

PointsBet Partners with Penn National Gaming to Secure Market Access in 5 States

1 August 2019 - Melbourne, Australia - PointsBet Holdings Limited (ASX: PBH) (the “Company”) today announced that its wholly owned subsidiary, PointsBet USA Inc. (“PointsBet”) and Penn National Gaming Inc. (NASDAQ: PENN) (“PNG”) have entered into an agreement for digital sports betting and gaming services in the United States.

Under the terms of the Online Gaming Services Framework Agreement (the “Agreement”), PNG has granted PointsBet the right to develop, own, market and operate, under the authority of the PNG’s operating licenses (the “B2C Operating Licences”), PointsBet branded online sportsbook and gaming operations in Ohio, Indiana, Missouri, West Virginia and Louisiana (each a “Market Access State”), subject to enabling legislation (as relevant) and licensure in each of those States. Schedule 1 provides an overview of the status of enabling legislation in these States.

In addition to the Market Access States, PNG has granted PointsBet a right of first offer for any new market access points, not currently committed by PNG to a third party, which becomes available.

Commenting on the partnership, PointsBet Chief Executive Officer, Sam Swanell said: *“Partnering with Penn provides PointsBet access to five important States and the potential for further State deals. We are delighted to partner with such a forward thinking and innovative organisation. This agreement evidences the confidence our partners continue to have with PointsBet’s in-house technology, products, brand and team. Sports betting has been legalised in West Virginia and Indiana and subject to regulatory approvals, we look forward to being operational in those States ASAP.”*

PNG Senior Vice President, Interactive Gaming, Jon Kaplowitz commented: *“PointsBet has proven that a great product, creative marketing strategy, and best-in-class team can win in a competitive market. We are thrilled to be forming a strategic partnership with PointsBet and are confident that they will continue to thrive in the growing sports betting marketplace.”*

Key features of the partnership

- PointsBet becomes a partner of PNG for digital sports betting in each Market Access State. The Agreement also covers the provision of online gaming/casino (where permitted).
- The term of the Market Access Agreement for each Market Access State is twenty (20) years from the date the PointsBet branded service is first offered to PointsBet players in the applicable State.
- The partnership has the potential to expand PointsBet's United States footprint to 10 States (subject to the passing of enabling legislation and licensure). PointsBet has current agreements in New Jersey, Iowa, Illinois, Colorado and a second skin agreement in New York.
- Pointsbet will be responsible for all licensing and approval costs in connection with launching and operating the PointsBet services (including, those associated with the licensed operator obtaining and maintaining the applicable B2C Operating Licenses required for PointsBet to operate the services in each Market Access State).
- PointsBet will pay PNG a portion of the Net Gaming Revenues derived from each Market Access State.
- PointsBet will pay a market access fee to PNG as described below via an Equity Placement and Issue of Options. An additional US\$2.5M will be payable in cash or equity (at the election of PNG and subject to any necessary shareholder approvals) upon the passing of legislation in the State of Ohio that permits PointsBet services to be operated under the PointsBet brand.

Equity Placement and Issue of Options

In consideration of the market access granted under the Agreement, the Company has entered into a subscription agreement with PNG ("Subscription Agreement"), under which Penn Interactive Ventures, LLC, a wholly owned subsidiary of PNG, will be issued 6,127,451 new fully paid ordinary shares in the Company (equivalent to a 5.28% stake).

The Company will also issue PNG 10,372,549 options exercisable at \$4.75 per option on or before 12 September 2021. If all of the options are exercised, the Company will receive further funding of approximately \$49.27 million.

Further details of the terms and conditions of the options are set out in Schedule 2.

The equity placement and issue of options underpins the strategic partnership and aligns the interests of the parties.

The Subscription Agreement imposes certain restrictions on PNG as set out in Schedule 3.

There is no change to Company's Board as a result of the equity placement.

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The new shares and the options will be issued under the Company's existing placement capacity with the new shares issued under the Subscription Agreement expected to be quoted on or around 2 August 2019.

In relation to the equity placement and issue of the options, Sam Swanell commented: *"We are encouraged that Penn sought to take a strategic equity stake in the Company. In addition, upon exercise of the options, should that occur, not only will the Company's cash reserves be strengthened but both organisations will be further aligned to achieving growth and success in the critical United States market."*

Investor Conference Call

An investor conference call will be held at 11.00AM AEST today, 1 August 2019. Pre-registration links and dial in details are as follows:

Pre-registration is available via the link below which will provide fast track access to the call:

<https://s1.c-conf.com/DiamondPass/pointsbetlimited-10001487-invite.html>

Alternatively, you may dial in with the following details at the scheduled start time:

Conference ID: 10001487

Participant dial-in numbers:

Australia Toll Free: 1800 558 698

Australia local: +61 2 9007 3187

Canada/United States: 1 855 336 4664

China Wide: 4001 200 641

Hong Kong: 800 906 986

United Kingdom: 0808 168 3761

India: 0008 0010 08069

Japan: 005 3116 1306

New Zealand Toll Free: 800 480 392

Singapore: 800 852 3140

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About PointsBet

PointsBet is a corporate bookmaker with operations in Australia and 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 product offering includes Fixed Odds Sports, Fixed Odds Racing and PointsBetting. PointsBet aims to provide more markets on the major Australian and US sports than any other bookmaker.

About Penn National Gaming

Penn National Gaming owns, operates or has ownership interests in gaming and racing facilities and video gaming terminal operations with a focus on slot machine entertainment. The Company operates 41 facilities in 19 jurisdictions. In total, Penn National Gaming's facilities feature approximately 50,500 gaming machines, 1,300 table games and 8,800 hotel rooms. The Company also offers social online gaming through its Penn Interactive Ventures division and has leading customer loyalty programs with over five million active customers.

For further information please contact:

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Schedule 1

Status of Enabling Legislation

<u>Market Access State</u>	<u>Status of Enabling Legislation</u>
Ohio	Two bills introduced separately in the House and Senate (HB194 and SB111) for consideration. The legislative session in Ohio runs all year round.
Indiana	HB1015 signed into law on May 8, 2019.
Missouri	Six (6) bills introduced for consideration since 2018 session. Discussions ongoing but legislative session ended on May 17, 2019 and will reopen January 2020.
West Virginia	The West Virginia Sports Lottery Wagering Act passed on 10 March 2018 in anticipation of a favorable ruling from the Supreme Court.
Louisiana	Three (3) bills introduced to legalize sports wagering in 2019. Session adjourned for 2019, reconvenes January 2020.

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Schedule 2
Terms and Condition of Option

Each option (**Option**) issued by the Company under the Subscription Agreement, entitles its holder to subscribe for Shares on the following terms and conditions.

- (a) The Options are exercisable at \$4.75 each (**Option Exercise Price**), at any time after 12 September 2019 up to 5pm Australian Eastern Time on 12 September 2021, but not thereafter (**Option Exercise Period**). Each Option will automatically lapse if not exercised prior to expiry of the Option Exercise Period.
- (b) Each Option entitles the holder to subscribe for, and be issued with, one Share.
- (c) The Company must give each Option holder a certificate or holding statement stating:
- (i) the number of Options issued to the Option holder;
 - (ii) the exercise price of the Options; and
 - (iii) the date of issue of the Options and the Option Exercise Period.
- (d) The Company will maintain a register of holders of Options in accordance with section 168(1)(b) of the Corporations Act.
- (e) Except where the transfer is to an Affiliate (as described in the Subscription Agreement) of the Option holder, the Options may only be transferred with the Company's approval.
- (f) For such time as the Company is listed, the official listing rules of ASX (**Listing Rules**) will apply to the Options.
- (g) Options do not carry any dividend entitlement until they are exercised. Subject to the Company's constitution, Shares issued on exercise of Options will rank equally with all other issued Shares from the date they are issued by the Company.
- (h) An Option holder is not entitled to participate in any new issue of securities to existing shareholders of the Company (**Shareholders**) unless the Option holder has exercised its Options before the record date for determining entitlements to the new issue of securities and participates as a result of holding Shares.
- (i) If the Company is listed on ASX, the Company must give the Option holder, in accordance with the Listing Rules, notice of:
- (i) the proposed terms of the issue or offer proposed under paragraph (h); and
 - (ii) the right to exercise the Option holder's Options under paragraph (h).
- (j) If the Company makes a bonus issue of Shares or other securities to Shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of an Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the Option is exercisable is increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for determining entitlements to the issue, in accordance with the Listing Rules.

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- (k) If the Company makes a pro rata issue of Shares (except a bonus issue) to existing Shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, the exercise price of each Option is reduced in accordance with the Listing Rules.
- (l) If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the Option holder (including the number of Options to which each Option holder is entitled and the exercise price) is changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (m) Any calculations or adjustments which are required to be made under these Option Terms of Issue will be made by the Board and will, in the absence of manifest error, be final and conclusive and binding on the Company and the Option holder.
- (n) The Company must within a reasonable period give to each Option holder notice of any change under paragraphs (h) to (l) (inclusive) to the exercise price of any Options held by an Option holder or the number of Shares for which the Option holder is entitled to subscribe on exercise of the Options.
- (o) When exercising Options, an Option holder must give the Company or its share registry a Notice of Exercise of Options Form (in a form approved by the Company), together with payment of the exercise monies payable to the Company in connection with the Options being exercised and, if one was issued, the Option holder certificate.
- (p) The Options are exercisable on any Business Day during the Option Exercise Period. An Option holder may only exercise Options in multiples of 1,000,000, unless the Option holder exercises all of its Options (or any remaining Options, if less than 1,000,000).
- (q) If an Option holder exercises less than the total number of its Options, the Company must cancel the Option certificate (if any) and issue the Option holder a new certificate or holding statement for the remaining number of Options held by the Option holder.
- (r) Options will be deemed to be exercised on the date that the Notice of Exercise of Option Form is received by the Company in accordance with paragraphs (o) and (p). The Company shall within 5 Business Days after the receipt of such Notice and cleared funds, issue Shares in respect of the Options exercised and dispatch a holding statement to the holder in respect of the Shares so issued.
- (s) The Company will apply to ASX for official quotation of the Shares issued on exercise of the Options on the date of issue of such Shares.
- (t) The Company will advise an Option holder at least 20 Business Days before the impending expiry of their Options and will advise the due date for payment, the amount of money payable on exercise, the consequences of non-payment and such other details as the Listing Rules then prescribe, so as to enable holders to determine whether or not to exercise their Options during the Option Exercise Period.
- (u) These Option Terms of Issue and the rights and obligations of Option holders are governed by the laws of Victoria. Each Option holder irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of Victoria and the Federal Court of Australia and any courts that may hear appeals from those courts about any proceedings in connection with the subscription agreement.

**Schedule 3
Equity Restrictions**

For a period of 12 months, PNG will not obtain a relevant interest in 20% or more of the Company's shares.

For a period of 24 months, PNG will not dispose or agree to dispose of any shares in which it has a relevant interest. Following this period, PNG will not dispose or agree to dispose of the subscription securities to a competitor of the Company without prior Board approval.

For a period of 5 years PNG agrees:

- (a) it will not launch a control transaction in relation to the Company unless it has first been approved by the Board;
- (b) it will not accept or otherwise support a third-party control transaction in relation to the Company unless it has first been recommended by the Board, and that recommendation has not been withdrawn or adversely changed; and
- (c) in the absence of PNG announcing a superior proposal recommended by the Board, it will accept a third-party control transaction that has been recommended by the Board and that recommendation has not been withdrawn or adversely changed.

- Ends -

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