is that online betting on these events is permitted from the end of play or racing on one day to the start of play or racing the next day.

In 2017, the Interactive Gambling Amendment Bill 2016 was passed which made amendments to the IGA, including requiring anyone providing a regulated interactive gambling service in Australia to hold a licence under Australian State or Territory laws; prohibiting 'click-to-call' in-play betting services (functionality within the service provider's app allowing an automated call to place a bet within the app); and prohibiting wagering operators from providing lines of credit either directly, or via a third party, to persons present in Australia.

Each state and territory allows the provision of a wagering service as long as the service provider has a wagering licence. However, the licensing frameworks of most states/territories only contemplate the licensing of that jurisdiction's totalisator agency board (**TAB**) (which in most cases holds a monopoly licence) as well as on-course bookmakers. However, the Northern Territory (**NT**) licenses multiple online wagering service providers. Service providers other than TABs offering online wagering services in Australia are licensed predominantly in the NT. In December 2018, of the 41 licensed interactive wagering service providers (including TABs, corporate bookmakers and betting exchanges, but excluding on-course bookmakers who can also provide interactive wagering services), 29 were licensed by the Northern Territory Racing Commission.¹ Many of the larger service providers in this category are known as corporate bookmakers, to distinguish them from the TABs and on-course bookmakers, which are associated with individual bookmakers (or their families).

In the NT, online wagering licenses are granted following receipt of a submission by the operator which proves that the operator is a suitable person or company to hold such a licence, and has the financial and business capacity to operate an online gaming business. Evidence is required in areas such as reputation, financial background, financial resources, business ability and management reputation. An application fee of 20,000 revenue units (currently \$23,600) is required.

Online wagering services are also subject to regulatory restrictions on advertising and promotion on television and radio, depending on the time of day, type of programme and time before or after the scheduled start of play, through industry codes of practice effective March 30 2018 (Commercial Television Code of Practice, Commercial Radio Code of Practice, Subscription Broadcast Television Code of Practice, Subscription Narrowcast Television Code of Practice). These industry codes of practice restrict betting odds promotion and gambling advertising during live sports broadcasts on television and radio, particularly between 5.00am and 8.30pm to provide extra protection for child audiences.

2.4.2 TAXATION OF ONLINE WAGERING

Each state and territory across Australia currently has different legal, regulatory and taxation frameworks for wagering. Gamblers' winnings are not assessable for income tax (unless the gambler operates a betting or gambling business), with taxation being paid by the wagering service provider, effectively as an operating cost. The growth of online wagering services, particularly through service providers licensed in the Northern Territory, has led to a likely loss of wagering taxation revenue for other states and territories, which to date has been generally only collected from operators licensed in the individual state or territory on a point of supply (POS) basis. Consequently, several states and territories have recently introduced point of consumption tax (POCT) arrangements, which seek to levy tax on the NWR of wagering operators above specific thresholds, based on the location of the bettor at the time of placing the bet.

Although states and territories are attempting to harmonise POCT arrangements, currently a variety of schemes are in existence with varying taxation rates and thresholds.

TABLE 1: POINT OF CONSUMPTION TAX ARRANGEMENTS BY STATE/TERRITORY, AUSTRALIA, 2019

STATE/TERRITORY	POCT RATE	THRESHOLD	COMMENTS
ACT	15%	\$150,000	Effective from January 1 2019.
NSW	10%	\$1,000,000	Effective from January 1 2019.
NT	No announced plans		
QLD	15%	\$300,000	Effective from 1 October 2018.
SA	15%	\$150,000	Effective from 1 July 2017.
TAS	No announced plans		
VIC	8%	\$1,000,000	Effective from January 1 2019.
WA	15%	\$150,000	Effective from January 1 2019.

Sources: Government websites, press release and budget papers

Whilst the impact of the introduction of new taxation arrangements is still unclear, the Australian Wagering Council has indicated that the imposition of POCT arrangements is likely to impact unfavourably on the industry through the imposition of additional costs on operators, likely to lead to less competitive odds, reduced contributions to racing and other sports through marketing activities and sponsorships, and consolidation of the local online wagering industry.²

1. Australian Communications & Media Authority, Register of licensed interactive wagering services, <https://www.acma.gov.au/theACMA/register-of-licensed-interactive-wagering-services>, accessed December 2018.
2. Australian Wagering Council, Submission to the Federal Government Tax Discussion Paper, 2015.

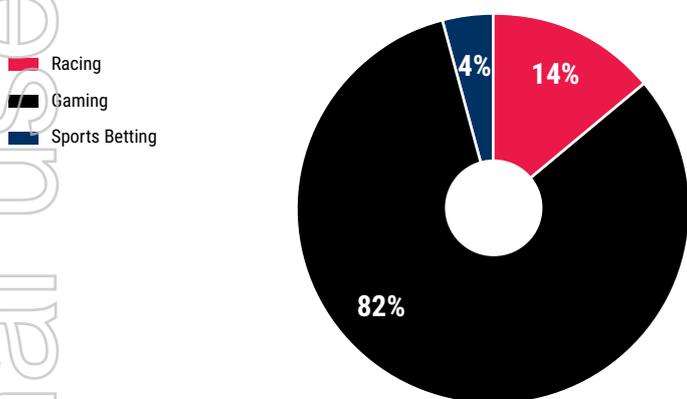
2.4.3 MARKET SIZE AND GROWTH

Australia reportedly has the highest per capita gambling expenditure in the world,³ with around 64% of Australian adults estimated to participate in some form of gambling each year. Approximately 39% of the adult population are estimated to be regular gamblers, defined as gambling at least once per month. This equates to 6.8 million people. Approximately 975,000 people (or 5.6% of the adult population) participate regularly in racing betting and 574,000 people (3.3% of the adult population) participate regularly in other sports betting (excluding racing). There is likely to be significant overlap between these two groups, with gamblers in each group typically participating in between 2.65 and 2.82 different forms of gambling each month.⁴

Statistics on gambling in Australia are provided by the Queensland Government through the annual Australian Gambling Statistics. These indicate that in 2017, total gambling turnover in Australia was \$208.6 billion or \$11,018 per capita, with total gambling expenditure of \$23.7 billion or \$1,251 per capita. Over the period since 2001, gambling expenditure has increased at a CAGR of 3%.

Gambling expenditure is grouped into three broad categories: gaming (lotteries, EGMs, casinos, etc.); racing (horses and greyhounds); and sports betting. In 2017, racing and sports betting combined accounted for 18% of gambling expenditure.⁵

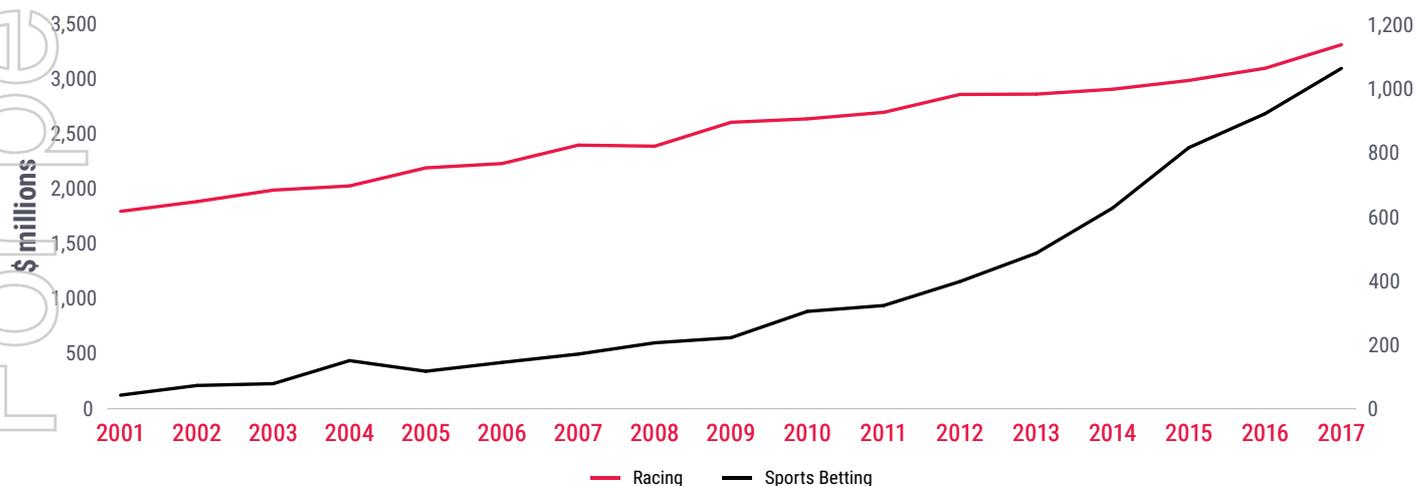
FIGURE 1: GAMBLING EXPENDITURE BY TYPE, AUSTRALIA, 2017



Source: Australian Gambling Statistics, 34th edition, 2016-17, Summary Tables

Whilst sports betting (excluding racing) is the smallest of the three main gambling formats in expenditure terms, it is by far the fastest growing. Over the period since 2001, gaming expenditure has increased at a CAGR of 2.6% and racing at 3.7%. Sports betting has increased at a CAGR of 20.9% over this period to reach \$1.06 billion in 2017. Total wagering expenditure on racing and sports betting in 2017 was \$4.37 billion.⁶

FIGURE 2: RACING AND SPORTS BETTING EXPENDITURE, AUSTRALIA, 2001 TO 2017



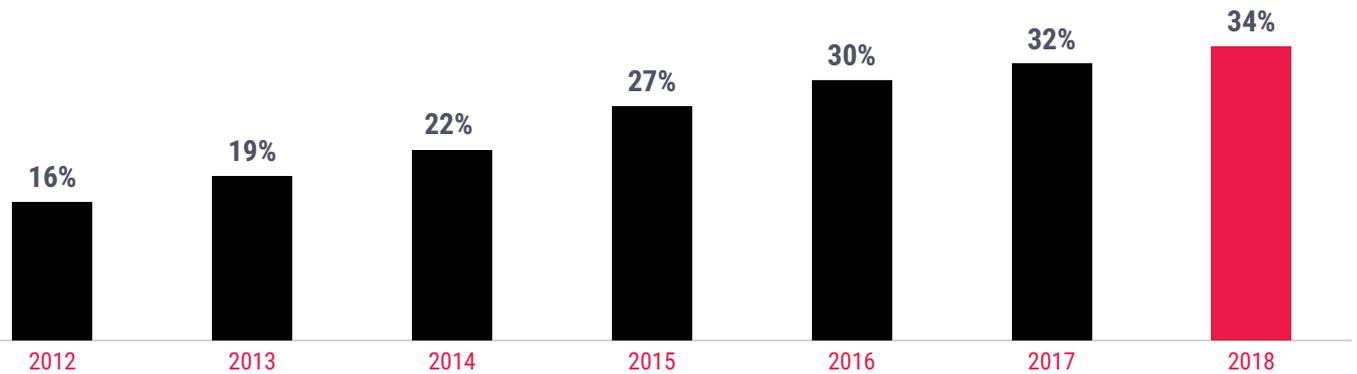
Source: Australian Gambling Statistics, 34th edition, 2016-17, Product Tables

3. The Economist, The World's Biggest Gamblers, <https://www.economist.com/graphic-detail/2017/02/09/the-worlds-biggest-gamblers>, accessed December 2018.
 4. Australian Gambling Research Centre, Gambling Activity in Australia, 2017.
 5. Australian Gambling Statistics, 34th edition, 2016-17.
 6. Ibid.

Data on wagering by channel (online, offline, etc.) is not specifically captured in the Australian Gambling Statistics, and hence information on online wagering expenditure is not available from this source. However, estimates have been made by industry analysts who estimate that in 2014 online wagering expenditure was \$1.4 billion, having grown 289% since 2004.⁷ This equates to approximately 40% of total wagering expenditure in 2014 (based on total wagering expenditure of \$3.53 billion⁸). The same source forecasts that online wagering expenditure would increase to \$2.5 billion by 2019.⁹

Approximately 3.4 million Australians placed a bet on a racing or other sporting event over the 12 month period to March 2018, of which 34% (or 1.16 million) used the Internet to place a bet. The proportion of bettors who place a bet using the Internet has more than doubled from 2012 to 2018.¹⁰

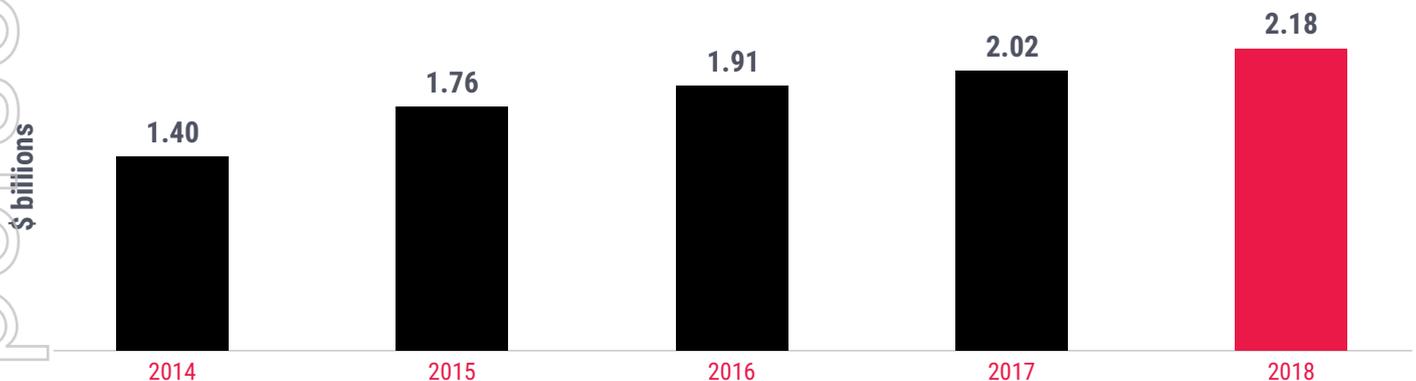
FIGURE 3: PROPORTION OF BETTORS WHO USE THE INTERNET TO PLACE BETS, AUSTRALIA, 2012 TO 2018



Source: Roy Morgan Research, Increase in mobile betting drives growth in online wagering, June 2018

Frost & Sullivan has applied the growth rate in Internet wagering participation to the online wagering market estimate for 2014 to obtain an estimated online wagering expenditure of \$2.18 billion in 2018. In 2017, online wagering was estimated to account for 46% of total wagering expenditure, based on total wagering expenditure of \$4.37 billion.¹¹

FIGURE 4: ESTIMATED ONLINE WAGERING EXPENDITURE, AUSTRALIA, 2014 TO 2018



Source: Frost & Sullivan estimates

Over the period 2014 to 2018, online wagering expenditure is therefore estimated by Frost & Sullivan to have increased at a CAGR of 11.7%. This estimated market growth has been achieved in spite of restrictions on online in-play betting being offered by licensed providers, which is driving significant take-up of non-licensed offshore wagering services. Under the IGA, non-licensed offshore online wagering operators cannot advertise or offer services to, or accept business from Australian customers, and are hence referred to as “illegal” operators. However, the use of illegal operators by Australian residents is believed to be significant, at least partly resulting from the ability of these operators to offer online in-play wagering.

7. Commonwealth of Australia (Department of Social Services) 2015, Review of Illegal Offshore Wagering Report.

8. Australian Gambling Statistics, 34th edition, 2016-17, Product Tables.

9. Commonwealth of Australia (Department of Social Services) 2015, Review of Illegal Offshore Wagering Report.

10. Roy Morgan Research, Increase in mobile betting drives growth in online wagering, June 2018.

11. Frost & Sullivan estimates; Australian Gambling Statistics, 34th edition, 2016-17, Product Tables.

Any future regulatory changes to allow online in-play betting may act as a significant boost to the legal online wagering market. A review of sports integrity arrangements in Australia commissioned by the Minister for Sport, published in September 2018, recommended that "consideration be given to allowing online in-play wagering in Australia through authorised Sports Wagering Service Providers (SWSPs) to provide a more effective identification of potential wagering-related match-fixing or other forms of sports corruption, and so as to allow sports, authorised Australian SWSPs and governments to receive the financial benefits generated."¹² The report is currently being reviewed by the Minister.

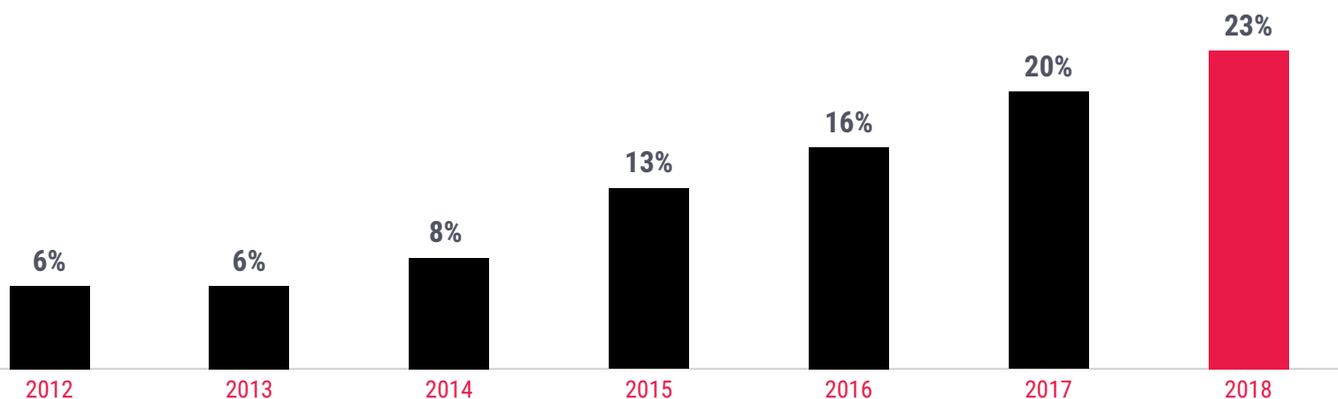
2.4.4 MARKET DRIVERS

In common with many other industries, the Internet has become increasingly important as a transactional channel for the wagering industry. A number of factors have contributed to this trend, including increased levels of Internet access; improved Internet infrastructure; greater confidence in the security of the Internet for transacting; rapid growth in usage of Internet-connected mobile devices; and product innovation by wagering service providers. These factors are described in more detail below.

86% of Australian households now have Internet access, with 87% of individuals using the Internet. This average is significantly reduced by persons aged 65 or over, where Internet use is only 55%. Amongst age groups 18-54, Internet use exceeds 90%, and in some age groups approaches 100%. 73% of Internet users purchase goods or services online.¹³

A major contributor to increased use of online wagering has been the growing use of smartphones. The percentage of bettors that place bets using mobile devices (through apps or the Internet) has increased from 6% in 2012 to 23% by 2018.¹⁴

FIGURE 5: PROPORTION OF BETTORS WHO USE MOBILE PHONES (APP OR INTERNET) TO PLACE BETS, AUSTRALIA, 2012 TO 2018



Source: Roy Morgan Research, Increase in mobile betting drives growth in online wagering, June 2018

By 2017, 81% of Australians aged 18 and over had a smartphone, an increase from 64% in 2013.¹⁵ Ongoing improvements in mobile network coverage and speed, as well as greater availability of WiFi, are driving greater use of smartphones for online transactions.

Finally, product innovation by online sports wagering service providers is also increasing the appeal of the online channel to consumers. For example, many service providers have launched mobile apps which improve the user experience for consumers, and the introduction of new product features such as "cash out" has also made the online channel more appealing. Some service providers are also introducing features such as "cash in" which enables customers to deposit money into their wagering account at outlets such as newsagents, using a code generated on the consumer's smartphone.

2.4.5 COMPETITIVE ENVIRONMENT

Market participants in online sports wagering in Australia can be categorised into two main groups: TABs and corporate bookmakers (such as Sportsbet, BetEasy, bet365, etc.). Over recent months, there have been a number of corporate transactions involving acquisitions of, or investment into, Australian wagering operators with online operations. These have primarily involved investments by large European and North American corporate bookmakers seeking to enter or expand a presence in the Australian market, which is perceived to be large, with growth prospects and have a secure regulatory regime.

12. Report of the Review of Australia's Sport Integrity Arrangements.

13. Australian Bureau of Statistics, 8146.0 - Household Use of Information Technology, Australia, 2016-17.

14. Roy Morgan Research, Increase in mobile betting drives growth in online wagering, June 2018.

15. Australian Communications & Media Authority, Communications Report, 2016-17.

TABLE 2: MAJOR INTERACTIVE WAGERING TRANSACTIONS, AUSTRALIA, 2018

YEAR	INVESTEES	INVESTOR	CONSIDERATION	COMMENTS
2018	Neds	Ladbrokes	Up to \$95 million	
2018	William Hill	CrownBet	\$300 million	Acquisition of Australian business of William Hill
2018	CrownBet	Stars Group	80% stake acquired in 2018 for \$150 million	CrownBet and William Hill rebranded as BetEasy

Sources: company announcements and press commentary

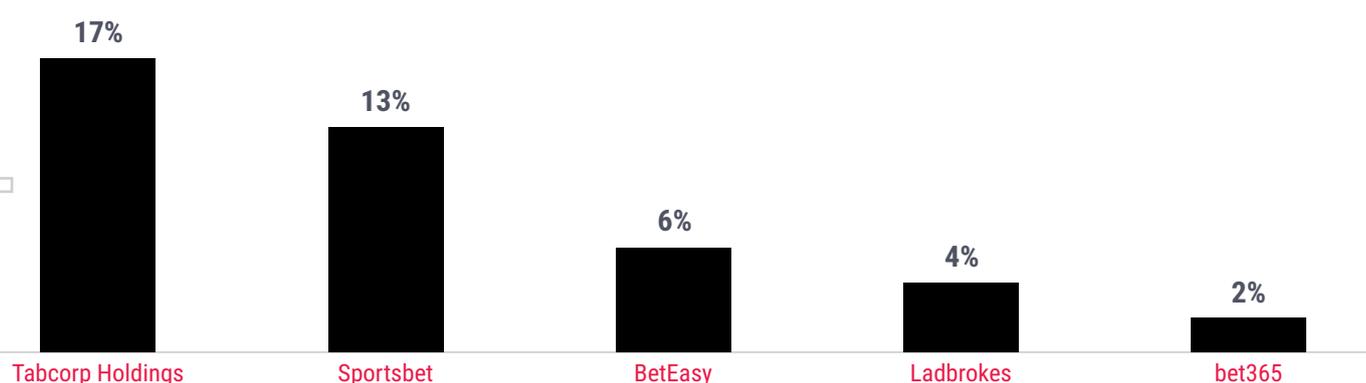
In total, there are 41 licensed interactive wagering service providers as at December 2018 (excluding on-course bookmakers). The leading online wagering participants in terms of share of online bettors are Tabcorp Holdings, Sportsbet, BetEasy (formerly CrownBet), Ladbrokes and bet365. Major licensed interactive wagering service providers are listed below.

TABLE 3: MAJOR LICENSED INTERACTIVE WAGERING SERVICE PROVIDERS, AUSTRALIA, 2018

COMPANY	OWNERSHIP	COMMENTS
Bet365	Bet365 (UK)	
BetEasy	Majority owned by Stars Group (Canada)	Formerly CrownBet. Renamed following purchase of majority stake from Crown Resorts
Betfair	Crown Resorts (ASX)	Operates Australia's only betting exchange
Ladbrokes	GVC (UK)	Entered Australian market in 2013
Palmerbet	Palmer Bookmaking (Australia)	Online business established by on-course bookmaking family
PointsBet	PointsBet Holdings (Australia)	
Sportsbet	Paddy Power (Ireland)	Acquired by Paddy Power in 2010
Tabcorp Holdings	Publicly-listed (ASX)	Main online wagering properties are Tab.com.au and UBET

Sources: company websites and presentations

Tabcorp Holdings is the largest online wagering service provider, with approximately 17% of Australians who bet placing a bet via its online properties in the 12 months to March 2018, followed by Sportsbet (13%), BetEasy (6%), Ladbrokes (4%) and bet365 (2%).¹⁶

FIGURE 6: PERCENTAGE OF BETTORS THAT USE ONLINE WAGERING SERVICE PROVIDERS, AUSTRALIA, 2018

Source: Roy Morgan Research, Increase in mobile betting drives growth in online wagering, June 2018

¹⁶ Roy Morgan Research, Increase in mobile betting drives growth in online wagering, June 2018.

2.5 US SPORTS WAGERING MARKET POTENTIAL

Following recent regulatory change, the US market for sports betting is growing significantly as individual states introduce legislation that legalises the activity. This has led to the introduction of sports wagering services, both through physical retail outlets (in casinos, retail premises, racetracks, etc.) and online channels (in states where online sports betting is legalised). Unlike Australia, however, current regulation permits service providers to only operate intrastate.

This means that the potential of the US sports betting market will be determined by the number of individual states that ultimately legalise the activity, as well as the restrictions around it (e.g. whether an online sports betting account can only be opened in person). Industry analysts have developed a number of forecasts for the US sports betting market, using various assumptions about the number of states that legalise the activity and the nature of the regulatory regime.

2.5.1 HISTORICAL REGULATIONS GOVERNING WAGERING

Individual game sports betting in the USA had been effectively illegal following the passage of the Professional and Amateur Sports Protection Act (PASPA) of 1992. PASPA made it unlawful for a state to sponsor, operate, advertise, promote, license or authorise sports betting, and for private individuals to do the same if done pursuant to the law or agreement of the state, with grandfathering exceptions for sports lotteries in Oregon, Delaware and Montana, and sports pools in Nevada. The act of sports betting itself, however, was not made illegal under PASPA. This had created an offshore and illegal onshore sports betting market in the US. Although there is no reliable data on the size of this market, one analyst estimates annual turnover of US\$70 billion (\$98 billion) in illegal sports betting, with US\$3.5 billion (\$4.9 billion) in revenue.¹⁷ Legalisation of sports betting is likely to result in a significant switch of wagering revenue from illegal and offshore operators to legal operators.

Following a legal challenge by the State of New Jersey, in May 2018, the US Supreme Court declared that PASPA was unconstitutional, allowing individual states to decide whether to legalise sports betting.

It should be noted that the striking down of PASPA will only allow intrastate wagering schemes to operate. Interstate schemes are prohibited under the 1961 Federal Wire Act (previously the Interstate Wire Act) that prohibits any person from using wire communication in interstate or foreign communication of bets or wagers or information assisting in the placing of bets or wagers.

2.5.2 REGULATORY CHANGE

Following the overturn of PASPA, individual states may legislate to allow sports betting, and even prior to the Supreme Court decision several had made moves to enact legislation which would permit sports betting in one form or another in the event PASPA was overturned, including New Jersey, Delaware, West Virginia and Mississippi. State-based legislation may include legalisation of land-based (offline) as well as online sports betting. As at May 2019, 10 states, with a cumulative population of around 39 million, have legalised sports betting to some extent (although it has yet to be commercially offered in Arkansas and Montana only permits a lottery pool service), with online sports betting currently permitted in five, Nevada, New Jersey, West Virginia, Pennsylvania and Iowa, which cumulatively account for around 9% of the US population. Licenses to offer sports betting have so far largely been restricted to existing gambling license holders (such as casino and racetrack operators), who may enter into partnership agreements with sports wagering operators.

TABLE 4: STATES WITH LEGALISED SPORTS BETTING, USA, MAY 2019

STATE	POPULATION (MILLIONS)	COMMENTS	ONLINE SPORTS BETTING PERMITTED?
Nevada	3.0	Legalised sports betting in 1931, and benefitted from grandfathering clause in PASPA	Yes
Delaware	1.0	Previously partially exempted from PAPSAs, single-betting games were legalised in June 2018	No
New Jersey	9.0	Legalised from June 2018, for both offline and online channels	Yes
Mississippi	3.0	In-person sports betting legalised from August 2018	No
West Virginia	1.8	Authorised from August 2018	Yes
Pennsylvania	12.8	Sports betting legalised at casinos	Yes
Rhode Island	1.0	Authorised from June 2018	No
Montana	1.1	Exempted from PAPSAs for lottery pools. Limited sports pool available, and no current moves to expand	No
Arkansas	3.0	Legalised sports betting via voter referendum on November 6, 2018. Currently being implemented	No
Iowa	3.1	Legalised sports betting in May 2019	Yes

Source: <https://www.legalsportsreport.com/sportsbetting-bill-tracker>; <https://www.worldatlas.com/articles/us-states-by-population.html>

17. Eilers & Krejci Gaming, Legal Sports Betting, Defining the US Opportunity, April 2019. Quoted with permission of Eilers & Krejci Gaming.

A further 26 states have introduced bills or are at various stages of legislative change for regulation of sports betting as at May 2019.¹⁸

Another federal regulation relevant to online sports betting is the Unlawful Internet Gambling Enforcement Act (**UIGEA**) of 2006 which added a layer of enforcement against companies and individuals processing payments for illegal online gambling, with illegal gambling defined as any gambling activity that violates state or federal law. The Act was designed to limit the use of illegal offshore gambling sites by Americans, by restricting the ability to process payments for these sites. A specific target was the proliferation of online poker sites at that time. With regards to online wagering, the UIGEA allows the processing of payments for legal online gambling activities, and hence once a state has provided a legal framework, the UIGEA will no longer apply to the gambling activities legalised in that framework.

2.5.3 TAXATION ON SPORTS WAGERING

The US differs from Australia in that winnings from gambling are fully taxable and must be included in an individual's tax return (losses can be deducted if itemised, up to the value of winnings). Typically, for gambling winnings over US\$5,000, the service provider deducts a withholding tax of 24%.

A federal excise tax on sports wagers (legal and illegal) was introduced in 1954, originally set at 10% but reduced to 0.25% in 1983 for legal wagers. This is payable by the wagering service provider as a percentage of the handle (turnover).

As part of the legalisation of sports betting, individual states are also introducing taxes (the potential for sports betting to provide additional revenue to states was the major reason for the challenge to PASPA). New Jersey has introduced an 8.5% tax on winning bets made at retail outlets, and 13% on online bets. An additional 1.25% tax will be introduced in December 2018, with the proceeds going to the Casino Reinvestment Development Authority (**CRDA**). West Virginia has introduced a sports wagering tax of 10% of NWR, Mississippi 12%, and states such as Delaware, Pennsylvania and Rhode Island operate revenue-sharing arrangements on the NWR of licensed operators. Taxes in Nevada are 6.75% on gross gaming win (the equivalent of NWR). In Iowa, taxes will be 6.75% of NWR.

2.5.4 MARKET DRIVERS

The US market has similar potential to Australia for take-up of sports wagering. A particular market driver in the US is the potential for conversion of bettors currently using illegal service providers to switch to legal providers once these services are available. One analyst estimates that 14 million Americans undertake illegal sports betting in any given year, with 56% of these individuals reporting that they would make over 75% of their bets through legal/regulated channels if these were available. Total illegal sports wagering revenue is estimated at US\$3.5 billion (\$4.88 billion) annually.¹⁹

The potential for growth particularly in online wagering is likely to be strong, given similar levels of online access to Australia. 89% of Americans use the Internet and 77% use a smartphone, similar adoption levels to Australia.²⁰ Another market driver is likely to be the significant number of Americans already participating in online sporting contests analogous to sports betting through daily fantasy sports (**DFS**). DFS are fantasy sports tournament-style events held over a short time period, often only one day. Whilst DFS events can potentially be held on a free-to-enter basis, they generally involve an entry fee for participants, and DFS is largely synonymous with events that involve an entry fee. The entry fee is allocated largely to the prize pool for the competition. DFS organisers derive revenue from taking a service fee as a percentage of the entry fee (sometimes known as the hold rate) which typically averages 8-10% of total entry fees.

Fantasy wagering takes place where a participant pays to participate in a fantasy sports event, for example in DFS events. Whether fantasy wagering is considered gambling is a definitional issue, with varying regulatory situations in different jurisdictions. In most US states, participation in fantasy wagering is currently not regarded as gambling, and transfer of funds for fantasy wagering is exempt from the restrictions on online gambling transfer of funds in the UIGEA. Most US states consider that fantasy sports are a game of skill, and offering a fantasy wagering service is therefore currently allowed in most jurisdictions.

In 2017, approximately US\$3.26 billion (\$4.4 billion) was paid in entry fees to DFS events in the USA, largely shared between the two dominant DFS providers, FanDuel (purchased by Paddy Power in May 2018) which has around 1.3 million active users²¹ and DraftKings.²² Accessing the existing DFS user base to offer sports betting services is a key opportunity, with both companies having initiated sports betting services in partnership with license holders.

18. <https://www.legalsportsreport.com/sportsbetting-bill-tracker/>.

19. Eilers & Krejci Gaming, Legal Sports Betting, Defining the US Opportunity, April 2019. Quoted with permission of Eilers & Krejci Gaming.

20. Pew Research Center, <http://www.pewresearch.org/fact-tank/2018/09/28/internet-social-media-use-and-device-ownership-in-u-s-have-plateaued-after-years-of-growth/>, accessed December 2018.

21. Legal Sports Report, <https://www.legalsportsreport.com/20668/paddy-power-betfair-purchases-daily-fantasy-sports-site-fanduel/>, accessed December 2018.

22. Forbes, FanDuel is actively looking to be acquired, <https://www.forbes.com/sites/darrenheitner/2018/03/06/report-fanduel-is-actively-looking-to-be-acquired/#78227d933765>, accessed December 2018.

2.5.5 MARKET ENTRANTS AND NEW BUSINESS MODELS

The opening of the regulated sports betting market in the US is attracting a number of participants to enter the market, either as licensed operators or as partners with licensed operators. Given that sports betting has largely not been available in the USA until 2018, existing global wagering service providers are just starting to enter the market, and are doing so via partnerships with existing gambling permit holders. These existing participants offer access to licenses (as sports betting licenses are generally restricted to existing gambling industry participants, such as casinos and racetracks), as well as providing recognised brand names in a market where existing global wagering service providers have low brand recognition.

Amongst the earliest new entrants were the main DFS providers FanDuel and DraftKings (in partnership with Kambi) who started offering sports betting services in New Jersey in August 2018, in partnership with Meadowlands and Resorts Atlantic City respectively. These companies are likely to benefit from access to their user bases of DFS participants.

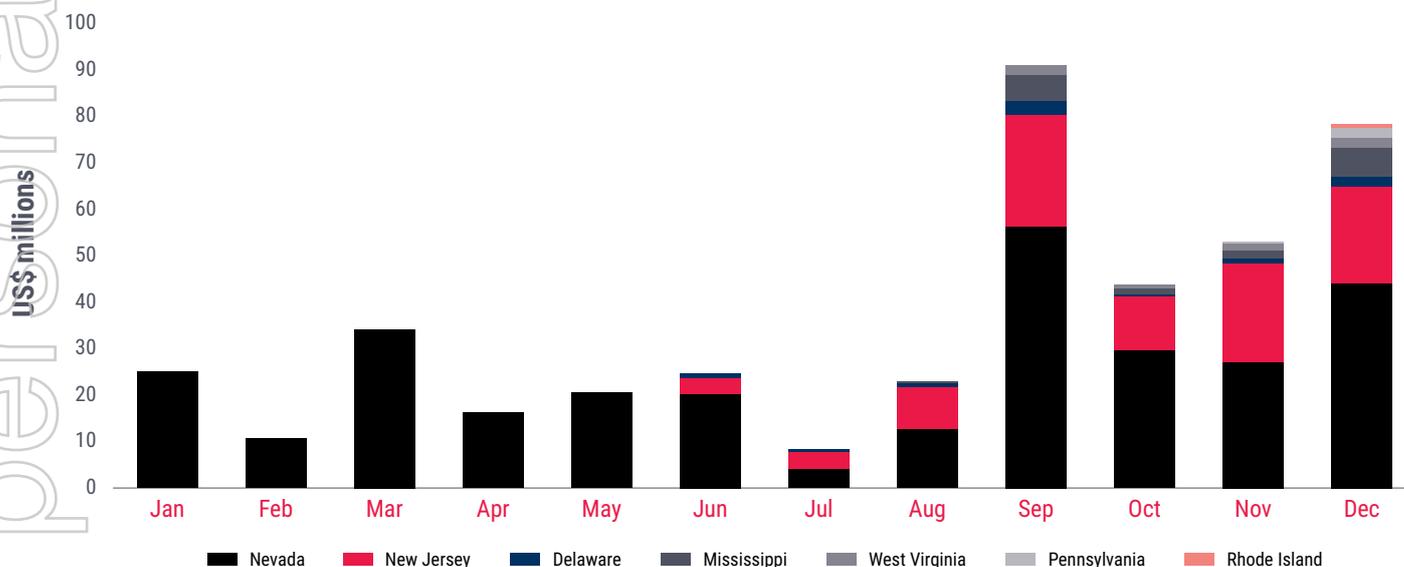
Other entrants include established casino and racetrack operators, generally offering sports wagering services through partners. International wagering service providers have also entered the market. The attraction of FanDuel's user base is the main reason behind its acquisition by Paddy Power in 2018, and William Hill and bet365 have also entered the New Jersey market through partnerships.

Given the competitive environment, service providers are likely to differentiate through new business models, where these are permitted. Spread betting services, for example, as offered by PointsBet in Australia may provide a new business model in the US market.

2.5.6 POTENTIAL MARKET SIZE

In 2018, US sports betting revenue totalled US\$429 million (\$604 million) across all channels. This includes revenue from New Jersey and Delaware from June, Mississippi from August, West Virginia from September and Pennsylvania and Rhode Island from November, as well as the original market of Nevada.²³ Sports betting revenue fluctuates significantly on a monthly basis, reflecting the sporting calendar, particularly the commencement of the football season in September.

FIGURE 7: SPORTS BETTING REVENUE BY STATE, BY MONTH, USA, 2018



Source: UNLV, Center for Gaming Research, US Sports Betting Monthly and YTD Revenue Results

The market potential for sports wagering in the US is unpredictable, given the very early stage of legalisation and the uncertain regulatory process in individual US states. Consequently, market analysts have tended to develop forecasts under differing regulatory scenarios.

The total US gambling market is estimated at approximately 6.4 times that of Australia in 2016, reflecting the fact that although the US population is 13.2 times larger than Australia, per capita gambling expenditure in the US is less than half that in Australia.²⁴

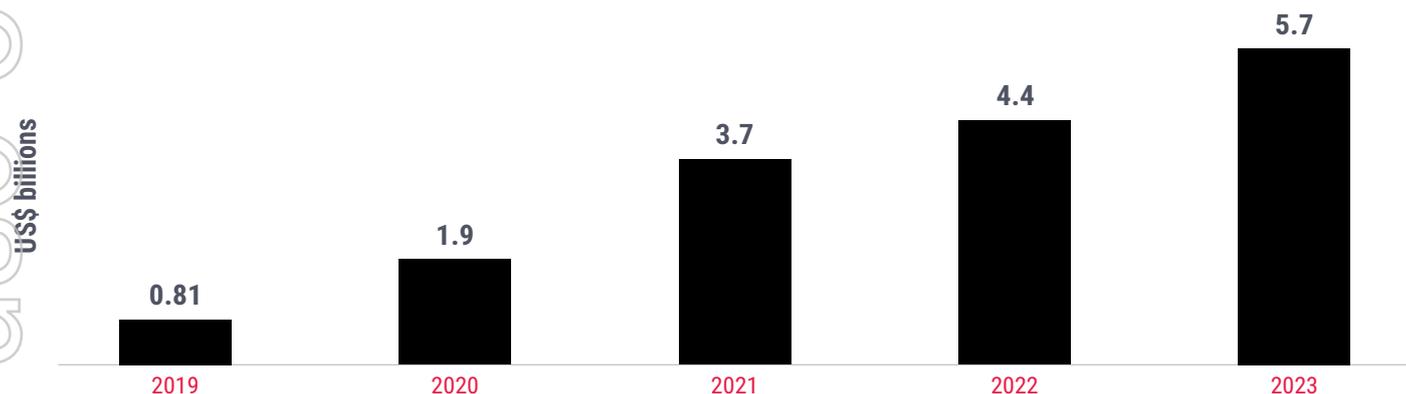
23. UNLV, Center for Gaming Research, US Sports Betting Monthly and YTD Revenue Results.

24. The Economist, the World's Biggest Gamblers, <https://www.economist.com/graphic-detail/2017/02/09/the-worlds-biggest-gamblers>, accessed December 2018.

One market analyst estimates that if all 50 US states fully legalise sports betting, including through online channels, the US sports betting market (across all channels) would be US\$17.3 billion (\$24.1 billion) in revenue. This estimate is based on adjusting data from Nevada and the UK for the populations and economic output of all 50 states.²⁵ This is approximately 5.5 times larger than the Australian wagering market in 2017.²⁶

However, full legalisation across all 50 states is unlikely, and the actual market is therefore likely to develop to a smaller size than under this scenario. The same analysts have forecast that the actual US sports wagering market will reach US\$5.7 billion (\$7.95 billion) by 2023. This forecast is based on the assumption that 36 states and Washington, D.C. authorize sports betting by 2023, and that those states vary on key policy terms such as tax rate, license fee, availability of licenses and the ability to offer sports betting online.²⁷

FIGURE 8: SPORTS BETTING MARKET, USA, 2019 TO 2023



Source: Eilers & Krejcik Gaming, Legal Sports Betting, Defining the US Opportunity, April 2019. Quoted with permission of Eilers & Krejcik Gaming

2.5.7 NEW JERSEY STATE MARKET EXPERIENCE

New Jersey was one of the first US states to legalise sports betting following the Supreme Court decision on PASPA. New Jersey is a significant US state in the gambling sector, based around casinos operating in the resort of Atlantic City, as well as three racetracks. In June 2018, the Governor signed a bill that authorised sports betting, including online sports betting without an in-person registration requirement, making it the first US state to do so (whilst Nevada has previously allowed online sports betting, it requires in-person registration at a casino). New Jersey has licensed casinos and racetracks to offer sports betting, including through online/mobile platforms (with the servers physically located at their premises), and several casinos and racetracks have formed partnerships with wagering platform providers to offer services, including the Meadowlands Racetrack with PointsBet.

New Jersey is the 11th most populous state in the US, with around 9 million people, making it an attractive market for online wagering service providers. The first online service was launched in August 2018 (DraftKings Sportsbook, partnered with the license holder Resorts Atlantic City), and a number of others have followed suit, including William Hill (partnered with Monmouth Park racetrack, Ocean Resorts, Tropicana and Eldorado Resorts), the Stars Group (operating as BetStars in partnership with Resorts Atlantic City) and PointsBet (Meadowlands). By March 2019, 10 casinos and racetracks had launched offline wagering services, and nine had launched online services.²⁸

From June 2018 to March 2019, total sports wagering revenue in New Jersey had reached a cumulative total of US\$157 million (\$218 million), with total turnover of US\$2,325 million (\$3,230 million). Wagering revenue reached a peak of US\$31.7 million (\$44.0 million) in March 2019.²⁹ By 2023, revenue in New Jersey is forecast to reach US\$554 million (\$772 million) annually.³⁰

25. Eilers & Krejcik Gaming, Legal Sports Betting, Defining the US Opportunity, April 2019. Quoted with permission of Eilers & Krejcik Gaming.

26. Based on Australian racing and sports wagering revenue of \$4.37 billion (Australian Gambling Statistics, 34th edition, 2016-17).

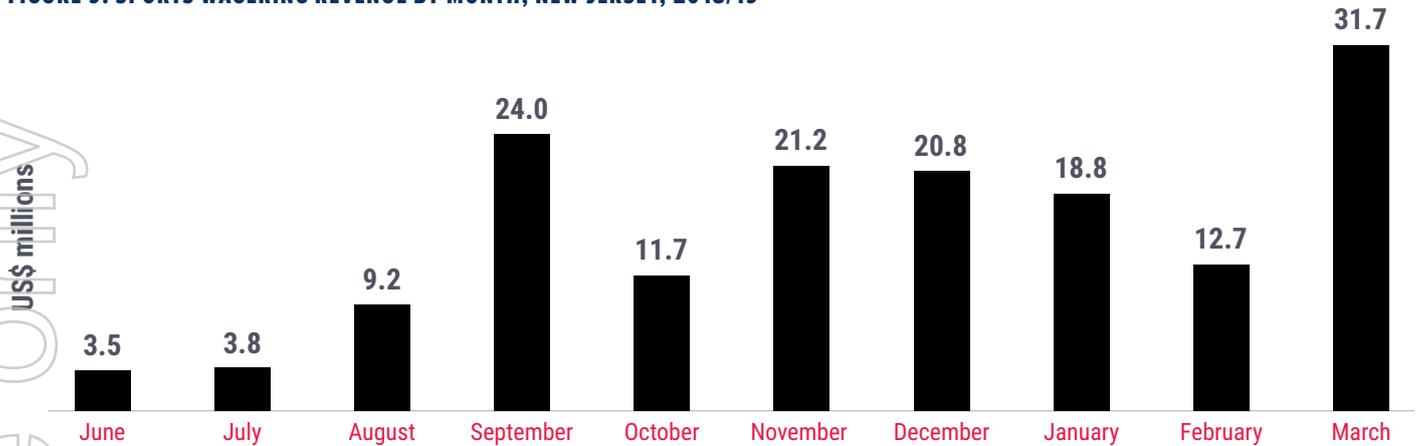
27. Eilers & Krejcik Gaming, Legal Sports Betting, Defining the US Opportunity, April 2019. Quoted with permission of Eilers & Krejcik Gaming.

28. New Jersey Division of Gaming Enforcement, Monthly Press Releases & Statistical Summaries.

29. New Jersey Division of Gaming Enforcement, Monthly Press Releases & Statistical Summaries.

30. Eilers & Krejcik Gaming, Legal Sports Betting, Defining the US Opportunity, April 2019. Quoted with permission of Eilers & Krejcik Gaming.

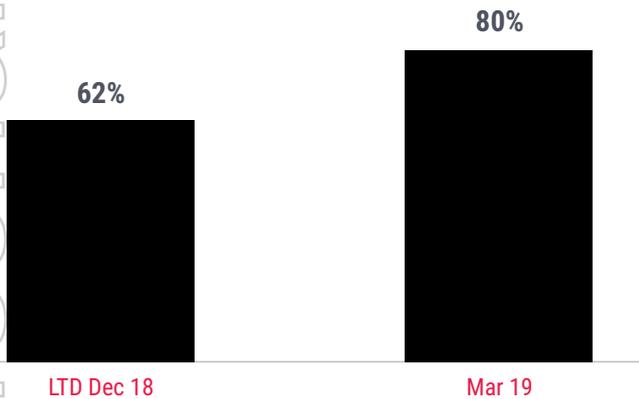
FIGURE 9: SPORTS WAGERING REVENUE BY MONTH, NEW JERSEY, 2018/19



Source: New Jersey Division of Gaming Enforcement, Monthly Press Releases & Statistical Summaries

Online is increasingly the dominant channel for sports wagering in New Jersey. In 2018, the online channel accounted for 62% of turnover, however this rose to 80% in March 2019, reflecting the increased availability of online wagering options.³¹

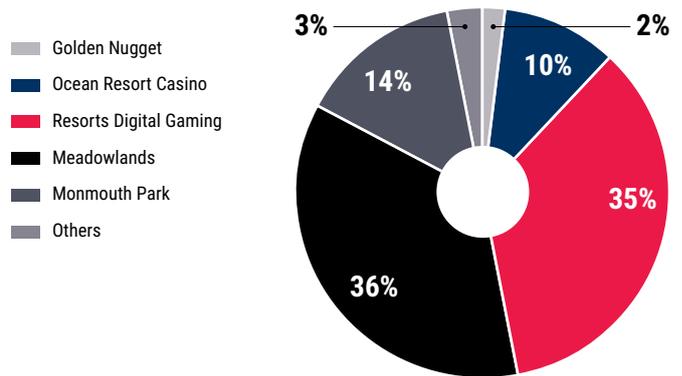
FIGURE 10: SPORTS WAGERING TURNOVER PERCENTAGE BY ONLINE CHANNEL, NEW JERSEY, 2018 AND MARCH 2019



Source: New Jersey Division of Gaming Enforcement, Monthly Press Releases & Statistical Summaries, December 2018 and March 2019

For 2018, sports wagering in New Jersey has been dominated by two licensees, Resorts Digital Gaming (partnered with the Stars Group and DraftKings) and Meadowlands (partnered with PointsBet and FanDuel). For 2018, these two licensees accounted for 71% of Internet sports wagering revenue.³²

FIGURE 11: SPORTS WAGERING REVENUE BY PERMIT HOLDER, NEW JERSEY, 2018



Source: New Jersey Division of Gaming Enforcement, Monthly Sports Wagering Reports, <https://www.nj.gov/lps/ge/swrtaxreturns.html>, accessed March 2019

31. New Jersey Division of Gaming Enforcement, Monthly Press Releases & Statistical Summaries, December 2018 and March 2019.

32. New Jersey Division of Gaming Enforcement, Monthly Sports Wagering Reports, <https://www.nj.gov/lps/ge/swrtaxreturns.html>, accessed March 2019.

2.5.8 NEW YORK STATE REGULATORY SITUATION

New York, with close to 20 million people, is the fourth most populous US state and represents a significant opportunity for sports betting, with potential revenue estimated at US\$1.35 billion (\$1.88 billion).³³ In a 2013 referendum, New York approved a constitutional amendment to expand casino gambling, authorising as many as seven full-scale casinos. This referendum confirmed the Upstate NY Gaming Economic Development Act, that permitted establishment of four destination gaming resorts in Upstate New York, subject to the approval by referendum. The Act also permitted sports betting in the designated casinos, subject to a change in Federal law.³⁴

Following the repeal of PASPA, in January 2019, the State Gaming Commission issued initial approval of a proposed set of rules that, subject to public consultation, will allow offline sports betting at these four casinos in New York State, subject to a licensing process.³⁵ The rules would only be adopted following a 60-day period of public comment and review of comments, as well as licensing of facilities, meaning that implementation is likely only from April 2019 at the earliest. In his 2019 State of the State address, Governor Cuomo set out an aspiration to legalise sports betting in casinos.³⁶

Whilst the proposed rules, if implemented, will allow in-person sports betting at the four licensed casinos in New York State, it is unclear what the required legislative process would be to legalise online sports betting when the servers hosting such a service are also located in these casinos.

The New York State Budget Director has opined that introducing sports betting outside existing casinos, including online betting, would require a constitutional amendment.³⁷ Constitutional changes require passage by two separate legislatures and approval via a voter referendum, which is estimated would take until 2021 at the earliest.³⁸

An alternative position has been taken by some legislators that a constitutional amendment would not be required for implementation of online sports betting when the servers hosting such a service are located in the licensed casinos, and online sports betting could be authorised by direct legislation, with one Assemblyman planning to introduce a bill to introduce mobile sports betting in 2019.³⁹

The potential regulatory pathways to legalisation of sports betting in New York State is therefore summarised below.

TABLE 5: NEW YORK STATE SPORTS BETTING REGULATORY PATHWAYS, 2019

SPORTS BETTING FORMAT	REGULATORY PATHWAY	ESTIMATED TIMEFRAME
Offline sports betting	Proposed rules to allow in licensed casinos (four) published in January 2019. Subject to period of public comment and licensing process	May 2019 at earliest
Online sports betting	May require change to State constitution (via public referendum and passage in both State legislatures)	2021 at earliest if referendum required
	Alternatively, may be feasible via changes to regulations only (likely subject to Court approval)	2019 if only changes to regulations are required

Source: Frost & Sullivan

33. Eilers & Krejcik Gaming, Legal Sports Betting, Defining the US Opportunity, April 2019. Quoted with permission of Eilers & Krejcik Gaming.

34. New York State, accessed from <https://www.governor.ny.gov/news/governor-cuomo-signs-upstate-ny-gaming-economic-development-act>.

35. NY State Gaming Commission, Sports Wagering, January 2019, accessed from <https://www.gaming.ny.gov/pdf/20190127%20Sports%20wagering%20rule%20draft%20C.pdf>.

36. 9th State of the State address, accessed from <https://www.governor.ny.gov/news/video-audio-photos-rush-transcript-governor-cuomo-outlines-2019-justice-agenda-time-now>.

37. USBets, Reality Check: New York State Is Years Away From Online Sports Betting, January 2019, accessed from <https://www.usbets.com/new-york-years-away-online-sports-betting/>

38. New York Times, Sports Betting May Soon Be Legal in New York, but Only 4 Casinos Upstate Would Offer It, January 2019, accessed from <https://www.nytimes.com/2019/01/28/nyregion/sports-betting-new-york-casinos.html>.

39. Legal Sports Report, January 17 2019, accessed from <https://www.legalsportsreport.com/27731/pretlow-ny-sports-betting-2019/>

2.5.9 IOWA STATE REGULATORY SITUATION

PointsBet signed a partnership with Catfish Bend Casino in the State of Iowa on the 3rd April 2019, which will include the launch of both retail and mobile sportsbook operations. Iowa's existing gambling industry consists of 19 casinos (including one joint casino/racetrack) and one greyhound racing facility, licensed by the Iowa Gaming & Racing Commission (**IRGC**). In 2017, gaming facilities generated US\$1.45 billion (\$2.05 billion) in revenue, with US\$319 million (\$448 million) paid in gambling taxes.⁴⁰ The potential sports betting revenue in Iowa is estimated at US\$158 million (\$220 million).⁴¹

TABLE 6: GAMBLING INDUSTRY OVERVIEW, IOWA, 2019

POPULATION (MILLIONS)	CURRENT GAMBLING INDUSTRY*	POTENTIAL SPORTS BETTING REVENUE	LEGISLATIVE STATUS – SPORTS BETTING
3.2	19 licensed casinos (including one combined casino and racetrack) and one greyhound track. Gaming revenue was US\$1.45 billion (\$2.05 billion) in 2017	US\$158 million (\$220 million)	Law allowing sports betting was signed by the Governor in May 2019. ⁴²

* excludes tribal casinos

Sources: US Census Bureau, Annual Estimates of the Resident Populations of the United States Regions, States and Puerto Rico, April 1st 2010 to July 1st 2018; Iowa Gaming & Racing Commission; Eilers & Krejciak Gaming, Legal Sports Betting, Defining the US Opportunity, April 2019. Quoted with permission of Eilers & Krejciak Gaming

Legislation to permit sports betting was signed by the Governor in May 2019. The law allows mobile betting (with in-person registration required until January 1st 2021). Several partnerships to provide sports betting services have already been signed, including by PointsBet with Catfish Bend Casino.⁴³

2.5.10 ILLINOIS STATE REGULATORY SITUATION

A casino industry has existed in Illinois since 1990 when Riverboat gambling was authorised, and now consists of 10 licensed casinos. The industry generated revenue of US\$1.37 billion (\$1.92 billion) in 2018, with taxes of approximately US\$460 million (\$645 million).⁴⁴ Additionally, there are three operating horse racing venues in Illinois where paris-mutuel betting is legal, which generated US\$574 million (\$805 million) in turnover in 2018.⁴⁵ The potential sports wagering revenue in Illinois is estimated at US\$784 million (\$1,093 million).⁴⁶

TABLE 7: GAMBLING INDUSTRY OVERVIEW, ILLINOIS, 2019

POPULATION (MILLIONS)	CURRENT GAMBLING INDUSTRY*	POTENTIAL SPORTS BETTING REVENUE	LEGISLATIVE STATUS – SPORTS BETTING
12.7	10 licensed riverboat casinos and three horse racing tracks. Gaming revenue was US\$1.37 billion (\$1.92 billion) in 2018	US\$784 million (\$1,093 million)	A bill is currently before the Illinois General Assembly to permit sports betting, with amendments being discussed by legislators. ⁴⁷

* excludes tribal casinos

Sources: US Census Bureau, Annual Estimates of the Resident Populations of the United States Regions, States and Puerto Rico, April 1st 2010 to July 1st 2018; Illinois Gaming Board; Eilers & Krejciak Gaming, Legal Sports Betting, Defining the US Opportunity, April 2019. Quoted with permission of Eilers & Krejciak Gaming

The state Governor is supportive of the legalisation of sports betting, and revenue from sports betting taxation has been included in the current budget. A legislative process has commenced with a number of models currently under consideration by lawmakers. A shell bill BB3308 was filed in the state legislature in March 2019, with a number of amendments subsequently filed that contemplate different legal models of sports betting. The exact format of sports betting that would be introduced in the state (for example, whether online/mobile sports betting would be allowed) is currently unclear, subject to ongoing discussions.⁴⁸

40. IRGC annual report, 2017.

41. Eilers & Krejciak Gaming, Legal Sports Betting, Defining the US Opportunity, April 2019. Quoted with permission of Eilers & Krejciak Gaming.

42. <https://www.legalsportsreport.com/32484/iowa-sports-betting-law-signed/>.

43. Ibid.

44. Illinois Gaming Board, Monthly Revenue Report, December 2018.

45. Illinois Racing Board, 2018 annual report.

46. Eilers & Krejciak Gaming, Legal Sports Betting, Defining the US Opportunity, April 2019. Quoted with permission of Eilers & Krejciak Gaming.

47. <https://sportshandle.com/future-illinois-sports-betting/>.

48. Ibid.

2.5.11 COLORADO STATE REGULATORY SITUATION

A casino industry developed in Colorado from 1991, and now consists of 33 operating casinos, in addition to one horse racing venue. Licenses are issued by the Colorado Division of Gaming and the Gaming Commission, with licensed casinos generating US\$828 million (\$1.16 billion) in revenue in 2017, with taxes paid of US\$121 million (\$170 million).⁴⁹ The potential sports wagering revenue in Colorado is estimated at US\$296 million (\$413 million).⁵⁰

TABLE 8: GAMBLING INDUSTRY OVERVIEW, COLORADO, 2019

POPULATION (MILLIONS)	CURRENT GAMBLING INDUSTRY*	POTENTIAL SPORTS BETTING REVENUE	LEGISLATIVE STATUS – SPORTS BETTING
5.7	33 licensed casinos. Gaming revenue was US\$828 million (\$1.16 billion) in 2017	US\$296 million (\$413 million)	No bill has been submitted yet, however some legislators are currently developing a framework for sports betting that may be submitted to the General Assembly in May 2019, with a subsequent referendum to permit sports betting. ⁵¹

* excludes tribal casinos

Sources: US Census Bureau, Annual Estimates of the Resident Populations of the United States Regions, States and Puerto Rico, April 1st 2010 to July 1st 2018; Colorado Department of Revenue; Eilers & Krejci Gaming, Legal Sports Betting, Defining the US Opportunity, April 2019. Quoted with permission of Eilers & Krejci Gaming

Legislation to permit sports betting has not yet been presented to the Colorado General Assembly, however the House Majority Leader has announced he is planning to present a bill during the current legislative session.⁵² Although details of the bill have not yet been released, it is likely to require a public vote in November 2019, and will include legalisation of online/mobile sports wagering.⁵³

2.6 MEXICO MARKET OPPORTUNITY

PointsBet is also considering entry to the Mexican online wagering market. Key demographic, economic and technology indicators for Mexico are given below.

TABLE 9: KEY DEMOGRAPHIC, ECONOMIC AND TECHNOLOGY INDICATORS, MEXICO

POPULATION, 2017 (MILLIONS)	GDP, 2017 (US\$ BILLIONS)	GDP PER CAPITA, 2017 (US\$)	INTERNET PENETRATION, 2017	SMARTPHONE PENETRATION, 2015
129	1,151	9,139	64%	50%

Sources: World Bank, population, total; IMF World Economic Database; ITU, Country ICT Data; GSMA, Mexico

2.6.1 REGULATORY SITUATION

Gambling is currently legal in Mexico, subject to governmental authorisation to conduct gaming activities from the relevant body. Federal rather than state or local regulation governs gambling activity, except for tax issues. Federal regulation is based on the Federal Games and Draws Law (**Gaming Law**), in effect since 5 January 1948. This Law continues to regulate gambling activities, although a new Federal Gaming Law (**Draft Bill**) is currently under review in the legislature. There is currently no specific legal definition of online gambling in Mexican law, although this is likely to be addressed in the Draft Bill which defines online gambling as gambling activity conducted through any electronic device which can be connected to the Internet and without any physical contact among the participant and the permit holder (Article 3, section XXIII, Draft Bill).

In the absence of formal regulation, online wagering in Mexico has operated with some legal ambiguity. Online gaming operators have been permitted to operate via special license since 2000, but only land based operators have been allowed to offer their services locally. Illegal offshore operators currently dominate the online market, estimated to account for US\$1.8 billion (\$2.45 billion) of the US\$2 billion (\$2.72 billion) online betting market in 2018.⁵⁴

49. Colorado Department of Revenue, Division of Gaming, Factbook 2017.

50. Eilers & Krejci Gaming, Legal Sports Betting, Defining the US Opportunity, April 2019. Quoted with permission of Eilers & Krejci Gaming.

51. <https://kdvr.com/2019/03/21/colorado-lawmakers-preparing-legislation-to-legalize-sports-gambling/>.

52. <https://www.denverpost.com/2019/04/04/sports-betting-vaccination-immigration-colorado-legislature/>.

53. <https://kdvr.com/2019/03/21/colorado-lawmakers-preparing-legislation-to-legalize-sports-gambling/>.

54. G3 Newswire, Mexico's online betting market stands at over US\$2 billion, <http://g3newswire.com/mexico-mexicos-online-betting-market-stands-us2bn/#>, accessed December 2018.

2.6.2 MARKET DRIVERS

Regulatory change in Mexico through the new federal Gaming Law is likely to drive growth in online wagering, particularly through a conversion of current expenditure on illegal gambling sites to regulated, legal service providers. Following this anticipated regulatory change, a number of factors are likely to stimulate the legal wagering market, including growing Internet usage, increasing use of smartphones and rising household wealth levels.

In 2017, 64% of the population of Mexico were Internet users, having increased from 31% in 2010. However, further growth is likely, given that Mexico currently lags behind countries such as Chile (82%) and Argentina (71% in 2016).⁵⁵ Mexico is the second largest mobile telephony market in Latin America, after Brazil, with 69% mobile penetration of the population in 2015, forecast to rise to 84% by 2020. In 2015, about 50% of mobile users used a smartphone, and this is forecast to increase to 84% by 2020, with a forecast 91 million smartphone users by that date.⁵⁶

Rising levels of household wealth are also likely to stimulate wagering activity in Mexico. The International Monetary Fund (IMF) is forecasting that GDP per capita (current dollars) will increase from US\$9,319 (\$12,674) in 2017 to US\$11,705 (\$15,919) by 2023 at a CAGR of 3.9%.⁵⁷

2.6.3 MARKET POTENTIAL

Given expected legislative change to regulate online wagering in Mexico, a significant conversion of expenditure from illegal (largely offshore) sites to regulated operators is likely to occur. Currently, around US\$2 billion (\$2.72 billion) is estimated to be wagered online, with US\$1.8 billion (\$2.45 billion) of this going to illegal operators.⁵⁸ Regulation of the market would likely lead to significant overall growth in addition to the conversion from illegal wagering, as large international wagering service providers are likely to be attracted to the Mexican market given its potential size.

2.7 CONCLUSION

As an online wagering service provider, PointsBet is serving the fastest growing segment of the Australian gambling industry, and is also present in the rapidly developing US sports betting market via its operations in New Jersey. Key characteristics of the Australian and US sports wagering markets are given below.

TABLE 10: KEY CHARACTERISTICS OF THE ONLINE WAGERING MARKET, AUSTRALIA AND US, 2019

	AUSTRALIA	US
Licensor	Agencies of state/territory governments	Agencies of state governments
Licensee	Wagering service providers	Existing operators (e.g. casinos and racetracks) who generally enter into partnerships with one or more online wagering service providers
License Restrictions	License allows licensee to operate in all states and territories	Only intrastate wagering schemes permitted, in states where sports betting is legalised
Legality of Online Wagering	Legal in all states/territories	Currently legal in 5 states, but regulatory situation is rapidly changing
Taxation	Wagering winnings not assessable for income tax. POCT on operators' NWR introduced or being introduced in most states/territories	Wagering winnings assessable for income tax. Federal excise tax on sports wagers. Sports wagering taxes on NWR or revenue share arrangements being introduced
Online Wagering Revenue	\$2.18 billion (2018)	Market still nascent. Total wagering market forecast to reach US\$5.7 billion (\$7.95 billion) by 2023. Online is likely to account for dominant share, depending on number of states that legalise online wagering

Source: Frost & Sullivan; Eilers & Krejci Gaming, Legal Sports Betting, Defining the US Opportunity, April 2019. Quoted with permission of Eilers & Krejci Gaming

55. International Telecommunications Union, ITU, Country ICT Data, Percentage of Individuals using the Internet.

56. GSMA, Mexico Country Report, 2016.

57. IMF, World Economic Outlook Database, October 2018.

58. G3 Newswire, Mexico's online betting market stands at over US\$2 billion, <http://g3newswire.com/mexico-mexicos-online-betting-market-stands-us2bn/#>, accessed December 2018.

In Australia, whilst overall gambling expenditure is increasing broadly in line with GDP, sports betting (excluding racing) has increased at a CAGR of 20.9% since 2001 to reach \$1.06 billion in 2017. Total wagering expenditure on racing and sports betting in 2017 was \$4.37 billion.⁵⁹ A significant driver for this growth has been the online wagering sector, which is estimated at \$2.18 billion in revenue 2018. In 2017, online wagering was estimated to account for 46% of total wagering expenditure, based on total wagering expenditure of \$4.37 billion.⁶⁰ Despite recent regulatory changes, including the introduction of advertising restrictions and recent or upcoming introductions of POCT in most states and territories, online wagering in Australia is likely to continue to grow, given the convenience of using connected devices, especially smartphones, for wagering, with the percentage of bettors that place bets using mobile devices via apps or the Internet having increased from 6% in 2012 to 23% by 2018.⁶¹

PointsBet has also entered the US market, which is developing strongly following the striking down of PASPA by the US Supreme Court in 2018. Several US states have already legalised sports betting, including through online platforms in some cases, with several other states commencing regulatory processes to provide a legal framework for sports betting.

Given the developing regulatory regime, market analysts have made various forecasts for the size of the US sports betting market, based on different regulatory scenarios. One market analyst estimates that if all 50 US states fully legalise sports betting, including through online channels, the US sports betting market (across all channels) would be US\$17.3 billion (\$24.1 billion) in revenue.⁶² This is approximately 5.5 times larger than the Australian wagering market in 2017.⁶³

However, complete legalisation across all 50 states is unlikely, and analysts forecast the actual US sports betting market will reach US\$5.7 billion (\$7.95 billion) in 2023.⁶⁴ Online is likely to account for a significant portion of sports betting where it is permitted, with online channels already accounting for 80% of sports betting turnover in New Jersey.⁶⁵

As with the US, Mexico is currently undertaking a process of regulatory change likely to lead to a legal framework for online sports betting. Hence, the Mexican market is likely to represent an attractive opportunity for online wagering service providers, given the large population, increasing levels of Internet access and smartphone use, and growing household wealth levels.

2.8 DISCLOSURE

This is an independent report prepared by Frost & Sullivan. Save for the preparation of this report and services rendered in connection with this report for which normal professional fees will be received, Frost & Sullivan has no interest in PointsBet Holdings Limited and no interest in the outcome of the IPO. Payment of these fees to Frost & Sullivan is not contingent on the outcome of the IPO. Frost & Sullivan has not and will not receive any other benefits (including any commissions) and there are no factors which may reasonably be assumed to have influenced the contents of this report nor which may be assumed to have provided bias or influence. Frost & Sullivan consents to the inclusion of this report in the Prospectus in the form and context in which it is included. As at the date of this report, this consent has not been withdrawn. Frost & Sullivan does not hold a dealer's license or Financial Services License. This report does not constitute advice in respect of the IPO.

59. Australian Gambling Statistics, 34th edition, 2016-17.

60. Frost & Sullivan estimates; Australian Gambling Statistics, 34th edition, 2016-17, Product Tables.

61. Roy Morgan Research, Increase in mobile betting drives growth in online wagering, June 2018.

62. Eilers & Krejci Gaming, Legal Sports Betting, Defining the US Opportunity, April 2019. Quoted with permission of Eilers & Krejci Gaming.

63. Based on Australian racing and sports wagering revenue of \$4.37 billion (Australian Gambling Statistics, 34th edition, 2016-17).

64. Eilers & Krejci Gaming, Legal Sports Betting, Defining the US Opportunity, April 2019. Quoted with permission of Eilers & Krejci Gaming.

65. New Jersey Division of Gaming Enforcement, Monthly Press Releases & Statistical Summaries, March 2019.

For personal use only

SECTION 3.

COMPANY OVERVIEW



3.1 INTRODUCTION

3.1.1 OVERVIEW OF POINTSBET

PointsBet is a corporate bookmaker with operations in Australia, and New Jersey in the United States. PointsBet has developed a scalable cloud-based wagering Platform through which it offers its Clients innovative sports and racing wagering products. PointsBet's business model is to acquire new Clients, retain existing Clients and maximise Client engagement in order to become their primary betting partner.

PointsBet achieves this through a data-driven business model, a targeted marketing strategy that optimises its marketing spend and innovative products and services, all of which are enabled by the Company's scalable cloud-based technology Platform. The Company's Platform enables it to quickly innovate, develop and release new products to ensure alignment with Clients' evolving needs.

PointsBet's Founders and key executives have a long history in the Wagering Industry, having worked for some of the world's largest wagering and gaming brands.

In Australia, following incorporation in March 2015, PointsBet commenced development of its Platform and in February 2017 was granted an Australian Sports Bookmaker Licence by the Northern Territory Racing Commission.

In the United States, PointsBet secured market access in the State of New Jersey in July 2018. The Company then successfully launched its App and marketing campaign in New Jersey in January 2019, after having received the requisite regulatory approvals. In July 2018, PointsBet also secured market access in the State of New York, subject to the passage of enabling state legislation and receipt of regulatory approvals in that state. In April 2019, PointsBet secured market access in the State of Iowa and in May 2019, the Governor of Iowa signed sports betting legislation into law in that state. PointsBet has also secured access to the States of Colorado (April 2019) and Illinois (May 2019), subject to the passage of enabling state legislation and receipt of regulatory approvals in each state.

In 2018, PointsBet's Australian offering covered over 85,700 sporting events across 23 sports (including novelty markets) and more than 153,900 racing events across 22 countries. PointsBet aims to offer more pre-match markets on the NBA, NFL, MLB, NHL and AFL than any other bookmaker in the world.

PointsBet is a participant in the Wagering Industry (see the Independent Market Report in Section 2 for more details).

3.1.2 COMPANY HISTORY

PointsBet commenced developing its scalable cloud-based Platform in 2015 with a vision to disrupt the traditional Fixed Odds betting market in Australia by offering new and innovative ways to place bets on Australian and US sports. The Founders recognised that Australian market participants were offering similar products and marketing campaigns and that there was an opportunity to differentiate its product offering via the introduction of an innovative betting product, PointsBetting. In addition, the Founders saw the potential for PointsBet to utilise its Platform and its innovative product offering to gain market access in high potential new markets, in particular the United States.

In February 2017, PointsBet launched PointsBetting in Australia. PointsBet is the only wagering company in Australia to offer PointsBetting products. PointsBet later commenced providing a full-service online corporate bookmaker offering, adding Fixed Odds Racing (September 2017) and Fixed Odds Sports (March 2018) to complement PointsBetting.

In July 2018, PointsBet entered the United States market by entering into the long-term New Meadowlands Agreement with New Meadowlands Racetrack, LLC, the owner of New Meadowlands Racetrack, to operate as an online bookmaker in New Jersey. See Section 9.4.4 for further details.

In July 2018, PointsBet signed the binding Tioga Downs Option Agreement with American Racing and Entertainment, LLC, the owner of the Tioga Downs Casino Resort, to expand its operations as an online bookmaker into New York via an option to acquire its second licence or 'skin' (if a second skin is granted). As at the Prospectus Date, New York has not passed enabling legislation to authorise online sports betting. Accordingly, PointsBet, like all other sports betting operators, is not currently authorised to operate as an online bookmaker in New York at the Prospectus Date.

In April 2019, PointsBet signed the Catfish Bend Casino Agreement with Catfish Bend Casinos II, LLC, allowing PointsBet to operate the exclusive retail and kiosk sports book operations at the Catfish Bend Casino and to offer online and mobile sports wagering in the State of Iowa. In May 2019, the Governor of Iowa signed sports betting legislation into law. It is expected that sports betting operators will be required to be licensed to operate in Iowa and the Company intends to apply for any required licence as soon as practicable.

In April 2019, PointsBet signed the Colorado Casino Agreement allowing PointsBet to operate the exclusive retail sports book operations at a casino in Colorado and to offer online and mobile sports wagering in the State of Colorado. Colorado has not passed enabling legislation to authorise sports betting. Accordingly, PointsBet, like all other sports betting operators, is not currently authorised to operate as a sports bookmaker in Colorado as at the Prospectus Date.

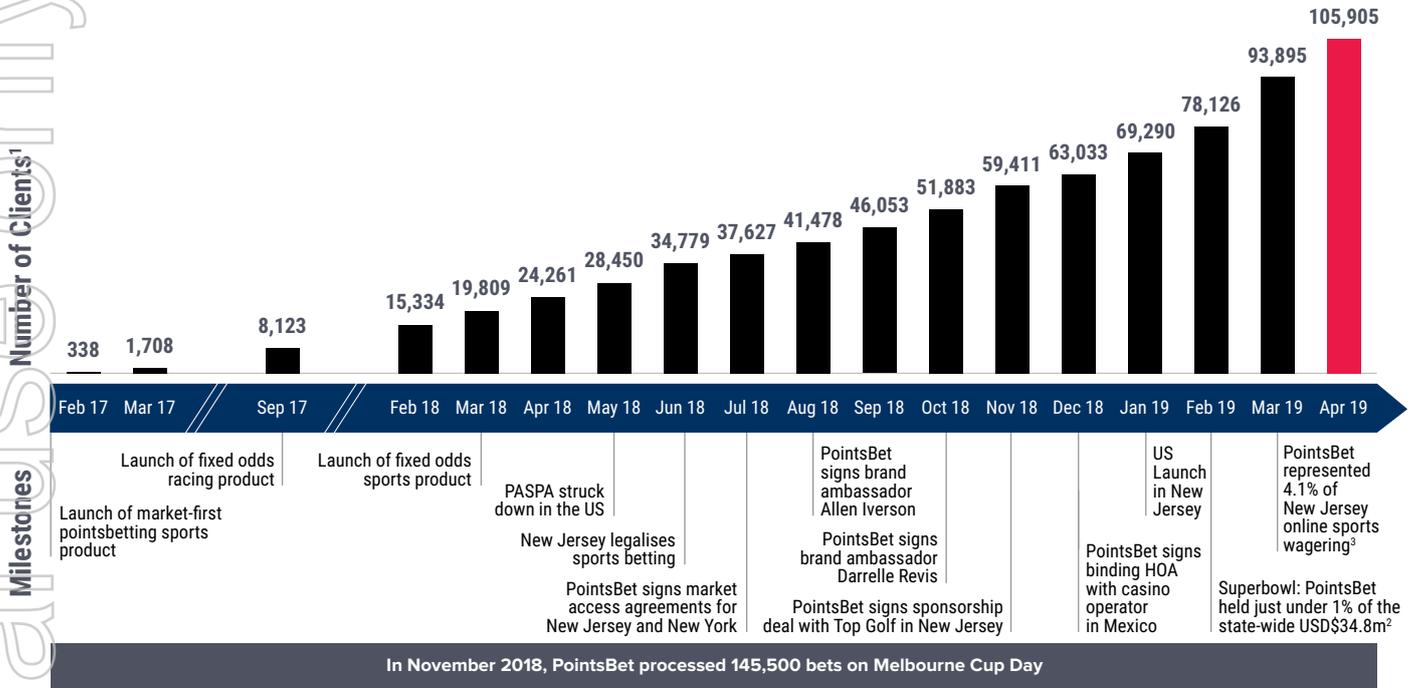
In May 2019, PointsBet signed the Illinois Agreement allowing PointsBet to operate the exclusive retail sports book operations at a property in Illinois and to offer online and mobile sports wagering in the State of Illinois. Illinois has not passed enabling legislation to authorise sports betting. Accordingly, PointsBet, like all other sports betting operators, is not authorised to operate as a sports bookmaker in Illinois as at the Prospectus Date.

See Section 2.5.8, Section 5.2.2 and Section 9.4.4 – 9.4.8 for further details.

3.1.3 KEY GROWTH MILESTONES

Since inception, PointsBet has experienced significant growth and has established a solid foundation from which to support domestic and international expansion.

FIGURE 3.1: POINTSBET'S KEY GROWTH MILESTONES



Note: 1. Represents total Clients in Australia and New Jersey.
 Source: 2. New Jersey DGE Feb 2019 Press Release.
 3. New Jersey DGE, March 2019 Press Release.

Key milestones and achievements for the Company's operations include:

- 105,905 Registered Clients at 30 April 2019;
- 72,302 Active Clients for the 12 months to 30 April 2019;
- 336% year-on-year growth in the number of Registered Clients (from 1 May 2018 to 30 April 2019);
- \$330 million in Turnover for CY2018;
- ~\$19.6 million in Net Win for CY2018;
- broadcast partnerships with Channel 7 (Cricket and AFL) and Channel 9 (NRL) and strategic media placements within Fox Sports and ESPN programming across multiple sporting codes; and
- a four year stadium naming rights agreement and partnership with the Cronulla Sharks (NRL) in April 2019.

In the United States, in the four months since PointsBet launched its App and marketing campaign in New Jersey in January 2019, the following milestones have been achieved:

- 18,764 App downloads;
- consistently in the top 5 ranked sports betting Apps (sports category) in the United States during February and March 2019;
- more than 21,070 Registered Clients;
- received both local and national press and TV coverage regarding its Karma Kommittee's decision to offer customers gaming credit due to a questionable referee call in a NFC Championship game between the New Orleans Saints and the Los Angeles Rams held on 20 January 2019; and
- further media coverage, including in the New York Times (digital) on 21 February 2019 referencing the Karma Kommittee's wager refund in the Duke college basketball game when there was a sneaker mishap with a star player.

FIGURE 3.2: SCREENSHOT OF POINTSBET'S US APP

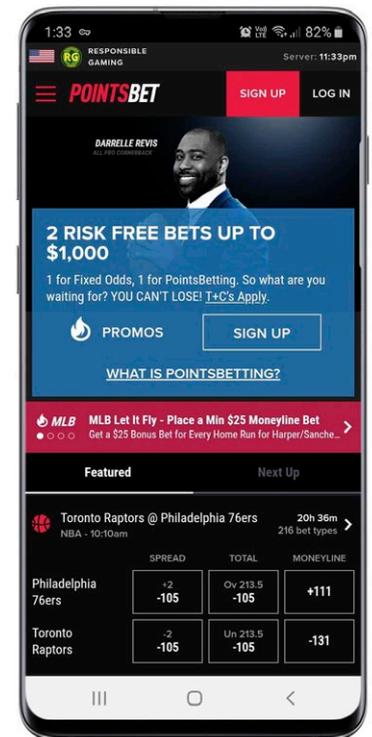


FIGURE 3.3: POINTSBET'S RECENT MEDIA COVERAGE



The PointsBet Karma Committee reviews questionable calls and unlucky outcomes in all sporting events and received national and local coverage across a range of US media outlets for these two cases.

3.1.4 GEOGRAPHIC PRESENCE OF POINTSBET'S OPERATIONS

As at 31 March 2019, PointsBet has 131 full-time equivalent employees, of which 90 are based in Melbourne and Darwin (Australia) and 41 are based in New Jersey.

FIGURE 3.4: GEOGRAPHIC PRESENCE OF POINTSBET'S OPERATIONS



3.2 BUSINESS MODEL

3.2.1 OVERVIEW

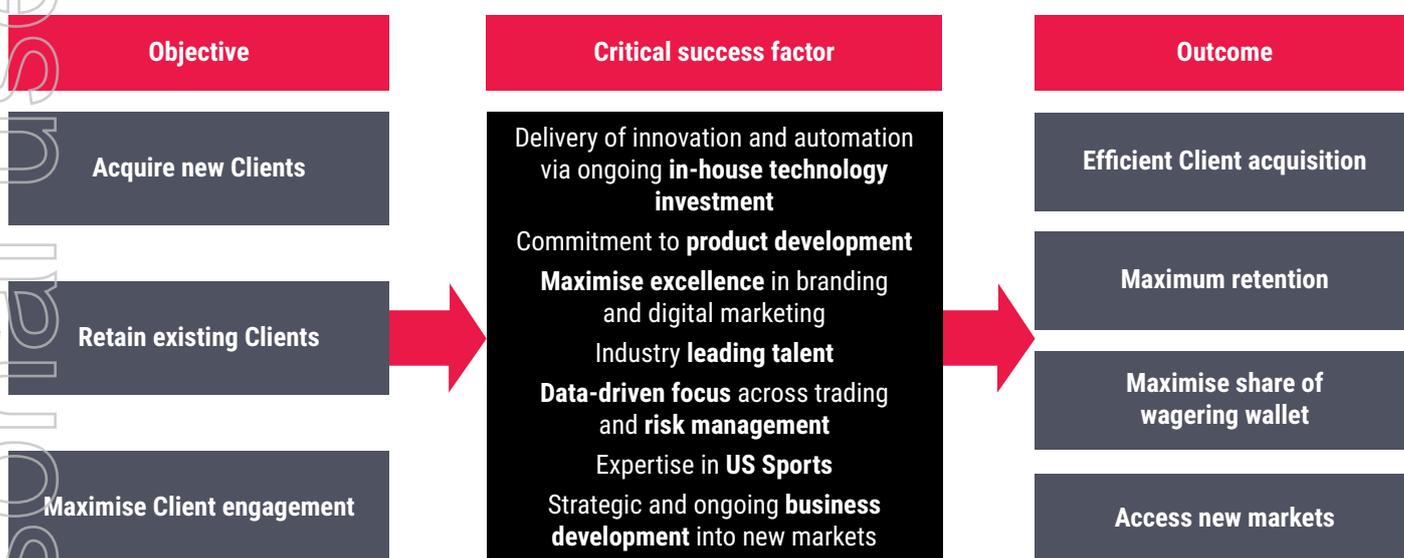
PointsBet is a corporate bookmaker, offering innovative racing and sports betting products and services direct to Clients via its scalable cloud-based technology Platform.

PointsBet adopts a data-driven business model, a targeted marketing strategy that optimises its marketing spend and an innovative range of products and services order to:

1. acquire new Clients;
2. retain existing Clients; and
3. maximise Client engagement to become their primary betting partner, through its scalable cloud-based technology Platform.

PointsBet aims to achieve these objectives by focusing on the critical success factors displayed in Figure 3.5 below:

FIGURE 3.5: POINTSBET'S OBJECTIVES, CRITICAL SUCCESS FACTORS AND OUTCOMES



In Australia, PointsBet can be accessed via any Internet-enabled device such as a desktop computer, laptop, smartphone or tablet. It can also be accessed via the telephone.

In New Jersey, PointsBet can be accessed via any Internet-enabled device such as a desktop computer, laptop, smartphone or tablet. Clients are required to be physically present in New Jersey in order to place a bet. PointsBet achieves this via Client geolocation, including via software embedded in the App.

3.2.2 REVENUE MODEL

PointsBet offers its Clients an extensive range of racing and sport betting products via its scalable cloud-based technology Platform.

PointsBet generates Turnover when its Clients place a bet on an event.

PointsBet's Gross Win is calculated as the dollar amount received from Clients who placed losing bets less the dollar amount paid to Clients who placed winning bets, excluding Client promotional costs.

In the period H1 FY2019, the Company's Gross Win as a proportion of Turnover was approximately 10.4%.

Net Win is calculated as the Gross Win less Client promotional costs (the costs incurred to acquire and retain Clients through bonus bets, money back offers, early payouts and enhanced pricing initiatives).

PointsBet will generate gross profit if its Net revenue (Net Win less GST) is greater than its cost of sales, which are primarily gaming regulator taxes, racing and sporting body fees, point of consumption taxes, payment transaction fees and data feed charges.

PointsBet's trading personnel and quantitative team focus on delivering strong returns on Turnover over the long term.

3.2.3 CLIENT BASE

PointsBet has a large and expanding Client base primarily located in Australia, the majority of which are male between the ages of 25 to 45 years.

As at 30 April 2019, PointsBet had approximately 105,905 Registered Clients, the majority of which (81,644) have been acquired in the 12 months to 30 April 2019 (representing a 336% increase in its Registered Clients over the period).

During the 12 months to 30 April 2019, PointsBet has 72,302 Active Clients, being Registered Clients that placed a bet during the period.

In Australia, PointsBet will seek to increase its market share through continued investment in acquiring new Clients, retaining and growing its share of betting spend with its existing Client base and expanding its product offering to meet its Clients' evolving requirements.

In New Jersey, in the four-month period commencing 17 January 2019 (approval of the PointsBet App and brand launch on 17 January 2019) until 22 May 2019, the Company had acquired 21,798 Clients.

Over the 12 months to 30 April 2019, the average stake per bet was \$53.16 (in Australia) and US\$74.52 (in New Jersey, United States). As at 30 April 2019, there were 72,302 Active Clients and 105,905 Registered Clients, meaning that 68.3% of Registered Clients were Active Clients and 31.7% of Registered Clients were not Active Clients. Of those Clients who were Active Clients in the 12 months to 31 March 2019, 97.4% remained Active Clients in the 12 months to 30 April 2019. A total of 59,011 Active Clients placed five or more bets in the 12 months to 30 April 2019 and 44,126 Active Clients placed one or more bets in the three months to 30 April 2019.

The Company aims to grow its Client base in New Jersey and enter into new states in the United States. In order for a wagering company to enter any state in the United States, it requires commercial agreements with licence holders. PointsBet has commercial agreements with operators in other states in the United States, being the Tioga Downs Agreement in New York, the Catfish Bend Casino Agreement in Iowa, the Colorado Casino Agreement in Colorado and the Illinois Agreement in Illinois. In May 2019, the Governor of Iowa signed sports betting legislation into law, however it is expected that PointsBet will be required to obtain a licence to commence sports betting operations in Iowa. For PointsBet to commence commercial operations in Colorado and Illinois (and any other states where PointsBet enters into new commercial agreements), it requires the passage of enabling legislation and the grant of a requisite licence to PointsBet's commercial partners and PointsBet being approved for operations. See Section 5.2.2 for further details.

3.2.4 AUSTRALIAN MARKET OPPORTUNITY

There continues to be strong industry growth in Australia across racing and sports wagering, driven by consumer behaviour trends, increased availability of Internet access, smartphone penetration and product innovation, with the total size of the racing and sports wagering market being approximately \$4.37 billion in revenue in 2017. Sports betting over the period 2001 to 2017, has grown at a CAGR of 20.9% and online wagering has grown over the period of 2014 to 2018 at a CAGR of 11.7%. Recent market consolidation has seen the exit of brands such as Sportingbet, Centrebet, tomwaterhouse.com, William Hill, CrownBet and Tatts/Ubet.

Australia represents the highest per capita gambling expenditure in the world, with 64% of Australian adults estimated to participate in some form of gambling each year. As such the Wagering Industry in Australia is highly competitive and highly regulated.

Any future regulatory changes to allow online in-play betting may act as a significant boost to the legal online wagering market. A review of sports integrity arrangements in Australia commissioned by the Minister for Sport, published in September 2018, recommended that consideration be given to allowing online in-play wagering in Australia through authorised Sports Wagering Service Providers (**SWSPs**) to provide a more effective identification of potential wagering-related match-fixing or other forms of sports corruption, and so as to allow sports, authorised Australian SWSPs and governments to receive the financial benefits generated." The report is currently being reviewed by the Minister.

PointsBet is well positioned to continue to expand its Client base and take advantage of the expected growth in the Wagering Industry in Australia.

The market data and information set out above has been sourced from the Independent Market Report (see Sections 2.4.3, 2.4.4 and 2.4.5).

3.2.5 UNITED STATES MARKET OPPORTUNITY

As a result of the Professional and Amateur Sport Protection Act (PASPA) being overturned by the US Supreme Court in May 2018, there is a significant market opportunity in the United States for PointsBet. This has enabled individual states to introduce legislation to permit sports betting, including online sports betting.

Sports betting is licensed on a state-by-state basis in the United States as shown in Table 3.1 below:

TABLE 3.1: UNITED STATES SPORTS BETTING LICENCES ON A STATE-BY-STATE BASIS AS AT 15 MAY 2019¹

STATE	POPULATION (MILLIONS)	COMMENTS	ONLINE SPORTS BETTING PERMITTED?
Nevada	3.0	Legalised sports betting in 1931, and benefitted from grandfathering clause in PASPA	Yes
Delaware	1.0	Previously partially exempted from PASPA, single-betting games were legalised in June 2018	No
New Jersey	9.0	Legalised from June 2018, for both offline and online channels	Yes
Mississippi	3.0	In-person sports betting legalised from August 2018	No
West Virginia	1.8	Authorised from August 2018	Yes
Pennsylvania	12.8	Sports betting legalised at casinos	Yes
Rhode Island	1.0	Authorised from June 2018	No
Montana	1.1	Exempted from PASPA for lottery pools. Limited sports pool available, and no current moves to expand	No
Arkansas	3.0	Legalised sports betting via voter referendum on November 6, 2018. Currently being implemented	No
Iowa	3.1	Legalised sports betting in May 2019	Yes

A further 26 states have introduced bills or are at various stages of legislative change for the regulation of sports betting as at May 2019.

It is forecast that annual sports betting revenue will reach US\$5.7 billion (or \$7.95 billion using an exchange rate of AUD:USD 1:0.717) by 2023 (assuming 36 US states plus Washington DC legalise sports betting).²

One market analyst estimates that if all 50 US states fully legalise sports betting, including through online channels, the US sports betting market (across all channels) would be US\$17.3 billion (\$24.1 billion using an exchange rate of AUD:USD 1:0.717) in revenue per annum. This is approximately 5.5 times larger than the Australian wagering market in 2017.³

The opening of the regulated sports betting market in the United States is attracting a number of participants to enter the market, either as licensed operators or as partners with licensed operators. Given that sports betting has largely not been available in the United States until 2018, existing global wagering service providers are just starting to enter the market, and are doing so via partnerships with existing gambling permit holders. These existing participants offer access to licences (as sports betting licences are generally restricted to existing gambling industry participants, such as casinos and racetracks), as well as brand names, in a market where existing global wagering service providers have low brand recognition.

PointsBet is well positioned to continue to grow its Client base in New Jersey and take advantage of expected change to the regulatory landscape in the United States to enter new markets.

The market data and information set out above has been sourced from the Independent Market Report (see Sections 2.5.2, 2.5.5 and 2.5.6).

1. Independent Market Report (see Section 2.5.2).
 2. Independent Market Report (see Section 2.5.6).
 3. Independent Market Report (see Section 2.7).

3.3 PRODUCTS AND SERVICES

3.3.1 OVERVIEW

PointsBet has a clearly defined strategy for expanding its product offering, which is focussed on Fixed Odds Racing, Fixed Odds Sports and PointsBetting products. The Company's scalable cloud-based technology Platform provides the Company with the ability to innovate, develop and release new products to ensure alignment with its Clients' evolving needs. Through this continuous development, PointsBet expects to continue to grow Turnover and Net Win from existing Clients, and to win new Clients.

FIGURE 3.6: POINTSBET'S PRODUCT OFFERING IN 2018

FIXED ODDS RACING	FIXED ODDS SPORTS	POINTS BETTING SPORTS
Across 22 Countries	23 Sports	18 Sports
~153,900 Races	~85,700 Events	~24,800 Events
808 Tracks Listed	In-Play* and Pre-Match Betting	Only Australian and US Bookmaker

* In Australia only available by phone. In New Jersey only available online.

3.3.2 FIXED ODDS RACING

PointsBet's Fixed Odds Racing products offer Clients an extensive range of racing wagering options such as fixed odds and Tote derivative products for win and place, and Exotics such as Quinella, Exacta, Trifecta, First Four, Doubles, and Quadrellas.

In 2018, PointsBet covered racing from 22 different countries and over 153,900 races across Thoroughbreds, Harness and Greyhound racing. The Company expects to grow this product range in 2019.

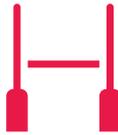
Figure 3.7 below illustrates the countries where international races were covered in 2018 by the Company's Fixed Odds Racing products.

FIGURE 3.7: INTERNATIONAL LOCATIONS OF POINTSBET'S FIXED ODDS RACING PRODUCTS



3.3.3 FIXED ODDS SPORTS

FIGURE 3.8: POINTSBET'S FIXED ODDS SPORTS MARKETS

AMERICAN FOOTBALL	AUSSIE RULES	BASEBALL	BASKETBALL	BOXING	CYCLING
					
CRICKET	DARTS	GOLF	HURLING	ICE HOCKEY	MMA
					
MOTOR SPORTS	RACING*	RUGBY LEAGUE	RUGBY UNION	SAILING	SNOOKER
					
SOCCER	TENNIS	ENTERTAINMENT	POLITICS	FINANCIAL**	
					

Note

* Thoroughbred, Greyhounds and Harness are combined under Racing

** Restricted to Fixed Odds declared betting events currently allowable via regulation

In 2018, PointsBet's Fixed Odds Sports products provided sports betting options on over 85,700 sporting events across 20 sports, including all major US sporting leagues (NBA, NFL, MLB and NHL) and major Australian sporting leagues (AFL, NRL and BBL), together with three novelty categories (financial, entertainment and politics). These are included in the sports category in this Prospectus, for ease of reference.

PointsBet aims to provide more markets on NBA, NFL, MLB, NHL and AFL than any other bookmaker in the world. PointsBet aims to offer 800 markets on each AFL game, aims to offer 600 markets on each NBA game, and during the 2019 NFL Superbowl, PointsBet offered a diverse range of markets, including market-leading betting options across Fixed Odds Sports and PointsBetting. PointsBet also offers betting options such as pre game and in-play for both single, match and futures.

3.3.4 POINTSBETTING

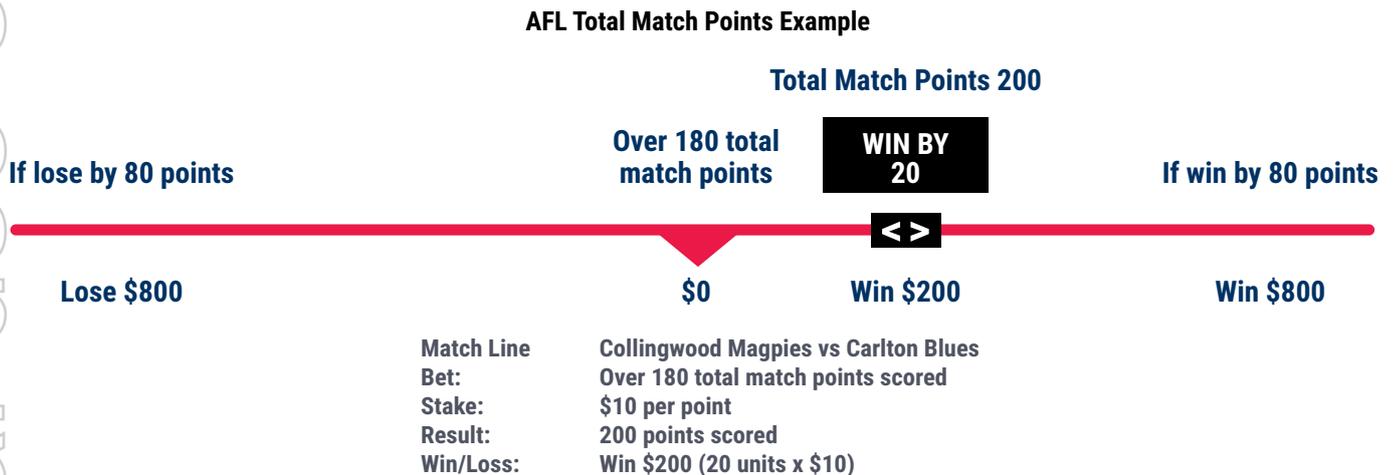
PointsBetting is a product that is not offered by any other corporate bookmaker in Australia or the United States. PointsBet offers PointsBetting on all sports across major sporting leagues including NBA, NFL, NHL, MLB, AFL and NRL. PointsBetting allows Clients to increase their winnings from a bet based on the spread of the underlying contingency. It also results in increased losses for losing bets.

HOW POINTSBETTING WORKS

If a bet wins by 1 point (or unit), the Client wins 1 x their bet amount (stake). If a bet wins by 20 units, the Client wins 20 x their stake.

Conversely, if a bet loses by 1 unit, the Client loses 1 x their stake. If a bet loses by 20 units, the Client loses 20 x their stake.

FIGURE 3.9: HOW POINTSBETTING WORKS



3.4 INFORMATION TECHNOLOGY

3.4.1 PLATFORM

Information technology and safeguards are critical to providing an uninterrupted service to PointsBet's Clients and to maintain data integrity and privacy. PointsBet has developed its own scalable cloud-based technology Platform using a combination of proprietary internally developed software and technologies and licensed third-party software and technologies.

PointsBet's Platform is specifically designed to be scalable and fast, utilising cloud-based platforms, specifically Microsoft Azure, that allow for PointsBet's systems and features to be developed in a timely and cost-efficient manner compared to more traditional infrastructure and hosted solutions.

PointsBet's systems rely on the serverless components of Microsoft Azure providing high levels of performance metrics, transparency and scalability that would be difficult to achieve using traditional infrastructure. This was demonstrated in the Melbourne Spring Carnival in 2018 where PointsBet was able to handle significant spikes of activity and client demand while certain competitors were not.

The scalable cloud-based Platform is centrally supported from Australia and allows the Company to support and develop a number of different user interfaces including web, mobile, kiosk and over the counter solutions. The Platform contains built-in marketing and customer relationship management features, risk management systems, odds management, content delivery, marketing tools and Client facing components. It also supports online in-play betting, in addition to the phone betting offering, which is currently utilised in Australia.

As part of PointsBet's entry into the United States market, the Company has built full support for online in-play wagering capability in addition to pre-match betting. This includes automated pricing consumption from multiple data feed providers, risk management tools, unique live betting user experience and underlying Platform infrastructure to support a highly dynamic real-time betting experience with robust and scalable systems.

Other key features of PointsBet's scalable cloud-based technology Platform include:

- back-end automation to facilitate efficiency and maximise margins;
- integrated third-party and in-house data feeds for Australia and New Jersey; and
- integrated deposit and withdrawal options.

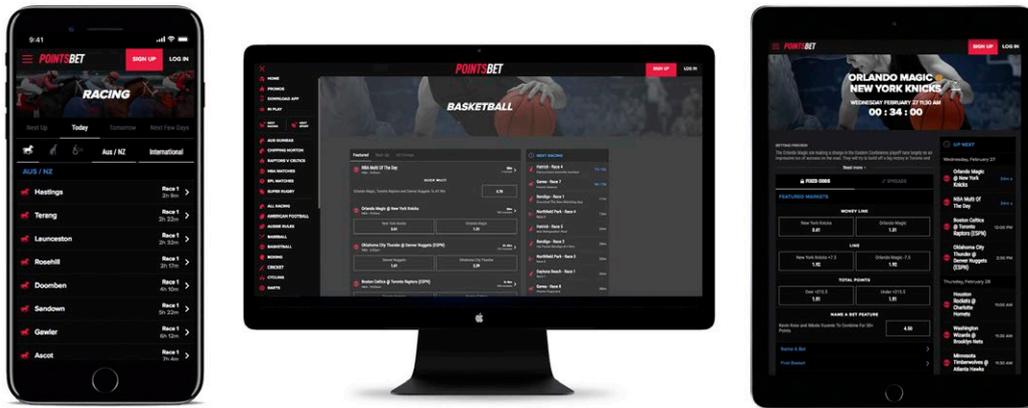
PointsBet either owns or has an irrevocable licence to use all material intellectual property associated with the Platform. The Platform has evolved from third-party licensed technology through many bespoke features developed in-house and has been integrated to handle all aspects of player account management, traditional Fixed Odds Racing, Fixed Odds Sports and PointsBetting.

3.4.2 USER INTERFACE

PointsBet's scalable cloud-based technology Platform provides a unified application program interface that supports backward compatibility and versioning across web, mobile and phone betting channels. This allows PointsBet to support mobile applications and web-based front-end as well as external integrations across multiple countries.

PointsBet has designed its user interface with a mobile-first and App-first strategy that allows for an optimised Client experience that seamlessly transitions from desktop to mobile web to the mobile Apps on iOS and Android. User experience continuity means that Client interactions are easily and intuitively repeatable across every channel and this allows the Company to retain Clients and improve Client engagement with the Platform.

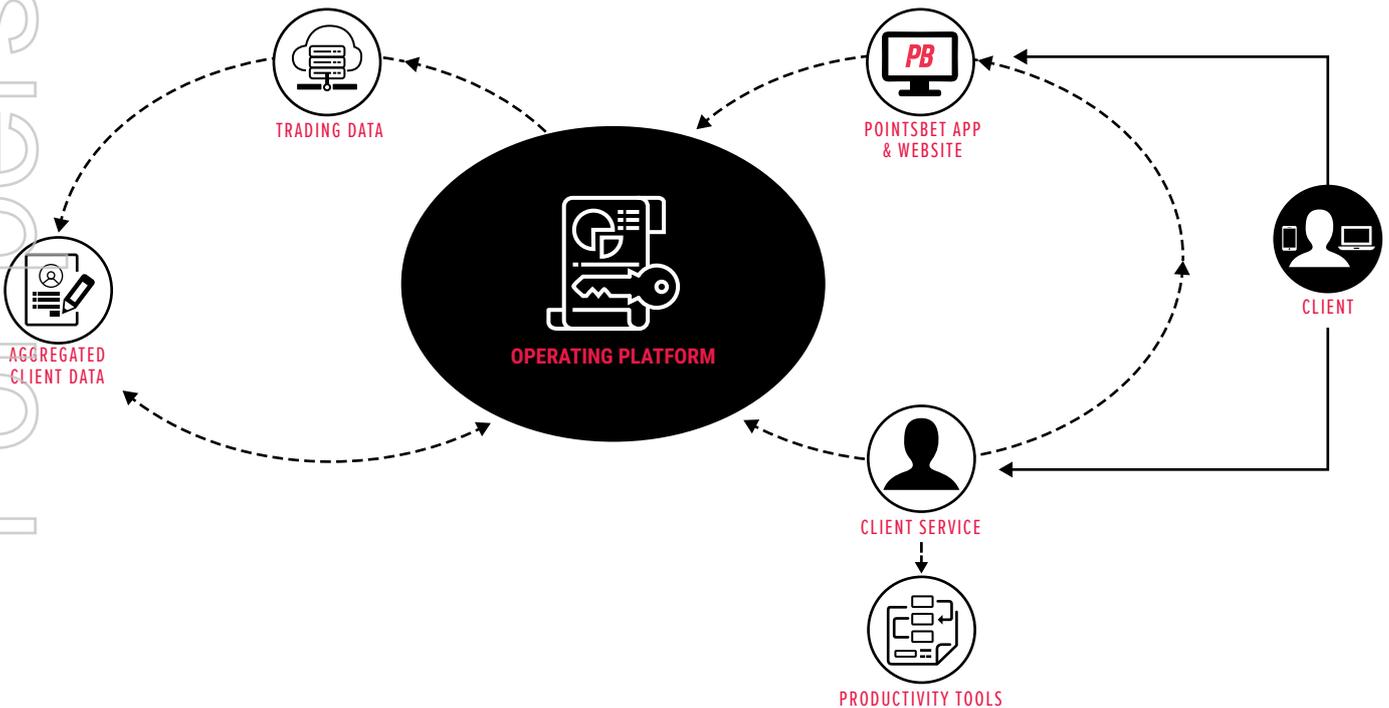
FIGURE 3.10: POINTSBET'S USER INTERFACE



3.4.3 CLIENT SERVICE SYSTEMS

PointsBet utilises a number of third-party, cloud-based solution providers for Client service requirements and is able to service its Clients from multiple locations globally. This Client service model enables PointsBet to provide live and immediate solutions to its Clients across a range of mediums, including email, phone, SMS and social media.

FIGURE 3.11: DELIVERY OF SERVICES



3.5 MARKETING AND PROMOTIONS

PointsBet maintains a focussed and controlled strategy to maximise returns from its marketing spend.

PointsBet's overall marketing spend has grown in line with the Company's product and Platform enhancements.

PointsBet has planned its marketing spend around the introduction of key product releases and key events, enhancing the effectiveness of its marketing spend.

Following the launch of PointsBet's Fixed Odds Sports product in March 2018, the Company has increased its marketing spend in Australia from approximately \$2 million in CY2017 to approximately \$12.3 million in CY2018. Management expects that marketing costs through online and offline channels will continue to grow in order to attract new Clients and retain and grow the spend of existing Clients.

On 17 January 2019, PointsBet launched its New Jersey brand and marketing strategy.

3.5.1 MARKETING

PointsBet uses online and offline channels to market its products and services.

Marketing spend is managed by the Company's experienced in-house marketing team, largely eliminating the need to engage marketing agencies, which enables PointsBet to negotiate directly with media providers.

The Company has a comprehensive integrated multi-channel marketing strategy that optimises its marketing spend based on the analysis of the category's target audience.

PointsBet has a focus on free-to-air television, subscription television and digital advertising, complemented by radio, press and outdoor advertising.

PointsBet continually profiles its target markets in order to optimise the messaging and positioning of its marketing to achieve communication consistency. This assists in influencing and building brand equity in the market.

All marketing campaigns and media are reviewed and analysed by reference to a range of performance indicators, which enables the Company to determine the success or otherwise of a campaign and design future campaigns to maximise the return on investment.

3.5.2 PROMOTIONS

PointsBet utilises promotions such as bonus bets, money back specials or enhanced pricing initiatives in compliance with relevant laws and regulations. Promotions are data driven and aimed at growing new Clients, retaining existing Clients and maximising Client engagement. Promotional costs are typically high during the start-up and establishment of a wagering business in order to be competitive in the market. For example, new Clients may be given welcome bonuses, which means that when new Clients make up a large proportion of a business' client base, promotional costs are disproportionately high. In Australia, it is expected that promotional costs as a proportion of Turnover should decrease over time as the Client base matures and new Clients make up a smaller percentage of the Company's overall number of Clients.

In the US, the Company will continue to use promotions to acquire new Clients. Due to the recent opening of the market in New Jersey, the Company will run competitive promotions to attract and retain new Clients. As such, in the short term, promotional costs as a percentage of Turnover will likely continue to remain higher in the US until the market matures.

3.5.3 BRAND AND MEDIA PARTNERSHIPS

3.5.3.1 AUSTRALIA

PointsBet positions itself as being an innovative and bold challenger brand. Given the growth and popularity of betting on US sports in Australia, PointsBet secured NBA legend Allen Iverson as a brand ambassador to front the Company's campaigns across all television and digital communications with the tagline: "There's a new player in town". In addition, PointsBet has signed local brand ambassadors, Brett Finch (NRL) and Billy Brownless (AFL).

PointsBet's offline media strategy is based around securing media partnerships in live sport or sports programming where audiences are skewed to 18-54 year old men. Key marketing deals include:

- Channel 7's "Summer of Cricket" in 2018/19, making PointsBet the exclusive wagering partner for the Big Bash League and Australian test series;
- Channel 7's AFL 2019 Season (100% category exclusivity in regional Australia and Tier 2 partner in metro Australia);
- Channel 9's NRL Regional 2019 Season (100% category exclusivity);
- ESPN coverage during NBA, NFL, X Games and Tennis telecasts until March 2019; and
- in April 2019, PointsBet signed a partnership and stadium naming rights agreement with the Cronulla Sharks (NRL) for a period of four years.

FIGURE 3.12: ARTISTIC IMPRESSION OF POINTSBET STADIUM SIGNAGE

3.5.3.2 UNITED STATES

In the United States, the Company's marketing strategy is currently focussed towards digital media due to the regulatory landscape and the geography of the United States media market.

Due to their close proximity, New York and New Jersey represent one media market, with residents in New Jersey receiving TV broadcasts from New York and Philadelphia. Television advertising spend in New Jersey would be inefficient due to the majority of the publicity being received by New York residents, where online sports betting is not currently legal. The nature of the market means that significant potential synergies are available to PointsBet in the event that enabling legislation allows PointsBet to exercise its option in New York.

**FIGURE 3.13: ALLEN IVERSON
- POINTSBET BRAND AMBASSADOR**



**FIGURE 3.14: DARRELLE REVIS
- POINTSBET BRAND AMBASSADOR**



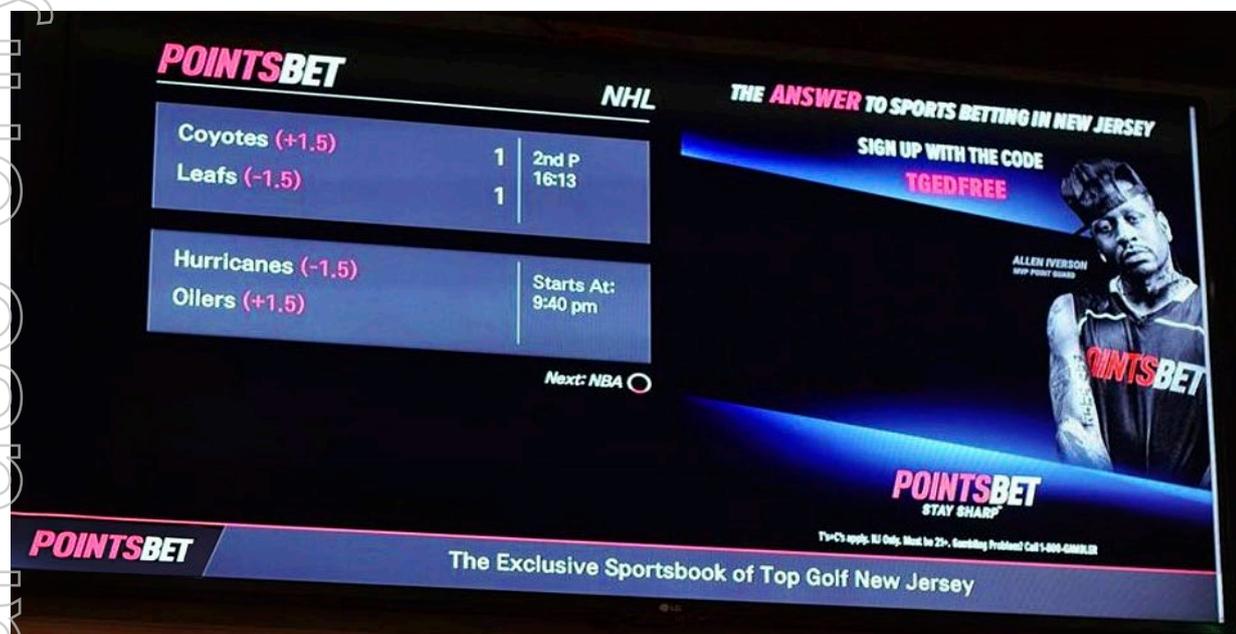
PointsBet will utilise its brand ambassadors, Allen Iverson and Darrelle Revis, to drive early brand awareness and recognition in the United States market.

Allen Iverson was an 11 times NBA All Star and spent 11 years playing for the Philadelphia 76ers. Darrelle Revis was a seven times NFL Pro Bowler and spent eight years playing for the New York Jets.

Both ambassadors played the majority of their careers for teams in the local media market and are well recognised across the United States and internationally.

The Company has also entered into a Corporate Sponsorship Agreement with global sports and entertainment leader Topgolf. Under the agreement, PointsBet has been appointed the exclusive sports betting partner for Topgolf in New Jersey. Marketing and advertising assets made available to PointsBet include PointsBet-branded bar areas with in-venue media, dedicated social media campaigns, onsite activation and branded hospitality events to increase brand awareness and drive Client activation.

FIGURE 3.15: POINTSBET IN-VEUUE MEDIA



3.5.4 DIGITAL MARKETING

PointsBet utilises leading technology to deliver marketing campaigns across paid search, social (paid and organic), programmatic content and media networks including YouTube, Google Display Network and affiliate partners.

An important channel through which the Company acquires new Clients is via paid or organic search. PointsBet utilises dynamic audience lists to adjust the bid amount on keywords for potential Clients who fit into segments based on the predicted lifetime value of Clients, so that advertisements appear higher within particular individuals' search engine results pages. PointsBet's bidding and spend is aligned to wider marketing efforts such as television and radio campaigns.

3.5.5 LOYALTY PROGRAM

PointsBet Rewards, the Company's loyalty program, allows Clients to earn points on eligible bets. Once a Client has accumulated enough points, they can redeem them for bonus bets through the Rewards section on the website or App.

The Rewards page also has details on the Client's current balance, earnings and redemption history and a guide to how many points are given out for each bet type.

3.6 POINTSBET'S GROWTH STRATEGY

3.6.1 OVERVIEW

PointsBet's strategy is to acquire new Clients, retain existing Clients and maximise Client engagement in order to become their primary betting partner.

The Company aims to achieve this strategy by:

New markets and commercial partnerships	Expanding into new growth markets, particularly in North America. Considering potential opportunities that complement the Company's current business operations. Entering into commercial partnerships.
Platform investment	The in-house development of its scalable, cloud-based technology Platform, which: <ul style="list-style-type: none"> • drives innovation and automation; • ensures speed and security; • promotes credibility with Clients; • gives PointsBet the ability to scale across multiple jurisdictions; and • enables the Company's data-driven focus to trading and risk management.
Product innovation	Its ongoing commitment to product development and differentiation to meet and exceed Client expectations. A focus on US sports.
Marketing and branding	Excellence in branding and marketing to promote brand awareness. Integrated multi-channel marketing strategy and in-depth analysis of category target audience.
Industry-leading talent	Attracting, retaining and developing industry-leading talent.

3.6.2 AUSTRALIA

PointsBet has a strong track record of growth in the highly competitive and regulated Australian market. Since its launch in February 2017 to 30 April 2019, PointsBet has increased the number of Registered Clients from 1,708 to 86,227.

As set out in the Independent Market Report in Section 2, industry analysts have estimated that in 2014 Online Wagering expenditure was \$1.4 billion, having grown 289% since 2004. This equates to approximately 40% of total wagering expenditure in 2014 (based on total wagering expenditure of \$3.53 billion). Industry analysts have also forecast that online wagering expenditure would increase to \$2.5 billion by 2019.⁴

PointsBet is well positioned to take advantage of any future growth in the Wagering Industry in Australia.

In Australia, PointsBet will continue to target its core growth strategy as described in Section 3.6.1.

3.6.3 UNITED STATES

PointsBet is well placed to benefit from potential regulatory change to the sports betting market in each state in the United States.

The Company was awarded a commercial licence via a competitive request for proposal process and subsequently entered into a commercial licence agreement to operate in New Jersey in July 2018. PointsBet launched its brand and App in New Jersey in January 2019. Additionally, the Tioga Downs Option Agreement (entered into in July 2018), Catfish Bend Casino Agreement (entered into in April 2019), the Colorado Casino Agreement (entered into in April 2019) and the Illinois Agreement (entered into in May 2019) give PointsBet the contractual right to expand into New York, Iowa, Colorado and Illinois, subject to the passing of enabling legislation in New York, Colorado and Illinois and the grant of licences in each state. In May 2019, the Governor of Iowa signed sports betting legislation into law. See Sections 9.4.5 and 9.4.8 inclusive.

4. Independent Market Report (see Section 2.4.3).

In addition to targeting its core strategy described in Section 3.6.1, PointsBet's growth strategy in the United States is to:

Grow the New Jersey business	Leverage its scalable cloud-based Platform and operations from Australia to scale its New Jersey operations by providing traditional and unique betting options, such as Fixed Odds Sports betting and PointsBetting.
Expand into new states within the US	Target additional states via single and multi-state commercial deals with racetracks and casinos offering both retail and online services where applicable.
Media assets	Identify and secure premium multi-state media assets on long-term deals.
One team structure	Deliver synergies by operating a one team structure.

The Company remains actively engaged on various potential commercial opportunities however, the timing of any future commercial opportunities is uncertain.

3.6.4 MEXICO

Consistent with the Company's strategy to expand into new growth markets by leveraging its Platform, in May 2019 PointsBet signed an agreement (**Mexico Wagering and Gaming Agreement**) with a consortium who intend to build and operate casino and wagering operations in Mexico, subject to the receipt of necessary approvals. Pursuant to the Mexico Wagering and Gaming Services Agreement, the Company will provide technology and wagering services to the licensee to enable it to operate online interactive gaming and sports betting in Mexico.

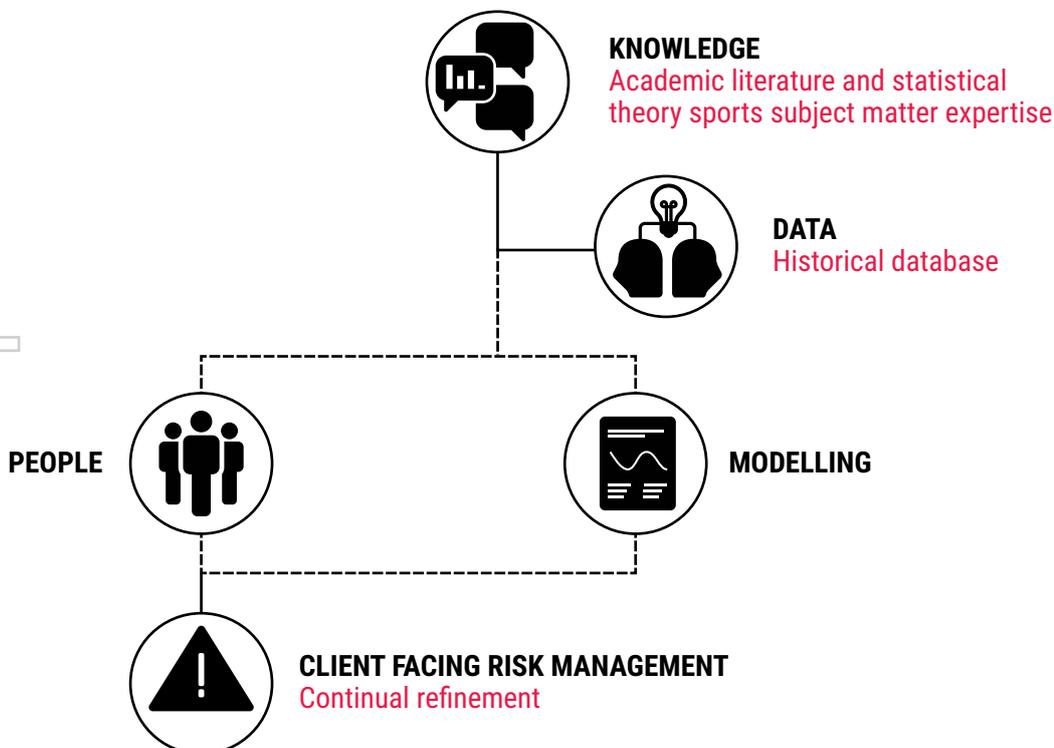
See Section 9.4.9 for details.

3.7 PRICING AND RISK MANAGEMENT

3.7.1 DATA-DRIVEN APPROACH TO PRICING

PointsBet maintains detailed historical databases, containing box scores, play by play information, odds, player statistics and a range of other statistical data. Data is primarily sourced from a variety of third-party data feeds and stored in PointsBet's Azure SQL database, which is updated in real-time. For example, in respect of baseball, every pitch for every match over the past seven years is stored on this database, representing over 1.4 million plays. Across multiple sports, the database holds over 30 million data points, which are used by PointsBet's team to model and analyse statistical relationships to produce automated and accurate pricing and unique bet types.

FIGURE 3.16: POINTSBET'S APPROACH TO RISK MANAGEMENT



3.7.2 DATA PROTECTION AND FRAUD MANAGEMENT CAPABILITIES

3.7.2.1 DATA PROTECTION AND PRIVACY

The Company has taken a focussed approach to cyber security and data protection. The Company seeks to protect its infrastructure software and its Clients' data from threats by implementing various cyber security technologies including content delivery networks, advanced distributed denial of service (**DDOS**) protection, firewalls and web application firewalls, Secure Sockets Layer (**SSL**) encryption for network communications and virtual private networks for administrative access. In addition, the Company has retained cyber risk and security advisers to review the Company's processes and provide a roadmap for future risk protection. The Company's risk register is routinely monitored to track changes in the severity and impact of risks.

The Company is committed to ensuring that Clients' personal information collected is protected and is used, stored and disclosed in accordance with the Privacy Act and the Company's Privacy Policy.

3.7.2.2 ANTI-MONEY LAUNDERING/COUNTER TERRORISM FINANCING

Australia

As a provider of a gambling service, the Company is deemed to be a reporting entity by, and must comply with various obligations under, Australia's *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) (the **AML/CTF Act**). In order to comply with these obligations, the Company has a written AML/CTF program in place to identify, minimise and manage the Company's risks and conducts customer due diligence (including where relevant enhanced due diligence), customer identification and verification on registration. The Company also has a process to identify, assess and lodge suspicious matters and transactions to the Australian regulator, AUSTRAC.

United States

Similarly, in the United States, PointsBet has established an Anti-Money Laundering (**AML**) Standard Operating Policy. This policy sets out the Company's procedures to comply with the relevant local laws. This includes the requirement to report to the Financial Crimes Enforcement Network (**FinCEN**) any cash transactions greater than US\$10,000 in a single day, the Know Your Client (**KYC**) verification procedures (under which all customers must be verified before they are able to deposit or place a wager) and roles and responsibilities to identify and lodge Suspicious Activity Reports (**SAR**).

3.7.2.3 FRAUD PREVENTION, COLLUSION AND INTEGRITY

The Company relies on a number of reporting and risk controls to identify risks of trading, account and financial fraud that could potentially result in financial and reputational loss to the Company. For further details see Section 5.2.13.

3.8 INDUSTRY AGREEMENTS, LICENSING AND REGULATION

3.8.1 AUSTRALIA

3.8.1.1 INTEGRITY AND FEE AGREEMENTS

In order to publish and use Australian sporting and racing event information, PointsBet has entered into product fee and integrity agreements and race field arrangements with major Australian sports and racing controlling bodies as detailed in Section 9.4 (**Integrity and Fee Agreements**).

The Integrity and Fee Agreements allow PointsBet, in exchange for the payment of fees, to use information about the relevant sporting or racing events and, in some cases, to use logos and trademarks in connection with product offerings.

3.8.1.2 REGULATORY OVERVIEW

At the Federal level, the *Interactive Gambling Act 2001* (Cth) (**IGA**) regulates the provision of online wagering services, referred to in the IGA as "interactive gambling services". In order to conduct wagering legally, an operator must hold a licence under a law of a state or territory that authorises such activity. If so, the prohibitions in the IGA are not applicable.

On 2 February 2017, the Northern Territory Racing Commission (**NTRC**) granted the Company a licence to conduct the business of a sports bookmaker (**Sports Bookmaker Licence**) pursuant to section 90 of the *Racing and Betting Act* (NT). As the Company holds a Sports Bookmaker Licence issued under the laws of the Northern Territory and provides betting services in accordance with that Licence, the Wagering service provided by the Company is recognised as a lawful service in all states and territories.

3.8.1.3 ASIC DECLARATION

Chapter 7 of the Corporations Act prohibits (among other things) providing financial product advice in relation to, dealing in, or making a market for financial products, such as derivatives, unless the relevant person holds an Australian Financial Services Licence (**AFSL**) and complies with the obligations in Chapter 7.

On 1 April 2016, ASIC issued a declaration declaring that the specific spread-betting arrangements provided by the Company as described in the declaration are not a financial product for the purposes of Chapter 7. As such, the Company is relieved from any requirement to hold an AFSL or comply with the obligations in Chapter 7 in relation to the spread-betting services described in the declaration.

3.8.1.4 POINT OF CONSUMPTION TAX

The majority of Australian state and territory governments have introduced a 'Point of Consumption' tax that applies to licensed wagering operators. Operators are required to pay a tax on revenue generated from the jurisdiction in which bets are placed.

3.8.2 UNITED STATES

3.8.2.1 OVERVIEW OF UNITED STATES REGULATORY REGIME

Following the overturn of PASPA, individual states may legislate to allow sports betting, and even prior to the Supreme Court decision several had made moves to enact legislation which would permit sports betting in one form or another in the event PASPA was overturned, including New Jersey, Delaware, West Virginia and Mississippi. State-based legislation may include legalisation of land-based (offline) as well as online sports betting. As at May 2019, 10 states, with a cumulative population of around 39 million, have legalised sports betting to some extent, with online sports betting permitted in five, Nevada, New Jersey, West Virginia, Pennsylvania and Iowa, which cumulatively account for around 9% of the US population. Licenses to offer sports betting have so far largely been restricted to existing gambling license holders (such as casino and racetrack operators), who may enter into partnership agreements with wagering operators such as PointsBet (as represented by the New Meadowlands Agreement and Tioga Downs Option Agreement).

See Section 2.5.2 of the Independent Market Report.

3.8.2.2 NEW MEADOWLANDS AGREEMENT – NEW JERSEY

In July 2018, PointsBet was successfully awarded a commercial licence to partner with New Meadowlands Racetrack, LLC to operate online wagering in the State of New Jersey. On 15 December 2018 the New Jersey Division of Gaming Enforcement issued an order authorising full implementation of the PointsBet Platform. In mid-January 2019, PointsBet launched its online full-service product offering in New Jersey.

See Section 9.4.4 for additional information regarding the New Meadowlands Agreement.

3.8.2.3 TIOGA DOWNS OPTION AGREEMENT – NEW YORK

In July 2018, PointsBet entered an exclusive option agreement giving it the option to obtain the second commercial licence to partner with Tioga Downs Casino Resort in New York if legislation is passed that grants Tioga Downs this licence. In order for PointsBet to exercise the option and commence operations in New York, the New York State legislature must pass enabling legislation allowing licensed casinos and racetracks to operate at least two online sports betting operations. There is no certainty that this will occur.

See Section 9.4.5 for additional information regarding the Tioga Downs Option Agreement and Section 5.2.2 for information regarding the risk of failure to obtain licences.

3.8.2.4 CATFISH BEND CASINO AGREEMENT – IOWA

In April 2019, PointsBet signed an agreement to obtain a licence to partner with the Catfish Bend Casino in Iowa, if legislation is passed that grants Catfish Bend Casino a licence to undertake sports betting in Iowa. In May 2019, the Governor of Iowa signed sports betting legislation into law. The agreement allows PointsBet to operate the exclusive retail and kiosk sports book operations at the Catfish Bend Casino and to offer online and mobile sports wagering in the State of Iowa. It is expected that PointsBet will be required to obtain a licence to commence sports betting operations in Iowa.

See Section 9.4.6 for additional information regarding the Catfish Bend Casino Agreement and Section 5.2.2 for information regarding the risk of failure to obtain licences.

3.8.2.5 COLORADO CASINO AGREEMENT – COLORADO

In April 2019, PointsBet signed an agreement to obtain a licence to partner with a casino in Colorado, if legislation passes that grants the casino this licence. The agreement allows PointsBet to operate the exclusive retail sports book operations at the casino and to offer online and mobile sports wagering in the State of Colorado. Colorado has not passed enabling legislation to authorise sports betting. Accordingly, PointsBet, like all other sports betting operators, is not authorised to operate as a sports bookmaker in Colorado as at the Prospectus Date.

See Section 9.4.7 for additional information regarding the Colorado Casino Agreement and Section 5.2.2 for information regarding the risk of failure to obtain licences.

3.8.2.6 ILLINOIS AGREEMENT – ILLINOIS

In May 2019, PointsBet signed an agreement to obtain a licence to partner with an operator in Illinois, if legislation is passed that grants the operator this licence. The agreement allows PointsBet to operate the exclusive retail sports book operations at the operator's property and to offer online and mobile sports wagering in the State of Illinois. Illinois has not passed enabling legislation to authorise sports betting. Accordingly, PointsBet, like all other sports betting operators, is not authorised to operate as a sports bookmaker in Illinois as at the Prospectus Date.

See Section 9.4.8 for additional information regarding the Illinois Agreement and Section 5.2.2 for information regarding the risk of failure to obtain licences.

3.9 CORPORATE RESPONSIBILITY

PointsBet endorses the principle of informed choice, which is aimed at empowering customers to make informed decisions and exercise choice regarding their gambling expenditure. PointsBet's commitment to responsible gambling is demonstrated through its wide range of responsible gambling initiatives and tools, some of which go beyond those obligations imposed on Australian licensed wagering operators under state and territory-based laws, regulations, codes of practice and advertising standards.

PointsBet is committed to ensuring that the content of its advertising meets community standards and is compliant with the Australian Association of National Advertisers Code of Ethics and Wagering Advertising and Marketing Communication Code.

PointsBet has a policy that all customer facing employees receive annual responsible gambling training. The training covers topics including the harms of problem gambling, how to escalate a responsible gambling issue and the products and tools the Company offers Clients to help them stay in control of their betting.

PointsBet has implemented a wide range of responsible gambling initiatives and tools. These include:

Initial sign-up functions	PointsBet's signup process interacts with external services to ensure that new Client accounts include correct validation for gambling access. This includes age and identity verification, correct licensed jurisdiction and excluded person verification.
Front-end Client education and awareness functions	The front-end Platform has various links that provide information for Client education. Responsible Conduct of Gambling information provides responsible gambling education and links to third-party sites (e.g. <i>Australian National 1800 Gambling Helpline</i> and the <i>National Gambling Help</i> website)
Review and assessment functions	<p>PointsBet's systems allow for RSG Risk reports to be produced on demand, RSG alerts to be generated, and investigations to be conducted, including utilising:</p> <ul style="list-style-type: none"> • multiple account detection systems, which prevent restricted and excluded Clients from opening second accounts; • identification of gambling escalation, which is used to prompt communications with Clients; • checks being made against a system exclusion list database on signup; and • Client profiling, comments and tags being reviewed.
Deposit pre-commitment gambling limiting functions	Clients have the ability to set a deposit limit amount and deposit limit length (for example \$100 per seven days). If the deposit limit length is one day, this may be changed after 24 hours. If the deposit limit is any longer than one day, Clients must wait seven days to increase or remove this limit. Clients are able to reduce their deposit limit amount at any time.
Temporary "Take-a-Break" and permanent self-exclusion options	PointsBet offers Clients the ability to take a break from betting. Options range from 1-14 days online, and for longer if the Client contacts PointsBet directly. When this service is activated, Clients are unable to log in and are excluded from receiving promotional offers during the selected period. Once the self-exclusion period expires, a Client will be able to log in without needing to contact PointsBet.
Permanent self-exclusion	PointsBet offers permanent self-exclusion via an official regulator form. This form must be emailed to PointsBet (or the regulator) when requesting self-exclusion, as it permits PointsBet to ensure that the Client is banned from all other betting providers, if requested to do so.

For personal use only

SECTION 4.

FINANCIAL INFORMATION



4.1 INTRODUCTION

4.1.1 FINANCIAL INFORMATION

The financial information contained in this Section 4 includes historical financial information for PointsBet for the financial years ended 30 June 2017 (**FY2017**) and 30 June 2018 (**FY2018**) and for the half years ended 31 December 2017 (**H1 FY2018**) and 31 December 2018 (**H1 FY2019**).

This Section 4 contains a summary of PointsBet's:

- statutory historical financial information, comprising the:
 - statutory historical consolidated income statements for FY2017, FY2018, H1 FY2018 and H1 FY2019 (**Statutory Historical Income Statements**);
 - statutory historical consolidated cash flow statements for FY2017, FY2018, H1 FY2018 and H1 FY2019 (**Statutory Historical Cash Flows**); and
 - statutory historical consolidated statement of financial position as at 31 December 2018 (**Statutory Historical Statement of Financial Position**),
 (together, the **Statutory Historical Financial Information**); and
- pro forma historical financial information, comprising the:
 - pro forma historical consolidated income statements for FY2017, FY2018, H1 FY2018 and H1 FY2019 (**Pro Forma Historical Income Statements**);
 - pro forma historical consolidated cash flow statements for FY2017, FY2018, H1 FY2018 and H1 FY2019 (**Pro Forma Historical Cash Flows**); and
 - pro forma historical consolidated statement of financial position as at 31 December 2018 (**Pro Forma Historical Statement of Financial Position**),
 (together, the **Pro Forma Historical Financial Information**).

The Statutory Historical Financial Information and Pro Forma Historical Financial Information is together referred to as the **“Financial Information”**.

PointsBet has a 30 June financial year end.

In addition, Section 4 summarises:

- the basis of preparation and presentation of the Financial Information (see Section 4.2);
- information regarding certain non-IFRS financial measures (see Section 4.2.3);
- the key pro forma operating and financial metrics (see Section 4.3.1);
- the pro forma adjustments to the Statutory Historical Financial Information (see Sections 4.3, 4.5 and 4.6);
- information regarding liquidity and capital resources (see Section 4.6.1);
- information regarding PointsBet's contractual obligations, commitments and contingent liabilities (see Section 4.6.2);
- management's discussion and analysis of the pro forma Historical Financial Information (see Section 4.8);
- a description of PointsBet's critical accounting policies (see Section 4.9); and
- PointsBet's dividend policy (see Section 4.10).

The information in Section 4 should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

All amounts disclosed in Section 4 and the Appendices are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest dollar. Some numerical figures included in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in figures or tables contained in this Prospectus are due to rounding.

4.2 BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

4.2.1 OVERVIEW AND PREPARATION AND PRESENTATION OF THE FINANCIAL INFORMATION

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this Prospectus is intended to present potential investors with information to assist them in understanding the underlying historical financial performance, cash flow and financial position of PointsBet.

Given the fact that PointsBet is in an early, growth stage of development, there are significant uncertainties associated with forecasting the future revenues and expenses of the Company. On this basis, the Directors believe that there is no reasonable basis for the inclusion of financial forecasts in the Prospectus.

The Statutory Historical Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards (**AAS**) adopted by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board and PointsBet's accounting policies. PointsBet's significant accounting policies are described in Appendix A.

The Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles of AAS other than that it includes certain adjustments which have been prepared in a manner consistent with AAS, that reflect (a) the exclusion of certain transactions that occurred in the relevant periods and (b) the impact of certain transactions as if they had occurred on or before 31 December 2018.

The Pro Forma Historical Financial Information does not reflect the actual financial results and cash flows of PointsBet for the periods indicated. The Directors of PointsBet believe that it provides useful information as it permits investors to examine what it considers to be the underlying financial performance and cash flows of the business presented on a consistent basis.

The Financial Information is presented in an abbreviated form and it does not include all of the presentation and disclosures, statements or comparative information required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

In addition to the Financial Information, Section 4 describes certain non-IFRS financial measures that PointsBet use to manage and report on the business that are not defined under or recognised by AAS or IFRS.

RESTRUCTURE OF BUSINESS

Until 28 September 2017, PointsBet operated through two separate legal entities, PointsBet Australia Pty Ltd and PointsBet Pty Ltd. As part of a corporate reorganisation, PointsBet Holdings Pty Ltd, a newly formed entity, issued shares exclusively to the existing shareholders of PointsBet Australia Pty Ltd and PointsBet Pty Limited, so that the total number of shares they each held in the PointsBet business was unchanged. Immediately upon this share issue, all shares in PointsBet Australia and PointsBet Limited were transferred to PointsBet Holdings Pty Ltd for no consideration; and the shareholders entered into a new shareholders agreement, to ensure they retained their shared, collective control over the combined entity.

The reorganisation of PointsBet Australia Pty Ltd and PointsBet Pty Ltd falls outside the scope of IFRS 3 "Business Combinations" as it was a business combination carried out under common control. There was no change in the control of the Group as a result of the reorganisation. In order to reflect the economic substance of the transaction the Statutory Historical Financial Information of PointsBet has been presented as a continuation of business with pre-existing accounting book values of assets and liabilities of PointsBet Australia Pty Ltd and PointsBet Pty Ltd as at 28 September 2017. The Statutory Historical Financial Information is presented as if the continuation of the two entities had occurred at the beginning of FY2018.

INVESTIGATING ACCOUNTANT'S REPORT

The Financial Information (as defined above) has been reviewed by RSM Corporate Australia Pty Limited in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information as stated in its Investigating Accountant's Report set out in Section 8. Investors should note the scope and limitations of the Investigating Accountant's Report.

4.2.2 PREPARATION OF THE FINANCIAL INFORMATION

The Financial Information has been presented on both a statutory and a pro forma basis.

The Statutory Historical Financial Information for FY2017 for PointsBet has been derived from the combined FY2017 audited general purpose financial statements of PointsBet Australia Pty Ltd and PointsBet Pty Ltd. The combined financial information is set out in Appendix B.

The Statutory Historical Financial Information for FY2018 for PointsBet has been derived from the FY2018 audited general purpose financial statements of the PointsBet Group.

The Statutory Historical Financial Information for H1 FY2018 and H1 FY2019 has been derived from the H1 FY2018 and H1 FY2019 reviewed interim consolidated general purpose financial statements of the PointsBet Group. The financial statements of PointsBet Australia Pty Ltd and PointsBet Pty Ltd for FY2017 and the PointsBet Group for FY2018 were audited by RSM in accordance with Australian Auditing Standards. RSM has issued unqualified audit opinions on these financial statements. The interim financial statements of the PointsBet Group for H1 FY2018 and H1 FY2019 were reviewed by RSM in accordance with Australian Auditing Standards. RSM has issued unqualified review conclusions on these interim financial statements.

The Pro Forma Historical Financial Information has been prepared for the purpose of inclusion in this Prospectus. The Pro Forma Historical Financial Information has been derived from the Statutory Historical Financial Information and adjusted for the effects of the pro forma adjustments.

Section 4.3 Table 4.3 sets out the pro forma adjustments made to the Statutory Historical Income Statements and a reconciliation of the Statutory Historical Income Statements to the Pro Forma Historical Income Statements.

Section 4.5 Table 4.7 sets out the pro forma adjustments to the Statutory Historical Cash Flows and a reconciliation of the Statutory Historical Cash Flows to the Pro Forma Historical Cash Flows. Pro forma adjustments were made to the Statutory Historical Cash Flows to reflect the cash impact of the pro forma adjustments to the Statutory Historical Cash Flows.

Section 4.6 Table 4.9 sets out the pro forma adjustments to the Statutory Historical Statement of Financial Position, and a reconciliation of the Statutory Historical Statement of Financial Position to the Pro Forma Historical Statement of Financial Position. Pro forma adjustments were made to the Statutory Historical Statement of Financial Position to reflect the impact of both a Pre-IPO offer completed on 8 March 2019 and the Offer as if they had occurred as at 31 December 2018.

In preparing the Financial Information, PointsBet's accounting policies have been consistently applied throughout the periods presented.

Investors should note that past results are not a guarantee of future performance.

GOING CONCERN

The Financial Information for H1 FY2019 have been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and discharge of liabilities in the normal course of business.

The Directors believe that there are reasonable grounds that PointsBet will be able to continue as a going concern as a result of the proceeds raised from the Offer.

4.2.3 EXPLANATION OF CERTAIN NON-IFRS FINANCIAL MEASURES

To assist in the evaluation of the performance of PointsBet, certain measures are used to report on the Company that are not recognised under AAS or IFRS. These measures are collectively referred to in this Section 4 and under Regulatory Guide 230 *Disclosing Non-IFRS Financial Information* published by ASIC as "non-IFRS financial measures". The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- **EBITDA** is earnings/(losses) before interest (net finance income), taxation, depreciation and amortisation. Management uses EBITDA to evaluate the operating performance of the business without the non-cash impact of depreciation, amortisation and before interest and taxation. PointsBet also calculates EBITDA margin, which is EBITDA expressed as a percentage of total revenue. EBITDA can be useful to help understand the cash generation potential of the business. EBITDA and EBITDA margin should not be considered as an alternative to measures of cash flow under IFRS and investors should not consider EBITDA in isolation from, or as a substitute for, an analysis of the results of PointsBet operations;
- **EBIT** is earnings/(losses) before interest (net finance income) and taxation;
- **Operating cash flow** is EBITDA after the removal of non-cash items in EBITDA (e.g. share-based payment expenses and movements in provisions) and changes in working capital. PointsBet uses operating cash flow to indicate the level of operating cash flow generated from EBITDA;
- **Capital expenditure** is a combination of capitalised development costs and other costs related to property, plant and equipment, government licence fees and market access capitalised expenditure;
- **Working capital** includes trade and other receivables and other current assets less trade and other payables, other liabilities and provisions;

- **Gross Win** is calculated as the dollar amount received from Clients who placed losing bets less the dollar amount paid to Clients who placed winning bets, excluding Client promotional costs;
- **Net Win** is calculated as the Gross Win less Client promotional costs (the costs incurred to acquire and retain Clients through bonus bets, money back offers, early payouts and enhanced pricing initiatives);
- **Net revenue** is measured at the fair value of the consideration received or receivable from Clients less GST, free bets, promotions, bonuses and other fair value adjustments;
- **Gross Profit** is Net revenue less cost of sales; and
- **Other income** includes interest income and R&D tax offsets.

Although the Directors believe that these measures provide useful information about the financial performance of PointsBet, they should be considered as supplements to the income statement or cash flow statement measures that have been presented in accordance with AAS and IFRS and not as a replacement for them. As these non-IFRS financial measures are not based on AAS or IFRS, they do not have standard definitions, and the way PointsBet calculated these measures may differ from similarly titled measures used by other companies. Investors and readers of this Prospectus should therefore not place undue reliance on these non-IFRS financial measures.

4.3 PRO FORMA HISTORICAL INCOME STATEMENTS

Table 4.1 sets out a summary of the Pro Forma Historical Income Statements for FY2017, FY2018, H1 FY2018 and H1 FY2019. The Pro Forma Historical Income Statements are reconciled to the respective historical income statements in Section 4.3.3.

TABLE 4.1: SUMMARY OF PRO FORMA HISTORICAL INCOME STATEMENTS

	NOTES	PRO FORMA HISTORICAL			
		FY2017 ¹	FY2018	H1 FY2018	H1 FY2019
Net revenue	2	373,049	9,381,959	3,596,610	12,060,380
Cost of sales		(269,980)	(4,322,912)	(1,419,138)	(5,168,127)
Gross profit		103,069	5,059,047	2,177,472	6,892,253
Other income	3	236,151	471,294	409,364	390,213
Sales and marketing expense		(551,795)	(6,188,451)	(1,572,024)	(7,644,105)
Employee benefits expense		(2,284,799)	(4,445,798)	(1,735,582)	(5,337,981)
Product and technology expense		(152,317)	(260,825)	(100,074)	(513,085)
Administrative and other expenses	4	(737,917)	(1,205,885)	(473,325)	(1,630,267)
Total operating expenses		(3,726,828)	(12,100,959)	(3,881,005)	(15,125,438)
EBITDA		(3,387,608)	(6,570,618)	(1,294,169)	(7,842,972)
Depreciation and amortisation expense		(91,137)	(359,862)	(151,518)	(667,291)
EBIT		(3,478,745)	(6,930,480)	(1,445,687)	(8,510,263)
Interest expense		–	–	–	–
Loss before income tax		(3,478,745)	(6,930,480)	(1,445,687)	(8,510,263)
Income tax expense		–	–	–	–
Loss after income tax expense		(3,478,745)	(6,930,480)	(1,445,687)	(8,510,263)

Notes:

1. For FY2017, the Pro Forma Historical Income Statement for PointsBet has been derived from the combined pro forma historical income statements for PointsBet Australia Pty Ltd and PointsBet Pty Ltd. The combined Pro Forma Historical Income Statement for FY2017 is set out in Appendix B.
2. Net revenue is measured at the fair value of the consideration received or receivable from Clients less GST, free bets, promotions, bonuses and other fair value adjustments.
3. Other income relates to interest income and R&D tax offsets.
4. Administrative and other expenses include pro forma adjustments for listed public company costs, transaction costs and fair value adjustment for the convertible notes as detailed in Table 4.3.

4.3.1 KEY OPERATING AND FINANCIAL METRICS

Table 4.2 sets out PointsBet's key pro forma historical operating and financial metrics for FY2017, FY2018, H1 FY2018 and H1 FY2019.

TABLE 4.2: PRO FORMA HISTORICAL KEY OPERATING AND FINANCIAL METRICS

	NOTES	FY2017 ¹	FY2018	H1 FY2018	H1 FY2019
Key operating metrics					
Registrations		5,024	29,756	8,064	28,254
First time bettors (#)	2	2,423	22,729	5,486	23,880
Turnover (\$)	3	1,670,335	164,985,216	44,198,786	209,645,370
Gross Win (\$)	4	1,088,772	16,876,419	6,267,662	21,755,427
Net Win (\$)	5	434,037	10,287,554	3,919,860	13,252,399
Key financial metrics					
Gross revenue (\$)	6	1,027,784	15,243,721	5,697,835	19,565,597
Net revenue (\$)	7	373,049	9,381,959	3,596,610	12,060,380
Net revenue (% of Gross revenue)		36%	62%	63%	62%
Gross profit margin (%)	8	28%	54%	61%	57%
Sales and marketing expenses (\$)		551,795	6,188,451	1,572,024	7,644,105
Product and technology expense (\$)		152,317	260,825	100,074	513,085
Software intangible assets (\$)	9	1,062,539	1,348,122	555,536	3,140,290

Notes:

1. For FY2017, the Pro Forma Historical Income Statement for PointsBet has been derived from the combined pro forma historical income statements for PointsBet Australia Pty Ltd and PointsBet Pty Ltd. The combined Pro Forma Historical Income Statement for FY2017 is set out in Appendix B.
2. First time bettors represents Clients that have made a first time bet during the applicable period.
3. Turnover is the stake (money) a Client puts at risk when they place a bet on an event.
4. Gross Win is the dollar amount received from Clients who placed losing bets less the dollar amount paid to Clients who placed winning bets, excluding Client promotional costs.
5. Net Win is calculated as the Gross Win less Client promotional costs (the costs incurred to acquire and retain Clients through bonus bets, money back offers, early payouts and enhanced pricing initiatives).
6. The difference between Gross Win and Gross revenue is due to GST.
7. The difference between Net Win and Net revenue is due to GST.
8. Calculated as gross profit as a percentage of Net revenue.
9. Software intangible assets represents the Company's investment in internal capitalised software development costs and purchased software.

4.3.2 PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL INCOME STATEMENT

Table 4.3 sets out the pro forma adjustments that have been made to loss after income tax expense in the Statutory Historical Income Statements. No pro forma adjustments have been made to revenue in the Statutory Historical Income Statements.

TABLE 4.3: PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL INCOME STATEMENT

	NOTES	PRO FORMA HISTORICAL			
		FY2017 ¹	FY2018	H1 FY2018	H1 FY2019
Statutory loss after income tax expense		(3,147,654)	(6,657,582)	(1,274,103)	(10,308,496)
Listed public company costs	2	(331,091)	(272,898)	(171,584)	(202,641)
Transaction costs	3	–	–	–	210,739
Other pro forma adjustments	4	–	–	–	1,790,135
Tax impact of pro forma adjustments	5	–	–	–	–
Pro forma loss after income tax expense		(3,478,745)	(6,930,480)	(1,445,687)	(8,510,263)

Notes:

- For FY2017, the Pro Forma Historical Income Statement for PointsBet has been derived from the combined Pro Forma Historical Income Statements for PointsBet Australia Pty Ltd and PointsBet Pty Ltd. The combined Pro Forma Historical Income Statement for FY2017 is set out in Appendix B.
- Listed public company costs – adjustment made to include PointsBet's estimate of incremental annual costs that it will incur as a listed Company. These incremental costs include annual listing costs, share registry costs, additional Director fees and additional audit and tax compliance costs.
- Transaction costs – total expenses of the Offer are estimated at \$4.5 million, of which \$0.2 million is expensed in the Statutory Historical Income Statement. This adjustment represents the removal of the transaction costs of the Offer predominantly relating to adviser fees, investigating accountant's fees, legal fees, and other IPO-related transaction costs.
- The Company raised in total \$23.9 million from the issue of convertible notes in two equal tranches on 6 August 2018 and 31 October 2018. The pro forma adjustment relates to removal of the notional interest of \$1.1 million and fair value adjustment of \$0.7 million on the convertible notes.
- No tax impact on pro-forma adjustments due to unrecognised tax losses.

For personal use only

4.3.3 SUMMARY OF STATUTORY HISTORICAL INCOME STATEMENT

Table 4.4 sets out Statutory Historical Income Statements for FY2017, FY2018, H1 FY2018 and H1 FY2019.

TABLE 4.4: SUMMARY OF STATUTORY HISTORICAL INCOME STATEMENTS

	NOTES	STATUTORY HISTORICAL			
		FY2017 ¹	FY2018	H1 FY2018	H1 FY2019
Net revenue		373,049	9,381,959	3,596,610	12,060,380
Cost of sales		(269,980)	(4,322,912)	(1,419,138)	(5,168,127)
Gross profit		103,069	5,059,047	2,177,472	6,892,253
Other income		236,151	471,294	409,364	390,213
Sales and marketing expense		(551,795)	(6,188,451)	(1,572,024)	(7,644,105)
Employee benefits expense		(2,284,799)	(4,445,798)	(1,735,582)	(5,337,981)
Product and technology expense		(152,317)	(260,825)	(100,074)	(513,085)
Administrative and other expenses		(406,826)	(932,987)	(301,741)	(2,357,192)
Total operating expenses		(3,395,737)	(11,828,061)	(3,709,421)	(15,852,363)
EBITDA		(3,056,517)	(6,297,720)	(1,122,585)	(8,569,897)
Depreciation and amortisation expense		(91,137)	(359,862)	(151,518)	(667,291)
EBIT		(3,147,654)	(6,657,582)	(1,274,103)	(9,237,188)
Interest expense		–	–	–	(1,071,308)
Loss before income tax		(3,147,654)	(6,657,582)	(1,274,103)	(10,308,496)
Income tax expense		–	–	–	–
Loss after income tax expense		(3,147,654)	(6,657,582)	(1,274,103)	(10,308,496)

Notes:

1. For FY2017, the Statutory Historical Income Statement for PointsBet has been derived from the combined Statutory Historical Income Statements for PointsBet Australia Pty Ltd and PointsBet Pty Ltd. The combined Statutory Historical Income Statement for FY2017 is set out in Appendix B.

4.4 SEGMENT INFORMATION

In accordance with Australian Accounting Standard AASB 8 Operating Segments, PointsBet has determined its reporting segments comprise Australia Trading, Technology and United States for FY2018, H1 FY2018 and H1 FY2019. These segments are those in which the chief operating decision-maker (CODM) received information for the purpose of resource allocation and assessment of segment performance. For FY2017, the financial information is derived from the audited general purpose financial statements of PointsBet Australia Pty Ltd (Australia Trading) and PointsBet Pty Ltd (Technology) and is included for comparison purposes.

Table 4.5 sets out the pro forma revenue and results by operating segment for FY2017, FY2018, H1 FY2018 and H1 FY2019.

TABLE 4.5: PRO FORMA HISTORICAL SEGMENT REVENUE AND RESULT FOR FY2017, FY2018, H1 FY2018 AND H1 FY2019

		PRO FORMA HISTORICAL			
	NOTES	FY2017	FY2018	H1 FY2018	H1 FY2019
Revenue					
Australia Trading	1	373,049	9,381,959	3,596,610	12,084,493
Technology	2	188,645	630,060	159,352	384,186
United States	3	–	–	–	(24,113)
Less intercompany sales		(188,645)	(630,060)	(159,352)	(384,186)
Total segment revenue		373,049	9,381,959	3,596,610	12,060,380
EBITDA					
Australia Trading		(1,480,658)	(4,710,566)	(1,117,511)	(2,265,685)
Technology	4	(1,283,018)	(978,386)	295,471	(1,306,459)
United States		–	–	–	(3,522,832)
Corporate costs	5	(751,298)	(910,320)	(485,926)	(769,782)
Total EBITDA		(3,514,974)	(6,599,272)	(1,307,966)	(7,864,758)
Depreciation and amortisation expense		(91,137)	(359,862)	(151,518)	(667,291)
EBIT		(3,606,111)	(6,959,134)	(1,459,484)	(8,532,049)
Interest revenue		127,366	28,654	13,797	21,786
Interest expense		–	–	–	–
Loss before income tax		(3,478,745)	(6,930,480)	(1,445,687)	(8,510,263)
Income tax expense		–	–	–	–
Loss after income tax expense		(3,478,745)	(6,930,480)	(1,445,687)	(8,510,263)

Notes:

1. Australian Trading revenue includes revenue from Online Wagering services provided to Australian Clients. The Company reports the gains and losses on all betting positions as revenue, which is measured at the fair value of the consideration received or receivable from clients less GST, free bets, promotions, bonuses and other fair value adjustments.
2. Technology segment derives its revenue from licensing fees charged to the Australian Trading and United States segments.
3. United States revenue includes revenue from Online Wagering services provided to US clients. The Company reports the segments gains and losses on all betting positions as revenue, which is measured at the fair value of the consideration received or receivable from Clients less free bets, promotions, bonuses and other fair value adjustments. PointsBet went live in the United States in December 2018.
4. For H1 FY2018, the Technology operating segment EBITDA is positive due to the R&D tax offset which was recognised as Other Income as the related R&D spend was expensed during the period.
5. Corporate administrative costs (Board, Finance, Legal, Human Resources, Property and other central functions) cannot be readily allocated to individual operating segments and are not used by the CODM for making operating and resource allocation decisions. Hence, these are shown in the reconciliation of reportable segments to PointsBet's total EBITDA.

4.5 PRO FORMA HISTORICAL CASH FLOWS

Table 4.6 sets out PointsBet's Pro Forma Historical Cash Flows for FY2017, FY2018, H1 FY2018 and H1 FY2019. The pro forma cash flow information has been constructed using the indirect method (i.e. reconciling EBITDA to operating cash flows).

TABLE 4.6: SUMMARY OF PRO FORMA HISTORICAL CASH FLOWS

	NOTES	PRO FORMA HISTORICAL			
		FY2017 ¹	FY2018	H1 FY2018	H1 FY2019
Pro Forma EBITDA	2	(3,387,608)	(6,570,618)	(1,294,169)	(7,842,972)
Non-cash items in EBITDA	3	9,066	1,280,035	11,981	97,578
Change in working capital	4	376,517	1,863,971	614,354	1,303,630
Operating cash flow (excluding Client cash liabilities movement)		(3,002,025)	(3,426,612)	(667,834)	(6,441,764)
Client cash liabilities movement	5	690,155	2,885,121	764,043	(218,858)
Operating cash flow before investing activities, financing activities and tax		(2,311,870)	(541,491)	96,209	(6,660,622)
Investment into term deposits		(400,000)	200,000	–	–
Purchase of property, plant and equipment		(162,267)	(453,760)	(24,613)	(328,230)
Investment in intangibles		(1,047,539)	(1,050,286)	(555,536)	(11,419,579)
Net cash flows before financing activities and tax		(3,921,676)	(1,845,537)	(483,940)	(18,408,431)
Income tax paid		–	–	–	–
Interest paid		–	–	–	–
Proceeds from share issue		5,072,707	7,500,065	3,750,005	1,403,186
Proceeds from borrowing	6	–	–	–	23,106,052
Net cash flows		1,151,031	5,654,528	3,266,065	6,100,807

Notes:

1. For FY2017, the Pro Forma Historical Cash Flows for PointsBet has been derived from the combined Pro Forma Historical Cash Flows for PointsBet Australia Pty Ltd and PointsBet Pty Ltd. The combined Pro Forma Historical Cash Flows for FY2017 are set out in Appendix B.
2. Refer to Section 4.3 for Pro Forma Historical Financial Information.
3. Non-cash items in EBITDA mainly reflect share options expense, fair value adjustment for open bets held, and other non-cash operating expenses.
4. Working capital includes trade and other receivables and other current assets less trade and other payables, other liabilities and provisions.
5. Client cash liabilities movement represents the net deposits from Clients into their PointsBet account during the period.
6. The Company received proceeds of \$23.1 million (out of a total \$23.9 million inclusive of non-cash consideration) from the issue of convertible notes in two equal tranches on 6 August 2018 and 31 October 2018 which were converted to ordinary shares on 8 March 2019.

4.5.1 PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL CASH FLOWS

Table 4.7 sets out the pro forma adjustments that have been made to the Statutory Historical Cash Flows to reflect the post-tax cash impact of the pro forma earnings adjustments. These adjustments are summarised and explained in the table below.

TABLE 4.7: PRO FORMA ADJUSTMENTS TO THE STATUTORY HISTORICAL CASH FLOWS

	NOTES	PRO FORMA HISTORICAL			
		FY2017 ¹	FY2018	H1 FY2018	H1 FY2019
Statutory net cash flow		1,482,122	5,927,426	3,437,649	6,092,709
Listed public company costs	2	(331,091)	(272,898)	(171,584)	(202,641)
Transaction costs	3	–	–	–	210,739
Other pro forma adjustments		–	–	–	–
Tax impact of pro forma adjustments		–	–	–	–
Pro forma net cash flow		1,151,031	5,654,528	3,266,065	6,100,807

Notes:

1. For FY2017, the Pro Forma Historical Cash Flows for PointsBet has been derived from the combined Pro Forma Historical Cash Flows for PointsBet Australia Pty Ltd and PointsBet Pty Ltd. The combined Pro Forma Historical Cash Flows for FY2017 is set out in Appendix B.
2. Adjustment to include the cash impact of the listed public company costs as described in Note 1 of Table 4.3.
3. Adjustment to remove the cash impact of the Offer costs incurred as described in Note 2 of Table 4.3.

4.5.2 SUMMARY OF STATUTORY HISTORICAL CASH FLOWS

Table 4.8 sets out Statutory Historical Cash Flows for FY2017, FY2018, H1 FY2018 and H1 FY2019.

TABLE 4.8: SUMMARY OF STATUTORY HISTORICAL CASH FLOWS

	NOTES	STATUTORY HISTORICAL			
		FY2017 ¹	FY2018	H1 FY2018	H1 FY2019
Statutory EBITDA	2	(3,056,517)	(6,297,720)	(1,122,585)	(8,569,897)
Non-cash items in EBITDA		9,066	1,280,035	11,981	816,405
Change in working capital		376,517	1,863,971	614,354	1,303,630
Operating cash flow (excluding Client cash liabilities movement)		(2,670,934)	(3,153,714)	(496,250)	(6,449,862)
Client cash movement		690,155	2,885,121	764,043	(218,858)
Operating cash flow before investing activities, financing activities and tax		(1,980,779)	(268,593)	267,793	(6,668,720)
Investment into term deposits		(400,000)	200,000	–	–
Purchase of property, plant and equipment		(162,267)	(453,760)	(24,613)	(328,230)
Investment in intangibles		(1,047,539)	(1,050,286)	(555,536)	(11,419,579)
Net cash flows before financing activities and tax		(3,590,585)	(1,572,639)	(312,356)	(18,416,529)
Income tax paid		–	–	–	–
Interest paid		–	–	–	–
Proceeds from share issue		5,072,707	7,500,065	3,750,005	1,403,186
Proceeds from borrowing		–	–	–	23,106,052
Net cash flows		1,482,122	5,927,426	3,437,649	6,092,709

Notes:

1. For FY2017, the Statutory Historical Cash Flows for PointsBet has been derived from the combined Statutory Historical Cash Flows of PointsBet Australia Pty Ltd and PointsBet Pty Ltd. The combined Statutory Cash Flows for FY2017 are set out in Appendix B.
2. Refer to Section 4.3.3 for Statutory Historical Financial Information.

4.6 STATUTORY HISTORICAL STATEMENT OF FINANCIAL POSITION AND PRO FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION

Table 4.9 sets out the Statutory Historical Statement of Financial Position and the pro forma adjustments that have been made to prepare the Pro Forma Historical Statement of Financial Position for PointsBet. These adjustments take into account the effect of the proceeds of a pre-IPO share issuance completed on 8 March 2019 (**Pre-IPO Offer**), the mandatory conversion to equity of PointsBet's convertible notes as a result of the Pre-IPO offer, proceeds of the Offer and related transaction costs and pro forma adjustments as if they had occurred as at 31 December 2018.

The Pro Forma Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of PointsBet's view of its financial position upon Completion of the Offer or at a future date. Further information on the sources and uses of funds of the Offer is contained in Section 7.1.2.

TABLE 4.9: STATUTORY HISTORICAL STATEMENT OF FINANCIAL POSITION AND PRO FORMA HISTORICAL STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	NOTES	STATUTORY HISTORICAL AS AT 31 DEC 2018	PRE-IPO OFFER ¹	IMPACT OF OFFER/ OTHER PRO FORMA ADJUSTMENTS	PRO FORMA HISTORICAL AS AT 31 DEC 2018
Current assets					
Cash and cash equivalents	2	13,967,768	10,395,066	70,706,286	95,069,120
Trade and other receivables		–	–	–	–
Other current assets		3,712,769	–	–	3,712,769
Total current assets		17,680,537	10,395,066	70,706,286	98,781,889
Non-current assets					
Financial assets		206,400	–	–	206,400
Property, plant and equipment		470,192	–	–	470,192
Intangibles		13,038,820	–	–	13,038,820
Total non-current assets		13,715,412	–	–	13,715,412
Total assets		31,395,949	10,395,066	70,706,286	112,497,301
Current liabilities					
Trade and other payables		5,044,448	–	–	5,044,448
Provisions		372,959	–	–	372,959
Borrowings	3	21,438,070	(21,438,070)	–	–
Financial liabilities	4	4,479,508	(4,312,916)	–	166,592
Other current liabilities	5	3,977,397	–	–	3,977,397
Total current liabilities		35,312,382	(25,750,986)	–	9,561,396
Non-current Liabilities					
Other non-current liabilities		–	–	–	–
Total non-current liabilities		–	–	–	–
Total liabilities		35,312,382	(25,750,986)	–	9,561,396
Net assets		(3,916,433)	36,146,052	70,706,286	102,935,905
Equity					
Share capital	6	15,740,534	37,358,588	71,361,837	124,460,959
Reserves	7	785,634	–	746,854	1,532,488
Accumulated losses	8	(20,442,601)	(1,212,536)	(1,402,405)	(23,057,542)
Total Equity		(3,916,433)	36,146,052	70,706,286	102,935,905

Notes:

1. On 8 March 2019, the Pre-IPO Offer was completed.
2. Cash and cash equivalents increases to \$95.1 million on a pro forma basis due to:
 - a. \$10.4 million raised from the Pre-IPO Offer; and
 - b. \$70.7 million as result of the gross proceeds from the Offer (\$75.0 million) less the cash impact of unpaid Offer costs of \$4.3 million.
3. The Company raised \$23.9 million (of which \$0.8 million was non-cash consideration) from the issue of convertible notes in two equal tranches on 6 August 2018 and 31 October 2018. The mandatory conversion requirement of the convertible notes was met by the completion of the Pre-IPO Offer, which was a "qualifying funding round" for the purposes of the convertible notes. The pro forma adjustment represents the removal of the convertible notes liability on conversion.
4. Represents the removal of the financial derivative liability portion of the convertible note liability on conversion.
5. Other current liabilities includes an offsetting liability for client cash balances held of \$3.2 million which is recognised in Cash and cash equivalents.
6. Share capital increases to \$124.5 million on a pro forma basis due to:
 - a. issue of \$10.4 million of Shares from the Pre-IPO Offer;
 - b. conversion of \$26.9 million of the fair value of convertible notes to ordinary Share capital as a result of the mandatory conversion from the Pre-IPO Offer; and
 - c. \$75.0 million new equity raised via the Offer, less the after-tax portion of the Offer costs directly attributable to the new issue of ordinary share capital which are applied against Share capital (\$3.6 million).
7. Reflects the share option expense recognised up until Completion of the Offer.
8. Accumulated losses adjusted for:
 - a. fair value adjustment (\$1.2 million) for the convertible notes until the completion of the Pre-IPO Offer; and
 - b. Offer costs not directly attributable to the issue of the new Shares and the transfer of Offer costs expensed (\$0.6 million) and share options expense of \$0.8 million applied to accumulated losses upon Completion of the Offer.

4.6.1 LIQUIDITY AND CAPITAL RESOURCES

Following Completion of the Offer, the Company will have on a pro forma basis Cash and cash equivalents of \$95.1 million as at 31 December 2018 arising from the Pre-IPO Offer and the Offer of which \$3.2 million represents Client cash held (offset by other current liabilities). The Company expects that it will have sufficient cash to meet its short and medium term operational requirements and other business needs.

As part of its foreign exchange hedging strategy, the Company may at times enter spot or forward foreign exchange contracts where appropriate.

4.6.2 CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENT LIABILITIES

Table 4.10 sets out the lease commitments for offices under non-cancellable operating leases as at 31 December 2018. The leases expire within one to five years, with options to extend. On renewal, the terms of the lease are renegotiated.

TABLE 4.10: LEASE COMMITMENTS AS AT 31 DECEMBER 2018

	AS AT 31 DECEMBER 2018
Less than one year	561,984
Between one and five years	1,331,304
Total	1,893,288

PointsBet Group has no contingent liabilities as at 31 December 2018.

Between 31 December 2018 and the Prospectus Date, PointsBet has entered into several material contracts that create contractual obligations in the ordinary course of business. Table 4.11 sets the commitments for these contracts as at the Prospectus Date.

TABLE 4.11: CONTRACTUAL OBLIGATIONS AND COMMITMENTS AS AT PROSPECTUS DATE

	AS AT PROSPECTUS DATE
Less than one year	6,601,620
Between one and five years	27,214,286*
Total	33,815,906

* PointsBet has entered into material contracts related to United States business development which may create a contractual obligation to pay market access and government licencing fees subject to the enactment of enabling legislation. These contracts are summarised in Sections 9.4.5 to 9.4.8. The likelihood and timing of these commitments crystallising and the final amounts payable under the obligations cannot be accurately ascertained at the date of the Offer, however are expected to be within 1-5 years as disclosed above. In the event that funds raised under the Offer are not sufficient to meet these contractual obligations as and when they crystallise, the Directors expect to fund the obligations from cash flow generated from operations or the proceeds of equity financing.

A contingent liability may arise in relation to certain guarantees and indemnities given in the ordinary course of business by the PointsBet Group.

4.7 FORECAST FINANCIAL INFORMATION

The Company is a growth-stage Company, with Turnover, Gross revenue and Net revenue having significantly increased with the introduction of Fixed Odds Racing (September 2017) and Fixed Odds Sports (March 2018) in addition to its existing PointsBetting product.

In addition, in January 2019 the Company launched its brand and marketing campaign in New Jersey, having commenced taking bets in December 2018. This is a new and material business for the Company.

Given the recent, significant growth of the Australian business and, in particular, the launch of the New Jersey business in January 2019, there are significant inherent uncertainties in forecasting the Company's future revenues and expenses.

On this basis, the Directors believe that there is no reasonable basis for the inclusion of financial forecasts in the Prospectus.

4.8 MANAGEMENT DISCUSSION AND ANALYSIS OF THE PRO FORMA HISTORICAL FINANCIAL INFORMATION

This Section 4.8 includes a discussion of the key factors which have affected PointsBet's operating and financial performance in FY2017, FY2018, H1 FY2018 and H1 FY2019.

Sections 4.8.1 and 4.8.2 set out the summary of the Pro Forma Historical Information and key metrics for FY2017, FY2018, H1 2018 and H1 2019. Sections 4.8.3 to 4.8.5 discuss the main factors which affected PointsBet's operating and financial performance in FY2017, H1 FY2018, H2 FY2018 and H1 FY2019.

The discussion of the key factors is intended to provide a brief summary only, and does not detail all factors that have affected PointsBet's historical operating and financial performance, or everything that may affect the Company's operations and financial performance in the future. The information in this section should be read in conjunction with the key risk factors set out in Section 5 and other information contained in this Prospectus.

4.8.1 FY2017 PRO FORMA HISTORICAL INFORMATION COMPARED TO FY2018 PRO FORMA HISTORICAL INFORMATION

Table 4.12 sets out the summary of Pro Forma Historical Financial Information for FY2017 and FY2018.

TABLE 4.12: SUMMARY OF PRO FORMA HISTORICAL FINANCIAL INFORMATION FOR FY2017 AND FY2018

	FY2017	FY2018	% CHANGE
Gross revenue	989,793	15,243,721	1,440%
Client promotion expense ¹	(616,744)	(5,861,762)	850
Net revenue	373,049	9,381,959	2,415%
Cost of Sales	(269,980)	(4,322,912)	1,501
Gross profit	103,069	5,059,047	4,808%
Other income	236,151	471,294	100
Sales and marketing expense	(551,795)	(6,188,451)	1,022
Employee benefits expense	(2,284,799)	(4,445,798)	95
Product and technology expense	(152,317)	(260,825)	71
Administrative and other expenses	(737,917)	(1,205,885)	63
Total operating expenses	(3,726,828)	(12,100,959)	225%
EBITDA	(3,387,608)	(6,570,618)	94%
Depreciation and amortisation expense	(91,137)	(359,862)	295
EBIT	(3,478,745)	(6,930,480)	99%
Interest expense	–	–	–
Loss before income tax	(3,478,745)	(6,930,480)	99%
Income tax expense	–	–	–
Loss after income tax expense	(3,478,745)	(6,930,480)	99%
Key financial metrics			
Net revenue (% of Gross revenue)	38%	62%	63%
Gross profit margin	28%	54%	95%

Notes:

1. Client promotion expense is Client promotional costs net of GST.

4.8.2 H1 FY2018 PRO FORMA HISTORICAL INFORMATION COMPARED TO H1 FY2019 PRO FORMA HISTORICAL INFORMATION

Table 4.13 sets out the summary of Pro Forma Historical Financial Information for H1 FY2018 and H1 FY2019.

TABLE 4.13: SUMMARY OF PRO FORMA HISTORICAL FINANCIAL INFORMATION FOR H1 FY2018 AND H1 FY2019

	H1 FY2018	H1 FY2019	% CHANGE
Gross revenue	5,697,835	19,565,597	243%
Client promotion expense ¹	(2,101,225)	(7,505,217)	257
Net revenue	3,596,610	12,060,380	235%
Cost of sales	(1,419,138)	(5,168,127)	264
Gross profit	2,177,472	6,892,253	217%
Other income	409,364	390,213	(5)
Sales and marketing expense	(1,572,024)	(7,644,105)	386
Employee benefits expense	(1,735,582)	(5,337,981)	208
Product and technology expense	(100,074)	(513,085)	413
Administrative and other expenses	(473,325)	(1,630,266)	244
Total operating expenses	(3,881,005)	(15,125,437)	290%
EBITDA	(1,294,169)	(7,842,972)	506%
Depreciation and amortisation expense	(151,518)	(667,291)	340
EBIT	(1,445,687)	(8,510,263)	489%
Interest expense	-	-	-
Loss before income tax	(1,445,687)	(8,510,263)	489%
Income tax expense	-	-	-
Loss after income tax expense	(1,445,687)	(8,510,263)	489%
Key financial metrics			
Net revenue (% of Gross revenue)	63%	62%	(2)%
Gross profit margin	61%	57%	(6)%

Notes:

1. Client promotion expense is Client promotional costs net of GST.

4.8.3 KEY DRIVERS OF BUSINESS PERFORMANCE

FIGURE 4.1: NET REVENUE AND GROSS PROFIT

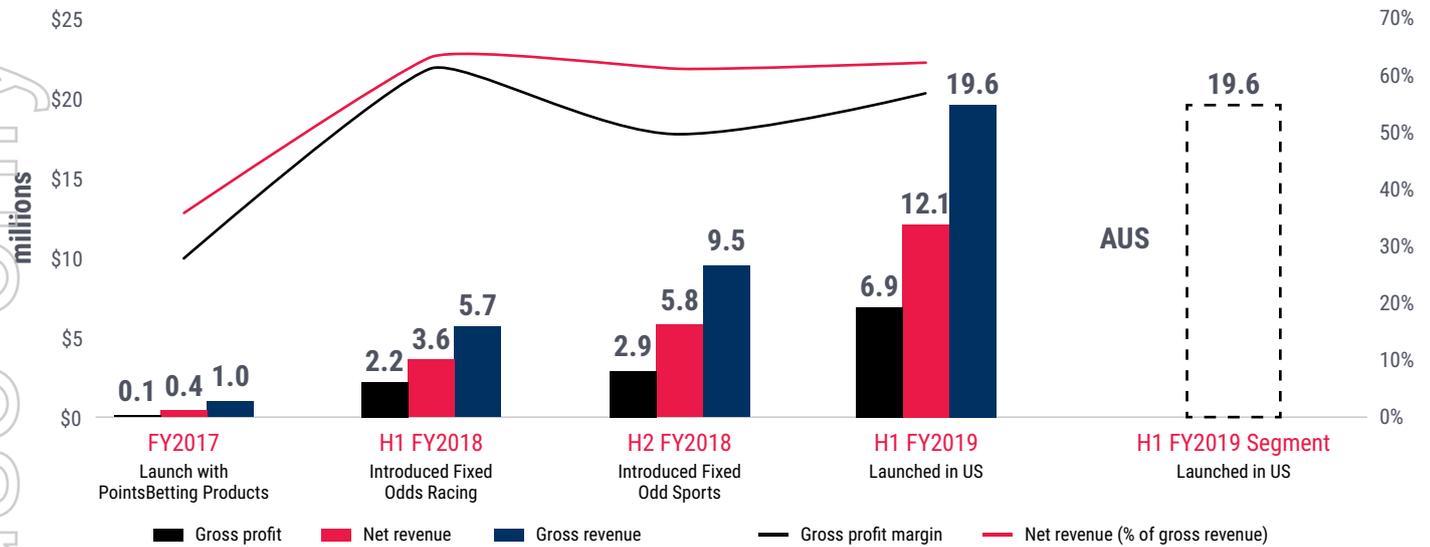
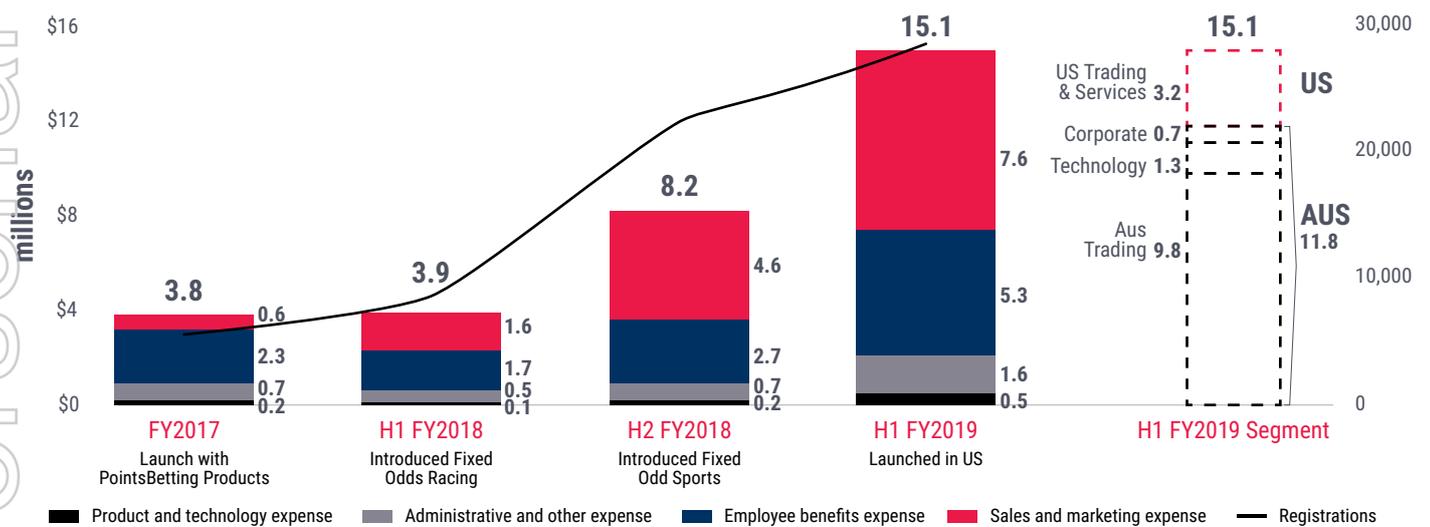


FIGURE 4.2: TOTAL OPERATING EXPENSES



REVENUE AND GROSS PROFIT

Gross revenue

Gross revenue in H1 FY2018 was \$5.7 million, representing an increase of \$4.7 million (or 454%) compared to \$1.0 million in FY2017. Key factors contributing to the Company's Gross revenue growth in the first six months of FY2018 was the launch of its Fixed Odds Racing product. PointsBet launched its first product PointsBetting in H2 FY2017. Gross revenue in H2 FY2018 was \$9.5 million, representing an increase of \$3.8 million (or 67%) compared to \$5.7 million in H1 FY2018. PointsBet launched its Fixed Odds Sports product in H2 FY2018 to coincide with the start of the AFL and NRL seasons along with the FIFA World Cup, which occurs once every four years.

Gross revenue in H1 FY2019 was \$19.6 million, representing an increase of \$10.1 million (or 106%) compared to \$9.5 million of Gross revenue in H2 FY2018. This increase was driven by higher Turnover from a larger active Client base and positive seasonal variation as a result of AFL and NRL finals and the Spring Racing Carnival.

Client promotion expense

Client promotion expense represent the costs incurred by PointsBet to acquire and retain new and existing Clients through free bets, money back offers, early payouts and enhanced pricing initiatives. The launch of Fixed Odds Racing and Fixed Odds Sports products in FY2018 coincided with a 221% increase in Client promotion expense to \$2.1million in H1 FY2018 and 79% increase in Client promotion expense to \$3.8 million in H2 FY2018. In H1 FY2019, Client promotion expense increased by 100% from \$3.8 million in H2 FY2018 to \$7.5 million in H1 FY2019 which was due to PointsBet achieving a higher retained Client base, and positive seasonal variation as a result of AFL, NRL, FIFA World Cup and the Spring Racing Carnival which drove significant acquisition activity through the period.

Net revenue

Net revenue represents Gross revenue less Client promotion expense. Net revenue increased by 864% from FY2017 to H1 FY2018 due to Client promotion expense increasing at a lower rate than the increase in Gross revenue, with more Clients retained as PointsBet expanded its product offering in H1 FY2018.

Net revenue increased 61% from \$3.6 million in H1 FY2018 to \$5.8 million in H2 FY2018 and increased 109% in H1 FY2019 to \$12.1 million which reflects Client promotion expense increasing at a lower percentage than the increase in Gross revenue.

Cost of sales

Cost of sales includes expenses directly attributable to PointsBet's wagering offering, including gaming regulator taxes, racing and sporting body fees, point of consumption taxes, payment transaction fees, and data feed charges. Growth in cost of sales is due primarily to the increase in Turnover from FY2017 to FY2018. Cost of sales in H1 FY2019 increased by 78% to \$5.2 million from H2 FY2018. This was due to the introduction of a point of consumption tax in Queensland and additional racing body fees driven by an increase in overall Turnover and Gross revenue. Initial licence fees and payment gateway setup costs for New Jersey operations were incurred in H1 FY2019.

Gross profit

Gross profit increased to \$2.2 million in H1 FY2018 from \$0.1 million in FY2017 and by \$0.7 million in H2 FY2018 to \$2.9 million. Gross profit in H1 FY2019 was \$6.9 million, representing an increase of \$4.0 million (or 138%) on H2 FY2018. The increase in Gross profit was driven by an increase in Net revenue at a greater rate than the growth in cost of sales.

TOTAL OPERATING EXPENSES

Sales and marketing expense

Total sales and marketing spend increased by 66% to \$7.6 million in H1 FY2019 from H2 FY2018. The increase in sales and marketing expense was driven by \$5.1 million in expenditure across brand marketing (H2 FY2018: \$2.5 million). TV marketing spend was driven by the exclusive Channel 7 Regional AFL sponsorship deal, ESPN, and Channel 7's free-to-air "Summer of Cricket" sponsorship deal, which began in December of H1 FY2019. Additionally, the costs of securing brand ambassadors Allen Iverson and Darrelle Revis for publicity were incurred in H1 FY2019.

FY2017 to H1 FY2019 registrations

Client registrations increased from 5,024 in FY2017 to 63,033 in H1 FY2019. This increase is largely driven by initial targeted and disciplined marketing spend across digital channels, to the introduction of larger scale TV marketing spend in H2 FY2018 into H1 FY 2019 coinciding with the launch of Fixed Odds Sports and the start of the AFL and NRL seasons and Spring Racing Carnivals.

Employment benefits expenses

Employment benefits expense includes salaries, wages, and other employment related expenses for all PointsBet employees.

TABLE 4.14: EMPLOYMENT BENEFIT EXPENSES

	FY2017	H1 FY2018	H2 FY2018	H1 FY2019
Average full time equivalents FTE (#)	20	42	53	80
Average headcount (#)	23	46	58	85
Total employee costs (\$m)	2.28	1.74	2.71	5.34
Average personnel cost per employee (\$m)	0.11	0.04	0.05	0.07

Employment benefits expense increased by approximately 56% from \$1.7 million in H1 FY2018 to \$2.7 million in H2 FY2018. The Company's investment in additional headcount is to facilitate the current and expected increase in wagering activity which impact all areas of PointsBet's operations.

Employment benefits expense increased by 97% from \$2.7 million in H2 FY2018 to \$5.3 million in H1 FY2019. Additional headcount was added to the US business (20 FTE and 20 headcount on average for H1 FY2019) in anticipation of the launch of the US business in New Jersey.

Product and technology expenses

Product and technology expenses includes software licence fees, cloud infrastructure costs and support IT service costs. Product and technology expenses increased by approximately 61% to \$0.2 million in H2 FY2018 from H1 FY2018 primarily due to increases in cloud infrastructure costs supporting the cloud-based technology Platform and increased volume from wagering activity in H2 FY2018.

Product and technology expenses increased by 219% to \$0.5 million in H1 FY2019 from H2 FY2018, primarily due to the additional cloud infrastructure and software licensing required for the launch of the US business, and the increased wagering activity in H2 FY2018.

Administrative and other expenses

Administrative and other expenses include rent and associated costs such as repairs, maintenance, cleaning, insurance, legal fees, cost of external consultants, travel and accommodation expenses and audit and compliance costs.

Administrative and other expenses increased by approximately 56% to \$0.7 million in H2 FY2018 from H1 FY2019 due to PointsBet occupying an additional office space to cater for increased headcount, additional travel and accommodation and external consultant costs related to business development and future market opportunities.

In H1 FY2019, the 123% increase to \$1.6 million from H2 FY2018 was driven by the following:

- additional office space, including the New Jersey premises (Jersey City and Atlantic City) for the US business;
- US set-up costs, including costs incurred to relocate key management staff; and
- administrative costs incurred in gaining licence approval in the US, including external consultants, travel and accommodation costs.

4.8.4 FY2017 PRO FORMA HISTORICAL CASH FLOWS COMPARED TO FY2018 PRO FORMA HISTORICAL CASH FLOWS

Table 4.15 sets out the summary Pro Forma Historical Cash Flows for FY2017 and FY2018.

TABLE 4.15: SUMMARY OF PRO FORMA HISTORICAL CASH FLOWS FOR FY2017 AND FY2018

	FY2017	FY2018	\$	%
EBITDA	(3,387,608)	(6,570,618)	(3,183,009)	94%
Non-cash items in EBITDA	9,066	1,280,035	1,270,969	14,019
Change in working capital	376,517	1,863,971	1,487,454	395
Operating cash flow (excluding Client cash liabilities movement)	(3,002,025)	(3,426,612)	(424,586)	14%
Client cash liabilities movement	690,155	2,885,121	2,194,966	318
Operating cash flow before investing activities, financing activities and tax	(2,311,870)	(541,491)	1,770,380	(77)%
Investments	(400,000)	200,000	600,000	(150)
Purchase of property, plant and equipment	(162,267)	(453,760)	(291,493)	180
Investment in intangibles	(1,047,539)	(1,050,286)	(2,747)	–
Net cashflows before financing activities and tax	(3,921,676)	(1,845,537)	2,076,140	(53)%
Income tax paid	–	–	–	–
Interest paid	–	–	–	–
Proceeds from share issue	5,072,707	7,500,065	2,427,358	48
Proceeds from borrowing	–	–	–	–
Net cash flows	1,151,031	5,654,528	4,503,498	391%

CASH FLOWS USED IN OPERATING ACTIVITIES

The main factor affecting the operating cash flows of PointsBet was stronger trading results in FY2018, driving greater cash collections from Clients and positive working capital movements. Non-cash EBITDA adjustments include \$0.8 million of non-cash marketing services that were incurred in FY2018. With an increase in Client base, Client cash balances held at PointsBet increased \$2.2 million in FY2018.

CASH FLOWS USED IN INVESTING ACTIVITIES

PointsBet spent \$1.1 million on capitalised development costs in FY2018, increasing from \$1.0 million in FY2017. This increased in line with the direct payroll costs associated with product development during FY2018.

CASH FLOWS FROM FINANCING ACTIVITIES

The Company received proceeds from share issues of \$7.5 million net of Offer costs in FY2018 and \$5.1 million in FY2017.

4.8.5 H1 FY2018 PRO FORMA HISTORICAL CASH FLOWS COMPARED TO H1 FY2019 PRO FORMA HISTORICAL CASH FLOWS

Table 4.16 sets out the summary Pro Forma Historical Cash Flows for H1 FY2018 and H1 FY2019.

TABLE 4.16: SUMMARY OF PRO FORMA HISTORICAL CASH FLOWS FOR H1 FY 2018 AND H1 FY 2019

	H1 FY2018	H1 FY2019	\$	%
EBITDA	(1,294,169)	(7,842,972)	(6,548,803)	506%
Non-cash items in EBITDA	11,981	97,578	85,597	714
Change in working capital	614,354	1,303,630	689,276	112
Operating cash flow (excluding Client cash liabilities movement)	(667,834)	(6,441,764)	(5,773,930)	865%
Client cash liabilities movement	764,043	(218,858)	(982,901)	(129)
Operating cash flow before investing activities, financing activities and tax	96,209	(6,660,622)	(6,756,831)	(7,023)%
Investments	–	–	–	–
Purchase of property, plant and equipment	(24,613)	(328,230)	(303,617)	1,234
Investment in intangibles	(555,536)	(11,419,579)	(10,864,043)	1,956
Net cash flows before financing activities and tax	(483,940)	(18,408,431)	(17,924,491)	3,704%
Income tax paid	–	–	–	–
Interest paid	–	–	–	–
Proceeds from share issue	3,750,005	1,403,186	(2,346,819)	(63)
Proceeds from borrowing	–	23,106,052	23,106,052	100
Net cash flows	3,266,065	6,100,807	2,834,742	87%

CASH FLOWS USED IN OPERATING ACTIVITIES

The main factor affecting the operating cash flows of PointsBet is the significant increase in overall expenditure, in particular employee benefits expenses and sales and marketing in H1 FY2019. This was to drive the growth in the business, including US market entry related costs such as legal fees, employee relocation costs, and administrative costs. The change in working capital movement was driven by timing differences of Client net win and the payments to suppliers.

CASH FLOWS USED IN INVESTING ACTIVITIES

As part of PointsBet's software and technology strategy, capital expenditure is allocated to product development. During H1 FY2018, PointsBet invested \$0.6 million into capital projects in preparation for the launch of its Fixed Odds Racing and Fixed Odds Sports product.

During H1 FY2019, PointsBet made considerable investment in intangible assets, including licences, capitalised internal development costs, and purchased software for its scalable cloud-based technology Platform. In preparation for launch in the US, significant investment was made in the PointsBet product offering including new features as well as US market specific functionality. If PointsBet achieves further market access in the US it is expected further investment in licences will be made, which will require continued investing cash outflows.

CASH FLOWS FROM FINANCING ACTIVITIES

The Company received proceeds of \$1.4 million net of Offer costs from share issues and \$23.1 million from issues of convertible notes in H1 FY2019 (of which an additional \$0.8 million was non-cash consideration). The entity received \$3.8 million in H1 FY2018.

4.9 CRITICAL ACCOUNTING POLICIES

Preparing financial statements in accordance with AAS requires Management to make judgements, estimates and assumptions about the application of accounting policies that affect the reported revenues and expenses, carrying values of assets and liabilities and the disclosure of contingent liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods. Judgements PointsBet has made in the application of AAS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next financial year are disclosed, where applicable, in the relevant notes to the financial statements. The key areas in which critical estimates and judgements are applied are in respect of tax, as described in the significant accounting policies outlined in Appendix A.

4.10 DIVIDEND POLICY

The payment of dividends by the Company is at the complete discretion of the Directors. Given the stage of development of the Company, the Directors have no current intention to declare and pay a dividend.

In determining whether to declare future dividends, the Directors will have regard to PointsBet's earnings, overall financial condition, capital requirements and the level of franking credits available. There is no certainty that the Company will ever declare and pay a dividend.

For personal use only

For personal use only

SECTION 5.

RISKS



5.1 INTRODUCTION

This Section 5 describes the potential risks associated with the Company's business and an investment in Shares. It does not list every risk that may be associated with the Company or an investment in Shares now or in the future, and the occurrence or consequences of some of the risks described in this Section 5 are partially or completely outside the control of the Company, the Directors and the Management team.

The selection and order of risks has been based on an assessment of a combination of the probability of the risk occurring, the ability to mitigate the risk and impact of the risk if it did occur. The assessment is based on the knowledge of the Directors and Management team as at the Prospectus Date. There may be other risks which Directors are unaware of at the time of issuing this Prospectus which may impact on the Company, its operations or the valuation and performance of the Shares. The importance of different risks may change and other risks may emerge in the future.

Before applying for Shares, any prospective investor should be satisfied that they have a sufficient understanding of the risks involved in making an investment in the Company and should consider whether the Shares are a suitable investment, having regard to their own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in the Shares, it is recommended that you seek professional guidance from your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser before deciding whether to invest.

5.2 RISKS SPECIFIC TO AN INVESTMENT IN THE COMPANY

5.2.1 THE WAGERING INDUSTRY IS HIGHLY REGULATED

The provision of Wagering services is subject to extensive laws, regulations and, where relevant, licence conditions (**Regulations**) in most jurisdictions. The Regulations vary from jurisdiction to jurisdiction but typically address the responsibility, financial standing and suitability of owners, Directors and operators, marketing and promotional activity, the jurisdictions where an operator is permitted to undertake its business, the use of personal data and anti-money laundering laws. In addition, compliance costs associated with Regulations are material.

- **Changes to Regulations**

Many of the Regulations are subject to change at any time and regulatory authorities may change their interpretation of the Regulations at any time, which may prohibit, restrict or further regulate the Company's operations in the future. Any changes to Regulations may result in additional costs or compliance burden. Some aspects of compliance may be outside the control of the Company. For example, the Company may take bets on a wagering product that is subsequently removed from an approved list, leading to revenue reduction, or advertising restrictions may be imposed within a jurisdiction that restricts PointsBet's ability to effectively market to new customers.

- **Breach of Regulations**

Failure by the Company to comply with relevant Regulations may lead to penalties, sanctions or ultimately the revocation of relevant operating licences and may have an impact on licences in other jurisdictions. Further, any regulatory investigations or settlements could cause the Company to incur substantial costs (either by way of fines and penalties or as a result of successful customer claims), or require it to change its business practices in a manner materially adverse to its business. Any of these outcomes could have a material adverse effect on the financial position and prospects of the Company.

- **Regulations differ across jurisdictions**

The regulation of the Wagering Industry varies from jurisdiction to jurisdiction, from open regimes to licence-based regimes to complete illegality. In addition, the regulation of online Wagering is subject to the determination of where online sports betting takes place and which jurisdiction has authority over the activities and participants.

The Company is currently operating in multiple jurisdictions and seeks to expand its operations in more jurisdictions. Accordingly, as the Company grows it will be subject to a wide range of different and at times conflicting Regulations in each jurisdiction, together with potential uncertainty around the application of laws. This is expected to place an increased burden on the Company and its compliance, administration and technology functions.

If the Company is not successful in managing this increased burden, or if the Company's assessment of an area of legal uncertainty is found to be incorrect, the Company may breach a licence condition or applicable law, which could result in penalties, sanctions or ultimately the revocation of relevant operating licences.

5.2.2 UNITED STATES-SPECIFIC REGULATORY RISKS

The Company's growth strategy includes expansion overseas, and in particular into the developing Wagering Industry in the United States.

The striking down by the United States Supreme Court of the Professional and Amateur Sports Protection Act of 1992 on 14 May 2018 paved the way for individual states to introduce legislation permitting sports betting. Each state may now introduce their own regulatory and licencing frameworks, however:

- there is no guarantee that states will move to legalise Wagering; and
- the timing of any enabling legislation or regulations, and the issuance of licences, cannot be assessed with any certainty in states that do move to legalise Wagering.

There is also a risk that some states will delay legislation or impose significant barriers to entry (such as restricting the number of permitted sports betting operators or limiting sports betting operations to retail premises) which may preclude the Company from gaining access to those states or place the Company at a disadvantage should competitors gain early access.

In addition, should enabling legislation be enacted, there is a risk that the Company may be unable to secure a commercial licence to operate in a state because the Company is unable to find or agree commercial terms with a suitable licence holder (typically casino or racetrack owners).

Any delay or failure to pass enabling legislation or regulations and grant licences in key states in the United States, or the failure by the Company to enter into commercial partnerships, will have a significant adverse effect on the Company's growth plans and future financial performance. See also Section 5.2.3 for further details of the risks associated with the failure to obtain or retain regulatory or commercial licences.

5.2.3 THE COMPANY RELIES ON LICENCES TO CONDUCT ITS BUSINESS

In Australia, the Company relies on a statutory licence granted by the Northern Territory Racing Commission to operate its business.

In New Jersey, the Company relies on a commercial licence granted by the ultimate licence holder, New Meadowlands Racetrack LLC, to operate its business. In the United States, state-based laws govern how many, if any, commercial licences an ultimate licence holder (typically racetracks and casinos) is permitted to grant.

The Company may be unable to obtain new licences in jurisdictions into which it is hoping to expand, or renew its current licences if they expire or are terminated, on terms acceptable to the Company. In addition, the Company may lose or breach the terms of its Northern Territory licence or a commercial licence in the United States. Likewise, its commercial partners in the United States may breach their commercial or statutory licences, which may result in the loss of, or material adverse change to, the Company's commercial licences in the United States.

The Company will be required to negotiate or apply for new commercial or governmental licences in many of the jurisdictions which it wishes to expand into (including the United States). It may be competing for licences against stronger competitors or local statutory monopolies, or face local vested interests that oppose wagering generally, or more specifically the entry of new overseas operators. In addition, the Company may be required to commit to paying large up-front fees for future licences. The Company may be unable to secure new licences on acceptable terms (or at all) where required in order to gain legal access to customers in any given jurisdiction. This could have a material adverse effect on the Company's operations, financial performance and prospects.

In addition, certain of the Company's licences may be granted for fixed periods of time, after which a renewal of the licence may be required. Licences also typically include a right of revocation for the regulator or grantor in certain circumstances. Licences also have conditions attaching to them, some of which may be onerous for the Company to comply with.

A failure to win new licences, the loss of an existing licence, or a material adverse change to the terms of a licence would significantly adversely impact the Company's financial performance and growth plans.

See also Section 5.2.2 for further details of this risk as it relates specifically to the United States.

5.2.4 THE COMPANY IS EXPOSED TO ADVERSE CHANGES IN PRODUCT FEES, LEVIES AND TAXES

The Company has commercial and regulatory payment obligations in the jurisdictions in which it operates. These obligations may be owed to a particular sporting body as "product fees" (for example, horse racing conducted in an Australian jurisdiction), payable under a commercial or statutory licence, or otherwise imposed by law as a tax, levy or fee. Any adverse changes to the Company's commercial and regulatory payment obligations, or the imposition of new levies, taxes or other duties or charges in any of these jurisdictions could materially and adversely affect the operations, financial performance and prospects of the Company.

5.2.5 POINTSBET OPERATES IN A HIGHLY COMPETITIVE INDUSTRY

The Wagering Industry is highly competitive. There are a number of established, well-resourced companies producing products and services that compete with the Company's. These competitors may spend more money and time on developing and testing products and services, undertake more extensive marketing campaigns, adopt more aggressive pricing or promotional policies or otherwise develop more commercially successful products or services than the Company. In addition, the Wagering Industry faces competition from other leisure activities and there can be no assurance that it will be able to increase or maintain its market share against these activities. A loss of market share could have a considerable adverse effect on the Company's operations, financial performance and prospects.

5.2.6 THE COMPANY MAY FAIL TO ATTRACT NEW CLIENTS OR RETAIN EXISTING CLIENTS ON A SUSTAINABLE BASIS

The size of the Company's active Client base, and the level of engagement of its Clients, are critical to the success of the Company.

The Company may fail to win new Clients or retain existing Clients for a number of reasons, including:

- failure to obtain licences to expand into new markets – see Sections 5.2.2 and 5.2.3;
- customers increasingly engaging with competitors of the Company, for example as a result of the Company failing to price its products competitively or the Company failing to successfully introduce new products or services – see Section 5.2.5;
- unsuccessful or ineffective marketing campaigns – see Section 5.2.7;
- failures in the service offerings of the Company, for example as a result of technical difficulties or inadequate customer service – see Sections 5.2.8 and 5.2.9; and
- the Company suffering damage to its reputation or being subject to adverse media reports or other negative publicity – see Section 5.2.16.

If the Company fails to retain existing Clients or add new Clients on an economically sustainable basis, or if its Clients decrease their level of engagement with its products, the Company's revenue, financial results, and business may be significantly harmed.

5.2.7 INEFFECTIVE MARKETING MAY LEAD TO A LACK OF BRAND AWARENESS

Client acquisition and retention, and therefore the Company's business, financial condition and results of operations, depends significantly upon the effectiveness of the Company's marketing activities.

The Company is a relatively new market entrant in Australia and entered the United States market in 2018. It will be a new market entrant in each of the new jurisdictions that it enters. Accordingly, the Company has a strategy to develop and grow its brand profile and awareness in each of its markets. This requires an effective marketing program.

Ineffective and/or inefficient marketing undertaken by the Company, including, in particular, any wasted costs and/or missed opportunities, may mean that the Company is unable to maintain, develop and enhance its brand, and its ability to implement its strategic goals may be adversely affected.

In addition, there are limitations to and, in some cases, prohibitions on the use of certain online and offline marketing channels for the promotion of Wagering as a result of applicable law and regulation. Further restrictions on, or the loss of, marketing channels that are currently available to the Company may have a material adverse effect on the Company's operations, financial performance and prospects.

5.2.8 SYSTEM DISRUPTIONS AND OUTAGES

The integrity, reliability and operational performance of the Company's IT systems and third-party communication networks are critical to its operations. These IT systems and communication networks may be damaged or interrupted by increases in usage, human error, systems outages and failures, cyber-attacks (see Section 5.2.9), natural hazards or disasters, or similarly disruptive events. The Company's current systems may be unable to support a significant increase in online traffic or increased customer numbers, especially during peak times or events.

Like other Wagering operators, the Company has experienced instances of service disruption. Any material or persistent failure or disruption of the Company's IT infrastructure or the telecommunications and/or other third-party infrastructure and services on which such infrastructure relies (see Section 5.2.12) could lead to significant costs and disruptions that could reduce revenue, harm the Company's business reputation and have a material adverse effect on the operations, financial performance and prospects of the Company.

In addition, the Company may at any time be required to expend significant capital or other resources (including staff and management time and resources) to protect the Company against network or IT failure or disruption, including the replacement or upgrading of its existing business continuity systems, procedures and security measures. If replacements, expansions, upgrades and/or other maintenance are not implemented successfully or efficiently, or there are operational failures, the quality of the Company's products and services will be adversely impacted.

5.2.9 CYBER SECURITY RISKS

The Company's IT systems and networks, and those of its third-party service providers, may be vulnerable to cyber-attacks, unauthorised access, computer viruses and other security issues. These events could damage the integrity of the Company's reputation and business. Any failure by the Company to detect and prevent any intrusion or other security breaches, including sabotage, hackers, viruses, and cyber-attacks, could have a material adverse effect on the operations, financial performance and prospects of the Company.

5.2.10 THE COMPANY MAY REQUIRE ADDITIONAL CAPITAL TO FUND ITS GROWTH PLANS

The Company is likely to require additional capital in order to support and implement its growth plans. The Company's ability to obtain additional capital, if and when required, will depend on its business plans, investor demand, the capital markets and other factors. If the Company raises additional funds through the issue of equity or debt securities, those securities may have rights, preferences or privileges superior to the rights of the Shares and Shareholders may experience dilution. If the Company is unable to obtain additional capital when required, or is unable to obtain additional capital on satisfactory terms, its ability to continue to support its business growth or to respond to business opportunities, challenges or unforeseen circumstances could be adversely affected.

5.2.11 CARD PAYMENT RISKS

Some Clients may have difficulty making deposits into their PointsBet account due to specific policies by card issuers and banks to not allow gambling transactions, or to restrict transactions from merchants such as PointsBet whose main business is conducted online. If Clients have difficulty making deposits into their PointsBet account and are unable or unwilling to deposit funds using alternative methods, this could result in lower Turnover for PointsBet and therefore negatively impact the financial performance of the Company.

5.2.12 POINTSBET RELIES ON THIRD-PARTY SERVICE PROVIDERS FOR KEY BUSINESS FUNCTIONS

The Company relies upon various third-party service providers to maintain continuous operation of its Platform, servers, hosting services, payment processing, and various other key aspects of its business including the pricing and availability of its products.

There is a risk that these services and systems may be adversely affected by various factors such as damage, faulty or aging equipment, systems failures and outages, computer viruses, or misuse by staff or contractors. The Company may also have disputes with its service providers for a range of reasons, which could lead to service disruptions until the dispute is resolved or a new service provider is engaged. Any disruption to third-party services may result in a disruption to the Company's services and have a material impact on the Company's operations.

5.2.13 RISK OF FRAUD

Wagering operators are exposed to schemes to defraud and there is a risk that the Company's products may be used for those purposes by its Clients or employees. In these circumstances, the Company has a high degree of reliance on its employees.

Examples of internal fraud include:

- incorrect odds being published for a short period, sufficient for an employee (or associate) to place a bet to take advantage of the incorrect odds;
- the withdrawal of funds going to a bank account belonging to an employee (or associate) rather than a Client; and
- crediting bonuses to an employee (or associate) in circumstances where they have not been properly earned.

Examples of external fraud include:

- creating multiple accounts using borrowed or stolen identities to improperly obtain bonuses or promotional odds;
- "phishing" attacks resulting in account passwords being improperly obtained, with the potential for fraudulent withdrawals from those accounts;
- requests by Clients for a "chargeback" to their card in an attempt to dispute their own transactions; and
- requests for a "chargeback" from credit and debit card owners where the card was stolen or otherwise used by an unauthorised Client.

While the Company has systems in place to protect against fraudulent play and other collusion between Clients and employees, these systems may not be effective in all cases. This may require the Company to make unanticipated additional investments in its systems and processes. Further, some jurisdictions may require the Company to establish that a bet was fraudulent to a high standard of proof before the Company is permitted to void a fraudulent bet.

If the Company suffers any fraudulent activities, the Company's business, performance, prospects, value, financial condition, and results of operations could be adversely affected.

5.2.14 ANTI-MONEY LAUNDERING

The Wagering Industry is exposed to schemes to launder money illegally and there is a risk that the Company's products may be used for those purposes by its Clients or employees.

In addition, the Company's activities are subject to money laundering regulations and anti-corruption laws, which may increase the costs of compliance, limit or restrict the Company's ability to do business or subject the Company to civil or criminal actions or proceedings.

If applicable anti-money laundering laws or regulations are breached, the Company's business, performance, prospects, value, financial condition, and results of operations could be adversely affected.

5.2.15 RISKS RELATING TO THE MISUSE OR LOSS OF PERSONAL INFORMATION

The Company processes personal customer data (including name, address, age, bank details and gaming history) and therefore must comply with strict data protection and privacy laws in Australia and other jurisdictions. The Company is exposed to the risk that this data could be wrongfully accessed and/or used, whether by employees, customers or other third parties, or otherwise inadvertently lost or disclosed or processed in breach of applicable data protection regulations. If the Company or any of the third-party service providers on which it relies fails to transmit customer information and payment details online in a secure matter or if a misuse or loss of personal customer data were to occur, the Company and its officers could face fines or penalties. This could also give rise to reputational damage to the Company and its brand. Each of these factors would have a material adverse effect on the Company's operations, financial performance and prospects.

5.2.16 POINTSBET MAY SUFFER DAMAGE TO ITS REPUTATION

The Company's brand and reputation are vital to its success. Damage to the Company's reputation could arise due to a number of circumstances, including inadequate or deteriorating service, improper conduct, human error, actions by third parties, display of inappropriate advertising content or adverse media coverage. In particular, negative publicity about underage and problem betting and gaming, fraud or corruption in sport, even if not directly connected with the Company, may adversely impact the Company's reputation or the reputation of the industry as a whole. If this occurred, the Company's future financial position and performance could be adversely affected.

5.2.17 INTELLECTUAL PROPERTY RISKS

The Company's success may depend on its ability to obtain trademark protection for the names or symbols under which it markets its products, or to obtain copyright protection of its proprietary technologies and other innovations. There is a risk that the Company may fail or be unable to protect its intellectual property rights, which may have a significant adverse effect on the Company and its prospects.

Further, there is a risk that the Company's operations, Platforms and services may infringe the intellectual property rights of third parties. If any claim or litigation is brought against the Company which alleges infringement of another party's intellectual property rights, this could result in the Company (amongst other things) being subject to liability for damages, and losing the right to use or being required to pay a licence fee to use the intellectual property. This may have an adverse effect on the Company's financial performance and its ability to conduct its business operations.

5.2.18 INABILITY TO MANAGE EXPECTED FUTURE GROWTH

The Company has experienced and expects to continue to experience rapid growth, which has placed, and may continue to place, significant demands on its management, operational and financial resources. As the Company grows, it may encounter capacity constraint issues and more resources will be required to manage growth initiatives. If the Company fails to successfully manage its anticipated growth and change, the quality of its products may suffer, which could negatively affect its brand and reputation and harm its ability to retain and attract customers.

5.2.19 CLIENTS MAY HAVE A HIGHER THAN EXPECTED WIN RATE

Betting returns are volatile. While the odds offered to Clients are intended to provide a target average return on Turnover (or Gross Revenue margin) to the Company over a large number of events, this outcome is not guaranteed, particularly over a smaller number of events. The Company may experience returns below its expected Gross Revenue Margin owing to, for example:

- a series of outcomes skewed towards its Clients' betting selections on those events (such as when a disproportionate number of "favourites" or a "national" team win);
- structural changes lowering the Company's expected Gross Revenue Margin (such as offering more generous odds as a result of competition or promotional activities); or
- failures of the people, processes and/or systems which the Company has in place to manage its trading risk, for example, by failing to apply appropriate limits or adjust odds.

If the Company's Gross Revenue Margin is below expectations, this would have a material adverse effect on the Company's operations, financial performance and prospects.

5.2.20 DISRUPTION IN THE SUPPLY AND TRANSMISSION OF SPORTING EVENTS

The Company's business may be impacted by disruptions to the scheduling and live broadcasting of major sporting events. In some instances, the scheduling of major sporting events occurs seasonally (for example, horse racing, the English Premier League and the European Champions League) or at regular but infrequent intervals (for example, the FIFA World Cup). The cancellation, postponement or curtailment of significant sporting events, for example due to adverse weather conditions, terrorist acts, industrial actions or the outbreak of infectious diseases, or cancellation, disruption to or postponement of, the live broadcasting of sporting events could materially adversely affect the profitability of the Company.

5.2.21 RELIANCE ON KEY PERSONNEL

The Company depends on the services of the Management team as well as its technical, operational, marketing and management personnel. Competition for suitably qualified personnel, including computer programmers and developers, is intense, and the Company cannot provide assurance that it will be able to attract or retain highly qualified personnel in the future.

If the Company is not able to retain its key employees and hire appropriate new employees, it may not be able to operate and grow its business as planned.

5.2.22 FAILURE TO ADAPT TO NEW TECHNOLOGIES AND CLIENT PREFERENCES

The Company operates in a competitive and dynamic industry, within which there is constant product development and innovation. The Company may be unable to respond quickly or adequately to the changes in the industry brought on by new products and technologies, the availability of products on other technology platforms and marketing channels, the introduction of new features and functionality or new marketing and promotional efforts by the Company's current competitors or new competitors and new technology. This may result in the Company's products becoming less attractive to Clients, which would be likely to result in a reduction in the Company's Client base. This would adversely affect the Company's financial position and prospects.

5.2.23 NO TRACK RECORD OF PROFITABILITY AND NO HISTORY AS A LISTED ENTITY

The Company does not have a track record of profit and there is no guarantee that it will ever be profitable. If the Company does not achieve a track record of profitability it will be unable to pay dividends in the future and capital growth may be less likely.

The Company has a relatively short operating history and has never operated as a listed entity. It is developing the information reporting processes and financial controls and systems necessary to effectively operate as a listed entity. The development of PointsBet's management information reporting systems and financial controls may require unexpected levels of management attention, which could distract management from operating and growing the business.

5.2.24 PAYMENT OF FUTURE DIVIDENDS

Future distributions to Shareholders will be determined by the Board having regard to the operating results, future capital requirements, bank debt covenants and financial position of the Company. No guarantee can be given as to the amount and timing of any dividends on the Shares.

To the extent that the Company pays dividends, it may not have sufficient franking credits in the future to frank dividends. The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular circumstances.

5.2.25 EXCHANGE RATE FLUCTUATIONS MAY IMPACT EARNINGS

PointsBet's financial reports are prepared in Australian dollars however a proportion of PointsBet's revenues, costs and cash flows are generated in United States dollars. The proportion of overseas revenues, costs and cashflows generated by the Company is expected to grow and the Company will be exposed to additional currencies as it enters new markets.

Any adverse exchange rate fluctuations or volatility in the currencies in which PointsBet generates its revenues and cash flows, and incurs its costs, would have an adverse effect on the Company's future performance and position.

5.2.26 THE COMPANY IS EXPOSED TO GENERAL MARKET CONDITIONS

The Company's performance will depend to a certain extent on a number of macro-economic factors outside its control which may impact the spending power and habits of its Clients. These factors include economic growth, unemployment rates, consumer confidence, taxation, inflation and the availability and cost of credit. In addition, consumer spending may be affected by natural disasters such as floods or drought. Any significant or prolonged decrease in consumer spending on entertainment or leisure activities could adversely affect the demand for the Company's products.

5.3 GENERAL RISKS

5.3.1 THE PRICE OF SHARES MAY FLUCTUATE

The Shares will trade on ASX following Listing at a price higher or lower than the Offer Price.

The price at which the Shares trade following Listing will be affected by the financial performance of the Company and by external factors unrelated to the operating performance of the Company, including movements on international share markets, the level of interest rates and exchange rates, general domestic and international economic conditions and government policies relating to taxation and other matters.

5.3.2 TRADING IN SHARES MIGHT NOT BE LIQUID

There can be no guarantee that an active market in the Shares will develop. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time, particularly given the level of ownership retained by the Existing Shareholders. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid for their Shares.

5.3.3 AUSTRALIAN ACCOUNTING STANDARDS MAY CHANGE

Australian Accounting Standards are set by the AASB and are outside the control of the Company. The AASB regularly introduces new or refined Australian Accounting Standards, which may affect future measurement and recognition of key statements of profit and loss and balance sheet items, including revenue and receivables.

There is also a risk that interpretations of existing Australian Accounting Standards, including those relating to the measurement and recognition of key statements of profit and loss and balance sheet items, may differ. Changes to Australian Accounting Standards issued by the AASB, or changes to commonly held views on the application of those standards, could materially adversely affect the financial performance and position reported in the Company's consolidated financial statements.

5.3.4 INFLATION RATES

Higher than expected inflation rates could lead to increased development and/or operating costs. If such increased costs cannot be offset by increased revenue, this could impact the Company's future financial performance.

5.3.5 RISK OF SHAREHOLDER DILUTION

In the future, the Company may elect to issue new Shares or engage in fundraisings to fund or raise proceeds for investments or balance sheet strength. While the Company will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue, Shareholders may be diluted as a result of such issues of Shares and fundraisings.

5.3.6 INTEREST RATES

The Company does not currently have any material debt. If the Company borrows money in the future, it will be exposed to increases in interest rates which would increase the cost of servicing the Company's debts.

SECTION 6.

**KEY PEOPLE,
INTERESTS
AND BENEFITS**

For personal use only



6.1 BOARD OF DIRECTORS

The Directors of the Company bring to the Board a variety of skills and experience, including industry and business knowledge, financial management, legal expertise, corporate strategy and corporate governance experience. Profiles of each member of the Board are set out below:

TABLE 6.1: DIRECTOR EXPERTISE, EXPERIENCE AND QUALIFICATIONS

DIRECTOR	EXPERTISE, EXPERIENCE AND QUALIFICATIONS
	<p>BRETT PATON Non-Executive Chairman (appointed Director in November, 2018) <i>B Ec Monash University, Chartered Accountant</i> <i>Member of the Remuneration and Nomination Committee</i> <i>Member of the Audit, Risk and Compliance Committee</i></p> <p>EXPERIENCE</p> <p>Mr Paton entered the finance industry in 1980 as a Chartered Accountant and after 23 years at UBS, retired from his role in 2008 as Vice Chairman, having run the UBS Equity Capital Markets business for 14 years.</p> <p>Following this he was Vice Chairman of the Institutional Clients Group for Australia and New Zealand at Citigroup Inc for five years.</p> <p>Over his years at UBS and Citigroup, Brett's respective teams assisted and advised companies, governments and government agencies on capital raisings totalling approximately \$230 billion of equity.</p> <p>Having served as a Non-Executive Director of Tabcorp and Chair of Audit and Risk for its demerged entity, Echo Entertainment, he has gained significant experience and valuable insights into the functions expected of ASX boards and companies in the Wagering Industry. Mr Paton has also served as a Council member of RMIT University where he chaired the Risk and Audit Committee and was also a foundation member of the ASX Capital Markets Advisory Panel.</p> <p>With his breadth of experience in the finance and Wagering Industries, Mr Paton is well equipped to chair the Board and guide the business development and future of PointsBet.</p> <p>OTHER CURRENT POSITIONS</p> <p>Mr Paton currently chairs:</p> <ul style="list-style-type: none"> • the management company of Escala Partners, an Australian wealth management advisory group; and • PLC Asset Management, a global venture capital investment organisation. <p>Mr Paton is also a member of the Investment Committee for the ASX-listed Hearts and Minds Investments Limited.</p>
	<p>SAM SWANNELL Co-Founder, Managing Director and Group Chief Executive Officer (appointed Director in March, 2015) <i>B Com Monash University</i></p> <p>EXPERIENCE</p> <p>Mr Swannell has substantial expertise and experience in the Wagering Industry including successfully managing the start-up of both tomwaterhouse.com and PointsBet.</p> <p>For three years he was National Sales Manager with TOTE Tasmania responsible for all revenue channels including all retail and pub outlets. During his tenure, turnover and EBITDA increased 200%. This was followed by four years as Chief Operations Officer at tomwaterhouse.com, which involved responsibility for establishing and managing all functions of the business. tomwaterhouse.com grew rapidly to become a pre-eminent wagering brand in Australia until its sale to William Hill. Mr Swannell's experience also includes international consulting assignments across North America and Europe and related verticals such as online casino and poker.</p> <p>Mr Swannell has a deep understanding of the critical areas required to produce and manage a successful Sportsbook, which has been instrumental in the establishment and growth of PointsBet.</p>

DIRECTOR

EXPERTISE, EXPERIENCE AND QUALIFICATIONS

**NICK FAHEY**

Co-Founder, Executive Director and Group Chief Financial Officer (appointed Director in March, 2015)

B Bus University of Technology Sydney, Chartered Accountant

EXPERIENCE

Mr Fahey has over 14 years' experience in the accounting and finance sectors. Prior to co-founding PointsBet in 2015, he was a Consultant at PwC, a Financial Analyst at the Sydney Opera House and a Project Finance Analyst at Westfield. Whilst at Westfield, Mr Fahey provided financial feasibility studies for shopping centre developments, experience which has provided him with valuable insight into complex financial transactions and valuation methods.

This varied financial experience and exposure has enabled Mr Fahey to structure the business and manage the ongoing financial stewardship of PointsBet to enable the Company to achieve its growth targets.

Mr Fahey has also volunteered with the Victorian Youth Referral and Independent Person Program (YRIPP) assisting young people to attend interviews at Police Stations without a guardian. The role provides an important opportunity to support young people at a critical time and help divert those at risk from further offending.

**TONY SYMONS**

Non-Executive Director (appointed Director in September, 2016)

B Com B Law University of Melbourne, Lawyer

Chair of the Remuneration and Nomination Committee

Member of the Audit, Risk and Compliance Committee

EXPERIENCE

Mr Symons has over 20 years' experience in corporate law and mergers and acquisitions, including four years with a global firm in Hong Kong.

Mr Symons is the Founder and Managing Director of Clarendon Lawyers, a corporate legal advisory firm specialising in mergers and acquisitions and equity capital markets. His extensive experience spans a wide range of corporate transactions involving large foreign listed companies, private equity funds, Australian listed companies, large private companies and family offices across a range of industries. He regularly advises on and coordinates complex transactions, often across multiple jurisdictions, and is consistently recognised in peer review based industry publications as a leading M&A lawyer in Australia.

OTHER CURRENT POSITIONS

Mr Symons also sits on the boards of Connected Communities Melbourne, an independent philanthropic body to support community strengthening activities throughout Melbourne, and the Papunya Foundation, which connects youth from Melbourne and the remote indigenous community of Papunya via football.

**PETER McCLUSKEY**

Independent Non-Executive Director (appointed to the Board in November, 2017)

B Bus Swinburne University, Chartered Accountant

Chair of the Audit, Risk and Compliance Committee

Member of the Remuneration and Nomination Committee

EXPERIENCE

Mr McCluskey has been an insolvency and corporate reconstruction professional for 33 years. He has strong relationships within the Australian and international finance sectors. He has managed the conflicting agendas of diverse parties in large banking syndicates in some of the biggest restructuring assignments in Australia.

He was Managing Partner at Ferrier Hodgson's Melbourne office for 12 years. During his tenure at Ferrier Hodgson, Mr McCluskey had exposure to a broad range of industries due to his engagement and oversight of several corporate restructuring and insolvency projects and is recognised for his ability to manage and resolve complex matters.

6.1.1 DIRECTORS' DISCLOSURE

Each Director above has confirmed to the Company that he anticipates being able to perform his duties as a Director without constraint from other commitments.

No Director has been the subject of any disciplinary action, criminal conviction, personal bankruptcy or disqualification in Australia or elsewhere.

No Director has been an officer of a company that has entered into any form of external administration as a result of insolvency during the time that they were an officer or within a 12-month period after they ceased to be an officer. It is noted however that Peter McCluskey, through his professional role as Managing Partner of Ferrier Hodgson's Melbourne Office, completed a number of complex corporate restructuring engagements.

The Board has considered the Company's immediate requirements as it transitions to an ASX-listed company and is satisfied that the composition of the Board represents an appropriate range of experience, qualifications and skills at this time.

6.2 SENIOR MANAGEMENT

The following table provides information regarding the senior management team of PointsBet, including their positions and expertise.

TABLE 6.2: SENIOR MANAGEMENT EXPERTISE, EXPERIENCE AND QUALIFICATIONS

DIRECTOR	EXPERTISE, EXPERIENCE AND QUALIFICATIONS
	<p>SAM SWANNELL Co-Founder, Executive Director and Group Chief Executive Officer</p> <p>See Section 6.1</p>
	<p>NICK FAHEY Co-Founder, Executive Director and Group Chief Financial Officer</p> <p>See Section 6.1</p>
	<p>JOHNNY AITKEN US Chief Executive Officer</p> <p><i>B Com Deakin University</i></p> <p>Johnny has over 15 years' experience in the Wagering Industry with a deep understanding of operating within highly regulated commercial environments. Johnny joined tomwaterhouse.com in 2010, led its VIP business arm, and managed the trading business. After the completion of the sale of tomwaterhouse.com to William Hill, Johnny was appointed Head of Risk before rising to Trading Director in mid-2015. As a member of the William Hill executive team, he also managed the Analytics, Publishing and Customer Service departments with over 120 staff located in three operating locations.</p>
	<p>Johnny joined the PointsBet team as COO in April 2018, and was tasked with establishing the business' US operations as CEO for PointsBet US operations where he is now based.</p>
	<p>ANDREW FAHEY Co-Founder and Chief Marketing Officer</p> <p><i>B Com Macquarie University</i></p> <p>Andrew has over seven years' experience in the Australian Wagering Industry and has been involved in the architecture and delivery of both tomwaterhouse.com and William Hill's marketing & media strategies. He has played a substantial role in the development of the PointsBet brand, strategy, proposition and product range. He has been the primary driver behind the cutting-edge front-end design of the PointsBet website and App to ensure PointsBet is a market leader in this space. Andrew is responsible for all Australian customer acquisition, retention, marketing communications, brand, sponsorship, and digital activities at PointsBet. Prior to entering the Wagering Industry Andrew had marketing roles with diversified financial services and telecommunications businesses.</p>

DIRECTOR

EXPERTISE, EXPERIENCE AND QUALIFICATIONS

**TOM RUNDLE****Global Chief Technology and Operations Officer**

B Ec University of Tasmania

Tom Rundle has spent over 16 years in management at wagering and online gaming businesses across Australia and in the UK. After leading the development of wagering software at leading Australian bookmakers Sportingbet and Sportsbet through the 2000s, Tom spent four years heading up the Operations Product Team in London for PokerStars, the world's largest online Poker company. He returned to Australia in leadership roles across IT, product and operations at tomwaterhouse.com and BetEasy/CrownBet, before setting up CrownBet's Daily Fantasy subsidiary Draftstars.

Tom joined PointsBet in June 2018.

**ANDREW HENSHER****Group General Counsel and Company Secretary**

B Arts/Laws (Hons) Macquarie University

Andrew is an experienced executive who specialises in gaming and wagering, technology, strategy, corporate governance and regulatory risk and compliance. Prior to joining PointsBet, Andrew was Head of Legal and Regulatory Affairs at William Hill Australia, responsible for the overall legal, regulatory and compliance functions. Andrew also has extensive listed governance and corporate experience having spent almost six years at Aristocrat Leisure Limited as General Manager - Company Secretariat and Corporate Counsel, providing global corporate advisory support to all aspects of the business and was responsible for the overall management of Aristocrat Leisure's Company Secretariat function.

Andrew previously acted as Company Secretary of the Gaming Technologies Association (the peak representative body for Australian gaming machine technology suppliers) and was a former Director of the Australian Wagering Council (the then peak representative body for the Australian Online Wagering Industry). During his time in private practice, Andrew spent a year on secondment to the Takeovers Panel.

6.3 INTERESTS AND BENEFITS

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter of the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer, holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:
 - the formation or promotion of the Company;
 - property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; or
 - the Offer,

and no other amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

For personal use only

6.3.1 EXECUTIVE REMUNERATION

6.3.1.1 OVERVIEW

The Company's philosophy on remuneration is that executive and key employee remuneration should be aligned with Shareholder interests by providing levels of fixed remuneration and "at risk" pay sufficient to attract and retain individuals with the skills and experience required to build on and execute the Company's business strategy. It aims to achieve this by ensuring "at risk" remuneration is contingent on outcomes that grow and/or protect Shareholder value and by aligning the interests of executives and Shareholders by ensuring a suitable proportion of remuneration is received as a share-based payment.

To ensure that the Company continues to attract, retain and motivate talented staff at a competitive cost, the Company will aim to align total fixed remuneration to the median rate of the relevant market, with consideration given to experience, qualifications, performance and other non-financial benefits.

The Remuneration and Nomination Committee recommends to the Board the remuneration packages for the executive team. It is intended that these will be reviewed annually. The Remuneration and Nomination Committee may seek external advice to determine the appropriate level and structure of the remuneration packages.

Summaries of the key terms of the employment contracts of the three Co-Founders and the Group General Counsel and Company Secretary are set out below.

6.3.1.2 SUMMARIES OF KEY TERMS OF EMPLOYMENT AND ESOP GRANTS FOR CO-FOUNDERS AND GROUP GENERAL COUNSEL AND COMPANY SECRETARY

TABLE 6.3: SUMMARIES OF KEY TERMS OF EMPLOYMENT AND ESOP GRANTS FOR KEY EXECUTIVES

TERM	DESCRIPTION																																																																						
Employer	PointsBet Holdings Limited																																																																						
Total Fixed Remuneration (TFR)	Sam Swanell is entitled to receive TFR of \$370,530 per annum, inclusive of statutory superannuation. Nick Fahey is entitled to receive TFR of \$ 216,240 per annum, inclusive of statutory superannuation. Andrew Fahey is entitled to receive TFR of \$216,240 per annum, inclusive of statutory superannuation. Andrew Hensher is entitled to receive TFR of \$295,531 per annum, inclusive of statutory superannuation.																																																																						
Short-term incentive (STI)	Sam Swanell, Nick Fahey, Andrew Fahey and Andrew Hensher are each eligible to participate in the Company's STI arrangements whereby they may each, subject to meeting KPI targets and at the Board's discretion, receive a cash bonus of up to 20% of TFR on an annual basis.																																																																						
Long-term incentive (LTI)	Sam Swanell, Nick Fahey, Andrew Fahey and Andrew Hensher are each eligible to participate in the Company's LTI arrangements. Further information on the LTI arrangements is set out in Section 6.3.2.2 and the prior grants of Options made to each of Sam Swanell, Nick Fahey, Andrew Fahey and Andrew Hensher are set out below.																																																																						
	<table border="1"> <thead> <tr> <th>EMPLOYEE</th> <th>OPTIONS GRANTED</th> <th>GRANT DATE</th> <th>VESTING DATE</th> <th>EXERCISE PRICE</th> <th>EXPIRY DATE</th> </tr> </thead> <tbody> <tr> <td rowspan="5">Sam Swanell</td> <td>112,554</td> <td>01 Nov 17</td> <td>On IPO</td> <td>0.89</td> <td>01 Nov 20</td> </tr> <tr> <td>161,600</td> <td>29 Jun 18</td> <td>On IPO</td> <td>1.07</td> <td>29 Jun 21</td> </tr> <tr> <td>1,257,585</td> <td>30 Jan 19</td> <td>30 Jan 22 (3yrs)</td> <td>1.61</td> <td>30 Jan 23</td> </tr> <tr> <td>628,792</td> <td>30 Jan 19</td> <td>30 Jan 23 (4yrs)</td> <td>1.61</td> <td>30 Jan 24</td> </tr> <tr> <td>628,792</td> <td>30 Jan 19</td> <td>30 Jan 24 (5yrs)</td> <td>1.61</td> <td>30 Jan 25</td> </tr> <tr> <td></td> <td>2,789,323</td> <td></td> <td></td> <td>1.55*</td> <td></td> </tr> <tr> <td rowspan="5">Nick Fahey</td> <td>112,554</td> <td>01 Nov 17</td> <td>On IPO</td> <td>0.89</td> <td>01 Nov 20</td> </tr> <tr> <td>93,816</td> <td>29 Jun 18</td> <td>On IPO</td> <td>1.07</td> <td>29 Jun 21</td> </tr> <tr> <td>440,155</td> <td>30 Jan 19</td> <td>30 Jan 22 (3yrs)</td> <td>1.61</td> <td>30 Jan 23</td> </tr> <tr> <td>251,517</td> <td>30 Jan 19</td> <td>30 Jan 23 (4yrs)</td> <td>1.61</td> <td>30 Jan 24</td> </tr> <tr> <td>251,517</td> <td>30 Jan 19</td> <td>30 Jan 24 (5yrs)</td> <td>1.61</td> <td>30 Jan 25</td> </tr> <tr> <td></td> <td>1,149,559</td> <td></td> <td></td> <td>1.50*</td> <td></td> </tr> </tbody> </table>	EMPLOYEE	OPTIONS GRANTED	GRANT DATE	VESTING DATE	EXERCISE PRICE	EXPIRY DATE	Sam Swanell	112,554	01 Nov 17	On IPO	0.89	01 Nov 20	161,600	29 Jun 18	On IPO	1.07	29 Jun 21	1,257,585	30 Jan 19	30 Jan 22 (3yrs)	1.61	30 Jan 23	628,792	30 Jan 19	30 Jan 23 (4yrs)	1.61	30 Jan 24	628,792	30 Jan 19	30 Jan 24 (5yrs)	1.61	30 Jan 25		2,789,323			1.55*		Nick Fahey	112,554	01 Nov 17	On IPO	0.89	01 Nov 20	93,816	29 Jun 18	On IPO	1.07	29 Jun 21	440,155	30 Jan 19	30 Jan 22 (3yrs)	1.61	30 Jan 23	251,517	30 Jan 19	30 Jan 23 (4yrs)	1.61	30 Jan 24	251,517	30 Jan 19	30 Jan 24 (5yrs)	1.61	30 Jan 25		1,149,559			1.50*	
EMPLOYEE	OPTIONS GRANTED	GRANT DATE	VESTING DATE	EXERCISE PRICE	EXPIRY DATE																																																																		
Sam Swanell	112,554	01 Nov 17	On IPO	0.89	01 Nov 20																																																																		
	161,600	29 Jun 18	On IPO	1.07	29 Jun 21																																																																		
	1,257,585	30 Jan 19	30 Jan 22 (3yrs)	1.61	30 Jan 23																																																																		
	628,792	30 Jan 19	30 Jan 23 (4yrs)	1.61	30 Jan 24																																																																		
	628,792	30 Jan 19	30 Jan 24 (5yrs)	1.61	30 Jan 25																																																																		
	2,789,323			1.55*																																																																			
Nick Fahey	112,554	01 Nov 17	On IPO	0.89	01 Nov 20																																																																		
	93,816	29 Jun 18	On IPO	1.07	29 Jun 21																																																																		
	440,155	30 Jan 19	30 Jan 22 (3yrs)	1.61	30 Jan 23																																																																		
	251,517	30 Jan 19	30 Jan 23 (4yrs)	1.61	30 Jan 24																																																																		
	251,517	30 Jan 19	30 Jan 24 (5yrs)	1.61	30 Jan 25																																																																		
	1,149,559			1.50*																																																																			

TERM	DESCRIPTION					
Long-term incentive (LTI) <i>continued</i>	EMPLOYEE	OPTIONS GRANTED	GRANT DATE	VESTING DATE	EXERCISE PRICE	EXPIRY DATE
	Andrew Fahey	112,554	01 Nov 17	On IPO	0.89	01 Nov 20
		93,816	29 Jun 18	On IPO	1.07	29 Jun 21
		440,155	30 Jan 19	30 Jan 22 (3yrs)	1.61	30 Jan 23
		251,517	30 Jan 19	30 Jan 23 (4yrs)	1.61	30 Jan 24
		251,517	30 Jan 19	30 Jan 24 (5yrs)	1.61	30 Jan 25
		1,149,559			1.50*	
	Andrew Hensher	78,599	30 Jan 19	30 Jan 22 (3yrs)	1.61	30 Jan 24
		78,599	30 Jan 19	30 Jan 23 (4yrs)	1.61	30 Jan 25
			157,198		1.61*	

* Weighted Average Option Exercise Price

2017 and 2018 grant date Options will vest on IPO.

2019 Options include both minimum service date, and target share price vesting conditions. Target Share prices range between \$4.29, and \$5.37 per share, with 30% of Options subject to board discretion to vary the target price via an "inappropriate outcomes" adjustment defined in the Plan.

Termination

In the case of:

- Sam Swanell, six months' notice of termination by the employee and twelve months' notice of termination by the Company;
- Andrew Fahey and Nick Fahey, five months' notice of termination by the employee and nine months' notice of termination by the Company; and
- Andrew Hensher, three months' notice of termination by the employee and six months' notice of termination by the Company.

All payments on termination will be subject to the termination benefits cap under the Corporations Act. Shareholder approval was obtained prior to Listing for the provision of benefits on cessation of employment.

Restraints

Non-compete and non-solicit restraints in Australia for each employee.

6.3.2 EXECUTIVE AND EMPLOYEE INCENTIVE ARRANGEMENTS

PointsBet has established a number of incentive arrangements to enable the attraction, motivation and retention of management, employees and key contractors of PointsBet.

For the executive team, the remuneration packages will consist of:

- fixed remuneration (described above);
- cash-based short-term incentives (STI); and
- long-term equity incentives (LTI).

Both the cash-based STI and the equity-based LTI are subject to achievement of performance criteria or hurdles set and assessed by the Board.

6.3.2.1 SHORT-TERM INCENTIVE PLAN

The key components of the cash-based STI are:

- participants are entitled to receive a percentage of their fixed remuneration as an annual cash bonus;
- to be eligible for an annual cash bonus, participants must be employees in good standing of the Company at the date on which the bonus is payable; and
- payment of annual cash bonuses is discretionary and determined by the Board based on individual measures and business performance.

6.3.2.2 LONG-TERM INCENTIVE PLAN

The Company has also established an LTI plan to assist in the reward, retention and motivation of participants and align their interests with those of Shareholders. The LTI plan is an equity-based plan which is delivered in the form of Options.

The rules of the LTI plan (**Plan Rules**) provide the framework under which the Plan and individual grants will operate. The key features of the Plan are outlined below.

TABLE 6.4: SUMMARY OF LTI PLAN RULES

TERM	DESCRIPTION
Eligibility	Offers may be made at the Board's discretion to employees of the PointsBet Group (including the Executive Directors) and the Non-Executive Directors (or approved nominees).
Types of securities	The Plan Rules permit the Company to grant options, which are an entitlement to receive Shares upon satisfaction of applicable conditions and payment of the applicable exercise price, subject to the terms of individual offers.
Offers under the Plan	The Board may make offers at its discretion and any offer documents must contain the information required by the Plan Rules. The Board has the discretion to set the terms and conditions on which it will offer options in individual offer documents. Offers must be accepted by the participant.
Issue price	The Board may determine the grant fee (if any) to be paid for each option under the Plan.
Vesting	Vesting of options under the Plan is subject to any vesting or performance conditions determined by the Board and specified in the offer document. Options must be exercised by the participant and the participant is required to pay the exercise price before Shares are allocated. Subject to the Plan Rules and the terms of the specific offer document, any options will either lapse or be forfeited if the relevant vesting and performance conditions are not satisfied.
Cessation of employment	Under the Plan Rules, the Board has a broad discretion in relation to the treatment of entitlements on cessation of employment.
Clawback and preventing inappropriate benefits	The Plan Rules provide the Board with broad "clawback" powers if, for example, the participant has acted fraudulently or dishonestly or there is a material financial misstatement.
Change of control	The Board may determine that all or a specified number of a participant's options will vest or cease to be subject to restrictions on a change of control event in accordance with the Plan Rules.
Reconstructions, corporate action, rights issues, bonus issues etc.	The Plan Rules include specific provisions dealing with rights issues, bonus issues and corporate actions and other capital reconstructions. These provisions are intended to ensure that there is no material advantage or disadvantage to the participant in respect of their incentives as a result of such corporate actions.
Restrictions on dealing	Prior to vesting, the Plan Rules provide that participants must not sell, transfer, encumber, hedge or otherwise deal with their incentives. After vesting, certain participants may not dispose of options (or underlying shares) until the three year anniversary of the grant of the options held by the relevant participants, unless otherwise approved by the Board. All disposals of options and Shares will be subject to the Securities Dealing Policy.
Other terms	The Plan contains customary and usual terms of dealing with administration, variation, suspension and termination of the Plan.

6.3.2.3 OPTION GRANTS IN 2017 AND 2018

Options were issued by the Company to certain Directors and employees in 2017 and 2018 as follows:

TABLE 6.5: OPTION GRANTS IN 2017 AND 2018

TERM	DESCRIPTION																																																																																
Participants and overview	In 2017 and 2018, a total of 1,998,931 Options were granted to certain members of the PointsBet team (employees and Directors) as set out in the table below.																																																																																
	<table border="1"> <thead> <tr> <th>ISSUE DATE</th> <th>OPTIONS ISSUED</th> <th>VESTING DATE</th> <th>EXERCISE PRICE</th> <th>EXPIRY DATE</th> </tr> </thead> <tbody> <tr> <td>Feb 2017</td> <td>223,850</td> <td>Vested</td> <td>0.25</td> <td>Feb 2020</td> </tr> <tr> <td>Mar 2017</td> <td>221,335</td> <td>Vested</td> <td>0.25</td> <td>Mar 2020</td> </tr> <tr> <td>Jul 2017</td> <td>48,794</td> <td>Vests on IPO</td> <td>0.51</td> <td>Jul 2020</td> </tr> <tr> <td>Aug 2017</td> <td>49,046</td> <td>Vests on IPO</td> <td>0.51</td> <td>Aug 2020</td> </tr> <tr> <td>Sep 2017</td> <td>112,554</td> <td>Vests on IPO</td> <td>0.89</td> <td>Sep 2020</td> </tr> <tr> <td>Oct 2017</td> <td>42,129</td> <td>Vests on IPO</td> <td>0.89</td> <td>Oct 2020</td> </tr> <tr> <td>Nov 2017</td> <td>371,616</td> <td>Vests on IPO</td> <td>0.89</td> <td>Nov 2020</td> </tr> <tr> <td>Jan 2018</td> <td>28,170</td> <td>Vests on IPO</td> <td>0.89</td> <td>Jan 2021</td> </tr> <tr> <td>Feb 2018</td> <td>28,170</td> <td>Vests on IPO</td> <td>0.89</td> <td>Feb 2021</td> </tr> <tr> <td>May 2018</td> <td>90,169</td> <td>Vests on IPO</td> <td>0.89</td> <td>May 2021</td> </tr> <tr> <td>May 2018</td> <td>23,517</td> <td>Vests on IPO</td> <td>1.07</td> <td>May 2021</td> </tr> <tr> <td>Jun 2018</td> <td>599,994</td> <td>Vests on IPO</td> <td>1.07</td> <td>Jun 2021</td> </tr> <tr> <td>Aug 2018</td> <td>154,934</td> <td>Vests on IPO</td> <td>1.07</td> <td>Aug 2021</td> </tr> <tr> <td>Sep 2018</td> <td>4,653</td> <td>Vests on IPO</td> <td>1.07</td> <td>Sep 2021</td> </tr> <tr> <td>TOTAL</td> <td>1,998,931</td> <td></td> <td>\$0.80*</td> <td></td> </tr> </tbody> </table>	ISSUE DATE	OPTIONS ISSUED	VESTING DATE	EXERCISE PRICE	EXPIRY DATE	Feb 2017	223,850	Vested	0.25	Feb 2020	Mar 2017	221,335	Vested	0.25	Mar 2020	Jul 2017	48,794	Vests on IPO	0.51	Jul 2020	Aug 2017	49,046	Vests on IPO	0.51	Aug 2020	Sep 2017	112,554	Vests on IPO	0.89	Sep 2020	Oct 2017	42,129	Vests on IPO	0.89	Oct 2020	Nov 2017	371,616	Vests on IPO	0.89	Nov 2020	Jan 2018	28,170	Vests on IPO	0.89	Jan 2021	Feb 2018	28,170	Vests on IPO	0.89	Feb 2021	May 2018	90,169	Vests on IPO	0.89	May 2021	May 2018	23,517	Vests on IPO	1.07	May 2021	Jun 2018	599,994	Vests on IPO	1.07	Jun 2021	Aug 2018	154,934	Vests on IPO	1.07	Aug 2021	Sep 2018	4,653	Vests on IPO	1.07	Sep 2021	TOTAL	1,998,931		\$0.80*	
ISSUE DATE	OPTIONS ISSUED	VESTING DATE	EXERCISE PRICE	EXPIRY DATE																																																																													
Feb 2017	223,850	Vested	0.25	Feb 2020																																																																													
Mar 2017	221,335	Vested	0.25	Mar 2020																																																																													
Jul 2017	48,794	Vests on IPO	0.51	Jul 2020																																																																													
Aug 2017	49,046	Vests on IPO	0.51	Aug 2020																																																																													
Sep 2017	112,554	Vests on IPO	0.89	Sep 2020																																																																													
Oct 2017	42,129	Vests on IPO	0.89	Oct 2020																																																																													
Nov 2017	371,616	Vests on IPO	0.89	Nov 2020																																																																													
Jan 2018	28,170	Vests on IPO	0.89	Jan 2021																																																																													
Feb 2018	28,170	Vests on IPO	0.89	Feb 2021																																																																													
May 2018	90,169	Vests on IPO	0.89	May 2021																																																																													
May 2018	23,517	Vests on IPO	1.07	May 2021																																																																													
Jun 2018	599,994	Vests on IPO	1.07	Jun 2021																																																																													
Aug 2018	154,934	Vests on IPO	1.07	Aug 2021																																																																													
Sep 2018	4,653	Vests on IPO	1.07	Sep 2021																																																																													
TOTAL	1,998,931		\$0.80*																																																																														
	* Weighted Average Option Exercise Price																																																																																
	A total of 593,078 Options were granted to Sam Swanell, Nick Fahey and Tony Symons, and 1,405,853 Options were granted to a total of 35 employees in 2017 and 2018.																																																																																
Key terms	The Options granted represent an entitlement to receive Shares upon satisfaction of applicable conditions and payment of the applicable exercise price. The key terms of the Options granted in 2017 and 2018 are described in the table above.																																																																																
Conditions and vesting	All unvested 2017 and 2018 granted Options will vest on quotation of Shares on the official list of the ASX and are exercisable at the exercise price until the expiry date as set out in the table above.																																																																																
Rights associated with 2017-18 Options	The Options do not attract dividends, voting rights or any capital distributions until exercised.																																																																																
Cessation of employment	If the participant ceases employment in any other circumstances, all unvested Options will lapse (unless otherwise determined by the Board).																																																																																

6.3.2.4 OPTION GRANTS IN 2019

Options were issued by the Company to certain Directors and employees in 2019 as follows:

TABLE 6.6: OPTION GRANTS IN 2019

TERM	DESCRIPTION																																																	
Participants and overview	On 30 January 2019, a total of 6,727,700 Options were granted to certain members of the PointsBet team (employees and Directors) as set out in the table below.																																																	
	<table border="1"> <thead> <tr> <th>ISSUE DATE</th> <th>OPTIONS ISSUED</th> <th>VESTING DATE</th> <th>VESTING TARGET PRICE*</th> <th>EXERCISE PRICE \$</th> <th>EXPIRY DATE</th> <th>ADJUSTMENT* %</th> </tr> </thead> <tbody> <tr> <td>Jan 2019</td> <td>2,326,531</td> <td>Jan 2022 (3 Yrs)</td> <td>3.23</td> <td>1.61</td> <td>Jan 2023</td> <td>30</td> </tr> <tr> <td>Jan 2019</td> <td>903,700</td> <td>Jan 2022 (3 Yrs)</td> <td>4.29</td> <td>1.61</td> <td>Jan 2024</td> <td>30</td> </tr> <tr> <td>Jan 2019</td> <td>1,304,744</td> <td>Jan 2023 (4 Yrs)</td> <td>4.29</td> <td>1.61</td> <td>Jan 2024</td> <td>30</td> </tr> <tr> <td>Jan 2019</td> <td>887,981</td> <td>Jan 2023 (4 Yrs)</td> <td>5.37</td> <td>1.61</td> <td>Jan 2025</td> <td>30</td> </tr> <tr> <td>Jan 2019</td> <td>1,304,744</td> <td>Jan 2024 (5 Yrs)</td> <td>5.37</td> <td>1.61</td> <td>Jan 2025</td> <td>30</td> </tr> <tr> <td>TOTAL</td> <td>6,727,700</td> <td></td> <td>4.28*</td> <td>\$1.61</td> <td></td> <td></td> </tr> </tbody> </table>	ISSUE DATE	OPTIONS ISSUED	VESTING DATE	VESTING TARGET PRICE*	EXERCISE PRICE \$	EXPIRY DATE	ADJUSTMENT* %	Jan 2019	2,326,531	Jan 2022 (3 Yrs)	3.23	1.61	Jan 2023	30	Jan 2019	903,700	Jan 2022 (3 Yrs)	4.29	1.61	Jan 2024	30	Jan 2019	1,304,744	Jan 2023 (4 Yrs)	4.29	1.61	Jan 2024	30	Jan 2019	887,981	Jan 2023 (4 Yrs)	5.37	1.61	Jan 2025	30	Jan 2019	1,304,744	Jan 2024 (5 Yrs)	5.37	1.61	Jan 2025	30	TOTAL	6,727,700		4.28*	\$1.61		
ISSUE DATE	OPTIONS ISSUED	VESTING DATE	VESTING TARGET PRICE*	EXERCISE PRICE \$	EXPIRY DATE	ADJUSTMENT* %																																												
Jan 2019	2,326,531	Jan 2022 (3 Yrs)	3.23	1.61	Jan 2023	30																																												
Jan 2019	903,700	Jan 2022 (3 Yrs)	4.29	1.61	Jan 2024	30																																												
Jan 2019	1,304,744	Jan 2023 (4 Yrs)	4.29	1.61	Jan 2024	30																																												
Jan 2019	887,981	Jan 2023 (4 Yrs)	5.37	1.61	Jan 2025	30																																												
Jan 2019	1,304,744	Jan 2024 (5 Yrs)	5.37	1.61	Jan 2025	30																																												
TOTAL	6,727,700		4.28*	\$1.61																																														
	* Weighted Average Option Vesting Target Price																																																	
	# Represents the proportion of Options which are adjustable subject to Board discretion.																																																	
Key terms, conditions and vesting	The Options granted in 2019 represent an entitlement to receive Shares upon satisfaction of applicable conditions and payment of the applicable exercise price as displayed in the above table. The key terms and vesting conditions of the Options granted in 2019 are described in the table above.																																																	
Rights associated with 2019 Options	The Options do not attract dividends, voting rights or any capital distributions until exercised.																																																	
Cessation of employment	If the participant ceases employment all unvested 2019 Options will lapse (unless otherwise determined by the Board).																																																	

6.3.3 NON-EXECUTIVE DIRECTOR REMUNERATION AND BENEFITS

6.3.3.1 REMUNERATION

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for their services as a Director. However, under the Constitution and the ASX Listing Rules, the total aggregate amount provided to all Non-Executive Directors for their services as Directors must not exceed in any financial year the aggregate amount approved by Shareholders at the Company's general meeting. The amount has been fixed at \$750,000 per annum.

As at the Prospectus Date, the annual Non-Executive Director fees currently agreed to be paid by the Company to:

- the Chairman is \$100,000 (inclusive of superannuation); and
- each of the other Non-Executive Directors is \$80,000 (inclusive of superannuation).

Directors will not receive additional fees for being a member of a Board Committee.

The remuneration of Directors must not include a commission on, or a percentage of, profits or operating revenue.

6.3.3.2 DEEDS OF INDEMNITY, ACCESS AND INSURANCE FOR DIRECTORS

PointsBet has entered into a deed of indemnity, access and insurance with each Director which confirms the Director's right of access to books and records of the Company and its related bodies corporate while they are a Director and for a period of seven years after the Director ceases to hold office. The deeds of indemnity, access and insurance also require PointsBet to indemnify the Director, on a full indemnity basis and to the full extent permitted by law, against all liabilities (including all reasonable legal costs) incurred by the Director as an officer of PointsBet or of a related body corporate.

Pursuant to the Constitution, the Company may to the extent permitted by law, purchase and maintain insurance or pay or agree to pay a premium for insurance for each Director against any liability incurred by a Director as an officer of PointsBet or a related body corporate. Under the deeds of indemnity, access and insurance, PointsBet must maintain a directors and officers insurance policy insuring a Director against liability as a Director and officer of PointsBet and its subsidiaries until seven years after a Director ceases to hold office as a Director of PointsBet or a related body corporate or the date any relevant proceedings commenced (and notified by the Director to PointsBet) during the seven-year period have been finally resolved.

PointsBet is currently seeking to arrange an appropriate directors and officers insurance policy.

6.3.3.3 EXPENSE REIMBURSEMENT AND OTHER REMUNERATION ARRANGEMENTS

The Directors are entitled to be paid all travelling and other expenses they incur in attending to PointsBet's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of Board Committees. Such amounts will not form part of the aggregate remuneration for Non-Executive Directors.

Any Director who performs extra services, makes any special exertions for the benefit of the Company or who otherwise performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company. Any amount paid will not form part of the aggregate remuneration for Non-Executive Directors.

There is no retirement benefit scheme for Non-Executive Directors, other than statutory superannuation contributions.

6.3.3.4 DIRECTORS' INTERESTS IN CONTRACTS AND BUSINESS DEALINGS WITH THE COMPANY

Each Executive Director is a party to an executive employment agreement with the Company.

Tony Symons, a Non-Executive Director, is Managing Director and majority beneficial owner of Clarendon Lawyers, the Company's Australian legal adviser to the Offer and a material services provider to the Company.

6.3.4 DIRECTORS' AND MANAGEMENT'S INTEREST IN SHARES AND OTHER SECURITIES

6.3.4.1 DIRECTORS

Directors are not required under the Constitution to hold any Shares. The Directors (and their associates) are entitled to apply for Shares under the Offer. Details of the interests of Directors (either directly or through beneficial interests or entities associated with the Director), and their holdings of Company securities at relevant times are set out in the table below.

The table does not take into account any Shares the Directors may acquire under the Offer. Final Director Shareholdings will be notified to ASX following Listing.

TABLE 6.7: DIRECTOR SECURITY INTERESTS

DIRECTOR	ROLE	SHARES HELD ON PROSPECTUS DATE PRIOR TO COMPLETION OF THE OFFER		SHARES HELD ON COMPLETION OF THE OFFER		OPTIONS HELD AT COMPLETION OF THE OFFER
		NUMBER	%	NUMBER	%	NUMBER
Brett Paton	Non-Executive Chairman	9,474,139	13.1	9,474,139	8.6	N/A
Sam Swanell	Executive Director & Group CEO	3,209,607	4.4	3,209,607	2.9	2,789,323
Nick Fahey [#]	Executive Director & Group CFO	11,510,294	15.9	11,510,294	10.5	1,149,559
Peter McCluskey	Non-Executive Director	344,201	0.5	344,201	0.3	125,759
Tony Symons	Non-Executive Director	567,548	0.8	567,548	0.5	238,313
Total		25,105,789	34.6%	25,105,789	22.8%	4,302,954

[#] Andrew Fahey has a relevant interest in 11,217,780 of the Shares that Nick Fahey has a relevant interest in.

6.3.4.2 MANAGEMENT

The Management team's interests in Shares (either directly or through beneficial interests or entities associated with each person) as at the date of this Prospectus are outlined below. The table does not include the interests of Sam Swanell and Nick Fahey.

TABLE 6.8: MANAGEMENT SECURITY INTERESTS

MANAGEMENT	ROLE	SHARES HELD AT COMPLETION OF THE OFFER	OPTIONS HELD AT COMPLETION OF THE OFFER
Johnny Aitken	Chief Executive Officer, US	–	943,188
Andrew Fahey [#]	Chief Marketing Officer	See Section 6.3.4.1	1,149,559
Andrew Hensher	Group General Counsel and Company Secretary	–	157,198
Tom Rundle	Group Chief Technology Officer	–	376,773
Total		–	2,626,718

[#] Andrew Fahey has a relevant interest in 11,217,780 of the Shares that Nick Fahey has a relevant interest in (see Section 6.3.4.1).

6.3.5 INTERESTS OF ADVISERS

The Company has engaged the following professional advisers in relation to the Offer.

TABLE 6.9: ADVISER INTERESTS IN THE OFFER

ADVISER	ROLE	FEE (EXCLUSIVE OF TAXES AND DISBURSEMENTS) ^{1,2}
Bell Potter Securities Limited	Lead Manager and Underwriter to the Offer.	See Section 9.4.1
Roth Capital Partners, LLC	Co-Lead Manager to the Offer.	Selling fee equal to 2.0% of the final allocation by the Co-Lead Manager under the Offer. Fixed fee of \$100,000. The selling fee and the fixed fee will become payable by the Lead Manager on payment by the Company of the Lead Manager's fees.
Clarendon Lawyers Pty Ltd	Australian legal adviser to the Company in relation to the Offer (excluding in relation to taxation and stamp duty matters).	\$259,400 In addition to amounts paid in connection with the Offer, the Company has paid approximately \$62,000 (excluding taxes and disbursements) in fees to Clarendon Lawyers for the provision of legal services in the two year period prior to the Prospectus Date. In addition, the Company has agreed to pay approximately \$105,000 in fees to Clarendon Lawyers for the provision of other legal services and advices that are directly and indirectly related to the Offer.
RSM Corporate Australia Pty Ltd	Investigating Accountant to the Company in relation to the Offer and has prepared the Investigating Accountant's Report in Section 8.	\$35,000
Frost & Sullivan Australia Pty Limited	Independent Market Expert to the Offer and has prepared the Independent Market Report in Section 2.	\$22,938
PricewaterhouseCoopers	Australian taxation adviser to the Company and has prepared the "Summary of Australian Tax Issues for Australian Tax Resident Investors" in Section 9.9.	\$65,300

1. These amounts and other expenses of the Offer will be paid by the Company (or one of its subsidiaries) out of funds raised under the Offer. Further information on the use of proceeds from the Offer and costs of the Offer are set out in Sections 7.1.2 and 9.11 respectively.

2. The Company has paid, or agreed to pay the amounts set out above to its advisers up until the Prospectus Date. Further amounts may be paid for other work in accordance with the normal time-based charges of its advisers.

6.4 CORPORATE GOVERNANCE

This Section 6.4 explains the main corporate governance policies and practices adopted by the Company. The Board is responsible for the overall corporate governance of PointsBet. It is accountable to the Company's members as a whole and must act in the best interests of the Company. The Board monitors the financial position and performance of PointsBet and oversees its corporate strategy, including approving the strategic objectives and budgets of the Company. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of PointsBet.

In conducting business with these objectives, the Board seeks to ensure that PointsBet is properly managed to protect and enhance Shareholder interests, and that PointsBet, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing PointsBet, including adopting prudent and effective internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for PointsBet's business and which are designed to promote the responsible management and conduct of PointsBet.

The main policies and practices adopted by PointsBet, which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution. Details of PointsBet's key policies and the charters for the Board and each of its committees are available at www.pointsbet.com.au/investors.

6.4.1 ASX CORPORATE GOVERNANCE COUNCIL'S PRINCIPLES AND RECOMMENDATIONS

PointsBet is seeking a Listing on the ASX. The ASX Corporate Governance Council has developed and released its ASX Corporate Governance Principles and Recommendations (**ASX Recommendations**) for entities listed on the ASX in order to promote good governance outcomes, confidence and to assist companies to meet stakeholder expectations.

The Fourth Edition of the ASX Recommendations was released in February 2019 and takes effect for a listed entity's first full financial year commencing on or after 1 January 2020 (which, for the Company, commences on 1 July 2020). Until that time, the Third Edition of the ASX Recommendations will apply.

The ASX Recommendations are not prescriptions, but guidelines. Under the ASX Listing Rules, PointsBet will be required to provide a statement in its annual report on its website disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where PointsBet does not follow an ASX Recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

PointsBet intends to follow all of the ASX Recommendations (Third Edition) from Listing, with the following exceptions:

- ASX Recommendations 2.1 and 8.1, which provide that a listed entity should have a nomination committee (ASX Recommendation 2.1) and a remuneration committee (ASX Recommendation 8.1) comprising at least three members, a majority of whom are independent, and be chaired by an independent director. PointsBet's Remuneration and Nomination Committee comprises three Directors, however it does not comprise a majority of independent Directors (only one member, Peter McCluskey, is independent) and the chair (Tony Symons) is not an independent Director. Accordingly, ASX Recommendations 2.1 and 8.1 will not be followed at Listing. The Board considers that the two non-independent, Non-Executive Directors on the Remuneration and Nomination Committee will each bring the desired mix of skills and qualifications required to effectively assist the Board in matters relating to remuneration and succession planning. In particular, the Board considers that Tony Symons, as chair of the Remuneration and Nomination Committee, will add significant value to the Board given his extensive experience. The Board considers that each of Mr Symons and Mr Paton will each bring objective and independent judgment to their roles on the Remuneration and Nomination Committee.
- ASX Recommendation 2.4, which provides that a majority of the board of a listed entity should be independent directors. On Listing, one of the Directors will be independent and the remaining four Directors will not be independent, although the Board will consist of a majority of Non-Executive Directors. Accordingly, ASX Recommendation 2.4 will not be followed on Listing. The Board considers that each Director will add significant value given their considerable skills and experience and will bring objective and independent judgement to the Board.
- ASX Recommendation 2.5, which provides that the chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity. The Chairman of PointsBet, Brett Paton, is not an independent Director (however Mr Paton is not the CEO) and accordingly ASX Recommendation 2.5 will not be followed at Listing. However, the Board considers that Mr Paton is the most appropriate person to lead the Board because of his extensive experience in the finance industry and Wagering Industry, his experience acting as director of listed wagering companies and his deep capital markets expertise.
- ASX Recommendation 4.1, which provides that a listed entity should have an audit committee comprising at least three members, all of whom should be non-executive directors and a majority of whom should be independent directors, and be chaired by an independent director who is not the chair of the board. PointsBet's Audit, Risk and Compliance Committee comprises three members, all of whom are Non-Executive Directors, and it is chaired by an independent Director who is not the chair of the Board (being Peter McCluskey). However the Audit, Risk and Compliance Committee does not comprise a majority of independent Directors (because only one Director is considered independent). Accordingly, ASX Recommendation 4.1 will not be followed on Listing. The Board considers that the two non-independent, Non-Executive Directors on the Audit, Risk and Compliance Committee will each bring the desired mix of skills and qualifications required to effectively assist the Board in matters relating to the Company's audit, risk and compliance functions. In particular, the Board considers that Brett Paton will add significant value to the Board given his qualifications and extensive experience in the finance industry. The Board considers that each of Mr Paton and Mr Symons will each bring objective and independent judgement to their roles on the Audit, Risk and Compliance Committee.

6.4.2 BOARD OF DIRECTORS

The Board is currently made up of five Directors, comprising:

- a non-independent Non-Executive Chairman (Brett Paton);
- a Managing Director and Group CEO (Sam Swanell);
- an Executive Director and Group CFO (Nick Fahey);
- one non-independent Non-Executive Director (Tony Symons); and
- one independent Non-Executive Director (Peter McCluskey).

Detailed biographies of the Board are provided in Section 6.1.

The Board considers a Director to be independent where he or she is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment. The Nomination and Remuneration Committee will assess the independence of each Non-Executive Director in light of interests disclosed by them at least annually on a case-by-case basis. Each Non-Executive Director must provide the Board with all relevant information for this purpose.

PointsBet's Board Charter sets out guidelines and thresholds of materiality to assist in considering the independence of Directors, and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers that Peter McCluskey is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment and is able to fulfil the role of independent Director for the purposes of the ASX Recommendations.

Brett Paton, Sam Swanell, Nick Fahey and Tony Symons are not currently considered by the Board to be independent Directors given:

- in the case of Sam Swanell and Nick Fahey, their executive positions and ownership interests in the Company;
- in the case of Brett Paton, his ownership interest in the Company; and
- in the case of Tony Symons, his position as Managing Director and majority owner of Clarendon Lawyers, a material service provider to the Company.

If the Board determines that a Director's independent status has changed, that determination will be disclosed to the market in a timely manner.

6.4.3 BOARD CHARTER

The Board has adopted a Board Charter and Relationship with Management to outline the manner in which its constitutional powers and responsibilities will be exercised and discharged. The Board Charter includes an overview of:

- the Board's composition;
- the Board's role and responsibilities;
- the relationship and interaction between the Board and management;
- the authority delegated by the Board to management and Board Committees; and
- the Board's process.

The Board's role is to:

- represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies and performance;
- protect and optimise the Company's performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and monitor compliance with the Company's values and governance framework (including establishing and observing high ethical standards); and
- ensure Shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

The Board, together with the Remuneration and Nomination Committee, determines the size and composition of the Board.

The management function is conducted by, or under the supervision of, the Group CEO as directed by the Board (and by other officers to whom the management function is properly delegated by the Group CEO). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate. The Board collectively, and each Director individually, has the right to seek independent professional advice at the Company's expense, subject to the approval of the Chair of the Board.

6.4.4 BOARD COMMITTEES

The Board may from time to time establish committees to streamline the discharge of its responsibilities. The permanent standing committees of the Board are the Audit, Risk and Compliance Committee, the Remuneration and Nomination Committee and the Disclosure Committee. The Board may also delegate specific functions to ad hoc committees on an “as needs” basis. Directors are entitled to attend Board Committee meetings and receive Board Committee papers, and the Chair of each Board Committee will report back on committee meetings at Board meetings.

6.4.4.1 AUDIT, RISK AND COMPLIANCE COMMITTEE

Under its Charter, the Audit, Risk and Compliance Committee should have at least three members, all of whom must be Non-Executive Directors, a majority of independent Directors and an independent Chair who is not Chair of the Board.

Membership of the Audit, Risk and Compliance Committee is as follows:

- Peter McCluskey (Chair);
- Brett Paton; and
- Tony Symons.

The Committee's key responsibilities and functions are to:

- oversee the preparation of financial statements and reports;
- maintain and continually improve the quality, accuracy and integrity of the Company's external financial reporting and financial statements;
- oversee internal and external audit functions;
- oversee the appointment, remuneration, independence and effective performance of the Company's external auditors;
- oversee the Company's relationship with its external auditors;
- ensure that the Company applies and maintains appropriate accounting and business policies and procedures;
- oversee the effectiveness of the Company's legal and regulatory compliance framework, including with respect to wagering laws and regulations, and conditions associated with the maintenance of the Company's wagering licences;
- oversee the effectiveness of the Company's risk management framework and internal controls; and
- manage the process of identification and management of risk.

Non-Committee members, including members of management and the external auditor, may attend meetings of the Committee at the invitation of the Committee Chair. The Committee has rights of access to management and to auditors without management present, and rights to seek explanations and additional information from management and auditors.

6.4.4.2 REMUNERATION AND NOMINATION COMMITTEE

Under its Charter, the Remuneration and Nomination Committee should have at least three members, all of whom must be Non-Executive Directors, a majority of independent Directors and an independent Director as Chair.

Membership of the Remuneration and Nomination Committee is as follows:

- Tony Symons (Chair);
- Brett Paton; and
- Peter McCluskey.

The role of the Committee is to assist and advise the Board on:

- Board succession planning generally;
- succession planning for the Group CEO and other direct reports to the Group CEO;
- continuing professional development programs for Directors;
- the development and implementation of a process for evaluating the performance of the Board, its Committees and Directors;
- the process for recruiting a new Director, including evaluating the balance of skills, knowledge, experience, independence and diversity on the Board and, in light of this evaluation, preparing a description of the role and capabilities required for a particular appointment; and
- the appointment and re-election of Directors,

with the objective of having a Board of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of the Company as a whole.

The Committee also assists and advises the Board on remuneration policies and practices for the Board, the Group CEO, senior executives and other persons whose activities, individually or collectively, materially affect the operations of the Company. The Committee also provides recommendations regarding remuneration-related reporting in the Company's financial statements and remuneration reports.

Non-Committee members, including members of management, may attend meetings of the Committee at the invitation of the Committee Chair.

6.5 CORPORATE GOVERNANCE POLICIES

The Board has adopted the following corporate governance policies, each having been prepared having regard to the ASX Recommendations and which will be made available on PointsBet's website at www.pointsbet.com.au/investors.

6.5.1 CONTINUOUS DISCLOSURE POLICY

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. The Company is aware of its obligation to keep the market fully informed of any information the Company becomes aware of concerning itself that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Company has adopted a Continuous Disclosure Policy and a Communications Policy and established a Disclosure Committee (comprising the Chair of the Board, Group CEO, Group CFO and Company Secretary or their delegates) to ensure compliance with these requirements. The Continuous Disclosure Policy applies to all Directors, officers, employees and consultants of the Company.

6.5.2 COMMUNICATION WITH SHAREHOLDERS

The Company aims to communicate all important information relating to the Company to its Shareholders. Additionally, the Company recognises that potential investors and other interested stakeholders may wish to obtain information about the Company from time to time. To achieve this, the Company communicates information regularly to Shareholders and other stakeholders through a range of forums and publications, including the Company website, at the annual general meeting, through the Company's Annual Report and ASX announcements.

6.5.3 SECURITIES DEALING POLICY

The Company has adopted a Securities Dealing Policy which is intended to explain the types of conduct in dealings in securities that are prohibited under the Corporations Act and explain the Company's policy and procedure for the buying and selling of securities that protects the Company, Directors and employees against the misuse of unpublished information which could materially affect the price or value of securities. The policy applies to Directors, officers, senior management and other employees, consultants and contractors of the PointsBet Group (collectively, **Employees**).

The policy provides that Employees must not:

- deal in the Company's securities when they are aware of confidential information that is materially price sensitive or "inside" information;
- deal in the Company's securities when the Company has notified Employees that they must not do so;
- deal in the Company's securities on a speculative or short-term trading basis;
- hedge unvested Company securities acquired under an employee, executive or Director equity plan or Company securities that are subject to a holding lock or restriction on dealing under the terms of any employee, executive or Director equity plan operated by the Company; and
- deal in securities in another company where they are aware of "inside" information in relation to that company.

In addition, Directors, key management personnel and other persons who have been advised by the Company Secretary that they are subject to special restrictions (collectively, **Restricted Persons**) and their connected persons must not deal in the Company's securities during any of the following blackout periods (except in exceptional circumstances with approval):

- the period from the close of trading on the ASX on 31 December each year until the day following the announcement to ASX of the Company's half-year results;
- the period from the close of trading on the ASX on 30 June each year until the day following the announcement of the full-year results;
- while the Company is required to lodge an Appendix 4C (Quarterly Report) with ASX:
 - the period from the close of trading on the ASX on 30 September each year until the day following the lodgement with ASX of the Appendix 4C for that period; and
 - the period from the close of trading on the ASX on 31 March each year until the day following the lodgement with ASX of the Appendix 4C for that period;
- the period from 14 days before until the day following a prospectus, cleansing notice or similar disclosure document is lodged by the Company with ASX;
- the period from 14 days before until the day following the Company's annual general meeting; and
- any other period that the Board specifies from time to time.

Otherwise, trading by Restricted Persons and their connected persons is permitted but must be approved by the Company prior to trading. Restricted Persons and their connected persons must also not engage in margin lending activities in respect of the Company's securities or deal in financial products issued over Company securities by third parties, unless the Company securities form a component of a listed portfolio or index product.

In all instances, dealing in the Company's securities is not permitted at any time by any person who possesses "inside" information.

6.5.4 CODE OF CONDUCT

The Company is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Board has adopted a formal Code of Conduct which outlines how the Company expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards. All employees of the Company (including temporary employees, contractors, Company Directors, officers, consultants and other persons that act on behalf of the Company) must comply with the Code of Conduct.

The objective of the Code of Conduct is to:

- provide a benchmark for professional behaviour throughout the Company;
- support the Company's business reputation and corporate image within the community; and
- make Directors and employees aware of the consequences if they breach the policy.

6.5.5 DIVERSITY POLICY

The Board has formally adopted a Diversity Policy, which sets out PointsBet's vision for diversity, incorporating a number of different factors including gender, ethnicity, age and educational experience. The Diversity Policy has been approved in order to actively facilitate a more diverse and representative management and leadership structure.

The Board will include in its annual report each year a summary of the Company's progress towards achieving the measurable objectives set under the Diversity Policy and the Company's most recent "Gender Equality Indicators" as defined by the *Workplace Gender Equality Act 2012* (Cth) (the **Act**) or, where the Company is not required to comply with the Act, the proportion of women employees, senior executives and Board members.

The Board acknowledges that the Company at its current stage of development does not presently demonstrate best practice in terms of diversity of the Board and Management team. This is a focus area for improvement over the next 12 months and beyond.

For personal use only

SECTION 7.

**DETAILS OF
THE OFFER**



7.1 THE OFFER

This Prospectus relates to the initial public offer of 37.5 million Shares by PointsBet at the Offer Price to raise \$75 million (before costs and expenses). The Shares offered under this Prospectus will represent 34.1% of the Shares on issue on Completion of the Offer. The "free float" (for the purposes of ASX Listing Rule 1.1) will be approximately 74.2% of the Shares on issue at Listing.

The total number of Shares on issue at Completion of the Offer will be 110 million. The Shares will be fully paid ordinary shares and will, once issued, rank equally with the Shares on issue as at the Prospectus Date. A summary of the rights attaching to the Shares is set out in Section 9.5.

The Offer has been underwritten by the Lead Manager. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement, is set out in Section 9.4.1.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1 STRUCTURE OF THE OFFER

The Offer comprises:

- the Retail Offer, consisting of:
 - the Broker Firm Offer, open to Australian resident retail clients of Brokers who have received an invitation from their Broker (see Section 7.3); and
 - the Priority Offer, open to selected investors who have received a Priority Offer Invitation (see Section 7.4); and
- the Institutional Offer, which consists of an invitation to bid for Shares made to Institutional Investors in Australia and in certain other eligible jurisdictions (see Section 7.6).

There is no general public offer of Shares. Members of the public wishing to apply for Shares under the Offer must do so through a Broker with a firm allocation of Shares.

7.1.2 PURPOSE OF THE OFFER AND USE OF PROCEEDS

The purpose of the Offer is to:

- provide PointsBet access to capital markets, which it expects will provide additional financial flexibility to pursue further growth opportunities;
- achieve a listing on ASX to broaden the Company's shareholder base and provide a liquid market for its Shares;
- assist PointsBet in attracting and retaining high quality staff; and
- pay the costs of the Offer.

The sources and uses of the funds raised under the Offer are set out in table 7.1 below.

TABLE 7.1: SOURCES AND USES OF OFFER PROCEEDS

SOURCES	\$M	USES	\$M
Cash proceeds received from the issue of Shares to New Shareholders under the Offer	75.0	Marketing and Client acquisition	30.6
		Technology and Platform development	10.0
		United States business development, comprising:	
		• Market access and government licensing fees	24.3
		• Sportsbook fitout costs	5.8
		Payment of costs of the Offer	4.3
Total sources	\$75.0m	Total uses	\$75.0m

The Board reserves the right to vary these uses of funds, acting in the best interests of Shareholders and as circumstances require.

7.1.3 SHAREHOLDING STRUCTURE

The details of the ownership of Shares as at the Prospectus Date on Completion of the Offer are set out in Table 7.2 below.

TABLE 7.2: DETAILS OF THE OWNERSHIP OF SHARES

	SHARES HELD AT THE PROSPECTUS DATE		SHARES HELD ON COMPLETION OF THE OFFER	
	NO. OF SHARES	%	NO. OF SHARES	%
Existing Shareholders (excluding Founders and Non-Executive Directors)	47,394,211	65.4	47,394,211	43.1
Founders ¹	14,719,901	20.3	14,719,901	13.4
Non-Executive Directors ²	10,385,888	14.3	10,385,888	9.4
New Shareholders	–	–	37,500,000	34.1
Total	72,500,000	100.0%	110,000,000	100.0%

¹ The Founders are Sam Swanell, Nick Fahey and Andrew Fahey.

² The Non-Executive Directors are Brett Paton, Peter McCluskey and Tony Symons.

Details of the Shares that will be subject to escrow arrangements are set out in Section 9.6.

7.1.4 CONTROL OF THE COMPANY

The Directors do not expect that any single Shareholder will control the Company on Completion of the Offer.

7.1.5 POTENTIAL EFFECT OF THE OFFER ON THE FUTURE OF POINTSBET

The Directors believe that following Completion of the Offer, the Company will have sufficient working capital to fulfil the purposes of the Offer and carry out its stated business objectives.

7.2 TERMS AND CONDITIONS OF THE OFFER

TABLE 7.3: TERMS AND CONDITIONS OF THE OFFER

TOPIC	SUMMARY
What is the type of security being offered?	Shares (being fully paid ordinary shares in the capital of the Company).
What are the rights and liabilities attached to the Shares being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 9.5.
What is the consideration payable for each Share being offered?	The Offer Price is \$2.00 per Share.
What is the Offer Period?	<p>The key dates, including details of the Offer Period, are set out in the key dates on page 4 of this Prospectus. No Shares will be issued on the basis of this Prospectus later than the Expiry Date.</p> <p>The key dates are indicative only and may change. Unless otherwise indicated, all times are stated in Melbourne time.</p> <p>The Company, in consultation with the Lead Manager reserves the right to amend any or all of the dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws, including closing the Offer early, extending the Offer, deferring the date of Completion of the Offer, accepting late Applications either generally or in particular cases, allotting Shares at different times to investors, or to withdraw the Offer, without prior notice.</p>
What are the cash proceeds to be raised under the Offer?	\$75 million will be raised from New Shareholders under the Offer, if the Offer proceeds.

TOPIC	SUMMARY
What is the minimum Application size under the Offer?	<p>The minimum Application size under the:</p> <ul style="list-style-type: none"> • Broker Firm Offer is \$2,000 (equivalent to 1,000 Shares in aggregate). There is no maximum Application size under the Broker Firm Offer, however the Company and the Lead Manager reserve the right to reject any Application or to allocate to an Applicant a lesser number of Shares than that applied for; and • Priority Offer is \$2,000 (equivalent to 1,000 Shares in aggregate). Priority Offer Applicants may apply for up to the value of Shares indicated in their Priority Offer Invitation made under this Prospectus. <p>For more information see Sections 7.3 and 7.4.</p>
What is the allocation policy?	<p>The allocation of Shares:</p> <ul style="list-style-type: none"> • between the Retail Offer and the Institutional Offer; • between the Broker Firm Offer and Priority Offer components of the Retail Offer; and • among Applicants in the Institutional Offer and Priority Offer, <p>will be determined by agreement between the Company and the Lead Manager.</p> <p>With respect to the Broker Firm Offer, it will be a matter for Brokers as to who they allocate Shares.</p>
When will Applicants receive confirmation whether Applications are successful?	<p>It is expected that holding statements will be despatched by standard post on or about 6 June 2019.</p>
Will the Shares be listed?	<p>PointsBet applied to ASX on 20 May 2019 for admission to the Official List and quotation of the Shares, under the code "PBH".</p> <p>Completion of the Offer is conditional on ASX approving the application and granting permission for the Shares to be quoted on ASX on terms acceptable to the Company. If this approval and permission is not given within three months of the Prospectus Date (or any longer period permitted by law), the Offer will be withdrawn and all monies received from Applicants will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of PointsBet or the Shares offered for subscription.</p>
Is the Offer subject to any other conditions?	<p>No.</p>
When are the Shares expected to commence trading?	<p>It is expected that trading of the Shares on the ASX will commence on or about 12 June 2019.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive a holding statement do so at their own risk.</p> <p>The Company and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the PointsBet Offer Information Line, by a Broker or otherwise.</p>
Is the Offer underwritten?	<p>Yes, the Offer is fully underwritten by the Lead Manager. Details are provided in Section 9.4.1.</p>
Are there any escrow arrangements?	<p>Yes. Details are provided in Section 9.6.</p>
Has any ASIC relief or ASX waiver or confirmation been obtained?	<p>Yes. Details are provided in Section 9.7.</p>
Are there any tax considerations?	<p>Yes. Refer to Section 9.9.</p>
Are there any brokerage, commission or stamp duty considerations?	<p>No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer. Applicants should obtain their own stamp duty advice prior to deciding whether or not to invest. Please see Section 9.9.4.</p>

For personal use only

TOPIC	SUMMARY
Can the Offer be withdrawn?	The Company reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded (without interest).
Where to direct any enquiries?	All enquiries in relation to this Prospectus should be directed to the PointsBet Offer Information Line on 1300 375 696 (within Australia) or +61 3 9415 4322 (outside Australia) from 9:00am to 5:00pm (Melbourne time), Monday to Friday (excluding public holidays). All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether PointsBet is a suitable investment for you, you should consult with your stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

7.3 BROKER FIRM OFFER

7.3.1 WHO CAN APPLY?

The Broker Firm Offer is open to clients of participating Brokers who have a registered address in Australia and who have received an invitation from a Broker to acquire Shares under this Prospectus. Investors who have been offered a firm allocation by a Broker will be treated as an Applicant under the Broker Firm Offer in respect of that allocation.

You should contact your Broker to determine whether you can receive an allocation of Shares under the Broker Firm Offer.

The Broker Firm Offer is not a general public offer and is not open to persons in the United States.

7.3.2 HOW TO APPLY

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus or any replacement or supplementary prospectus. Applicants must complete and lodge their Broker Firm Offer Application Form with the Broker from whom they received their invitation. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by the Broker and the instructions set out on the Broker Firm Offer Application Form.

Applicants should contact their Broker about the minimum and maximum Application amount. The Company and the Lead Manager reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion and in compliance with applicable laws.

Applicants must lodge their Broker Firm Offer Application Form and Application Monies with the relevant Broker in accordance with the Broker's directions in order to receive an allocation of Shares. Applicants under the Broker Firm Offer must not send their Broker Firm Offer Application Forms to the Share Registry.

7.3.3 HOW TO PAY

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by the Broker.

7.3.4 BROKER FIRM OFFER ALLOCATION POLICY

The allocation of Shares to Brokers will be determined by agreement between the Company and the Lead Manager. Shares which are allocated to Brokers for allocation to their Australian resident retail clients will be issued to the Applicants nominated by those Brokers (subject to the right of the Company to reject, aggregate or scale back Applications). It will be a matter for each Broker as to how they allocate Shares among their clients, and they (and not the Company or the Lead Manager), will be responsible for ensuring that retail clients who have received an allocation from them receive the relevant Shares.

7.3.5 HOW DO I CONFIRM MY ALLOCATION?

Applicants under the Broker Firm Offer should contact their Broker to confirm their allocation.

7.4 PRIORITY OFFER

7.4.1 WHO CAN APPLY?

The Priority Offer is open to selected investors who have received a Priority Offer Invitation and who have a registered address in Australia.

If you have received a Priority Offer Invitation, you will be treated as an Applicant under the Priority Offer in respect of those Shares that are allocated to you.

The Priority Offer is not a general public offer and is not open to persons in the United States.

7.4.2 HOW TO APPLY

If you have received a personalised Priority Offer Invitation to apply for Shares under the Priority Offer made under this Prospectus and you wish to apply for all or some of those Shares, you must complete a Priority Offer Application Form in accordance with the relevant instructions provided on the Offer Website.

7.4.3 IS THERE A MINIMUM OR MAXIMUM APPLICATION SIZE?

Applications under the Priority Offer must be for a minimum of \$2,000 of Shares and in multiples of \$1,000 thereafter. Priority Offer Applicants may apply for up to the value of Shares indicated in their Priority Offer Invitation.

7.4.4 HOW TO PAY

Applicants under the Priority Offer must pay their Application Monies by BPAY® in accordance with the instructions on the Priority Offer Application Form.

When completing your BPAY® payment, please make sure to use the specific biller code and unique Customer Reference Number (**CRN**) provided to you or generated by the online Priority Offer Application Form. Application Monies paid by BPAY® must be received by the Share Registry by no later than 5:00pm (Melbourne time) on 29 May 2019 and it is your responsibility that this occurs.

For more information, Applicants should refer to the Offer Website www.pointsbetipo.com.au or contact the PointsBet Offer Information Line on 1300 375 696 (within Australia) or +61 3 9415 4322 (outside Australia) from 9:00 am to 5:00 pm (Melbourne time), Monday to Friday (excluding public holidays).

7.4.5 WHAT IS THE PRIORITY OFFER ALLOCATION POLICY?

Applicants will receive a guaranteed allocation of Shares in the amount notified on their Priority Offer Invitation. Beyond this, the allocation of Shares to Applicants under the Priority Offer will be determined by the Company and the Lead Manager and the Company reserves the right to reject, aggregate or scale back any such Applications at its absolute discretion.

7.5 OFFER PERIOD, APPLICATIONS AND REFUNDS

7.5.1 OFFER PERIOD

The Retail Offer opens at 9:00am (Melbourne time) on 24 May 2019 and is expected to close at 5:00pm (Melbourne time) on 30 May 2019.

The Company and the Lead Manager may elect to close the Retail Offer early, extend the Retail Offer or any part of it, or accept late Applications either generally or in particular cases.

For Broker Firm Offer participants, your Broker may impose an earlier closing date. Applicants under the Broker Firm Offer are therefore encouraged to submit their Applications as early as possible.

You should be aware that your financial institution may implement earlier cut off times with regard to electronic payment and you should take this into consideration when making payment. None of the Company, the Lead Manager or the Share Registry takes any responsibility for any failure to receive Applications Monies or payment before the Retail Offer closes arising as a result of, among other things, delays in processing of payments by financial institutions.

7.5.2 APPLICATIONS AND REFUNDS

The Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any Application Monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies paid by the Offer Price. Where the Offer Price does not divide exactly into the Application Monies paid, the number of Shares to be allocated will be rounded down. No refunds pursuant solely to rounding will be provided.

If the amount of the Application Monies that you pay is less than the amount specified on your Application Form, you may be taken to have applied for such lower amount of Shares that your cleared Application Monies will pay for (and to have specified that amount on your Application Form), or your Application may be rejected.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of your BPAY® payment.

Acceptance of an Application will give rise to a binding contract on the terms and conditions set out in this Prospectus and the Application Form. To the extent permitted by applicable law, an Application is irrevocable.

The Company and the Lead Manager reserve the right to reject any Application, including an Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Offer, or to waive or correct any errors made by the Applicant in completing their Application.

7.6 INSTITUTIONAL OFFER

7.6.1 INVITATIONS TO BID

Under the Institutional Offer, Institutional Investors in Australia, New Zealand and certain other eligible jurisdictions were invited to bid for an allocation of Shares under this Prospectus. The Lead Manager separately advised Institutional Investors of the Application procedures for the Institutional Offer.

7.6.2 ALLOCATION POLICY UNDER THE INSTITUTIONAL OFFER

The allocation of Shares between the Institutional Offer and the Retail Offer is determined by the Company in agreement with the Lead Manager. The Company, in agreement with the Lead Manager, has absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Lead Manager. The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Completion of the Offer;
- the Company's desire to establish a wide spread of institutional Shareholders;
- overall anticipated level of demand under the Broker Firm Offer, Priority Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- other factors that the Company and the Lead Manager considered appropriate.

7.7 ACKNOWLEDGEMENTS

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant, if a natural person, is over 18 years of age;
- acknowledged that, once the Company, the Lead Manager, the Share Registry or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form, or such lesser amount as represented by the Application Monies paid;
- agreed to being allocated and issued the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company, the Lead Manager and their respective officers or agents, to do anything on behalf of the Applicant necessary for Shares to be allocated to the Applicant, including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that the Company has no current intention to pay dividends, and that if any dividends are paid in the future (about which there is no guarantee) they may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant, given the investment objectives, financial situation or particular needs (including financial and taxation issues) of the Applicant;

- declared that the Applicant is a resident of Australia (except as applicable to the Institutional Offer), or otherwise satisfies the requirements in Section 9.10; and
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus.

7.8 DISCRETION REGARDING THE OFFER

The Company may withdraw the Offer at any time before the issue and allotment of Shares to successful Applicants under the Offer. If the Offer, or any part of it, does not proceed, all Application Monies received from Applicants will be refunded (without interest). The Company also reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application, or allocate to any Applicant fewer Shares than those applied for.

7.9 UNDERWRITING ARRANGEMENTS

The Offer is fully underwritten by the Lead Manager. The Lead Manager and the Company have entered into an Underwriting Agreement under which the Lead Manager has been appointed as arranger, manager and underwriter of the Offer. The Lead Manager has agreed, subject to certain conditions and termination events, to underwrite Applications for all Shares offered under the Offer.

The Underwriting Agreement is subject to a number of conditions precedent and sets out a number of circumstances under which the Lead Manager may terminate the Underwriting Agreement and its underwriting obligations. A summary of certain terms of the Underwriting Agreement is provided in Section 9.4.1.

7.10 OWNERSHIP RESTRICTIONS

The sale and purchase of Shares in the Company is regulated by Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section 7.10 contains a general description of these laws.

7.10.1 CORPORATIONS ACT

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply.

The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company.

7.10.2 FOREIGN ACQUISITIONS AND TAKEOVERS ACT

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates (substantial interest), or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest). Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer and the Federal Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Federal Government's Foreign Investment Policy or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

7.11 RESTRICTIONS ON DISTRIBUTION

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered, sold, pledged or transferred in the United States except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable laws.

This Prospectus may only be distributed in Australia and, outside Australia, to persons to whom the Offer may be lawfully made in accordance with the laws of the applicable jurisdiction, provided that this Prospectus may not be distributed in the United States except by the Lead Manager with the accompanying US Offering Circular.

The Offer is not an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful.

Each Applicant will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act and may not be offered, sold or resold in the United States, except in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable securities laws;
- it is not in the United States except for certain approved institutional “accredited investors” and Eligible US Fund Managers who also receive the US Offering Circular;
- it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which the Shares are offered and sold.

Each Applicant under the Institutional Offer is required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.12 ASX LISTING, REGISTERS AND HOLDING STATEMENTS

7.12.1 APPLICATION TO ASX FOR LISTING OF POINTSBET AND QUOTATION OF SHARES

PointsBet applied to ASX for admission to the Official List and quotation of the Shares on ASX under the code “PBH”. The application for admission was made on 20 May 2019.

A copy of this Prospectus has been lodged with ASIC. Neither ASX nor ASIC takes responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit PointsBet to the Official List is not to be taken as an indication of the merits of PointsBet or the Shares offered for subscription.

If permission is not granted for the Shares to be quoted on ASX on terms acceptable to the Company within three months of the Prospectus Date (or any later date permitted by law), all Application Monies received by the Company in connection with the Offer will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

7.12.2 CHESS AND ISSUER SPONSORED HOLDINGS

PointsBet has applied to participate in the ASX’s Clearing House Electronic Sub-register System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register. For all successful Applicants who have provided a Holder Identification Number (**HIN**), the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder’s HIN for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders.

Shareholders will subsequently receive statements showing any changes to their Shareholding. Share certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder’s sponsoring broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

For personal use only

SECTION 8.

INVESTIGATING ACCOUNTANT'S REPORT




RSM Corporate Australia Pty Ltd

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61(0) 3 9286 8000
F +61(0) 3 9286 8199

www.rsm.com.au

23 May 2019

The Board of Directors
PointsBet Holdings Limited
155 Cremorne Street
Cremorne VIC 3121

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

Independent Limited Assurance Report on PointsBet Holdings Limited's statutory historical financial information and pro forma historical financial information

We have been engaged by PointsBet Holdings Limited ("PointsBet" or "the Company") to report on certain statutory historical financial information and pro forma financial information for inclusion in a replacement prospectus dated on or about 23 May 2019 ("Prospectus").

The Prospectus relates to the Company's proposed listing of ordinary shares on the Australian Securities Exchange ("ASX") via an Initial Public Offering ("Offer"), to raise up to approximately \$75 million.

Expressions and terms defined in the Prospectus have the same meaning in this report.

Scope

Statutory Historical Financial Information

You have requested RSM Corporate Australia Pty Ltd ("RSM") to review the statutory historical financial information of PointsBet included in Section 4 of the Prospectus, comprising:

- the audited statutory historical consolidated income statements for the years ended 30 June 2017 and 30 June 2018;
- the audited statutory historical consolidated cash flow statements for the years ended 30 June 2017 and 30 June 2018;
- the reviewed statutory historical consolidated income statements for the six months ended 31 December 2017 and 2018;
- the reviewed statutory historical consolidated cash flow statements for the six months ended 31 December 2017 and 2018; and
- the reviewed statutory historical consolidated statement of financial position as at 31 December 2018.

collectively "the Statutory Historical Financial Information".

THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

RSM Corporate Australia Pty Ltd is beneficially owned by the Directors of RSM Australia Pty Ltd. RSM Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Corporate Australia Pty Ltd ABN 82 050 508 024 Australian Financial Services Licence No. 255847

For personal use only



The Statutory Historical Financial Information of PointsBet has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and PointsBet's adopted accounting policies.

The Statutory Historical Financial Information relating to the year ended 30 June 2017 has been extracted from the combined audited general purpose financial statements of PointsBet Australia Pty Ltd and PointsBet Pty Ltd, which were audited by RSM Australia Partners ("RSM Australia") and on which unqualified audit opinions were issued for each entity. The combined financial information is set out in Appendix B of the Prospectus.

The Statutory Historical Financial Information relating to the year ended 30 June 2018 has been extracted from the audited general purpose financial statements of PointsBet Holdings Limited, which was audited by RSM Australia and on which an unqualified audit opinion was issued.

The Statutory Historical Financial Information relating to the six months ended 31 December 2017 and six months ended 31 December 2018 has been extracted from the interim consolidated general purpose financial statements of PointsBet Holdings Limited for each respective period, which were reviewed by RSM Australia and on which unqualified review conclusions were issued.

The Statutory Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Pro Forma Historical Financial Information

You have requested RSM to review the pro forma historical financial information included in Section 4 of the Prospectus and comprising:

- the pro forma historical consolidated income statements for the years ended 30 June 2017 and 30 June 2018;
- the pro forma historical consolidated income statements for the six months ended 31 December 2017 and 31 December 2018;
- the pro forma historical consolidated cash flow statements for the years ended 30 June 2017 and 30 June 2018;
- the pro forma historical consolidated cash flow statements for the six months ended 31 December 2017 and 31 December 2018;
- the pro forma historical consolidated statement of financial position as at 31 December 2018; and
- the pro forma adjustments as described in Section 4 of the Prospectus.

collectively referred to as "the Pro Forma Historical Financial Information".

The Pro Forma Historical Financial Information has been derived from the Historical Financial Information of PointsBet, adjusted for the transactions/adjustments summarised in Section 4 of the Prospectus. The stated basis of preparation is the recognition and measurement requirements of Australian Accounting Standards and PointsBet's adopted accounting policies applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 4 of the Prospectus, as if those events or transactions had occurred as at the date of the Historical Financial Information.



Due to its nature, the Pro Forma Historical Financial Information does not represent PointBet's actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all the presentation and disclosures required by Australian Accounting Standards applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

Directors' responsibility

The directors of PointsBet are responsible for:

- the preparation and presentation of the Statutory Historical Financial Information; and
- the preparation and presentation of the Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Statutory Historical Financial Information and included in the Pro Forma Historical Financial Information.

This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Statutory Historical Financial Information and the Pro Forma Historical Financial Information that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Statutory Historical Financial Information and Pro Forma Historical Financial Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

We made such enquiries, primarily of persons responsible for financial and accounting matters, and performed such procedures as we, in our professional judgment, considered reasonable in the circumstances including:

- a consistency check of the application of the stated basis of preparation, to the Statutory Historical Financial Information and Pro Forma Historical Financial Information;
- a review of PointsBet's work papers, accounting records and other supporting documents;
- enquiry of directors, management personnel and advisors; and
- the performance of analytical procedures applied to the Statutory Historical Financial Information and Pro Forma Historical Financial Information.

A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as source of the financial information.

For personal use only



Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information of PointsBet, as described in Section 4 of the Prospectus, and comprising:

- the audited statutory historical consolidated income statements for the years ended 30 June 2017 and 30 June 2018;
- the audited statutory historical consolidated cash flow statements for the years ended 30 June 2017 and 30 June 2018;
- the reviewed statutory historical consolidated income statements for the six months ended 31 December 2017 and 2018;
- the reviewed statutory historical consolidated cash flow statements for the six months ended 31 December 2017 and 2018; and
- the reviewed statutory historical consolidated statement of financial position as at 31 December 2018,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 4 of the Prospectus.

Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information, as set out in Section 4 of the Prospectus, and comprising:

- the pro forma historical consolidated income statements for the years ended 30 June 2017 and 30 June 2018;
- the pro forma historical consolidated income statements for the six months ended 31 December 2017 and 31 December 2018;
- the pro forma historical consolidated cash flow statements for the years ended 30 June 2017 and 30 June 2018;
- the pro forma historical consolidated cash flow statements for the six months ended 31 December 2017 and 31 December 2018;
- the pro forma historical consolidated statement of financial position as at 31 December 2018; and
- the pro forma adjustments as described in Section 4 of the Prospectus,

is not presented fairly in all material aspects, in accordance with the stated basis of preparation, as described in Section 4 of the Prospectus.

Restriction on Use

Without modifying our conclusions, we draw attention to Section 4.2, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.



Declaration of Interest

RSM Corporate Australia Pty Ltd does not have any interest in the outcome of this transaction other than the preparation of this report for which normal professional fees will be received.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'A. Clifford'.

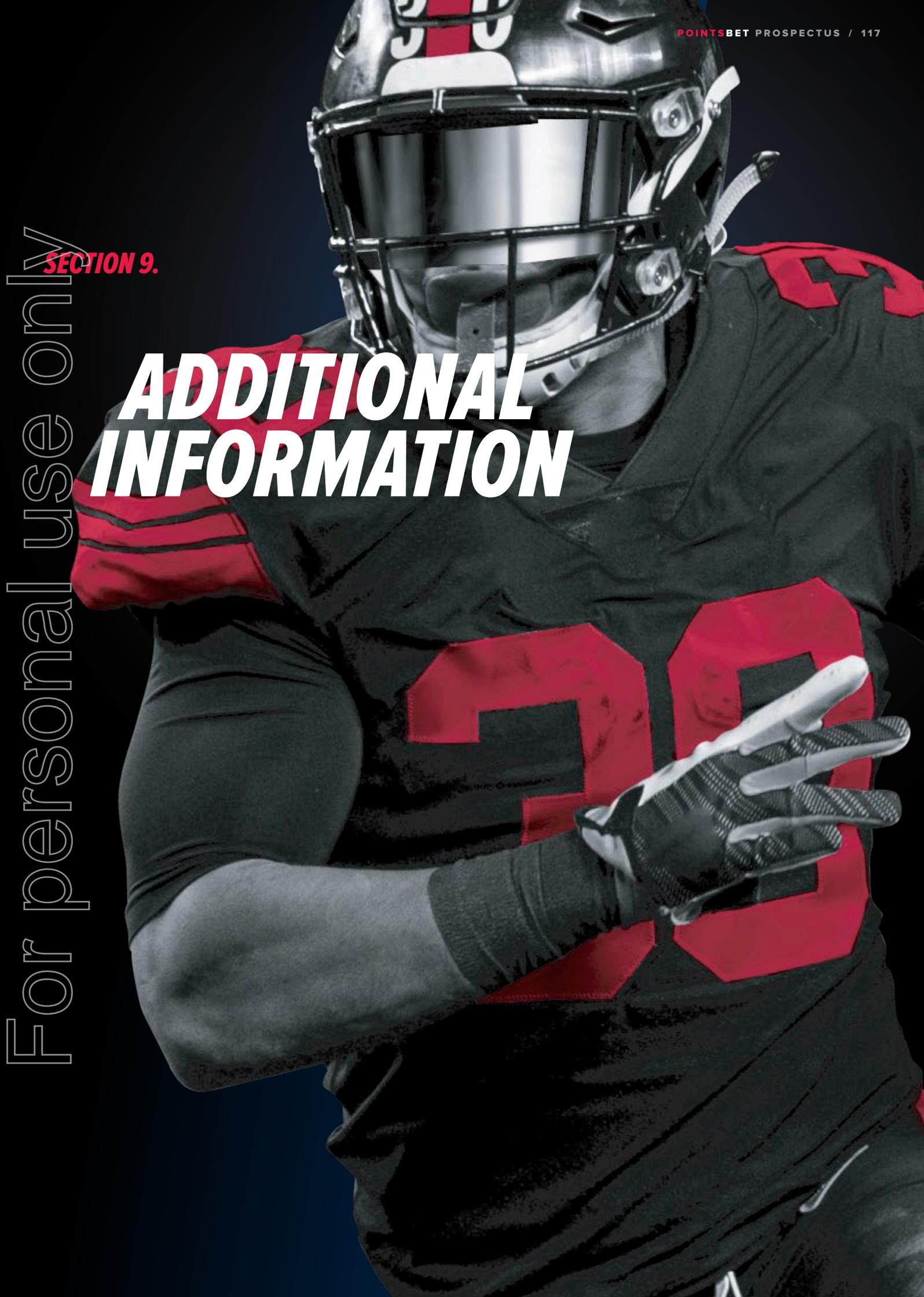
RSM CORPORATE AUSTRALIA PTY LTD
Andrew Clifford
Director

For personal use only

SECTION 9.

**ADDITIONAL
INFORMATION**

For personal use only



9.1 REGISTRATION OF THE COMPANY

The Company was registered in the State of Victoria, Australia on 18 August 2017 as a proprietary company limited by shares.

The Company converted to a public company limited by shares on 15 February 2019.

9.2 COMPANY TAX STATUS

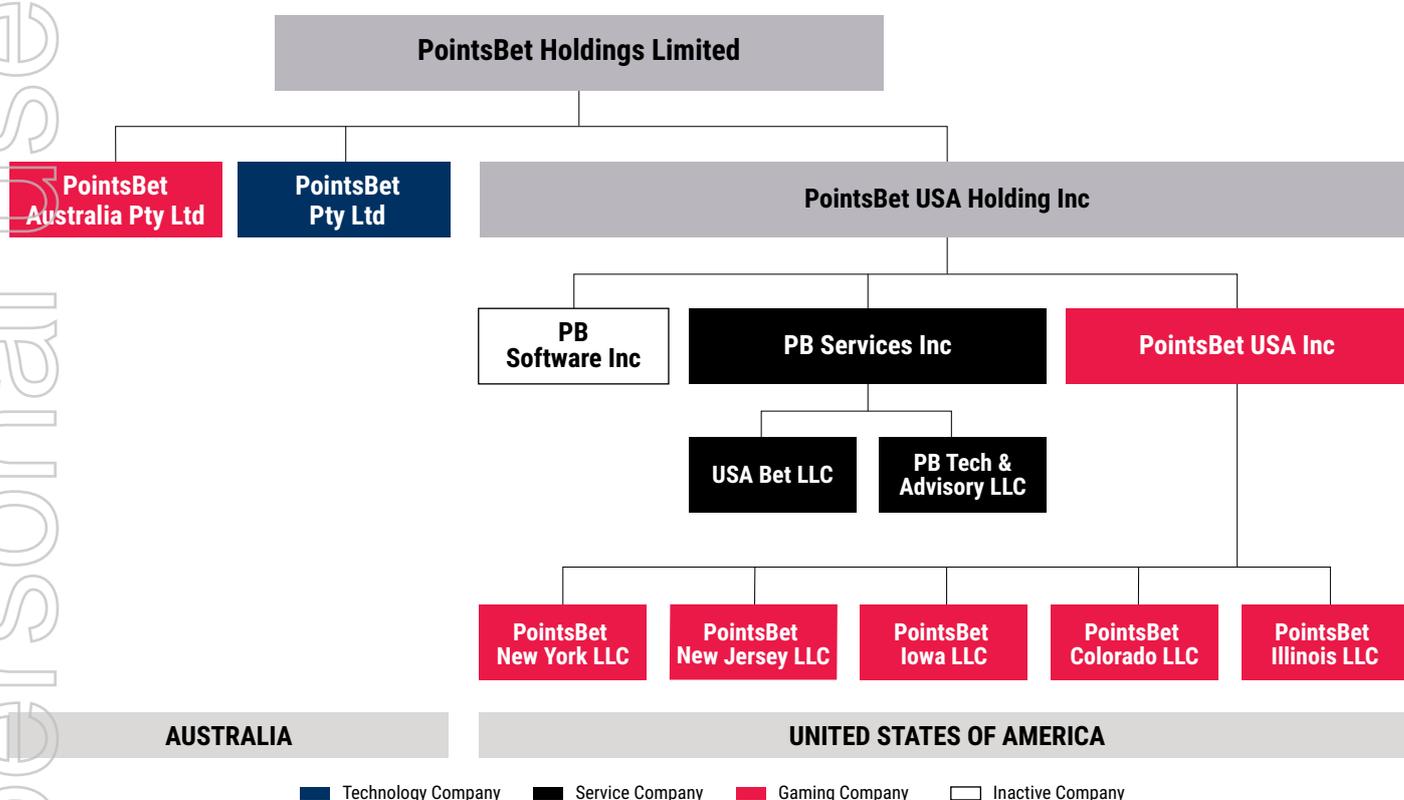
The Company will be taxed in Australia as a public company. The accounts of the PointsBet Group will have a 30 June year end.

9.3 CORPORATE AND CAPITAL STRUCTURE

9.3.1 CORPORATE STRUCTURE

The following diagram shows the entities comprising the PointsBet Group:

FIGURE 9.1: CORPORATE STRUCTURE DIAGRAM



All of the entities comprising the PointsBet Group:

- are either registered in Australia or the United States;
- are wholly owned (directly or indirectly) by the Company; and
- undertake the business of the Company as described in this Prospectus.

9.3.2 CAPITAL STRUCTURE AND RESTRUCTURE

PointsBet Pty Limited and PointsBet Australia Pty Limited were incorporated on 16 March 2015 and 1 July 2015 (respectively) with the following purposes:

- PointsBet Pty Limited was established to hold the intellectual property and undertake the research and development activities of PointsBet; and
- PointsBet Australia Pty Limited was established to carry out PointsBet's trading activities in Australia.

These entities were effectively dual head companies of the PointsBet Group and shareholders were issued (or transferred) the same number of shares in each entity. These entities raised capital in a series of capital raisings, as follows:

- in 2015, a total of \$379,900 was raised by the issue of 10,060,676 shares in each company in a number of tranches;
- in 2016, a total of \$2,110,537 was raised by the issue of 4,937,780 shares in each company in a number of tranches; and
- in 2017, prior to the corporate restructure, a total of \$3,449,799 was raised by the issue of 4,701,103 shares in each company in a number of tranches.

In September 2017, PointsBet undertook a corporate restructure by which the shareholders in PointsBet Pty Limited and PointsBet Australia Pty Ltd swapped their shares in each entity for the same number of shares in PointsBet Holdings Pty Limited in a "top hat restructure" (**Restructure**). Each shareholder's proportionate interest in PointsBet was not altered as a result of the Restructure.

After completion of the Restructure, the Company raised:

- in the remainder of 2017, a total of \$4,750,095 by the issue of 5,347,123 Shares;
- in 2018, a total of \$5,161,444 by the issue of 4,841,826 Shares; and
- in 2019, a total of \$10,430,914 by the issue of 6,008,865 Shares.

In addition, the Company issued a total of \$23.9 million worth of convertible notes in August 2018 and October 2018. The convertible notes were converted into a total of 16,903,068 Shares on 8 March 2019.

The Company undertook a share split on 16 May 2019, by which the 576,502 Shares then on issue were split into 72,500,000 Shares (being the number of Shares on issue at the Prospectus Date). For ease of reference and consistency, the Share numbers set out above (and in this Prospectus generally) are Share numbers on a post-Share split basis.

The Company has 8,726,631 Options on issue as at the Prospectus Date.

9.4 MATERIAL CONTRACTS

The Directors consider that there are a number of contracts which are significant or material to the Company or of such nature that an investor may wish to have details of them when making an assessment of whether to apply for Shares. The main provisions of these contracts are summarised below, or elsewhere in this Prospectus. These summaries do not purport to be complete and are qualified by the text of the contracts themselves.

9.4.1 UNDERWRITING AGREEMENT

The Company and the Lead Manager have entered into an Underwriting Agreement dated 16 May 2019, pursuant to which the Lead Manager has agreed to underwrite the Offer. Pursuant to the Underwriting Agreement, the Company has also appointed the Lead Manager to act as the exclusive manager of the Offer and to allocate Shares by agreement with the Company. The following is a summary of the principal provisions of the Underwriting Agreement.

FEES AND EXPENSES

On settlement of the Offer, which is expected to occur on 4 June 2019 (**Settlement Date**), the Company must pay the Lead Manager:

- a management and selling fee equal to 0.9% of the proceeds of the Offer; and
- an underwriting fee equal to 3.35% of the proceeds of the Offer.

The Lead Manager must pay, on behalf of the Company, any fees due to any Brokers appointed by the Lead Manager under the Underwriting Agreement.

The Company has agreed to reimburse the Lead Manager for reasonable costs and expenses of, and incidental to, the Offer.

TERMINATION EVENTS NOT SUBJECT TO MATERIALITY

The Lead Manager may, at any time from the date of execution of the Underwriting Agreement until the Settlement Date, terminate the Underwriting Agreement (without any cost or liability to the Lead Manager) by notice to the Company, if any of the events set out below occur:

- (**Prospectus**) the Company fails to lodge the Original Prospectus, in a form approved by the Lead Manager, on the date of the Original Prospectus;
- (**disclosures**) a material statement contained in the Prospectus or other Offer Documents is or becomes false, misleading or deceptive (including by omission) or likely to mislead or deceive (including by omission), or a material matter required to be included is omitted from an Offer Document;

- **(Timetable)** any event in the Timetable is delayed, other than in accordance with the Underwriting Agreement;
- **(ASX approval)** unconditional approval (or conditional approval subject only to customary conditions) is refused or not granted by ASX to:
 - the Company's admission to the Official List; or
 - quotation of all of the Shares on ASX,
 on or before the date specified in the Underwriting Agreement, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld or the ASX indicates to the Company or the Lead Manager or to any of their respective advisers that approval is likely to be withdrawn, qualified (other than by customary conditions) or withheld;
- **(withdrawal)** the Company withdraws the Prospectus or any supplementary prospectus or the Offer, or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- **(supplementary or replacement prospectus)** the Lead Manager reasonably forms the view that a supplementary prospectus must be lodged with ASIC under section 719(1) of the Corporations Act and the Company does not lodge a supplementary prospectus with ASIC in the form and with the content, and within the time, reasonably required by the Lead Manager or the Company lodges a supplementary prospectus with ASIC that has not been approved by the Lead Manager in circumstances required by the Underwriting Agreement;
- **(regulatory action)** any of the following occurs:
 - ASIC applies for an order under section 1324B or 1325 of the Corporations Act in relation to the Offer, the Prospectus or other Offer Documents, and the application is not dismissed or withdrawn before the Settlement Date;
 - ASIC gives notice of intention to hold a hearing in relation to the Offer or the Prospectus or other Offer Documents under section 739(2) of the Corporations Act or makes an order under section 731 of the Corporations Act or an interim order under section 739(3) of the Corporations Act, and the notice, order or interim order is not withdrawn before the Settlement Date; or
 - an application is made by ASIC for an order under Part 9.5 in relation to the Offer or the Prospectus or other Offer Documents or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer, the Prospectus or other Offer Documents, and the application or investigation is not discontinued or withdrawn before the Settlement Date;
- **(consent withdrawn)** any person (other than the Lead Manager) gives a notice under section 733(3) of the Corporations Act or any person (other than the Lead Manager) who has previously consented to the inclusion of its name in the Prospectus (or any replacement or supplementary prospectus) withdraws that consent;
- **(notice under section 730)** any person (other than the Lead Manager or Co-Lead Manager) gives a notice under section 730 of the Corporations Act in relation to the Prospectus (or any supplementary prospectus);
- **(material contracts, material licences and escrow deeds)** any contracts or licence that is material for the operation of the Company's business, or any of the escrow deeds described in section 9.6:
 - is, without the prior written consent of the Lead Manager (such consent not to be unreasonably withheld), amended or varied in any way which is, or is likely to be, materially adverse to the Company;
 - is breached;
 - is terminated (whether by breach or otherwise);
 - ceases to have effect, otherwise than in accordance with its terms; or
 - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and affect, or its performance is or becomes illegal;
- **(Directors)** any of the following occur:
 - a director or senior executive of the Company is charged with an indictable offence relating to a financial or corporate matter;
 - any government agency or regulatory body commences any inquiry or public action against PointsBet, a member of management of the Company or any of its directors or announces that it intends to take such action, and such inquiry is not discontinued or withdrawn by the Settlement Date;
 - any Director is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; or
 - a member of management or a Director engages in any fraudulent conduct or activity, whether or not in connection with the Offer;
- **(change in management)** a change to the Board occurs, or any of Sam Swanell, Nick Fahey, Andrew Fahey, Johnny Aitken or Seth Young resign or change their position;
- **(market fall)** at any time before Completion, the S&P/ASX 200 Index closes for two consecutive business days or on the business day immediately prior to the Settlement Date at a level that is 15% or more below the level of that index at 5.00pm (Melbourne time) on the trading day immediately prior to the date of the Underwriting Agreement;
- **(repayment of Application Monies)** any circumstance arises after lodgement of the Prospectus that results in the Company either repaying the Application Monies received from Applicants or offering Applicants an opportunity to withdraw their Applications for Shares and be repaid their Application Monies;
- **(insolvency)** any member of the PointsBet Group suffers an insolvency event, or there is an act or omission which is likely to result in any member of the PointsBet Group suffering an insolvency event;
- **(certificate not provided)** the Company does not provide a certificate as and when required by the Underwriting Agreement; and
- **(failure to issue)** the Company is or becomes unable, for any reason, to issue the Shares within the time required by the Timetable (unless that delay is agreed in writing by the Lead Manager), the Offer Documents, the ASX Listing Rules and any other applicable laws.

TERMINATION EVENTS SUBJECT TO MATERIALITY

The Lead Manager may, at any time from the date of execution of the Underwriting Agreement until the Settlement Date, terminate the Underwriting Agreement (without any cost or liability to the Lead Manager) by notice to the Company, if any of the events set out below occur and the Lead Manager believes, acting reasonably, that the occurrence of the relevant event:

- has or is likely to have a material adverse effect on:
 - the marketing, outcome, success or settlement of the Offer, the ability of the Lead Manager or any of its affiliates to market, promote or settle the Offer, the willingness of investors to subscribe for Shares under the Offer or the subsequent market for Shares on ASX; or
 - the condition, trading or financial position, performance, profits and losses, results, business or operations of the Company or the PointsBet Group; or
- has given rise to, or is likely to give rise to:
 - a contravention by the Lead Manager or any of its affiliates of, or the Lead Manager or any of its affiliates being involved in a contravention of, the Corporations Act or any other applicable law or regulation or rule of any stock exchange, regulatory body or a contract in relation to the Offer; or
 - a liability for the Lead Manager of any of its affiliates under any applicable law or regulation or rule of any stock exchange, or regulatory body.

The relevant termination events are as follows:

- **(adverse change)** any adverse change occurs, or an event occurs which is likely to give rise to an adverse change in or affecting the general affairs, management, assets, liabilities, financial position or performance, profits, losses, prospects or condition, financial or otherwise of the PointsBet Group, including (without limitation):
 - any change in the prospects or forecasts of the Company or the PointsBet Group from those disclosed in the Prospectus or other Offer Documents;
 - any change in the nature of the business conducted by the Company or the PointsBet Group or proposed to be conducted by the Group; and
 - any change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the PointsBet Group from those respectively disclosed in the Prospectus or other Offer Documents;
- **(Offer Documents do not comply)** the Prospectus, other Offer Documents or other public information issued by the Company in connection with the Offer do not comply with:
 - the Corporations Act (including sections 710, 711 and 716);
 - the ASX Listing Rules; or
 - any other applicable law;
- **(forecast incapable of being met)** any forecast or forward looking statement in the Prospectus or other Offer Document becomes incapable of being met or unlikely to be met in the projected time or there are not, or there ceases to be, reasonable grounds for any forecast or forward looking statement in the Prospectus or other Offer Document;
- **(government agency action)** ASIC or any other government agency commences, gives notice of an intention to commence, or threatens to commence any hearing, inquiry, investigation, proceedings or prosecution, or takes any regulatory action or seeks any remedy, in connection with the Company, any other member of the PointsBet Group, the Offer or the Offer Documents, or announces that it intends to take any of the foregoing actions, and the notice, threat, action or announcement is not withdrawn by the Settlement Date;
- **(new circumstance)** a new circumstance occurs, that has arisen since the Prospectus was lodged with ASIC, that would have been required to be included in the Prospectus if it had arisen before the Prospectus was lodged with ASIC;
- **(change in laws)** any of the following occurs:
 - the introduction of legislation into the parliament of the Commonwealth of Australia, any State or Territory of Australia;
 - the public announcement of prospective legislation or policy by the Australian Federal Government or the Government of any Australian State or Territory; or
 - the adoption, or public announcement of the proposed adoption, by ASIC or its delegates or the Reserve Bank of Australia of any regulations or policy;
- **(breach of law or regulations)** the Company contravenes the Corporations Act, its Constitution, *Australian Securities and Investments Commission Act 2001* (Cth), any of the ASX Listing Rules, the *Competition & Consumer Act 2010* (Cth), or any other applicable law or regulation;
- **(regulatory approvals)** a regulatory body (including ASX and ASIC) withdraws, revokes or amends any regulatory approvals required for the Company to perform its obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer Documents;
- **(force majeure)** there is an event or occurrence, including any statute, order or rule, regulation, directive or request (including one compliance with which is in accordance with general practice of persons to whom the directive or request is addressed) of any governmental agency which makes it illegal for the Lead Manager to satisfy a material obligation under the Underwriting Agreement, or to market, promote or settle the Offer;

For personal use only

- **(legal proceedings)** the commencement of legal proceedings against the Company, any other member of the PointsBet Group or against any Director of the Company or any other PointsBet Group member in that capacity;
- **(warranties or representation untrue)** any of the warranties or representations by the Company in the Underwriting Agreement become untrue or incorrect;
- **(breach)** the Company is in default of any obligation under the Underwriting Agreement or breaches any undertaking or covenant given, or made by it, under the Underwriting Agreement;
- **(adverse change in financial markets)** any of the following occurs:
 - a general moratorium on commercial banking activities in Australia, the United States of America, the United Kingdom, Hong Kong or Singapore is declared by the relevant authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
 - trading in all securities quoted or listed on ASX, the London Stock Exchange, the New York Stock Exchange, Hong Kong Stock Exchange or Singapore Stock Exchange is suspended or limited in any material respect for at least one day on which that exchange is open for trading;
 - any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in, Australia, the United States of America, the United Kingdom, Hong Kong or Singapore, or the international financial markets or any development involving a prospective change in national or international political, financial or economic conditions; or
 - after the date of the Underwriting Agreement, a change or development (which was not publicly known prior to the date of the Underwriting Agreement) involving a prospective adverse change in taxation affecting the PointsBet Group or the Offer occurs;
- **(hostilities)** there is an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing, or a major escalation in existing hostilities occurs, in or involving any one or more of Australia, Canada, a member state of the European Union, Japan, Hong Kong, New Zealand, Singapore, the People's Republic of China, the United Kingdom or the United States of America, or a major terrorist act is perpetrated on any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;
- **(encumbrances)** other than as disclosed in the Prospectus, a member of the PointsBet Group charges or agrees to charge or creates any encumbrance over, the whole, or a substantial part of its business or property;
- **(disclosures in due diligence)** the report of the due diligence committee established in connection with the Offer, the verification material or any other information supplied by or on behalf of the Company and the PointsBet Group to the Lead Manager in relation to the due diligence conducted in connection with the Offer, the Shares, the PointsBet Group, the Offer or the Offer Documents is or becomes untrue, incorrect, misleading or deceptive (including by omission) in any material respect; and
- **(certificate incorrect)** a statement in any certificate given under the Underwriting Agreement is false, misleading, inaccurate or untrue or incorrect.

The term “Offer Document” is defined in the Underwriting Agreement to mean the documents issued or published by or on behalf of the Company in respect of or relating to the Offer and in a form approved by the Lead Manager, including:

- the pathfinder prospectus provided to certain institutional investors pursuant to section 734(9) of the Corporations Act;
 - the Prospectus;
 - the US Offering Circular;
 - the Application Forms;
 - the confirmation letters used in connection with the Institutional Offer; and
 - any communications (whether written or electronic) that are presented or provided to prospective investors (including any roadshow and management presentations or other presentations as well as any cover email, together with any appropriate cautionary legend) by or on behalf of the Company,
- including any supplementary prospectus or other amendments, supplements, replacements or updates to any of the above.

REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

The Underwriting Agreement contains representations, warranties and undertakings provided by the Company to the Lead Manager.

The representations and warranties relate to matters such as their powers and capacities, their conduct (including in respect of their compliance with applicable laws and the ASX Listing Rules, business and status, due diligence and disclosure), certain documents issued by the Company in connection with the Offer (which includes the Offer Documents, the information provided (including the Financial Information), insolvency, the conduct of the Offer, litigation and insurance.

The Company undertakings include that it will not, from the date of the Underwriting Agreement up until 120 days after Completion of the Offer, without the prior written consent of the Lead Manager (which must not be unreasonably withheld or delayed), issue, agree to issue or offer for issue (or indicate that it will do any of the foregoing) Shares, options or other securities of the Company or permit any member of the PointsBet Group to do any of the foregoing, other than: as described in the Prospectus; pursuant to the Offer; pursuant to an employee incentive scheme; as specifically set out in the Offer Documents or as consideration for the entry into commercial partnerships consistent with the Company's business objectives as described in the Prospectus.

INDEMNITY

The Company agrees to keep the Lead Manager and certain of its affiliated parties indemnified from losses suffered in connection with the Offer, subject to customary exclusions (including fraud, wilful misconduct, recklessness and gross negligence).

9.4.2 ARRANGEMENTS WITH RACING CONTROLLING BODIES

In order to publish or use race field information in respect of Australian racing events for which PointsBet provides wagering services, the Company has applied for, and been granted, approvals/authorities/agreements to publish and use race field information from the following relevant racing controlling bodies, in return for the payment of a race field information/contribution fee (or similar).

Generally, in respect of each of the Racing Approvals, the Company is required to apply for a renewal or an extension of the Racing Approval, by lodging a renewal application with the relevant racing controlling body.

TABLE 9.1: ARRANGEMENTS WITH RACING CONTROLLING BODIES

RACING CONTROLLING BODY	NAME OF RACING APPROVAL	APPROVAL PERIOD
Racing NSW	Approval to Use NSW Race Fields Information	1 July 2018 to 30 June 2019
Greyhound Racing NSW	Approval to Use NSW Greyhound Race Field Information	1 July 2018 to 30 June 2019
Harness Racing NSW	Approval to Use NSW Harness Race Field Information	1 July 2018 to 30 June 2019
Racing Victoria	Approval to Publish and Use Victorian Thoroughbred Race Fields	1 July 2018 to 30 June 2019
Harness Racing Victoria	Approval to Publish and Use Victorian Harness Race Fields	1 July 2018 to 30 June 2019
Greyhound Racing Victoria	Approval to Publish and Use Victorian Greyhound Racefields	1 November 2017 to 31 October 2019
Racing Queensland	Approval to Use Queensland Race Information for the conduct of PointsBet's wagering business	1 January 2018 to 30 June 2019
Thoroughbred Racing SA	Integrity and Contribution Agreement	1 July 2018 to 30 June 2019
Harness Racing SA	Integrity and Contribution Agreement	1 July 2018 to 30 June 2019
Greyhound Racing SA	Integrity and Contribution Agreement	1 July 2018 to 30 June 2019
Tasracing	Approval to Publish Tasmanian race field information	1 July 2017 until cancellation
WA Racing	N/A	Betting operators licensed in Australia do not need permission to use WA race fields.
Thoroughbred Racing Northern Territory	Approval to use TRNT local racing materials	Renews every 12 months commencing on 1 October 2017
ACT Racing	Approval to use ACT Race Field Information	1 July 2017 to 30 June 2020

Each of the Racing Approvals in table 9.1 are accompanied by terms and conditions with which the Company is required to comply. While these terms and conditions vary depending on the particular Racing Approval, some common obligations and conditions provided in these Racing Approvals include:

- the requirement to cooperate with the relevant racing controlling body to provide information that is relevant to assist the racing controlling body in performing its functions regarding the integrity and reputation of the racing industry;
- the requirement to permit the racing controlling body to monitor relevant wagering transactions and wagering activity; and
- an obligation to report to the racing controlling body any matters which may materially adversely impact the integrity or reputation of the racing industry.

Each of the Racing Approvals sets out provisions which give the racing controlling body the right to terminate the relevant Racing Approval for various reasons. These termination rights differ between the various Racing Approvals, however, they generally include (but are not limited to) where the Company:

- breaches a material term of the Racing Approval;
- knowingly, recklessly or negligently engages in illegal wagering; or
- acts in a manner contrary to law, the applicable rules of racing or otherwise contrary to the maintenance of the integrity of the racing industry.

All approvals are subject to fees that apply universally to all licensed Australian corporate bookmakers.

9.4.3 ARRANGEMENTS WITH SPORTS CONTROLLING BODIES

In order to publish or use Australian sporting event information for which PointsBet provides wagering services, the Company has entered into the following sports product fee and integrity agreements, in return for the payment of a sports product fee to the relevant sports controlling body.

Generally, although most of the Sports Agreements include an expiration date, they also include provisions that allow the parties to negotiate and renew the applicable Sports Agreement.

TABLE 9.2: ARRANGEMENTS WITH SPORTS CONTROLLING BODIES

SPORTS CONTROLLING BODY	NAME OF SPORTS AGREEMENT	APPROVAL PERIOD
Tennis Australia	Product Fee and Integrity Agreement	1 January 2017 to 25 December 2019
Football Federation Australia	Product Fee and Integrity Agreement	1 July 2017 to 30 June 2019
Professional Golfers Association of Australia	Product Fee and Integrity Agreement	1 October 2018 to 30 September 2023
Basketball Australia	Product Fee and Integrity Agreement	1 February 2017 to 31 January 2020
Australian Rugby Union	Product Fee and Integrity Agreement	16 February 2018 to 31 December 2019
Cricket Australia	Product Fee and Integrity Agreement	1 October 2018 to 30 September 2020
Netball Australia	Product Fee and Integrity Agreement	1 January 2019 to 31 December 2021
AFL	Product Fee and Integrity Agreement	1 November 2018 to 31 October 2019
NRL	Integrity and Product Fee Agreement	1 March 2019 to 31 December 2019

Each of the Sports Agreements in Table 9.2 contain terms and conditions with which the Company is required to comply. While these terms and conditions vary depending on the particular Sports Agreement, some common obligations and conditions provided in these Sports Agreements include:

- the requirement to cooperate with the relevant sports controlling body in respect of the prevention, investigation and prosecution of integrity issues relating to a sporting event;
- the requirement to provide information that is relevant to assist the sports controlling body in performing its functions or responsibilities regarding the integrity and reputation of the relevant sport; and
- an obligation to report to the sports controlling body any matters which may materially adversely impact the integrity or reputation of the relevant sport.

Each Sports Agreement gives the Company and the sports controlling bodies the right to terminate the relevant Sports Agreement for various reasons. These termination rights differ between the various Sport Agreements, however, they generally include (but are not limited to):

- either party may terminate where there is a material breach of the obligations under the Sports Agreement by the other party;
- the sports controlling body may terminate where the Company ceases to be licensed to conduct sports betting, becomes insolvent or fails to respond to a request for information by the sports controlling body; or
- the Company may terminate where the relevant sports controlling body ceases to be an authorised sports controlling body or becomes insolvent.

All approvals are subject to fees that apply universally to all licensed Australian corporate bookmakers.

9.4.4 NEW MEADOWLANDS AGREEMENT

TABLE 9.3: SUMMARY OF NEW MEADOWLANDS AGREEMENT

Date	20 July 2018.
Parties	PointsBet New Jersey LLC and New Meadowlands Racetrack, LLC (NMR).
Overview	The contract allows PointsBet to provide online sports wagering services to persons in the State of New Jersey in accordance with NMR's online sports wagering licence from the New Jersey Division of Gaming Enforcement.
Term and Termination	The contract is valid for 10 years from 20 July 2018. Following the initial term, the contract will renew automatically on an annual basis until terminated by either party by providing at least six months' prior written notice. There are various grounds for termination associated with US gaming regulations. Neither party may terminate for convenience during the initial term. Upon expiry or termination, PointsBet has the right to retain and utilise Client data acquired during the Term.
Exclusivity/ Non-Compete	During the term, PointsBet has agreed to provide sports wagering services to bettors in New Jersey exclusively via NMR's sports wagering licence. However, PointsBet is permitted to provide B2B platform services to another New Jersey operator, so long as such services do not involve the marketing of that operator.
Payments	PointsBet paid NMR an initial upfront fee, and pays ongoing monthly fees and revenue share payments.

9.4.5 TIOGA DOWNS OPTION AGREEMENT

TABLE 9.4: SUMMARY OF TIOGA DOWNS OPTION AGREEMENT

Date	20 July 2018.
Parties	PointsBet New York LLC and American Racing & Entertainment LLC (ARE).
Overview	The contract allows PointsBet to provide online wagering services to persons in the State of New York, subject to whether and how amendments to New York gaming regulations are enacted into law. PointsBet has the right subject to the enactment of regulations to use ARE's second online wagering licence (or "skin") in respect of Tioga Downs Casino. If regulations are enacted that only provide one "skin", then PointsBet will not be entitled to operate in New York pursuant to the Tioga Downs Option Agreement.
Term and Termination	The contract is valid for 10 years from 20 July 2018. Following the initial term, the contract will renew automatically on an annual basis until terminated by either party by providing at least six months' prior written notice. There are various grounds for termination associated with US gaming regulations. Neither party may terminate for convenience during the initial term. In addition, if a second "skin" is not legalised by 20 July 2023, both parties have a one-time termination right until 20 October 2023. Upon expiry or termination, PointsBet has the right to retain and utilise Client data acquired during the Term.
Exclusivity/ Non-Compete	During the term, PointsBet has agreed to provide sports wagering services to bettors in New York exclusively for ARE (subject to PointsBet's casino vendor enterprise license and Tioga Downs Casino's sports wagering license). However, PointsBet is permitted to provide B2B platform services to another New York operator so long as such services do not involve marketing of that operator.
Payments	PointsBet has paid ARE an upfront fee, and (subject to legislative approval) will be required to pay an additional legislative fee together with various revenue and profit share payments. PointsBet has also provided ARE with guarantees regarding the minimum revenue share payments.

9.4.6 CATFISH BEND CASINO AGREEMENT

TABLE 9.5: SUMMARY OF CATFISH BEND CASINO AGREEMENT

Date	3 April 2019.
Parties	PointsBet Iowa LLC and Catfish Bend Casinos II, LLC (CFB).
Overview	The contract allows PointsBet, subject to the passing of enabling legislation and the grant of a licence to CFB, to operate the exclusive 'first skin' physical, retail Sportsbook and kiosk operations at the Catfish Bend Casino and to offer online and mobile sports wagering in the State of Iowa under the PointsBet brand through CFB's licence.
Term and Termination	<p>The contract is valid from 3 April 2019 until the fifth anniversary of the date on which the first wager is taken in the State of Iowa by PointsBet and shall be automatically renewed for an additional five-year term unless either party provides at least 90 days' notice before the expiry of the initial term.</p> <p>There are various grounds for termination associated with US gaming regulations. Neither party may terminate for convenience during the initial or additional term.</p> <p>Upon expiry or termination, PointsBet has the right to retain and utilise client data acquired during the term.</p>
Exclusivity/Non-Compete	During the term, PointsBet shall exclusively provide sports wagering services to authorised bettors physically located in the State of Iowa via CFB's licence. PointsBet is permitted to provide platform services on a business to business basis for any other skin operating in the State of Iowa so long as such services do not involve marketing by PointsBet of another PointsBet branded skin directly to authorised persons physically located in the State of Iowa.
Payments	PointsBet will reimburse CFB for an agreed amount relating to the construction of a retail sportsbook and hardware, software and IT infrastructure for CFB to comply with regulations. PointsBet will also make revenue share payments.

9.4.7 COLORADO CASINO AGREEMENT

TABLE 9.6: SUMMARY OF COLORADO CASINO AGREEMENT

Date	19 April 2019.
Parties	PointsBet Colorado LLC and a casino operator in Colorado (Colorado Casino).
Overview	<p>The obligations of each party under the contract are subject to the passing of enabling legislation and the grant of a licence. PointsBet will disclose details about the counter-party upon receipt of all necessary approvals or following consent by the counter-party to be disclosed.</p> <p>The contract allows PointsBet, subject to the passing of enabling legislation and the grant of a licence to the Colorado Casino, to operate the exclusive 'first skin' physical, retail sports book operations at the casino and to offer online and mobile sports wagering in the State of Colorado under the PointsBet brand through the Colorado Casino license.</p>
Term and Termination	<p>The contract is valid from 19 April 2019 until the tenth anniversary of the date on which the first wager is taken in the State of Colorado by PointsBet and shall be automatically renewed for an additional five-year term unless either party provides at least 90 days' notice before the expiry of the initial term.</p> <p>There are various grounds for termination associated with US gaming regulations. Neither party may terminate for convenience during the initial or additional term.</p> <p>Upon expiry or termination, PointsBet has the right to retain and utilise client data acquired during the term.</p>
Exclusivity/Non-Compete	During the term, PointsBet shall exclusively provide sports wagering services to authorised bettors in the State of Colorado via the Colorado Casino's licence. If the Colorado Casino's licence is granted and the licence permits offering of online gaming in addition to sports wagering, PointsBet will also have the right to offer online gaming. PointsBet is also permitted to provide platform services on a business to business basis for any other skin operating in the State of Colorado.
Payments	PointsBet will reimburse the Colorado Casino for an agreed amount relating to the construction of a retail sports book. PointsBet will pay monthly rent to the Colorado Casino for the retail sports book area and make revenue share payments.

9.4.8 ILLINOIS AGREEMENT

TABLE 9.7: SUMMARY OF ILLINOIS AGREEMENT

Date	14 May 2019.
Parties	PointsBet Illinois LLC and an operator in Illinois (Illinois Operator). The obligations of each party under the contract are subject to the passing of enabling legislation on terms consistent with the party's documented assumptions of the key terms of the legislation, and the grant of a licence. PointsBet will disclose details about the counter-party upon receipt of all necessary approvals or following consent by the counter-party to be disclosed.
Overview	The contract allows PointsBet, subject to the passing of enabling legislation and the grant of a licence to the Illinois Operator, to operate the exclusive 'first skin' physical, retail sports book operations at the operator's property and to offer online and mobile sports wagering in the State of Illinois under the PointsBet brand through the Illinois Operator's licence.
Term and Termination	The contract is valid from 14 May 2019 until the twentieth anniversary of the date on which the first wager is taken in the State of Illinois by PointsBet and automatically renews for an additional ten-year term unless either party provides at least 90 days' notice before the expiry of the initial term. There are various grounds for termination associated with the terms of the enabling legislation and US gaming regulations. Neither party may terminate for convenience during the initial or additional term. Upon expiry or termination, PointsBet has the right to retain and utilise client data acquired during the term.
Exclusivity/ Non-Compete	During the term, PointsBet shall exclusively provide sports wagering services to authorised bettors in the State of Illinois via the Illinois Operator's licence. If the Illinois Operator's licence is granted and the licence permits offering of online gaming in addition to sports wagering, PointsBet will also have the right to offer online gaming. PointsBet is also permitted to provide platform services on a business to business basis for any other skin operating in the State of Illinois.
Payments	PointsBet will reimburse the Illinois Operator for an agreed amount relating to the construction of a retail sports book. PointsBet will also make revenue share payments.

9.4.9 MEXICO WAGERING AND GAMING SERVICES AGREEMENT

TABLE 9.8: SUMMARY OF MEXICO WAGERING AND GAMING SERVICES AGREEMENT

Date	1 May 2019.
Parties	PointsBet Holdings Ltd, Global Interactive Marketing Holdings, LLC (" GIMH ") and Global Gaming Interactive S. de R.L. de C.V. (" GGI ") (together " GGG ").
Nature of Contract	GGG has acquired the rights to operate an online interactive wagering and gaming site, including kiosk operations, in Mexico (the "Online Gaming Platform"). Under the agreement, PointsBet, as a service provider, will provide consulting, technical and wagering services to GGG, as the operator of the Online Gaming Platform.
Term and Termination	Agreement commenced on 1 May 2019 and shall be effective for a period of fourteen (14) years unless terminated in accordance with its terms. Either party may terminate where they are advised by their compliance committee that the continued existence of the Agreement would put them or their affiliates in jeopardy of losing a gaming license. Neither party may terminate for convenience during the term.
Exclusivity/ Non-Compete	During the term, the parties cannot enter into any agreement with a third party for a project in Mexico substantially similar to that contemplated by the agreement (without prior written consent).
Payments	PointsBet will be required to cover its operational costs incurred in meeting its obligations under the agreement. GGG shall manage and execute, at its own cost, all local marketing, advertising and banking payment systems in relation to the Online Gaming Platform. Net revenue generated by the Online Gaming Platform will be split between the parties. If, following the launch of operations, net revenue reaches USD\$100 million per annum: <ul style="list-style-type: none"> • within three years, each of PointsBet and GIMH will receive shares representing 5% of the fully diluted share capital of the other party; • between three and five years, each of PointsBet and GIMH will receive shares representing 2.5% of the equity in the other party; and • later than five years (or not at all), no equity transaction will occur.

9.4.10 SJC SYSTEMS SOFTWARE LICENCE DEED

TABLE 9.9: SUMMARY OF SJC SYSTEMS SOFTWARE LICENCE DEED

Date	15 October 2015.
Parties	PointsBet Pty Ltd and SJC Systems Limited (a UK company) (SJC).
Nature of Contract	Under this contract, PointsBet is granted a non-exclusive, perpetual, irrevocable, world-wide, royalty-free licence to use, modify and adapt software forming the basis of the "SPOTS" sports spread betting module, including all source code. The agreement provides for SJC to retain all intellectual property rights in the software, but notes that PointsBet is free to deal with all copies of the source code as it sees fit, and any improvements made by PointsBet are owned by PointsBet.
Term and Termination	The deed commenced on 21 May 2015 and continues indefinitely. The licence is irrevocable.
Exclusivity/ Non-Compete	SJC may not grant rights to use the software to a competitor of PointsBet in Oceania. There are no restrictions on PointsBet.
Payments	PointsBet paid SJC an upfront development and licence fee.

9.4.11 BETGENIUS WAGERING PLATFORM SOFTWARE LICENCE AGREEMENT

TABLE 9.10: SUMMARY OF BETGENIUS WAGERING PLATFORM SOFTWARE LICENCE AGREEMENT

Date	29 August 2017.
Parties	PointsBet Pty Ltd, PB Software Inc and Betgenius ANZ Pty Ltd (Betgenius ANZ).
Nature of Contract	Under this agreement, PointsBet exercised an option to acquire a non-exclusive, non-transferrable, non-assignable, perpetual, irrevocable and world-wide licence to use, modify, develop and customise software forming the basis of Betgenius ANZ's wagering platform, including all source code.
Term and Termination	The agreement commenced on 29 August 2017 and expired on the date that PointsBet exercised the option, being 22 October 2018. The licence acquired under the option is irrevocable.
Exclusivity/ Non-Compete	Until 22 October 2020, the software cannot be used under an 'excluded brand' (which covers various competing sports betting brands). Until 22 October 2023, PointsBet is limited to using, modifying, developing and customising the software, and remains subject to other restrictions contained in the licence agreement.
Payments	PointsBet paid a licence fee and an option exercise fee to Betgenius ANZ.

9.4.12 BETGENIUS DATA FEED AGREEMENT

TABLE 9.11: SUMMARY OF BETGENIUS DATA FEED AGREEMENT

Date	5 January 2016.
Parties	PointsBet Australia Pty Ltd and Betgenius Limited, UK company number 4062777 (Betgenius UK).
Nature of Contract	This contract covers the provision by Betgenius UK of odds data and resulting services in respect of various sports and events. This includes the Betgenius UK pricing service (capable of creating and updating odds for matches).
Term and Termination	This contract is valid until February 2020 unless terminated earlier. In addition to standard termination rights, Betgenius UK can terminate for a failure by PointsBet to comply with any anti-corruption law. Neither party may terminate for convenience.
Exclusivity/ Non-Compete	PointsBet must only use data from Betgenius UK, except in respect of a sport not offered by Betgenius UK and with Betgenius UK's prior written consent. PointsBet is subject to various non-compete restrictions, including that it may not enter into an agreement for similar services, develop a similar app to the Betgenius UK console or develop a similar service to the services. In addition, PointsBet may not resell or provide access to the services to a third party without Betgenius UK's written consent.
Payments	PointsBet paid an initial set-up fee, and pays an ongoing profit share of matches transacted through Betgenius UK's services. There are also fees payable in relation to third-party data usage.

9.4.12 GENIUS SPORTS MEDIA SPORTSBOOK SERVICES AGREEMENT

TABLE 9.12: SUMMARY OF GENIUS SPORTS MEDIA SPORTSBOOK SERVICES AGREEMENT

Date	7 December 2018.
Parties	PointsBet USA Inc and Genius Sports Media Inc (a Delaware corporation) (Genius Sports).
Nature of Contract	This contract covers the provision by Genius Sports of sportsbook services (including a sportsbook trading platform, price management services and sportsbook content) to PointsBet.
Term and Termination	<p>The contract is valid until either 1 December 2021 or three years from the date PointsBet started using the services in a live production environment in the United States (whichever is earlier). Following this term, the contract will renew automatically for subsequent three-year terms unless terminated by either party 30 days prior to the renewal date.</p> <p>In addition to standard termination rights, Genius Sports can terminate for a failure by PointsBet to comply with any anti-corruption law or the use by PointsBet of sportsbook content in breach of any laws or which infringes the rights of any third party. Neither party may terminate for convenience during the initial term.</p>
Exclusivity/ Non-Compete	<p>Exclusivity:</p> <p>The contract provides that Genius Sports is PointsBet's exclusive supplier for live data and in play services for a variety of sports, and a preferred supplier of other sports. PointsBet may only use a third-party feed aggregation service, trading platform or trading service for additional sportsbooks (eg. additional sports/leagues) if it first negotiates with Genius Sports, or (where Genius Sports does not cover a particular event) it obtains prior written consent for integration of the new trading services into Genius Sports' sportsbook services.</p> <p>In addition, PointsBet may only use the sportsbook services if it also uses Genius Sports' price management services in respect of a particular match.</p> <p>Non-compete:</p> <p>During the term, PointsBet may not develop a similar application, tool or service to the sportsbook services, and may not resell the sportsbook services without Genius Sports' written consent.</p>
Payments	PointsBet pays annual licence fees together with a revenue profit share.

9.4.13 MICROSOFT AZURE HOSTING ARRANGEMENTS

TABLE 9.13: SUMMARY OF MICROSOFT AZURE HOSTING ARRANGEMENTS

Date	8 March 2018.
Parties	PointsBet Pty Ltd and Microsoft Operations Pte Ltd (Microsoft).
Nature of Contract	Microsoft has appointed PointsBet as a 'Microsoft Licensing Affiliate', and under this agreement provides products such as a 'server and cloud enrolment' for provision of cloud-based computing services.
Term and Termination	<p>The overarching agreement continues until terminated by either party. The server and cloud enrolment expires in March 2021. Following this, enrolment will renew automatically on a month-to-month basis for one year, or can be extended for a further three years.</p> <p>Either party may terminate for convenience on 60 days' written notice.</p>
Exclusivity/ Non-Compete	PointsBet is subject to various non-compete restrictions, including that it may not reverse engineer any product, or distribute or otherwise send products (or use them to offer hosting services) to any third party.
Payments	PointsBet pays an annual fee to Microsoft.

9.4.14 CONTINENT 8 HOSTING SERVICES AGREEMENT

TABLE 9.14: SUMMARY OF CONTINENT 8 HOSTING SERVICES AGREEMENT

Date	Master Services Agreement (MSA): 29 August 2018, Customer Service Order Forms (CSOF): 24 September 2018
Parties	PointsBet New Jersey LLC and Continent 8 LLC (a Florida company) (C8).
Nature of Contract	This contract covers the provision of interactive computer and telecommunication services to support PointsBet's internet infrastructure, hosting services and data center facilities, including the use of computer cabinets located in the server room of Ocean Resort Casino Hotel in New Jersey. The MSA provides for the entry by both parties into individual CSOFs for services. Two current CSOFs provide for provision of a private cloud and internet bandwidth/DDOS.
Term and Termination	The CSOFs are valid for 36 months from the 'ready for service' date – the MSA was signed on 29 August 2018, so at a minimum this will be 29 August 2021. Following expiry, each CSOF will automatically renew unless notice is provided prior to the end of the term. There are various grounds for termination associated with US gaming regulations. Neither party may terminate for convenience.
Exclusivity/ Non-Compete	None.
Payments	PointsBet paid initial setup fees, and pays recurring monthly fees for provision of the services under each CSOF.

9.4.15 COMPANY LICENCES, PERMITS AND AUTHORISATIONS

The licences, permits and authorisations that the Company holds and which are necessary for the conduct of its business as at the Prospectus Date are described in Section 3.8.

9.5 SUMMARY OF RIGHTS AND LIABILITIES ATTACHED TO SHARES AND OTHER MATERIAL PROVISIONS OF THE CONSTITUTION

9.5.1 INTRODUCTION

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law.

A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List of the ASX.

9.5.2 GAMING APPROVALS

The Company operates in a highly regulated environment and is required to hold licences in the jurisdictions in which it operates. Rule 15 allows the Company to sell a member's shares, where that Shareholding may result in a regulatory licence being revoked, suspended, refused or made subject to adverse conditions. Rule 15 sets out the circumstances in which the Company can invoke this right and the process the Company must follow when selling shares, including the calculation of price. Rule 16 provides that the appointment of a Director (or relevant officer) shall immediately terminate if the Company receives notice from any gaming authority, that the person is required to resign from office, is not a fit and/or proper person to hold the relevant office, or the person would or may jeopardise any licence, registration or qualification granted or issued by that gaming authority.

9.5.3 VOTING AT A GENERAL MEETING

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote, in addition to his or her deliberative vote.

9.5.4 MEETINGS OF MEMBERS

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and ASX Listing Rules. The Company must give at least 28 days' written notice of a general meeting.

9.5.5 DIVIDENDS

The Board may pay any interim and final dividends that, in its judgement, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and fix a record date for a dividend and decide the method of payment.

9.5.6 TRANSFER OF SHARES

Subject to the Constitution and to any restrictions attached to a Shareholder's Shares, Shares may be transferred by proper ASTC transfer (effected in accordance with the ASX Settlement Operating Rules, *Corporations Regulations 2001* (Cth) and ASX Listing Rules) or by a written transfer in any usual form or in any other form approved by the Board and permitted by the Corporations Act and ASX requirements. The Board may decline to register, or prevent registration of, a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the ASX Listing Rules.

9.5.7 ISSUES OF FURTHER SHARES

The Board may, subject to the Constitution, Corporations Act and the ASX Listing Rules issue, allot or grant options for, or otherwise dispose of, Shares in the Company on such terms as the Board decides.

9.5.8 WINDING UP

If the Company is wound up, then subject to the Constitution, the Corporations Act and any rights or restrictions attached to any Shares or classes of shares, Shareholders will be entitled to a share in any surplus property of the Company in proportion to the number of Shares held by them. If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders the whole or any part of the Company's property and decide how the division is to be carried out as between Shareholders or different classes of shareholders.

9.5.9 NON-MARKETABLE PARCELS

In accordance with the ASX Listing Rules, the Board may sell Shares that constitute less than a marketable parcel by following the procedures set out in the Constitution. A marketable parcel of shares is defined in the ASX Listing Rules and is generally, a holding of shares with a market value of not less than \$500.

9.5.10 VARIATION OF CLASS RIGHTS

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. Under the Constitution, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attached to any class of shares may be varied:

- with the written consent of the holders of 75% of the shares of the class; or
- by a special resolution passed at a separate meeting of the holders of shares of the class.

9.5.11 DIRECTORS – APPOINTMENT AND RETIREMENT

Under the Constitution, the Board is comprised of a minimum of three Directors and a maximum of nine Directors, unless the Company resolves otherwise at a general meeting. Directors are elected or re-elected at general meetings of the Company.

No Director (excluding the Group CEO) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. The Board may also appoint any eligible person to be a Director either as an addition to the existing Directors or to fill a casual vacancy, who will then hold office until the conclusion of the next annual general meeting of the Company following his or her appointment.

9.5.12 DIRECTORS – VOTING

Questions arising at a meeting of the Board must be decided by a majority of votes cast by the Directors present and entitled to vote on the matter. If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote in addition to his or her deliberative vote, unless there are only two Directors present or entitled to vote in which case the chairperson of the meeting does not have a second or casting vote and the proposed resolution is taken as lost. A Director may attend and vote by proxy at a meeting of the Board if the proxy is a Director, and has been appointed in writing by the appointer.

9.5.13 DIRECTORS – REMUNERATION

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a Director but the total aggregate amount provided to all Non-Executive Directors of the Company for their services as Directors must not exceed in any financial year the amount fixed by the Company in general meeting. The remuneration of a Director (who is not the CEO or an executive Director) must not include a commission on, or a percentage of, profits or operating revenue. The current maximum aggregate sum of Non-Executive Director remuneration is set out in Section 6.3.3. Any change to that maximum aggregate amount needs to be approved by Shareholders.

Directors are entitled to be paid for all travelling and other expenses they incur in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of Board Committees. Any Director who performs extra services, makes any special exertions for the benefit of the Company or otherwise performs services which, in the opinion of the Board, are outside the scope of ordinary duties of a Non-Executive Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company.

Directors' remuneration is discussed in Section 6.3.1.

9.5.14 POWERS AND DUTIES OF DIRECTORS

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the power of the Company and that are not by the Constitution or by law directed or required to be done by the Company in its general meeting.

9.5.15 PREFERENCE SHARES

The Company may issue preference shares including preference shares which are, or at the option of the Company or holder are, liable to be redeemed or converted into ordinary shares. The rights attaching to preference shares are those set out in the Constitution or have been otherwise approved by special resolution of the Company.

9.5.16 INDEMNITIES

The Company must indemnify each Director and executive officer on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by the person as an officer of the Company.

The Company may, to the extent permitted by law, purchase and maintain insurance or pay, or agree to pay, a premium for insurance for each officer of the Company against any liability incurred by that person as an officer of the Company or of a related body corporate, including, but not limited to, a liability for negligence or for reasonable costs and expenses incurred in defending or responding to proceedings (whether civil or criminal and whatever the outcome).

9.5.17 ACCESS TO RECORDS

The Company may enter into contracts with a Director or former Director agreeing to provide continuing access for a specified period after the Director ceases to be a Director to board papers, books, records and documents of the Company which relate to the period during which the Director or former Director was a Director on such terms and conditions as the Board thinks fit. The Company may procure that its subsidiaries provide similar access to board papers, books, records or documents.

9.5.18 AMENDMENT

The Constitution can only be amended by special resolution passed by at least three-quarters of Shareholders present (in person or by proxy, attorney or representative) and entitled to vote on the resolution at a general meeting of the Company.

9.6 ESCROW ARRANGEMENTS

9.6.1 ESCROW

As a condition of Listing, ASX has classified certain Shares as restricted securities. Certain Existing Shareholders have entered into ASX escrow deeds with the Company in relation to certain Shares that the relevant Shareholders will hold on Completion of the Offer. An “escrow” is a restriction on sale, disposal, or encumbering of, or certain other dealings in respect of, the Shares concerned for the period of the escrow, subject to certain exceptions set out in the escrow deeds. The effect of the mandatory restriction deeds is that the escrowed Shares cannot be dealt for the duration of the escrow period, subject to the exceptions described below.

Table 9.15 below sets out the periods during which certain Shareholders are restricted from dealing in their Shares pursuant to the mandatory escrow arrangements.

TABLE 9.15: ESCROWED SHAREHOLDERS

SHAREHOLDER OR CLASS OF SHAREHOLDER	SHARES HELD	SHARES SUBJECT TO ESCROW ON LISTING	% OF SHARES SUBJECT TO ESCROW ON LISTING	ESCROW PERIOD	OPTIONS SUBJECT TO ESCROW	OPTION ESCROW PERIOD
Brett Patton	9,474,139	5,325,514	56.2	2 Years from Listing	–	N/A
Sam Swanell	3,209,607	3,149,729	98.1	2 Years from Listing	2,789,323	2 Years from Listing
Nick Fahey	11,510,294	11,151,484	96.9	2 Years from Listing	1,149,559	2 Years from Listing
Peter McCluskey	344,201	45,656	13.3	2 Years from Listing	125,759	2 Years from Listing
Tony Symons	567,548	447,910	78.9	2 Years from Listing	238,313	2 Years from Listing
Other unrelated Existing Shareholders ¹	7,124,123	2,074,131	29.1	Expires 6 August 2019	–	N/A
Other unrelated Existing Shareholders ²	7,300,246	2,125,409	29.1	Expires 31 October 2019	–	N/A
Other unrelated Existing Shareholders ³	25,812,174	1,961,154	7.6	Expiring between Listing and 31 October 2019	–	N/A
Other unrelated Existing Shareholders ⁴	4,911,999	–	–	N/A	–	N/A
Other unrelated Existing Shareholders ⁵	2,102,304	2,095,936	99.7	2 Years from Listing	–	N/A
Employees who exercised Options ⁶	143,365	–	–	N/A	–	N/A
New Shareholders	37,500,000	–	–	N/A	–	N/A
Total	110,000,000	28,376,923	25.8%		4,302,954	

Notes:

- Existing Shareholders who were issued Shares on 8 March 2019 on conversion of convertible notes issued on 6 August 2018.
- Existing Shareholders who were issued Shares on 8 March 2019 on conversion of convertible notes issued on 31 October 2018.
- Existing Shareholders who subscribed for, or purchased, Shares for cash or who received Shares in consideration for the acquisition by the Company of media advertising assets. The majority of the Shares in this category were issued more than 12 months before the expected date of Listing and accordingly escrow will not apply.
- Existing Shareholders who participated in the Company’s pre-IPO capital raising that completed on 8 March 2019.
- Existing Shareholders who purchased Shares from Directors.
- Employees who have exercised Options and been granted Shares.

9.6.2 RELEASE OF ESCROW

There are limited circumstances in which the escrow may be released, namely:

- to allow the holder to accept a takeover bid for PointsBet in accordance with the Corporations Act provided that offer is for all the ordinary securities of PointsBet and holders of not less than 50% of Shares not subject to escrow have then accepted the takeover bid; and
- to allow the escrowed Shares to be acquired under an amalgamation or scheme of arrangement or other reorganisation or acquisition of share capital under the Corporations Act.

9.7 ASX WAIVERS AND ASIC RELIEF

The Company has obtained the following exemptions, declarations and confirmations from ASIC and ASX in relation to the Offer:

- ASIC exemptions from the pre-prospectus advertising and publicity restrictions in section 734(2) of the Corporations Act to permit the Company to provide its shareholders and employees with certain information relating to the Offer;
- a confirmation from ASX that, based on the information provided, ASX is not aware of any reason that would cause the Company not to have a structure and operations suitable for a listed entity for the purposes of ASX Listing Rule 1.1, condition 1 or that would cause ASX to exercise its discretion to refuse admission to the Official List under ASX Listing Rule 1.19; and
- a confirmation from ASX that it would be likely to grant a waiver of ASX Listing Rule 9.1.3 to the extent necessary to apply the restrictions in paragraphs 1 and 2 of Appendix 9B in connection with the acquisition by PointsBet Holdings Limited of all of the existing shares of PointsBet Australia Pty Limited and PointsBet Pty Limited in consideration for the issue of shares in PointsBet Holdings Limited (as described in Section 9.3.2) such that:
 - the Shares issued to shareholders who subscribed for cash for their securities in PointsBet Australia Pty Limited and PointsBet Pty Limited are treated as being held by related party seed capitalists, unrelated party seed capitalists or promoters of the Company, as appropriate;
 - cash formula relief is applicable to the Shareholders who subscribed for cash for their securities in PointsBet Australia Pty Limited and PointsBet Pty Limited; and
 - for the purposes of determining the length of the escrow period for the Shares issued to unrelated seed capitalists, the 12 month period will be deemed to begin on the date on which the cash subscription for their shares in PointsBet Australia Pty Limited and PointsBet Pty Limited was made.

9.8 LEGAL PROCEEDINGS

On 9 April 2019, PointsBet was fined \$20,000 by the New South Wales Liquor and Gaming Board for illegally inducing gambling activity. The offending conduct involved an advertisement that appeared alongside the PointsBet App in the Apple App Store that advertised a money-back offer if participants opened a betting account with PointsBet.

Except as set out above, the Directors are not aware of any civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature instituted, pending or threatened in which the Company is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of the Company.

9.9 SUMMARY OF AUSTRALIAN TAX ISSUES FOR AUSTRALIAN TAX RESIDENT INVESTORS

9.9.1 AUSTRALIAN TAX CONSIDERATIONS

The following tax comments are based on the tax law in Australia in force as at the date of the Prospectus. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each investor. During the ownership of the Shares by investors, the taxation laws of Australia and/or their interpretation may change. The precise implications of ownership or disposal of the Shares will depend upon each Shareholder's specific circumstances. Shareholders should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

The following information is a general summary of the Australian income tax, stamp duty and goods and services tax (GST) implications for Australian resident individuals, complying superannuation entities, trusts, partnerships and corporate investors that hold their Shares on capital account. These comments do not apply to Shareholders that hold Shares as trading stock and/or on revenue account, non-Australian resident investors, other investors who are exempt from Australian income tax or investors subject to the Taxation of Financial Arrangements regime in Division 230 of the *Income Tax Assessment Act 1997* (Cth).

To the extent permitted by applicable law, the Company disclaims all liability to any Shareholder or other party for all costs, loss, damage and liability that the Shareholder or other party may suffer or incur arising from or relating to or in any way connected with the contents of this Section or the provision of this Section to the Shareholder or other party or the reliance on this Section by the shareholder or other party.

Taxation issues, such as (but not limited to) those covered by this Section, are only one of the matters an investor needs to consider when making a decision about a financial product. Investors should consider taking advice from someone who holds an Australian financial services licence before making such a decision.

9.9.2 DIVIDENDS PAID ON SHARES

Dividends may be paid to Shareholders by the Company where the relevant legal requirements have been satisfied. The Company may attach “franking credits” to such dividends where specific requirements are satisfied. Franking credits broadly represent the extent to which a dividend is paid by the Company out of profits that have been subject to Australian tax at the Australian corporate level. It is possible for a dividend to be fully franked, partly franked or unfranked.

It should be noted that the concept of a dividend for Australian income tax purposes is very broad and can include payments that are made in respect of such things as off-market share buy-backs.

9.9.2.1 AUSTRALIAN TAX RESIDENT INDIVIDUALS AND COMPLYING SUPERANNUATION ENTITIES

Dividends paid by the Company on a share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income (some superannuation funds may be exempt in relation to the Shares to the extent they are held to support current pension liabilities) in the year the dividend is paid, together with any franking credit attached to that dividend (subject to satisfying the “qualified person” rules outlined at Section 9.9.2.4). Such Shareholders should then be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the Shareholder’s taxable income. Where the tax offset exceeds the tax payable on the Shareholder’s taxable income, such Shareholders should be entitled to a tax refund equal to the amount of the excess, subject to changes proposed by the current Federal Government opposition party.

To the extent that the dividend is unfranked, the Shareholder should include the dividend in their assessable income with no tax offset.

9.9.2.2 AUSTRALIAN TAX RESIDENT CORPORATE SHAREHOLDERS

Corporate Shareholders are also required to include both the dividend and associated franking credit (subject to satisfaction of the qualified person rules outlined at Section 9.9.2.4) in their assessable income. They are then allowed a tax offset up to the amount of the franking credit on the dividend. Where the tax offset exceeds the tax payable, the excess cannot give rise to a refund for a company but can be converted into carry forward tax losses.

An Australian resident corporate Shareholder should also be entitled to a credit in its own franking account to the extent of the franking credit attached to the distribution received. This will allow the corporate Shareholder to pass on the benefit of the franking credits to its own Shareholder(s) on the payment of dividends.

9.9.2.3 AUSTRALIAN TAX RESIDENT TRUSTS AND PARTNERSHIPS

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend and any attached franking credit (subject to satisfaction of the qualified person rules) in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary’s or partner’s share of the franking credit received by the Shareholder.

As the qualified person rules (referred to at Section 9.9.2.4) are particularly complex in the context of distributions/dividends received indirectly via a trust or partnership, it is recommended that Shareholders seek independent advice on tax consequences arising in these circumstances.

9.9.2.4 AUSTRALIAN TAX RESIDENT SHARES HELD “AT RISK”

The benefit of franking credits can be denied where a Shareholder is not a “qualified person”, in which case the Shareholder will not need to include an amount for the franking credits in their assessable income and should also not be entitled to a tax offset.

Broadly, to be a “qualified person”, a Shareholder must satisfy the holding period rule and the related payment rule.

Under the holding period rule, a Shareholder is required to hold Shares “at risk” for more than 45 days continuously over a specified period in order to qualify for franking benefits, including franking credits. This period is measured as the period commencing the day after the Shares were acquired and ending on the 45th day after the Shares become ex-dividend. In the ordinary case, this means that the holding period rule should be satisfied provided that the Shares have been held “at risk” for a continuous period of 45 days (not including the date of acquisition of disposal) at some time during the period of ownership of the Shares. Very broadly, Shares are held “at risk” to the extent that no material “positions” are adopted in relation to the Shares which have the effect of diminishing the economic exposure associated with holding the Shares (for example, certain option and derivative agreements, or agreements to sell the Shares).

There are some exceptions to the holding period rule, including where the total franking offsets of an individual in a year of income do not exceed \$5,000 (small holding exception). Special rules also apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to the dividend. A related payment is one where a Shareholder or their associate effectively passes on the benefit of the dividend to another person. The related payment rule requires the Shareholder to have held the Shares at risk for the continuous 45 day period as above but during the period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend. Practically, the related payment rule should not impact Shareholders who do not pass the benefit of the dividend to another person.

As noted above, the qualified person rules can be quite complex. Shareholders should seek independent professional advice to determine if these requirements, as they apply to them, have been satisfied.

9.9.2.5 AUSTRALIAN CAPITAL GAINS TAX IMPLICATIONS FOR AUSTRALIAN TAX RESIDENT SHAREHOLDERS ON A DISPOSAL OF SHARES

Australian tax resident Shareholders who hold their Shares on capital account will be required to consider the impact of the Australian capital gains tax (CGT) provisions in respect of the disposal of their Shares.

Where the capital proceeds received on disposal of the Shares exceed the CGT cost base of those Shares, Australian tax resident Shareholders will be required to recognise a capital gain. The CGT cost base of the Shares should generally be equal to the issue price or acquisition price of the Shares plus, among other things, incidental costs associated with the acquisition and disposal of the Shares. In respect of the CGT cost base of the Shares, this amount may be reduced as a result of receiving non-assessable distributions from the Company, such as returns of capital.

Conversely, Australian tax resident Shareholders may recognise a capital loss on the disposal of Shares where the capital proceeds received on disposal are less than the reduced CGT cost base of the Shares.

All capital gains and losses recognised by an Australian tax resident Shareholder for an income year are added together. To the extent that a net gain exists, such Shareholders should be able to reduce the gain by any amount of unapplied net capital losses carried forward from previous income years (provided certain loss recoupment tests are satisfied). In the event the Shareholder has unapplied revenue losses, these may similarly be applied to reduce the gain (subject to the relevant loss recoupment tests). Any remaining net gain (after the application of any carried forward capital losses) will then be required to be included in the Australian tax resident Shareholder's assessable income (subject to the comments below in relation to the availability of the CGT discount concession) and will be taxable at the Shareholder's applicable rate of tax. Where a net capital loss is recognised, the loss will only be deductible against future capital gains. Capital losses are capable of being carried forward indefinitely, provided the relevant loss recoupment tests are satisfied.

Non-corporate Shareholders (individuals, complying superannuation entities or trustees) may be entitled to a concession which discounts the amount of capital gain that is assessed. Broadly, the concession is available where the Shares have been held for at least 12 months prior to disposal. The concession results in a 50% reduction in the assessable amount of a capital gain for an individual or trustee Shareholder, and a one third reduction of a capital gain for an Australian tax resident complying superannuation entity Shareholder. The concession applies to any net capital gain (i.e. it applies after capital losses have been deducted against any gains). The concession is not available to corporate Shareholders.

In relation to trustee Shareholders, the rules surrounding capital gains and the CGT discount are complex. The benefit of the CGT discount may flow through to relevant beneficiaries of the trust, provided those beneficiaries are not corporate entities. Shareholders which are trustees should seek specific advice as to the circumstances in which a beneficiary may be entitled to a CGT discount.

9.9.3 TAX FILE NUMBER

A shareholder is not obliged to quote their tax file number (TFN), or where relevant, Australian Business Number (ABN), to the Company. However, if a TFN or ABN is not quoted and no exemption is applicable, income tax is required to be deducted by the Company at the highest marginal tax rate plus the Medicare levy from certain dividends paid (including unfranked and partially franked dividends). However, Australian tax resident Shareholders may be able to claim a tax credit in respect of the tax deducted in their income tax returns.

There is no withholding requirement in respect of fully franked dividends paid by the Company on the Shares.

9.9.4 STAMP DUTY

Shareholders should not be liable for stamp duty in respect of their holding of Shares, unless they acquire, either alone or with an associated/related person, an interest of 90% or more in the Company. Under current stamp duty legislation, no stamp duty would ordinarily be payable by Shareholders on any subsequent transfer of Shares. Shareholders should seek their own advice as to the impact of stamp duty in their own particular circumstances.

9.9.5 AUSTRALIAN GOODS AND SERVICES TAX

Under current Australian GST law, GST should not be payable in respect of the issue of Shares by the Company which will constitute an input taxed financial supply made to Australian Shareholders. No GST should be payable on the receipt of dividends on the basis that dividends are not considered a taxable supply.

However, Australian Shareholders may incur GST on costs associated with the acquisition or disposal of Shares of the Company such as brokerage, or other professional advisory services. A full input tax credit may not be available to Shareholders on these expenses as they are in connection with a financial supply.

Australian Shareholders should seek their own advice to determine whether they will be entitled to claim GST incurred on any costs associated with the acquisition of Shares.

9.10 FOREIGN SELLING RESTRICTIONS

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person and Shares may not be offered or sold in any country outside Australia except as provided below.

9.10.1 HONG KONG

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9.10.2 NEW ZEALAND

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

9.10.3 SINGAPORE

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

9.10.4 UNITED KINGDOM

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the Shares.

This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons").

The investments to which this document relates are available only to, and any offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

9.10.5 UNITED STATES

This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The Shares have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

9.10.6 GENERAL FOREIGN SELLING RESTRICTIONS

The offer of Shares under this Prospectus does not constitute a public offer in any jurisdiction outside Australia. This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to permit otherwise a public offering of the Shares in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

9.11 COSTS OF THE OFFER

The total expenses of the Offer (inclusive of GST) are estimated to be approximately \$4.5 million and are expected to be applied towards the items set out below.

TABLE 9.15: COSTS OF THE OFFER

ITEM OF EXPENDITURE	COST \$
Underwriting, selling and management fees	3,317,813
Legal fees	321,200
Tax and accounting fees	348,200
Marketing, printing and distribution	28,780
Other costs	524,307
Total	4,540,300

9.12 CONSENTS TO BE NAMED AND DISCLAIMERS OF RESPONSIBILITY

Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by the following parties:

- Bell Potter Securities Limited has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as the Lead Manager and Underwriter in the form and context in which it is named;
- Roth Capital Partners, LLC has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Co-Lead Manager in the form and context in which it is named;
- Clarendon Lawyers has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as Australian legal adviser to the Company in relation to the Offer in the form and context in which it is named;
- RSM Corporate Australia Pty Ltd has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as the Investigating Accountant in the form and context in which it is named and to the inclusion in this Prospectus of its Investigating Accountant's Report in the form and context in which it is included;
- RSM Australia Partners has given, and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus as auditor, in respect of PointsBet in the form and context in which it is named;
- Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as the Share Registry 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 Registry 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 the Prospectus;
- Frost & Sullivan Australia Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Independent Market Expert in the form and context it is so named and to the inclusion in this Prospectus of its Independent Market Report in the form and context in which it is included; and
- PricewaterhouseCoopers has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as Australian taxation adviser to the Company in the form and context in which named. PricewaterhouseCoopers has prepared the "Summary of Australian Tax Issues for Australian Tax Resident Investors" at Section 9.9 but has otherwise had no involvement in the preparation of any part of this Prospectus and has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in this Prospectus.

No entity or person referred to above in Section 9.12 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each of the persons and entities referred to above in this Section 9.12 has not authorised or caused the issue of this Prospectus, does not make any offer of Shares, subject to the law, and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus except as stated above in this Section 9.12.

As permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72 this Prospectus may include or be accompanied by certain statements fairly representing a statement by an official person, or from a public official document or a published book, journal or comparable publication.

9.13 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the law applicable in Victoria, Australia and each Applicant under this Prospectus submits to the non-exclusive jurisdiction of the courts of Victoria, Australia.

9.14 STATEMENT OF DIRECTORS

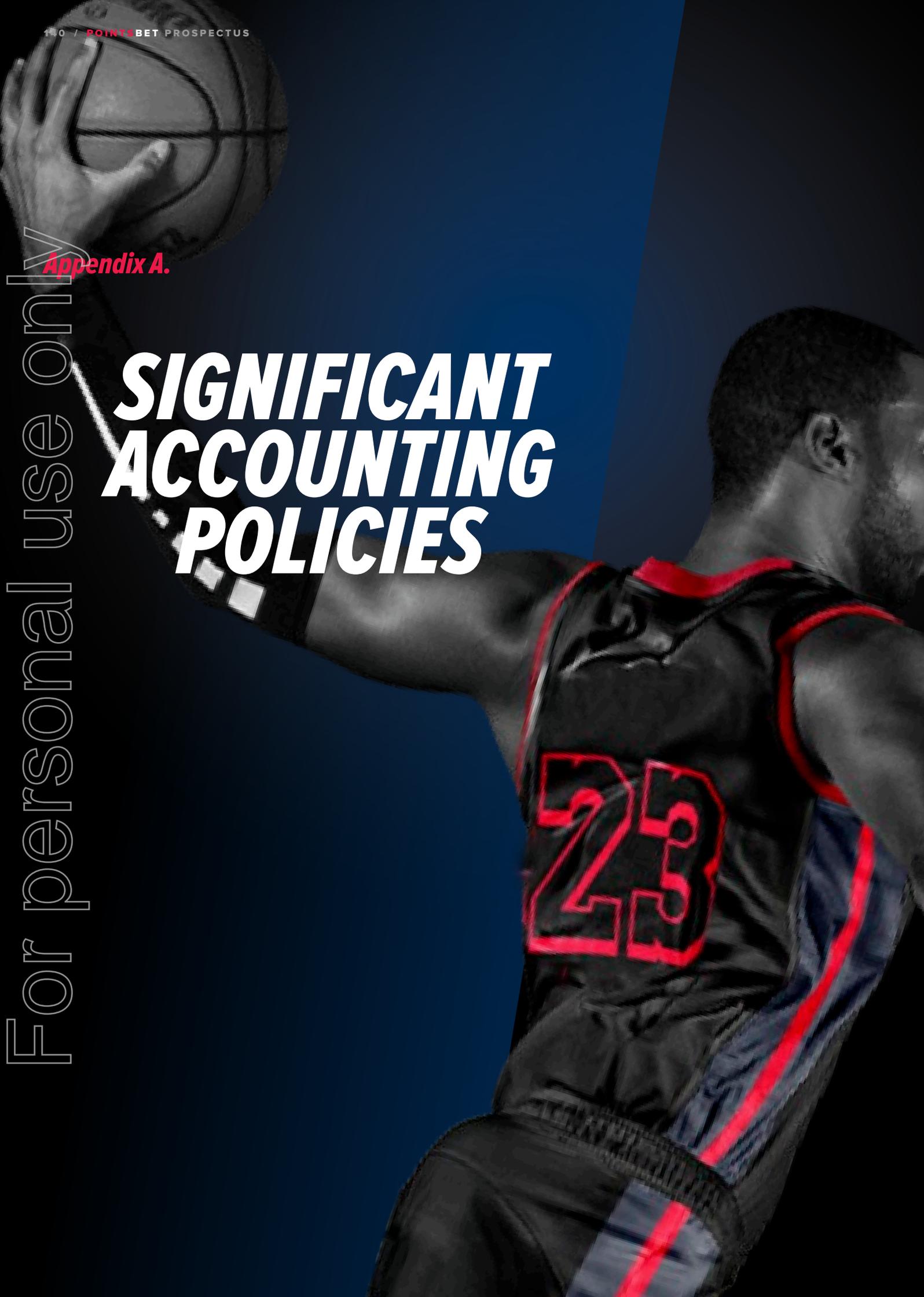
Each Director of the Company has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC in accordance with section 720 of the Corporations Act.

This Prospectus is signed by a Director of PointsBet Holdings Limited in accordance with section 351 of the Corporations Act.

For personal use only

Appendix A.

SIGNIFICANT ACCOUNTING POLICIES



BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the Financial Information included in Section 4 of this Prospectus are set out below.

STATEMENT OF COMPLIANCE

The Financial Information for FY2017 and FY2018 for PointsBet has been derived from the FY2017 audited general purpose financial statements of PointsBet Australia Pty Ltd and PointsBet Pty Ltd and FY2018 audited general purpose financial statements of the PointsBet Group. The Statutory Historical Financial Information for H1 FY2018 and H1 FY2019 has been derived from the H1 FY2019 and H1 FY2018 reviewed interim consolidated general purpose financial statements of the PointsBet Group. The financial information has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB).

BASIS OF MEASUREMENT

The consolidated financial information has been prepared on a historical cost basis except for derivative financial instruments, financial instruments at fair value through profit and loss, and available for sale financial assets which are measured at fair value.

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

BASIS OF CONSOLIDATION

The consolidated financial information incorporates the assets and liabilities of all subsidiaries of the Company as at 31 December 2018 and the results of all controlled entities for the half-year end then ended.

Controlled entities are all those entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and realised gains on transactions between entities in the Company are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference is between the consideration transferred and the book value of the share of the non-controlling interest acquired, is recognised directly in equity attributable to the parent.

Where the Company loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Company recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit and loss.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

FOREIGN OPERATIONS

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit and loss when the foreign operation or net investment is disposed of.

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

The Company reports the gains and losses on all betting activities as revenue, which is measured at the fair value of the consideration received or receivable from clients less free bets, promotions, bonuses and other fair value adjustments. Revenue includes free bets, promotions and bonuses. Open betting positions are carried at fair value and gains and losses arising on the positions are recognised in revenue.

All revenue is stated net of the amount of goods and services tax.

INCOME TAX

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered.

Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, Cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date.

PLANT AND EQUIPMENT

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Computer equipment	2.5 – 6 years
Office equipment	2 – 10 years
Leasehold improvements	2 – 5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

BORROWINGS

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

FINANCE COSTS

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

RESEARCH AND DEVELOPMENT

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Company is able to use or sell the asset; the Company has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of five years.

PROVISIONS

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

OTHER LONG-TERM EMPLOYEE BENEFITS

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

SHARE-BASED PAYMENTS

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period; and
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

FAIR VALUE MEASUREMENT

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

ISSUED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

DIVIDENDS

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The following Accounting Standards and Interpretations are most relevant to the Company:

AASB 9 FINANCIAL INSTRUMENTS

The Company has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The Company's revenue arising from betting activities fall within the scope of AASB 9 and it is not expected that the adoption of AASB 9 will have a material impact on the Company's accounting for or presentation of the Company's revenue as a result in the change in standards.

AASB 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period. The impact on the financial performance and position of the Company from the adoption of these Accounting Standards has been assessed and no restatement of comparative disclosures is required.

The Company's revenue from the receiving and settling of bets, which are deemed to fall under the scope of AASB 9 Financial Instruments (previously AASB 139) as the transactions involve the issuing of financial instruments. AASB 15 will only therefore impact revenue that is not governed by AASB 9. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces AASB 118 'Revenue' and AASB 111 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. The Company has determined that there is no material impact as a result of adopting AASB 15.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET MANDATORY OR EARLY ADOPTED

At the date of this financial report the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective. It is expected that the initial application of AASB 16 in the future will have a material impact on the financial report. This standard requires operating leases which are currently held off balance sheet to be brought onto the balance sheet. Future expected lease payments should be capitalised and brought onto the balance sheet as an asset (right of use) and also reflect an offsetting liability and amortised together with interest costs over the expected remaining period of the leases. The expected value of assets and liabilities at 31 December 2018 is \$1,893,288 and the Company has not brought such assets or liabilities to account.

REFERENCE	TITLE	SUMMARY	APPLICATION DATE (FINANCIAL YEARS BEGINNING)
AASB 16	Leases	AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. This standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts, effectively resulting in the recognition of almost all leases on the statement of financial position.	1 January 2019

For personal use only

Appendix B.

ADDITIONAL HISTORICAL FINANCIAL INFORMATION



The following combined Historical Income Statement has been derived from FY2017 audited general purpose financial statements of PointsBet Australia Pty Ltd and PointsBet Pty Ltd.

Table B.1 sets out the combined Financial Information for FY2017

FY2017	POINTSBET AUSTRALIA PTY LTD	POINTSBET PTY LTD	INTER-ENTITY ELIMINATIONS/ OTHER ADJUSTMENTS	COMBINED STATUTORY INCOME STATEMENT	PRO FORMA ADJUSTMENTS	PRO FORMA INCOME STATEMENT
Net revenue	373,049	188,645	(188,645)	373,049	-	373,049
Cost of sales	(458,625)	-	188,645	(269,980)	-	(269,980)
Gross profit	(85,576)	188,645	-	103,069	-	103,069
Other income	121,637	114,514	-	236,151	-	236,151
Sales and marketing expense	(551,795)	-	-	(551,795)	-	(551,795)
Employee benefits expense	(980,450)	(1,304,349)	-	(2,284,799)	-	(2,284,799)
Product and Technology expense	(90,736)	(61,581)	-	(152,317)	-	(152,317)
Administrative and other expenses	(192,309)	(214,517)	-	(406,826)	(331,091)	(737,917)
Total operating expenses	(1,815,290)	(1,580,447)	-	(3,395,737)	(331,091)	(3,726,828)
EBITDA	(1,779,229)	(1,277,288)	-	(3,056,517)	(331,091)	(3,387,608)
Depreciation and amortisation expense	(13,381)	(77,756)	-	(91,137)	-	(91,137)
EBIT	(1,792,610)	(1,355,044)	-	(3,147,654)	(331,091)	(3,478,745)
Interest expense	-	-	-	-	-	-
Net loss before income tax	(1,792,610)	(1,355,044)	-	(3,147,654)	(331,091)	(3,478,745)
Income tax expense	-	(118,089)	118,089	-	-	-
Loss after income tax expense	(1,792,610)	(1,473,133)	118,089	(3,147,654)	(331,091)	(3,478,745)

The following combined Historical Cash Flows has been derived from FY2017 audited general purpose financial statements of PointsBet Australia Pty Ltd and PointsBet Pty Ltd.

Table B.2 sets out the combined Financial Information for FY2017

FY2017	POINTS BET AUSTRALIA PTY LTD	POINTS BET PTY LTD	INTER-ENTITY ELIMINATIONS	COMBINED STATUTORY CASH FLOWS	PRO FORMA ADJUSTMENTS	PRO FORMA CASH FLOWS
EBITDA	(1,779,229)	(1,277,288)	–	(3,056,517)	(331,091)	(3,387,608)
Non-cash items in EBITDA	4,533	4,533	–	9,066	–	9,066
Change in working capital	390,527	(14,010)	–	376,517	–	376,517
Operating cash flow (excluding Client cash liabilities movement)	(1,384,169)	(1,286,765)	–	(2,670,934)	(331,091)	(3,002,025)
Client cash liabilities movement	690,155	–	–	690,155	–	690,155
Operating cash flow before investing activities, financing activities and tax	(694,014)	(1,286,765)	–	(1,980,779)	(331,091)	(2,311,870)
Investment into term deposits	(400,000)	–	–	(400,000)	–	(400,000)
Purchase of property, plant and equipment	(91,000)	(71,267)	–	(162,267)	–	(162,267)
Investment in intangibles	15,000	(1,062,539)	–	(1,047,539)	–	(1,047,539)
Net cash flows before financing activities and tax	(1,170,014)	(2,420,571)	–	(3,590,585)	(331,091)	(3,921,676)
Income tax paid	–	–	–	–	–	–
Interest paid	–	–	–	–	–	–
Proceeds from share issue	2,540,111	2,532,596	–	5,072,707	–	5,072,707
Proceeds from Borrowing	–	–	–	–	–	–
Net cash flows	1,370,097	112,025	–	1,482,122	(331,091)	1,151,031

For personal use only

Appendix C.

GLOSSARY

TERM	MEANING
\$ or A\$	an Australian dollar
AAS or Australian Accounting Standards	the Australian Accounting Standards and other authoritative pronouncements issued by the AASB
AASB	the Australian Accounting Standards Board
Active Client	a Registered Client who has placed a bet in the relevant 12 month period
AFL	Australian Football League (Australia)
Applicant	a person who submits an Application
Application	an application made to subscribe for Shares offered under this Prospectus
Application Form	the application form attached to or accompanying this Prospectus relating to the Offer (including the electronic form provided by an online Application facility)
Application Monies	the amount of money accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited or the securities exchange that it operates, as the context requires
ASX Listing Rules	the listing rules of ASX, as amended, modified or waived from time to time
ASX Recommendations	the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition)
ASX Settlement	ASX Settlement Pty Limited (ABN 49 008 504 532)
ASX Settlement Operating Rules	the operating rules of ASX Settlement
Bell Potter	Bell Potter Securities Ltd ABN 25 006 390 772
Board	the board of directors of the Company
BPAY®	the payment mechanism used to pay Application Monies online
Broker	any ASX participating organisation selected by the Lead Manager and PointsBet to act as a broker to the Offer
Broker Firm Offer	the offer of Shares under this Prospectus to Australian resident retail clients of Brokers who have received an invitation from their Broker, provided that such clients are not in the United States, as described in Section 7.3
Broker Firm Offer Application Form	the Application Form made available with a copy of this Prospectus, identified as the Broker Firm Offer Application Form
CAGR	compound annual growth rate
Catfish Bend Casino Agreement	the agreement summarised at Section 9.4.6
CGT	capital gains tax
Chairman	the chairman of the Board
CHESS	Clearing House Electronic Sub-register System operated in accordance with the Corporations Act. See Section 7.12.2
Client	a Registered Client
Closing Date	the date on which the Retail Offer is expected to close, being 30 May 2019
Co-Lead Manager	Roth Capital Partners, LLC
Colorado Casino Agreement	the agreement summarised at Section 9.4.7
Company	PointsBet

TERM	MEANING
Completion of the Offer	the completion of allocation and issue of Shares to Successful Applicants under this Prospectus
Constitution	the constitution of the Company
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Director	a director of the Company and, where the context requires, a director of PointsBet Australia Pty Ltd or PointsBet Pty Ltd
Dividend Policy	the meaning given in Section 4.10
Doubles	a form of multi bet (or accumulator/Parlay) which involves placing a single bet on two different selections, with the initial stake being placed on the first selection, and then, if successful, the returns are rolled into the subsequent selection
EBIT	earnings before interest and taxation
EBITDA	earnings before interest, taxation, depreciation and amortisation
Enterprise Value	the sum of market capitalisation at the Offer Price and pro forma net debt
Escrowed Shareholders	the holders of Shares that are escrowed, as described in Section 9.6
Escrowed Shares	the shares which are subject to escrow restrictions as described in Section 9.6
Exacta	a bet type where a Client must select runners to finish first and second in correct order
Existing Shareholders	Shareholders as at the date of this Prospectus
Exotics	includes multiple exotics (Double, Quadrella) and single race exotics (Exacta, Quinella, Trifecta, First 4)
Expiry Date	13 months after the date of the Original Prospectus
Exposure Period	the seven day period commencing on the date of lodgement of the Original Prospectus with ASIC (16 May 2019) and expiring on 23 May 2019, during which no Applications may be processed by the Company
Fantasy	an online game where participants assemble imaginary or virtual teams of real players of a professional sport. These teams compete based on statistical performance of those players' actual games
Financial Information	the financial information described as Financial Information in Section 4.1.1
First Four	a bet type where a Client must select runners to finish 1st, 2nd, 3rd and 4th in the correct order
Fixed Odds	fixed odds betting is where the price offered at the time of bet acceptance is fixed. This price will not be subject to any future fluctuations; however, there may be deductions applied in the event of scratchings
Fixed Odds Racing	the products where the Company offers fixed odds racing markets to Clients
Fixed Odds Sports	the products where the Company offers fixed odds sports markets to Clients
Founders	Mr Andrew Fahey, Mr Nick Fahey and Mr Sam Swanell, the founders of PointsBet
FY	the abbreviation for a financial year, which ends on 30 June for the Company
Gross profit	is Net revenue less cost of sales
Gross revenue	is measured at the fair value of the consideration received or receivable from Clients less GST
Gross Win	is calculated as the dollar amount received from Clients who placed losing bets less the dollar amount paid to Clients who placed winning bets, excluding the cost of pricing promotions
Group CEO	the chief executive officer of the PointsBet Group, Sam Swanell
Group CFO	the chief financial officer of the PointsBet Group, Nick Fahey
GST	goods and services tax
H1 2017	the first six month period of a calendar or financial year

TERM	MEANING
H2 2018	the second six month period of a calendar or financial year
IFRS	International Financial Reporting Standards
Illinois Agreement	means the agreement summarised at Section 9.4.8
Independent Market Expert	Frost & Sullivan Australia Pty Limited
Independent Market Report	the report of the Independent Market Expert as set out in Section 2
Institutional Investors	investors who are: <ul style="list-style-type: none"> • wholesale clients under Section 761G of the Corporations Act and either “professional investors” or “sophisticated investors” under sections 708(11) and 708(8) of the Corporations Act; or • institutional investors in certain other jurisdictions, as agreed by the Company and the Lead Manager, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approved by, any government agency (except one with which the Company is willing in its discretion to comply)
Institutional Offer	the invitation to Institutional Investors under this Prospectus to acquire Shares, as described in Section 7.6
Investigating Accountant	RSM Corporate Australia Pty Ltd
Investigating Accountant's Report	the report of the Investigating Accountant as set out in Section 8
IPO	the initial public offering of shares under this Prospectus and Listing
IT	information technology
Lead Manager	Bell Potter
Listing	admission of the Company to the Official List and quotation of the Shares
LTI	long-term incentives
LTM	last 12 months
Management	the executive management team of the Company, as described at Section 6.2
Mexico Wagering and Gaming Services Agreement	the agreement summarised at Section 9.4.9
MLB	Major League Baseball (United States)
NBA	National Basketball Association (United States)
Net revenue	is measured at the fair value of the consideration received or receivable from Clients less GST, free bets, promotions, bonuses and other fair value adjustments
Net Win	Gross Win less client promotion costs
New Meadowlands Agreement	the agreement summarised at Section 9.4.4
New Shareholders	Shareholders who are issued Shares under the Offer
NFL	National Football League (United States)
NHL	National Hockey League (United States)
NPAT	net profit after tax
NRL	National Rugby League (Australia)
Offer	the offering of Shares under this Prospectus

TERM	MEANING
Offer Period	the period from the Opening Date to the Closing Date
Offer Price	\$2.00 per Share
Offer Website	www.pointsbetipo.com.au
Official List	the official list of entities that ASX has admitted to and not removed from listing
Opening Date	the date on which the Retail Offer opens, which is expected to be 24 May 2019
Options	the options over Shares granted by the Company, as described at Sections 6.3.2.3 and 6.3.2.4
Original Prospectus	the prospectus dated 16 May 2019 in relation to the Offer, which is replaced by this Prospectus
Parlay	a cumulative series of bets in which winnings accruing from each transaction are used as a stake for a further bet
PASPA	Professional and Amateur Sports Protection Act of 1992 (United States)
Platform	PointsBet's scalable cloud-based technology platform which enables the Company to offer innovative sports and racing betting products and services direct to Clients
Play by play	the reporting details of every (or key) phases of a sports event
PointsBet	PointsBet Holdings Limited (ACN 621 179 351) and, where the context requires, the PointsBet Group and the predecessors to PointsBet Holdings Limited (PointsBet Australia Pty Ltd and PointsBet Pty Ltd)
PointsBetting	is a variable form of betting in which the amount won or lost on each bet is dependent on how right or wrong the position taken is, as described in Section 3.3.4
PointsBet Group	PointsBet Holdings Limited and its subsidiaries
PointsBet Offer Information Line	1300 375 696 or +61 3 9415 4322
Priority Offer	the offer of Shares under this Prospectus to persons who have received a Priority Offer Invitation, as described in Section 7.4
Priority Offer Application Form	an online application form provided to eligible participants in relation to the Priority Offer
Priority Offer Invitation	a personalised invitation to participate in the Priority Offer
Product Fee and Integrity Agreements	the agreements with racing and sporting bodies described at Sections 9.4.2 and 9.4.3
Pro Forma Historical Cash Flows	defined in Section 4.1.1
Pro Forma Historical Financial Information	defined in Section 4.1.1
Pro Forma Historical Income Statements	defined in Section 4.1.1
Pro Forma Historical Statement of Financial Position	defined in Section 4.1.1
Prospectus	this document (including the electronic form of this Prospectus) under which the Offer is made and which is dated 23 May 2019, which is a replacement prospectus which replaces the Original Prospectus (and any supplementary prospectus in relation to this document)
Prospectus Date	the date on which a copy of this Prospectus is lodged with ASIC, being 23 May 2019
Quadrella	a quadrella (or quaddie) is a bet whereby the bettor must select the winner of each of the four nominated races on one race card. The bettor can select any number of possible winners in each leg and the cost of the bet is calculated by multiplying the number of selections in each leg. All stake goes into a pool and the dividend is divided among winning tickets

TERM	MEANING
Quinella	a bet type where the bettor must select runners to finish 1st and 2nd in any order
Racing Approvals	the approvals from racing bodies described at Section 9.4.2
Registered Client	a client who has opened an account with PointsBet
Retail Offer	comprises the Broker Firm Offer and the Priority Offer
Settlement Date	the date on which settlement of the Offer is expected to occur, being 4 June 2019
Share	a fully paid ordinary share in the capital of the Company
Shareholder	a registered holder of Shares
Shareholding	a Shareholder's holding of Shares
Share Registry	Computershare Investor Services Pty Limited ABN 48 078 279 277
Sportsbook	a place or website where someone can wager on various sports and racing competitions
Statutory Historical Annual Cash Flows	defined in Section 4.1.1
Statutory Historical Annual Results	defined in Section 4.1.1
Statutory Historical Financial Information	defined in Section 4.1.1
Statutory Historical Statement of Financial Position	defined in Section 4.1.1
STI	short-term incentives
Successful Applicant	an Applicant who is issued Shares under the Offer
TFN	tax file number
Timetable	the timetable in respect of the Offer set out in the Key Details section of the Prospectus
Tioga Downs Option Agreement	the agreement summarised at Section 9.4.5
Tote	is the abbreviation given to the Australian pari-mutuel betting system in which all bets of a particular type are placed into a pool and the payouts are calculated by sharing the pool among all winning bets less house take out
Trifecta	a bet type where a Client must select runners to finish first, second and third in the correct order
Turnover	the stake (money) a Client puts at risk when they place a bet on an event
Underwriter	the Lead Manager
Underwriting Agreement	the underwriting agreement between the Company and the Lead Manager, as described at Section 9.4.1
United States or US	United States of America
US Offering Circular	means the offering circular that must accompany any distribution of the Prospectus in the United States to institutional "accredited investors" (as defined Rule 501(a)(1)(2), (3) or (7) of the US Securities Act) or Eligible US Fund Managers (as defined in Regulations of the US Securities Act)
US Securities Act	the Securities Act 1933, as amended
Wagering	the placement of a wager on the outcome of a sporting or racing event. Wagering is also known as sports betting
Wagering Industry	the industry which facilitates Wagering

For personal use only

This page has been left intentionally blank.

How to complete this Broker Firm Offer Application Form

A Number of Shares applied for
Enter the number of Shares you wish to apply for. The Application must be for a minimum of 1,000 Shares (A\$2,000).

B Application Monies
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the Offer Price of A\$2.00.

C Applicant Name(s)
Enter the full name you wish to appear on the statement of shareholding. 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. CHESSE participants should complete their name identically to that presently registered in the CHESSE system.

D Postal Address
Enter your postal address for all correspondence. All communications to you from the Share 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 regarding this Application.

F CHESSE
PointsBet participates in CHESSE, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHESSE participant (or are sponsored by a CHESSE participant) and you wish to hold Shares issued to you under this Application on the CHESSE Subregister, enter your CHESSE HIN. Otherwise, leave this section blank and on issue, you will be sponsored by PointsBet and allocated a Securityholder Reference Number (SRN).

G Payment
If you have been contacted by your Broker regarding the Broker Firm Offer, you should ask your Broker for information about how and when to lodge this Application Form, and to who to make your cheque payable to. Generally, you will lodge this Application Form and cheque payment with your Broker in accordance with their instructions.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in PointsBet is upon and subject to the terms of the Prospectus and the Constitution of PointsBet, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. In particular, each Applicant makes the acknowledgements and representations contained in Section 7.7 of the Prospectus. It is not necessary to sign the Application Form.

Lodgement of Application

The Broker Firm Offer opens at 9:00am Melbourne time on 24 May 2019 and is expected to close at 5:00pm Melbourne time on 30 May 2019. PointsBet and the Lead Manager may elect to extend the Broker Firm Offer. If you have been contacted by your Broker regarding the Broker Firm Offer, you should ask your Broker for information about how and when to lodge this Application Form, and who to make your cheque payable to. Generally, you will lodge this Application Form and cheque payment with your Broker in accordance with their instructions. DO NOT lodge this Application Form with the Share Registry. Your Broker must receive your completed Application Form and Application Monies (if applicable) in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for PointsBet (**the Issuer**), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the Issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the Issuer for whom we maintain securities registers or to third parties upon direction by the Issuer where related to the Issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Issuer. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
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>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

How to complete this Broker Firm Offer Application Form

A Number of Shares applied for
Enter the number of Shares you wish to apply for. The Application must be for a minimum of 1,000 Shares (A\$2,000).

B Application Monies
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the Offer Price of A\$2.00.

C Applicant Name(s)
Enter the full name you wish to appear on the statement of shareholding. 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. 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 Share 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 regarding this Application.

F CHES
PointsBet participates in CHES, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold Shares issued to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on issue, you will be sponsored by PointsBet and allocated a Securityholder Reference Number (SRN).

G Payment
If you have been contacted by your Broker regarding the Broker Firm Offer, you should ask your Broker for information about how and when to lodge this Application Form, and to who to make your cheque payable to. Generally, you will lodge this Application Form and cheque payment with your Broker in accordance with their instructions.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in PointsBet is upon and subject to the terms of the Prospectus and the Constitution of PointsBet, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. In particular, each Applicant makes the acknowledgements and representations contained in Section 7.7 of the Prospectus. It is not necessary to sign the Application Form.

Lodgement of Application

The Broker Firm Offer opens at 9:00am Melbourne time on 24 May 2019 and is expected to close at 5:00pm Melbourne time on 30 May 2019. PointsBet and the Lead Manager may elect to extend the Broker Firm Offer. If you have been contacted by your Broker regarding the Broker Firm Offer, you should ask your Broker for information about how and when to lodge this Application Form, and who to make your cheque payable to. Generally, you will lodge this Application Form and cheque payment with your Broker in accordance with their instructions. DO NOT lodge this Application Form with the Share Registry. Your Broker must receive your completed Application Form and Application Monies (if applicable) in time to arrange settlement on your behalf by the Closing Date for the Broker Firm Offer.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for PointsBet (the **Issuer**), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the Issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the Issuer for whom we maintain securities registers or to third parties upon direction by the Issuer where related to the Issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Issuer. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
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>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund

CORPORATE DIRECTORY

COMPANY'S REGISTERED OFFICE

PointsBet Holdings Limited
155 Cremorne Street
Cremorne VIC 3121

LEAD MANAGER

Bell Potter Securities Limited
Level 38, Aurora Place
88 Phillip Street
Sydney NSW 2000

CO-LEAD MANAGER

Roth Capital Partners, LLC
888 San Clemente Dr
Newport Beach CA 92660, United States

AUSTRALIAN LEGAL ADVISER

Clarendon Lawyers Pty Ltd
Level 29, 55 Collins Street
Melbourne VIC 3000

AUSTRALIAN TAXATION ADVISER

PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000

POINTS BET OFFER INFORMATION LINE

Within Australia
1300 375 696

Outside Australia
+61 3 9415 4322

INVESTIGATING ACCOUNTANT

RSM Corporate Australia Pty Ltd
Level 21, 55 Collins Street
Melbourne VIC 3000

AUDITOR

RSM Australia Partners
Level 21, 55 Collins Street
Melbourne VIC 3000

SHARE REGISTRY

Computershare Investor Services Pty Limited
452 Johnston Street
Abbotsford VIC 3067

OFFER WEBSITE

www.pointsbetipo.com.au

COMPANY WEBSITE

www.pointsbet.com.au

For personal use only