

Pointsbet Holdings Pty Limited and Controlled Entities

ABN 68 621 179 351

Interim Report - 31 December 2018

Pointsbet Holdings Pty Limited and Controlled Entities

Directors' report

31 December 2018

The directors present their report, together with the financial statements, on the company for the half-year ended 31 December 2018.

Directors

The following persons were directors of the company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Sam Swanell
Anthony Peter Symons
Nicholas James Fahey
Peter Damien McCluskey
Brett William Fisher Paton (appointed 19 November 2018)

Principal activities

During the financial half-year, the principal continuing activities of the group consisted of the development of a spreadbetting and fixed odds online trading platform and online bookmaking services for sports and racing.

Review of operations

The loss for the company after providing for income tax amounted to \$10,308,496 (31 December 2017: \$1,274,103 loss).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial period.

Matters subsequent to the end of the financial year

The consolidated entity has closed a share offer on 8 March 2019 raising \$10,395,066 cash. On the same date, \$26,963,522 of convertible notes (showing as a current liability at 31 December 2018) were converted to equity.

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.

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 Colorado and Illinois respectively. Each of these agreements is subject to the passing of enabling legislation by the relevant state.

In May 2019, PointsBet signed an agreement with a consortium who intend to build and operate a casino in Mexico and offer land-based and online sports and casino betting. PointsBet will provide technology and wagering services to the consortium to enable it to operate online interactive gaming and sports betting in Mexico. Commencement of operations in Mexico is subject to receipt of necessary regulatory approvals.

There are no other matters or circumstances which have arisen since 31 December 2018 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest dollar.

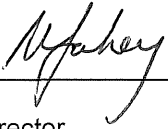
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 3 of the financial report.

Pointsbet Holdings Pty Limited and Controlled Entities
Directors' report
30 June 2017

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Director

16 May 2019

Pointsbet Holdings Pty Limited and Controlled Entities
Directors' report
31 December 2018

Auditor's independence declaration	4
Statement of profit or loss and other comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	30
Auditor's review report	31
General information	

The financial statements cover Pointsbet Holdings Pty Ltd as a consolidated entity consisting of Pointsbet Holdings Pty Ltd and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Pointsbet Holdings Pty Ltd's functional and presentation currency.

Pointsbet Holdings Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are.

Registered office

155 Cremorne Street
Cremorne VIC 3121

Principal place of business

155 Cremorne Street
Cremorne VIC 3121

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 May 2019. The directors have the power to amend and reissue the financial statements.

RSM Australia Partners

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

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Pointsbet Holdings Pty Ltd for the half year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink, appearing to read "RSM".**RSM AUSTRALIA PARTNERS**A handwritten signature in blue ink, appearing to read "P T Sexton".

P T SEXTON
Partner

Dated: 16 May 2019
Melbourne, Victoria

Pointsbet Holdings Pty Limited and Controlled Entities
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018

		Consolidated	
	Note	31 Dec 2018	31 Dec 2017
		\$	\$
Revenue	3	12,060,380	3,596,610
Cost of sales		(5,168,127)	(1,419,138)
Gross profit		6,892,253	2,177,472
Other income	3	390,213	409,364
Depreciation and amortisation	4	(667,291)	(151,518)
Employee benefits expenses	4	(5,337,981)	(1,735,582)
Administration expenses		(639,565)	(109,298)
Consulting fees		(235,128)	-
Marketing expenses		(7,644,105)	(1,572,024)
Information technology costs		(513,085)	(100,074)
Fees and permits		(5,856)	(2,508)
Occupancy expenses		(225,925)	(96,922)
Travel and accommodation expenses		(359,290)	(29,137)
Loss on derivative liability		(718,827)	-
Finance costs	4	(1,071,308)	-
Other expenses		(172,600)	(63,876)
Loss before income tax expense		(10,308,496)	(1,274,103)
Income tax expense		-	-
Loss for the period		(10,308,496)	(1,274,103)
Other comprehensive income for the year		334,858	-
Total comprehensive income for the year		(9,973,638)	(1,274,103)
		Cents	Cents
Basic earnings per share	23	(2,662)	(392)
Diluted earnings per share	23	(2,662)	(392)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Pointsbet Holdings Pty Limited and Controlled Entities
Statement of financial position
As at 31 December 2018

		Consolidated	
	Note	31-Dec-18	30-Jun-18
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	5	13,967,768	7,540,201
Trade and other receivables	6	-	125,585
Other assets	7	3,712,769	739,905
Total current assets		17,680,537	8,405,691
Non-current assets			
Financial assets	8	206,400	206,400
Plant and equipment	9	470,192	236,987
Intangibles	10	13,038,820	2,191,508
Total non-current assets		13,715,412	2,634,895
Total assets		31,395,949	11,040,586
Liabilities			
Current liabilities			
Trade and other payables	11	5,044,448	2,395,576
Financial liabilities	12	4,479,508	321,338
Borrowings	13	21,438,070	-
Provisions	14	372,959	301,535
Other liabilities	15	3,977,397	3,628,660
Total current liabilities		35,312,382	6,647,109
Total non-current liabilities		-	-
Total liabilities		35,312,382	6,647,109
Net liabilities		(3,916,433)	4,393,477
Equity			
Share capital	16	15,740,534	14,329,174
Reserves		785,634	198,408
Retained earnings/(losses)		(20,442,601)	(10,134,105)
Total equity		(3,916,433)	4,393,477

The above statement of financial position should be read in conjunction with the accompanying notes

Pointsbet Holdings Pty Limited and Controlled Entities
Statement of changes in equity
For the half-year ended 31 December 2018

	Share capital	Foreign currency translation reserve	Share option reserve	Retained earnings/ (losses)	Total equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2018	14,329,174	-	198,408	(10,134,105)	4,393,477
Shares issued	1,411,360	-	-	-	1,411,360
Loss for the period	-	-	-	(10,308,496)	(10,308,496)
Share options issued	-	-	252,368	-	252,368
Other comprehensive income for the year	-	334,858	-	-	334,858
Balance at 31 December 2018	15,740,534	334,858	450,776	(20,442,601)	(3,916,433)
Balance at 1 July 2017	5,829,018	-	9,066	(3,476,523)	2,361,561
Shares issued	4,750,096	-	-	-	4,750,096
Loss for the period	-	-	-	(1,274,103)	(1,274,103)
Share options issued	-	-	11,981	-	11,981
Other comprehensive income for the year	-	-	-	-	-
Balance at 31 December 2017	10,579,114	-	21,047	(4,750,626)	5,849,535

The above statement of changes in equity should be read in conjunction with the accompanying notes

Pointsbet Holdings Pty Limited and Controlled Entities
Statement of cash flows
For the half-year ended 31 December 2018

		Consolidated	
	Note	31 Dec 2018	31 Dec 2017
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		12,967,196	4,521,145
Payments to suppliers and employees (inclusive of GST)		(19,657,702)	(4,260,749)
Interest received		21,786	7,397
Net cash from operating activities	22	<u>(6,668,720)</u>	<u>267,793</u>
Cash flows from investing activities			
Payments for plant and equipment		(328,230)	(24,613)
Payments for intangible assets		(11,419,578)	(555,536)
Net cash used in investing activities		<u>(11,747,808)</u>	<u>(580,149)</u>
Cash flows from financing activities			
Proceeds from equity issue		1,403,186	3,750,005
Proceeds from borrowing		23,106,052	-
Net cash used in financing activities		<u>24,509,238</u>	<u>3,750,005</u>
Net increase/(decrease) in cash and cash equivalents		6,092,709	3,437,649
Cash and cash equivalents at the beginning of the financial year		7,540,201	1,612,775
Effects of exchange rate changes on cash and cash equivalents		334,857	-
Cash and cash equivalents at the end of the financial year	5	<u><u>13,967,768</u></u>	<u><u>5,050,424</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
31 December 2018

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity 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 consolidated entity:

AASB 9 Financial Instruments

The consolidated entity 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 Group'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 Group's accounting for or presentation of the Group's revenue as a result in the change in standards.

Note 1. Significant accounting policies (continued)

New or amended Accounting Standards and Interpretations adopted (continued)

AASB 15 Revenue from Contracts with Customers

The consolidated entity 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 Group'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 Group has determined that there is no material impact as a result of adopting AASB 15.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Pointsbet Holdings Pty Limited'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 or loss when the foreign operation or net investment is disposed of.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
31 December 2018

Note 1. Significant accounting policies (continued)

Principles of consolidations

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pointsbet Holdings Pty Ltd ('company' or 'parent entity') as at 31 December 2018 and the results of all controlled entities for the half-year end then ended. Pointsbet Holdings Pty Ltd and its controlled entities together are referred to in these financial statements as the 'consolidated entity.'

Controlled entities are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and realised gains on transactions between entities in the consolidated entity 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 consolidated entity.

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 consolidated entity 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 consolidated entity 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.

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 customers less free bets, promotions, bonuses and other fair value adjustments. Revenue includes free bets, promotions and bonuses. Open betting positions (pending bets) are accounted for as derivative financial instruments and are carried at fair value. Gains and losses arising on the positions are recognised in revenue.

All revenue is stated net of the amount of goods and services tax.

Note 1. Significant accounting policies (continued)

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.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

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 consolidated entity 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.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
31 December 2018

Note 1. Significant accounting policies (continued)

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
31 December 2018

Note 1. Significant accounting policies (continued)

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.

Property, plant and equipment

Property, 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 property, 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 property, 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

Intangible assets

Online bookmaker licenses

Significant costs associated with the purchase of bookmaker licenses are capitalised and amortised on a straight-line basis over the period of their expected benefit, being the life of each individual licence.

Betting platform development

Significant costs associated with the betting platform development are capitalised and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Note 1. Significant accounting policies (continued)

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 consolidated entity is able to use or sell the asset; the consolidated entity 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 5 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

Note 1. Significant accounting policies (continued)

Employee benefits (continued)

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 a 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 consolidated entity 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 the Binomial 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.
- 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 consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity 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.

Note 1. Significant accounting policies (continued)

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.

Earnings Per Share

The Group presents basic and, when applicable, diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by adjusting basic earnings for the impact of the after-tax effect of costs associated with dilutive ordinary shares and the weighted average number of additional ordinary shares that would be outstanding assuming the conversion of all dilutive potential ordinary shares. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
31 December 2018

Note 1. Significant accounting policies (continued)

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

For the half-year ended 31 December 2018, the consolidated entity incurred a loss of \$10,308,496 (HY2017: \$1,274,103 loss) and had net cash outflows from operating activities of \$6,668,720 (HY2017: \$267,793 cash inflow). As at that date the consolidated entity had net current liabilities of \$17,631,845 (30 June 2018: \$1,758,582 net current assets) and net liabilities of \$3,916,433 (30 June 2018: \$4,393,477 net assets).

The Directors believe that it is reasonably foreseeable that the consolidated entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

1. As disclosed in Note 21 Events after the reporting period, on 8 March 2019 the consolidated entity raised \$10,395,066 via an equity placement to new and existing shareholders; and converted \$26,963,522 of convertible notes (showing as a current liability at 31 December 2018) to equity. This resulted in an increase in net assets of \$37,358,588 and a return to positive net current assets.
2. In addition, the company is now committed to an initial public offering (IPO) in June 2019, and has signed an underwriting agreement with the lead manager who will fully underwrite the offer expected to raise further capital of \$75 million, enabling the company to execute its current business plan

Consequently, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

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 any 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 will be capitalized and brought onto the balance sheet as an asset (right of use) with an offsetting liability, and both will be amortized 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

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
31 December 2018

Note 2. Operating Segments

The group has determined that its operating segments are its reportable segments. The Group's reportable segments are as follows.

- Australian Trading;
- Technology; and
- United States.

This is based on the internal management reports that are reviewed by the Chief Executive Officer (who is identified as the Chief Operating Decision Makers (CODM) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Australian Trading revenue includes revenue from sports and race betting services provided to Australian customers. 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 customers less free bets, promotions, bonuses and other fair value adjustments. The Technology company derives its revenue from licensing fees charged to the Australian Trading company and the group's subsidiaries in the United States of America. The USA entities will derive revenue from sports and race betting services to USA customers.

Corporate administrative costs (Board, Finance, Legal, Internal Audit, 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 Group totals.

	Australian Trading \$	Technology \$	United States \$	Corporate \$	Total \$
Consolidated - Dec 2018					
Revenue					
Sales to external customers	12,084,492	-	(24,113)	-	12,060,380
Intersegment sales	-	384,186	-	-	384,186
Total segment revenue	12,084,492	384,186	(24,113)	-	12,444,565
Unallocated revenue					-
Elimination of intersegment sales					(384,186)
Total revenue					12,060,380
EBITDA	(2,265,685)	(1,306,459)	(3,522,832)	(1,496,707)	(8,591,683)
Depreciation and amoritsation					(667,291)
Interest revenue					21,786
Finance costs					(1,071,308)
Loss before income tax					(10,308,496)
Income tax expense					-
Loss after income tax					(10,308,496)

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
31 December 2018

Note 2. Operating Segments (continued)

	Australian Trading \$	Technology \$	United States \$	Corporate \$	Total \$
Consolidated - Dec 2018					
Assets					
Segment assets	6,049,482	5,544,929	14,018,873	40,324,204	65,937,488
Unallocated assets					-
Intersegment eliminations					(34,541,539)
Total assets					31,395,949
Liabilities					
Segment liabilities	(13,019,547)	(6,653,938)	(2,025,969)	(25,964,473)	(47,663,928)
Unallocated liabilities					-
Intersegment eliminations					12,351,546
Total liabilities					(35,312,381)
	Australian Trading \$	Technology \$	United States \$	Corporate \$	Total \$
Consolidated - Dec 2017					
Revenue					
Sales to external customers	3,596,610	-	-	-	3,596,610
Intersegment sales	-	159,352	-	-	159,352
Total segment revenue	3,596,610	159,352	-	-	3,755,962
Unallocated revenue					-
Elimination of intersegment sales					(159,352)
Total revenue					3,596,610
EBITDA	(1,117,511)	295,471	-	(314,342)	(1,136,382)
Depreciation and amortisation					(151,518)
Interest revenue					13,797
Finance costs					-
Loss before income tax					(1,274,103)
Income tax expense					-
Loss after income tax					(1,274,103)

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
31 December 2018

Note 2. Operating Segments (continued)

	Australian Trading \$	Technology \$	United States \$	Corporate \$	Total \$
Consolidated - June 2018					
Assets					
Segment assets	4,760,555	2,704,895	-	14,610,582	22,076,032
Unallocated assets					-
Intersegment eliminations					(11,035,446)
Total assets					11,040,586
Liabilities					
Segment liabilities	(8,941,051)	(2,636,336)	-	(121,847)	(11,699,234)
Unallocated liabilities					-
Intersegment eliminations					5,052,125
Total liabilities					(6,647,109)

Intersegment transactions

Transactions were made at market rates. Intersegment transactions are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM. The CODM is responsible for the allocation of resources to the operating segments and assessing their performance.

Major Customers

There are no major customers that represented more than 10% of the segment revenue.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
31 December 2018

Note 3. Revenue and other income

Revenue

Revenue received from customers

Less client promotion expenses

Total Revenue

Consolidated	
31 Dec 2018	31 Dec 2017
\$	\$
19,565,597	5,697,835
(7,505,217)	(2,101,225)
12,060,380	3,596,610

Other income

Research and development income

Interest received

Total other income

368,427	395,567
21,786	13,797
390,213	409,364

Note 4. Expenses

Profit before income tax includes the following specific expenses:

Employee benefits expenses

Salaries

Superannuation

FBT

Payroll tax

Share option expense

Other employee expenses

Total employee benefits expenses

Consolidated	
31 Dec 2018	31 Dec 2017
\$	\$
3,890,105	1,458,540
235,103	134,654
1,302	-
302,596	65,149
252,369	11,981
656,506	65,258
5,337,981	1,735,582

Depreciation and amortisation

Depreciation

Amortisation

Total depreciation and amortisation expenses

95,025	22,353
572,266	129,165
667,291	151,518

Finance costs

Notional interest expense - convertible note

Total finance costs

1,071,308	-
1,071,308	-

Note 5. Cash and cash equivalents

Current

Cash at bank

Player cash accounts

Total cash and cash equivalents

Consolidated	
31-Dec-18	30-Jun-18
\$	\$
10,777,897	4,286,263
3,189,871	3,253,938
13,967,768	7,540,201

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
31 December 2018

Note 6. Trade and other receivables	Consolidated	
	31-Dec-18	30-Jun-18
	\$	\$
<i>Current</i>		
Trade receivables	101,319	339,750
Less: allowance for expected credit losses	(101,319)	(214,165)
	<u>-</u>	<u>125,585</u>

Allowance for expected credit losses

The consolidated entity has recognised a loss of \$0 (31 Dec 2017: \$214,165) in profit or loss in respect of the expected credit losses for the half-year ended 31 December 2018.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit	
	31-Dec-18	30-Jun-18	31-Dec-18	30-Jun-18	31-Dec-18	30-Jun-18
Consolidated	%	%	\$	\$	\$	\$
Not overdue	1%	1%	-	-	-	-
0 to 3 months overdue	5%	5%	-	-	-	-
3 to 6 months overdue	10%	10%	-	-	-	-
Over 6 months overdue	100%	63%	101,319	339,750	101,319	214,165
			<u>101,319</u>	<u>339,750</u>	<u>101,319</u>	<u>214,165</u>

Note 7. Other assets	Consolidated	
	31-Dec-18	30-Jun-18
	\$	\$
<i>Current</i>		
Rental bond	331,307	92,909
Prepayments	3,381,462	646,996
	<u>3,712,769</u>	<u>739,905</u>

Note 8. Financial assets	Consolidated	
	31-Dec-18	30-Jun-18
	\$	\$
<i>Non-current</i>		
Term deposits	206,400	206,400
	<u>206,400</u>	<u>206,400</u>

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
31 December 2018

Note 9. Plant and equipment	Consolidated	
	31-Dec-18	30-Jun-18
	\$	\$
<i>Non-current</i>		
Computer equipment - at cost	581,569	256,670
Less accumulated depreciation	(163,589)	(78,828)
	<u>417,980</u>	<u>177,842</u>
Office equipment - at cost	34,971	32,348
Less accumulated depreciation	(7,165)	(5,440)
	<u>27,806</u>	<u>26,908</u>
Leasehold improvements - at cost	40,324	39,344
Less accumulated depreciation	(15,918)	(7,107)
	<u>24,406</u>	<u>32,237</u>
Total plant and equipment	<u>470,192</u>	<u>236,987</u>

Note 10. Intangibles	Consolidated	
	31-Dec-18	30-Jun-18
	\$	\$
<i>Non-current</i>		
Betting platform development - at cost	5,390,710	2,554,272
Less accumulated amortisation	(625,276)	(362,764)
	<u>4,765,434</u>	<u>2,191,508</u>
Online bookmaker licenses - at cost	8,583,140	-
Less accumulated amortisation	(309,754)	-
	<u>8,273,386</u>	<u>-</u>
Total intangibles	<u>13,038,820</u>	<u>2,191,508</u>

Note 11. Trade and other payables	Consolidated	
	31-Dec-18	30-Jun-18
	\$	\$
<i>Current</i>		
Trade payables	2,986,134	1,043,594
Accruals and other payables	2,058,314	1,351,982
Total trade and other payables	<u>5,044,448</u>	<u>2,395,576</u>

Note 12. Financial liabilities	Consolidated	
	31-Dec-18	30-Jun-18
	\$	\$
<i>Current</i>		
Convertible notes derivative liability - at fair value	4,312,961	-
Pending bets - at fair value	166,547	321,338
Total financial liabilities	<u>4,479,508</u>	<u>321,338</u>

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
31 December 2018

Note 13. Borrowings	Consolidated	
	31-Dec-18	30-Jun-18
	\$	\$
<i>Current</i>		
Convertible notes	21,438,070	-
Total borrowings	21,438,070	-

The company issued convertible notes on 6 August 2018 raising total funds of \$23,960,896 under a Converting Note Agreement. The Term of the convertible notes is one year, expiring on 6 August 2019. There is no interest rate on the convertible notes.

The convertible notes are entitled to a 20% discount on the Issue Price of a Qualifying Funding Round, or where there has not been a Qualifying Funding Round before the end of the Term, a 20% discount on fair value of an Ordinary Share.

Note 14. Provisions	Consolidated	
	31-Dec-18	30-Jun-18
	\$	\$
<i>Current</i>		
Annual leave	321,786	210,738
Provision for chargebacks	51,173	90,797
Total provisions	372,959	301,535

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Note 15. Other liabilities	Consolidated	
	31-Dec-18	30-Jun-18
	\$	\$
<i>Current</i>		
Deferred income	787,526	374,722
Player cash accounts	3,189,871	3,253,938
Total other liabilities	3,977,397	3,628,660

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
31 December 2018

		Consolidated	
Note 16. Contributed equity		31-Dec-18	30-Jun-18
		\$	\$
Contributed equity		15,740,534	14,329,174
<i>Movements in ordinary share capital</i>			
	Shares Price	Number	\$
Balance at 1 July 2018		383,784	14,329,174
Exercise of share options	134.06	10,528	1,411,360
Balance at 31 December 2018		394,312	15,740,533

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

		Consolidated	
Note 17. Related party transactions		31 Dec 2018	31 Dec 2017
<i>Transactions with related parties</i>		\$	\$
The following transactions occurred with related parties:			
Payment for services from shareholder		111,976	60,000

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Current payables to director	-	42,145
------------------------------	---	--------

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 18. Interest in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business/ Country of incorporation	Ownership interest	
		2018	2017
		%	%
Pointsbet Australia Pty Ltd	Australia	100%	100%
Pointsbet Pty Ltd	Australia	100%	100%
Pointsbet USA Holding Inc	USA	100%	-
PB Services Inc	USA	100%	-
USA Bet LLC	USA	100%	-
PB Tech & Advisory LLC	USA	100%	-
Pointsbet USA Inc	USA	100%	-
Pointsbet New York LLC	USA	100%	-
Pointsbet New Jersey LLC	USA	100%	-

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
31 December 2018

Note 19. Contingent assets and contingent liabilities

The company had no contingent assets and contingent liabilities as at 31 December 2018 (30 June 2018: \$0).

Note 20. Commitments	Consolidated	
	31-Dec-18	30-Jun-18
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	561,984	118,710
One to five years	1,331,304	111,106
Total commitment	1,893,288	229,817

Operating lease commitments includes contracted amounts for offices under non-cancellable operating leases expiring within one to five years with options to extend. On renewal, the terms of the leases are renegotiated.

Note 21. Events after the reporting period

The consolidated entity has closed a share offer on 8 March 2019 raising \$10,395,066 cash. On the same date, \$26,963,522 of convertible notes (showing as a current liability at 31 December 2018) were converted to equity.

In April 2019, PointsBet signed an agreement with the Catfish Bend Casino (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.

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 those properties and to offer online and mobile sports wagering in Colorado and Illinois respectively. Each of these agreements is subject to the passing of enabling legislation by the relevant state.

In May 2019, PointsBet signed an agreement with a consortium who intend to build and operate a casino in Mexico and offer land-based and online sports and casino betting. PointsBet will provide technology and wagering services to the consortium to enable it to operate online interactive gaming and sports betting in Mexico. Commencement of operations in Mexico is subject to receipt of necessary regulatory approvals.

There are no other matters or circumstances which have arisen since 31 December 2018 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
31 December 2018

Note 22. Reconciliation of profit after income tax to net cash from operating activities	Consolidated	
	31 Dec 2018	31 Dec 2017
	\$	\$
Loss after income tax expense for the year	(10,308,496)	(1,274,103)
Adjustments for:		
Depreciation and amortisation	667,291	151,518
Share option expense	252,368	11,981
Fair value movement of open bets held	(10,676)	-
Notional interest expense - convertible note	1,071,308	-
Loss on derivative liability - convertible note	718,827	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	125,586	(307,869)
(Increase)/decrease in other assets	(2,118,020)	(44,679)
Increase/(decrease) in trade and other payables	2,657,046	763,930
Increase/(decrease) in other liabilities	204,621	901,329
Increase/(decrease) in provisions	71,424	65,686
Net cash from operating activities	(6,668,721)	267,793

Note 23. Earnings per share	Consolidated	
	31 Dec 2018	31 Dec 2017
	No.	No.
Weighted average number of ordinary shares used in calculating basic earnings per share	387,274	325,053
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	91,600	10,442
Weighted average number of ordinary shares used in calculating diluted earnings per share	478,875	335,495
	Cents	Cents
Basic earnings per share	(2,662)	(392)
Diluted earnings per share	(2,662)	(392)

Pointsbet Holdings Pty Limited and Controlled Entities
Notes to the financial statements
31 December 2018

Note 24. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

Consolidated - Dec 2018

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Total assets	-	-	-	-
<i>Liabilities</i>				
Convertible notes derivative liability	-	-	(4,312,961)	(4,312,961)
Pending bets	-	-	(166,547)	(166,547)
Total liabilities	-	-	(4,479,508)	(4,479,508)

Consolidated - June 2018

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Total assets	-	-	-	-
<i>Liabilities</i>				
Convertible notes derivative liability	-	-	-	-
Pending bets	-	-	(321,338)	(321,338)
Total liabilities	-	-	(321,338)	(321,338)

There were no transfers between levels during the financial half - year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Note 24. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 2 and level 3

Pending bets have been valued based on the amount of unsettled bets at year end, adjusted for the average net win in each open market.

Convertible notes derivative liability has been valued based on the 20% discount on the Issue Price of a Qualifying Funding Round, adjusted for the probability of a Qualifying Funding Round before the end of the Term, as defined in the Converting Note Agreement dated 6 August 2018.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial half - year are set out below:

	Convertible notes derivative liability \$	Pending bets \$	Total \$
Consolidated			
Balance at 1 July 2018	-	(321,338)	(321,338)
Additions	(3,594,134)	-	(3,594,134)
Disposals	-	-	-
Gains/(loss) recognised in profit or loss	(718,827)	154,791	(564,036)
Gains/(loss) recognised in other comprehensive income	-	-	-
Balance at 31 December 2018	(4,312,961)	(166,547)	(4,479,508)

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

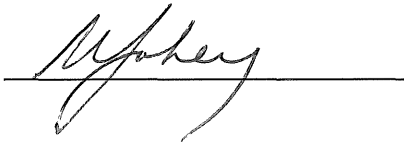
Description	Unobservable inputs	Range (weighted average)	Sensitivity
Pending bets	Average net win	1% to 10%	1% change would result in increase/decrease fair value by \$1,665.
Convertible notes derivative liability	Probability of a Qualifying Funding Round	60% to 90%	5% change would result in increase/decrease fair value by \$239,610.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'M. J. P. H. E. Y', is written over a horizontal line.

Director

16 May 2019

RSM Australia Partners

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

INDEPENDENT AUDITOR'S REVIEW REPORT To the Members of Pointsbet Holdings Pty Limited

We have reviewed the accompanying half-year financial report of Pointsbet Holdings Pty Limited which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pointsbet Holdings Pty Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. 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 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Pointsbet Holdings Pty Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pointsbet Holdings Pty Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in blue ink, appearing to read 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to be 'P T Sexton'.

P T SEXTON
Partner

Dated: 16 May 2019
Melbourne, Victoria