



ASX RELEASE

10 January 2019

SportsHero prepares to launch its Pay-to-Play app in Australia

HIGHLIGHTS

- **SportsHero looking to secure access to a Sports Bookmaker Licence to facilitate the Australian launch of its internationally successful pay-to-play sports prediction platform**
- **the 50/50 equity proposal expected to enable the legal playing of SportsHero's pay-to-play app in Australia**
- **3 year put and call options to be established to enable SportsHero to own and operate 100% of the venture**

SportsHero Ltd (**SportsHero**) is very pleased to announce that it has today entered into a non-binding Heads of Agreement (**HoA**) with Cross Bet Holdings Pty Ltd (a non-related entity) (**CBH**) for the purpose of enabling SportsHero to launch its existing pay-to-play sports prediction platform in Australia (**Pay-to-Play Venture**).

CBH is an Australian based company whose wholly-owned subsidiary has received "conditional approval" from the Department of the Attorney General and Justice Licensing in the Northern Territory for the granting of a Sports Bookmaker Licence (**Licence**) regulated by the Northern Territory Racing Commission (**NTRC**).

The granting of the Licence to CBH's subsidiary is conditional upon the payment of a \$200,000 bond, the inspection of the Northern Territory office by the NTRC and the nomination of a key employee in Darwin.

Under the terms of the HoA, and subject to various conditions including the granting of the License to CBH's subsidiary, the parties would subject to definitive agreements on a 50/50 equity basis incorporate a new Australian company (**New Co**) to operate the Pay-to-Play Venture. It is proposed that over the next 3-4 month the parties would document the terms of definitive agreements, including elements such as:

- the sharing of existing resources, including without limitation intellectual property owned by the parties for the establishment of SportsHero's pay-to-play social gaming platform under the License which is based on predicting the outcomes of sporting events (**Platform**);
- the Platform to be rolled out initially in the Australian market, with potential, if agreed, to expand to other markets such as New Zealand;
- SportsHero loaning \$200,000 to New Co for the specific purpose of paying the Licence bond (the loan will only be made to New Co following the satisfactory completion of SportsHero's due diligence); and
- the granting of irrevocable put and call options in relation to SportsHero acquiring CBH's 50% shareholding in New Co.

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SportsHero

The essential terms and conditions of the put and call options will be as follows:

- CBH to be granted an irrevocable and exclusive put option (**Put Option**) for a term of 3 years (**Put Term**) from the date of the Platform launch;
- SportsHero to be granted an irrevocable and exclusive call option (**Call Option**) for a term commencing 18 months from the date of the Platform launch and expiring 3 years from the date of the Platform launch (**Call Term**);
- a condition precedent to the exercise of either the Put Option or the Call Option is that the License is transferred to New Co;
- a condition precedent to the exercise of either the Put Option or the Call Option is the receipt of necessary SportsHero approvals in accordance with either the ASX Listing Rules and/or the Corporations Act 2001;
- the Put Option can only be put to SportsHero during the Put Term and provided that New Co achieves a minimum net operating revenue of \$1 million in any 12 month period during the Put Term;
- the Call Option can only be exercised by SportsHero during the Call Term;
- the exercise price to be paid by SportsHero for both the Put Option and the Call Option will be calculated by multiplying by 5 the net operating revenue earned by New Co during the 12 month period immediately preceding the date of exercise of either the Put Option or the Call Option (**Exercise Price**); and
- the Exercise Price will be paid by SportsHero in both cash and fully paid ordinary shares at an issue price equal to the 30 trading day VWAP of SportsHero shares on the ASX immediately prior to the date of exercise of either the Put Option or the Call Option.

The parties intend to enter into a standard shareholder agreement in respect to governing their interest in New Co, appropriate royalty free intellectual property licenses as required by New Co and a \$200,000 loan agreement in respect of the License bond.

The proposal to establish New Co in conjunction with CBH is based on the understanding that the proposed transaction will facilitate the legal playing in Australia of SportsHero's pay to play app in accordance with the terms and conditions of the License.

If SportsHero's due diligence (expected to take up to 30 days) demonstrates for any reason that this is not the case, then the app will not be launched in Australia, New Co will not be formed and SportsHero will not make the loan of \$200,000 to New Co.

The commencement of the Pay-to-Play Venture is subject to a number of conditions, including without limitation:

- the parties obtaining all necessary approvals and full compliance with laws and regulations;
- the parties undertaking due diligence to their respective satisfaction; and
- the shareholders' agreement and other relevant transaction documents are executed by the parties.

Michael Higginson
Company Secretary