

13 December 2022

ASX Compliance Pty Ltd
Attn: Yulia Gurdina
Senior Adviser, Listings Compliance
20 Bridge Street
Sydney NSW 2000

By Email: ListingsComplianceSydney@asx.com.au

Dear Yulia

BetMakers Technology Group Ltd: Query Letter

We refer to your letter addressed to BetMakers Technology Group Ltd (**Company**) dated 7 December 2022 (**Your Letter**) and provide the following responses (using the corresponding numbering as set out in Your Letter).

Unless otherwise defined in this letter, capitalised terms used in this letter are defined in the Company's Notice of Meeting dated 25 March 2021 (**Notice of EGM**).

1) Does BET consider the additional \$15 million in cash payable to Mr Tripp to be material to BET?

The Company does not consider the payment to Tripp Investments to be material.

2) If the answer to question 1 is 'no', please explain the basis for that view, commenting specifically on the fact that the \$15 million payment exceeded 10% of BET's loss for FY22.

Footnote 236 of ASX Guidance Note 8 refers to paragraph 15 of Accounting Standard AASB 1031 which says that "an amount equal to or greater than 10% of the applicable base amount was generally presumed to be material and an amount equal to or less than 5% of the applicable base amount was generally presumed not to be material..." as the appropriate practice in applying materiality in financial reporting.

The \$15m payment to Tripp Investments (**Tripp Payment**) was an expense of the Company and was categorised as such in the Company's FY22 Annual Report lodged with ASX on 26 August 2022 (**FY22 Annual Report**). As such, the applicable base metric for ascertaining materiality is the Company's annual expenses. To benchmark the Tripp Payment against 10% of the Company's earnings for FY22 would overstate the effect of the payment on the Company.

The Company considers that the Tripp Payment was not material to BET, or material in the context of the overall BETR Deal, for the following key reasons:

- (a) as at April 2022, the Company's annualized expenses for FY22 were [\$173.7 million]¹, of which the Tripp Payment represented 8.63%;
- (b) the Company's Annual Report for FY22, lodged with MAP on 26 August 2022, states that the Company's statutory expenses for FY22 was \$162,586,000, or \$187,970,000 including

¹ Annualised expenses was calculated as expenses (including COGS) as at April 2022 YTD plus April MTD expenses x2, plus the Tripp Payment and the share-based payment expense attributed to the BETR Deal.

- cost of goods sold. On this basis, the Tripp Payment represented 9.23% of its pro forma statutory expenses, or 7.98% including cost of goods sold;
- (c) whilst the Tripp Payment was treated as an expense for accounting purposes, it needs to be viewed in the context of the 10-year contract with NTD Pty Ltd (**NTD**) to which it relates. As the benefits of the Tripp Payment accrue over the 10-year life of the contract, it would be more economically accurate to amortise the payment over its useful life, generating an annual cost impact of \$1.5m per annum; and
 - (d) under the 10-year contract with NTD in connection with the development of its new wagering venture, BETR (**BETR Deal**), the Company could generate more than \$300 million of revenue, whilst owning the technology platform and IP, with the ability to license that software many times over to other customers.

Notwithstanding the Company's position, in the interests of transparency, the Company did disclose the Tripp Payment in its announcement titled 'BetMakers to power new wagering venture', lodged on MAP on 21 April 2022.

- 3) Noting that BET's shareholders approved the issue of the Performance Securities to Mr Tripp with an expressly stated condition that Mr Tripp would not receive any additional cash consideration, is BET of the view that the change to the terms of the consultancy agreement by paying Mr Tripp additional cash compensation was valid in accordance with the approved resolution? If so, please explain BET's view as to why paragraph 14 of Guidance Note 35 (paragraph H above) does not apply.**

On 17 February 2021, the Company and Tripp entered into the Consultancy Agreement pursuant to which Tripp Investments agreed to procure the services of Matt Tripp "to provide introductions and recommendations to third parties to assist in the Company's growth" (**Services**) in consideration for the issue of the Advisor Equity.

In the course of providing the Services, Tripp introduced the Company to NTD, and recommended the Company's services to NTD in connection with the BETR Deal. An independent expert assessed that the BETR Deal would qualify as a Strategic Deal.

The terms of the BETR Deal will see the Company generate a minimum of \$8.75million in revenue in the first 12 months and a minimum of \$7.5million per annum thereafter, with a minimum commitment of 10 years, representing total minimum revenues of ~\$80 million and potential revenues of over \$300m. Accordingly, the BETR Deal offered the Company significantly greater revenues than what a Strategic Deal required.

The Company notes that:

- (a) Tripp was only obliged to provide introductions and recommendations to third parties to assist in the Company's growth. Tripp was not obliged to introduce the Company to NTD specifically, or recommend to NTD specifically that it should offer the BETR Deal to the Company;
- (b) as a shareholder in NTD, Tripp could have allowed NTD to engage other competitive technology and service providers to power BETR;
- (c) upon NTD engaging the Company for the BETR Deal, given the significant increase in revenue and EBITDA that would be generated by the Company under the BETR Deal, it became significantly more difficult for Tripp to achieve a Transformational Deal and satisfy the vesting conditions attaching to the Class B Performance Rights and the Performance Options before 1 February 2023 (being the expiry of the Vesting Period); and
- (d) Tripp could have earned the Class A Performance Rights by facilitating a Strategic Deal that was significantly less lucrative for the Company than the BETR Deal.

As a result, Tripp was not incentivised to assist the Company in securing the BETR Deal. The Company considered the BETR Deal to be a significant opportunity, not for only substantial revenues, but also reputational and asset growth. To this end, the Company felt it was strategically advantageous to secure the BETR Deal, instead of any other potential transaction that would qualify as a Strategic Deal, and recognised that securing the BETR Deal for the Company would involve a different and additional commitment from Tripp in addition to the Services already contemplated under the existing arrangements.

Upon executing the BETR Deal on 21 April 2022, the Company and Tripp also entered into a Deed of Variation of the Escrow Deed (**Escrow Deed of Variation**), which varied the terms of the Escrow Deed to include the Tripp Payment and the increased escrow restrictions on the Class A Performance Rights (and underlying shares).

Under the Notice of EGM, shareholders were not asked to approve the terms of the Consultancy Agreement or the transaction with Tripp as a whole and it was made clear to Shareholders in section 1.2 of the Notice of EGM that the Resolutions relating to the Advisor Equity were not conditional on each other and that Shareholders could approve or not approve any one of those Resolutions. The Notice also stated that the consequence of not passing any of the Resolutions relating to the Advisor Equity would be that Tripp may not be incentivised to pursue Strategic or Transformational Deals for the Company.

Under the Notice of EGM, shareholders were asked to separately approve the issue of each of the Class A Performance Rights, Class B Performance Rights and the Performance Options as separate resolutions under ASX Listing Rule 7.1. In particular, shareholders approved the issue of the Class A Performance Rights on the terms set out in Annexure A in the Notice of EGM and on the basis that 50% of those Class A Performance Rights (and underlying shares) would be subject to voluntary escrow for 3 years. The Escrow Deed of Variation does not change or diminish this arrangement as:

- (e) the Class A Performance Rights still vested on the completion of binding agreements for a Strategic Deal; and
- (f) 50% of the Class A Performance Rights (and underlying shares) are subject to voluntary escrow for 3 years.

The Escrow Deed of Variation, and specifically the Tripp Payment, did not offer extra remuneration to Tripp for the Services under the Consultancy Agreement, nor did it seek to remunerate Tripp for its services in pursuing a Strategic Deal. Rather, the transactions effected under the Escrow Deed of Variation acted as an incentive for Tripp to secure the BETR Deal for the Company (instead of other less lucrative Strategic Deals) and subjects the other 50% of the Class A Performance Rights (and underlying shares) to voluntary escrow to (among other things):

- (g) better ensure Tripp was incentivised to optimise the terms and success of the BETR Deal for the Company;
- (h) better incentivise Tripp to continue to introduce new commercial deals to the Company in circumstances where the Class A Performance Rights have vested and there is no further equity incentive for Tripp to do so;
- (i) better align Tripp's interests with those of the Company and its shareholders; and
- (j) mitigate the risk of a significant amount of additional shares being available to short, and distort the value of, the Company's shares.

The Notice of EGM stated that "*neither Tripp nor Mr Tripp will receive any additional cash consideration for the Services*", being the provision of "*introductions and recommendations to third parties to assist in the Company's growth*". The Tripp Payment was not given in consideration for these Services, rather, the Tripp Payment was given in consideration for Tripp agreeing to voluntarily escrow an additional 50% of the Class A Performance Rights (and underlying shares) in addition to those escrowed under the existing arrangement, and the parties only agreed to enter into this arrangement on execution of the BETR Deal.

- 4) Is BET's disclosure at paragraph C accurate in that the only reason Mr Tripp was entitled to an additional \$15,000,000 cash consideration was due to his willingness to place additional escrow restrictions on the Performance Securities?**

The inference of Question 4 is inaccurate in that the parties understood that the Escrow Deed of Variation would not be executed unless the BETR Deal had been executed. This is why the Escrow Deed of Variation was executed and announced simultaneously with the BETR Deal. The Company also notes that, in Note 6 to the Financial Statements in the FY22 Annual Report, the Company referred to "the \$15,000,000 payment made in relation to executing the NTD consortium deal". Accordingly, the Company has always represented the Tripp Payment in the context of the BETR Deal notwithstanding that Tripp had no entitlement to the Tripp Payment outside of the Escrow Deed of Variation.

The Company can confirm that the disclosure at paragraph C of Your Letter is accurate and notes that this statement was given in the context of the whole announcement on 21 April 2022.

- 5) If the answer to question 4 is 'no', please provide adequate disclosure in accordance with Listing Rule 3.1, and explain why this disclosure was not made in the first instance.**

N/A

- 6) If the answer to question 4 is 'yes', is ASX's characterisation of Mr Buckingham's alleged comments at BET's general meeting accurate? Please provide an explanation of Mr Buckingham's alleged comments with adequate context.**

The statements in paragraph D of Your Letter do not accurately reflect Todd Buckingham's statements at the annual general meeting and mischaracterise the business rationale behind the Tripp Payment. Please see the response to Question 3 above for further context to the business rationale underpinning the Tripp Payment.

Mr Buckingham's comment in relation to Matt Tripp's assistance was made in response to another question regarding the ongoing relationship with Matt Tripp and not in the context of the Tripp Payment. Mr Buckingham's comment referred to the support, advice and guidance Matt Tripp had offered BetMakers and Mr Buckingham in his role as CEO prior to and since executing the BETR Deal and which are outside of the Services Tripp is contracted to provide. Mr Buckingham's comment intended to convey the strong relationship that has developed with Matt Tripp and that Matt Tripp is acting in complete alignment with the Company's best interests.

At the AGM, Mr Buckingham made a statement that the Tripp Payment was not related to the escrow. For the avoidance of doubt, the Company confirms that this statement was incorrect. Please see the response to Question 3 for further context.

- 7) Will Mr Tripp receive any further remuneration for his continued advisory services? If so, please provide all relevant details.**

Tripp is not entitled to any further remuneration for the continued Services provided under the Consultancy Agreement other than the continued entitlement to the Class B Performance Rights and Performance Options that have been approved by shareholders. However, given the value created

by the BETR Deal, the hurdle for achieving a Transformational Deal is now even higher and would add even further value to shareholders if Tripp were to deliver such a transaction.

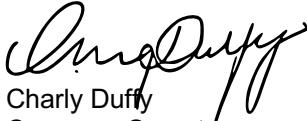
- 8) **Please confirm that BET is complying with the Listing Rules and, in particular, Listing Rule 3.1.**

The Company is complying with the Listing Rules and, in particular, Listing Rule 3.1.

- 9) **Please confirm that BET's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of BET with delegated authority from the board to respond to ASX on disclosure matters.**

The Company's responses above have been authorised by the Board.

Yours faithfully



Charly Duffy
Company Secretary
BetMakers Technology Group Ltd



7 December 2022

Reference: ODIN65324

Ms Charlie Duffy
Company Secretary
Betmakers Technology Group Ltd
Suite 19, Level 2 50 Glebe Road
THE JUNCTION NSW 2291

By email

Dear Ms Duffy

Betmakers Technology Group Ltd ('BET'): Query Letter

ASX refers to the following:

- A. BET's announcement titled 'Notice of General Meeting, lodged on the ASX Market Announcements Platform ('MAP') on 25 March 2021, which sought approval from shareholders for the issue of up to: 35,000,000 Class A performance rights; 32,000,000 Class B performance rights; and 32,000,000 performance options to Tripp Investments Pty Ltd (collectively referred to, the 'Performance Securities'). A three-year escrow would apply to 50%-65% of the securities. The Consultancy Agreement stipulated specifically that:

"Neither Tripp nor Mr Tripp will receive any additional cash consideration for the Services."
- B. BET's announcement titled 'Results of Meeting', lodged on MAP on 26 April 2021, which stated that approval was granted for the Performance Securities.
- C. BET's announcement titled 'BetMakers to power new wagering venture', lodged on MAP on 21 April 2022 which stated:

"After an independent expert evaluated the Agreement as satisfying the criteria for a 'Strategic Deal', the 35 million Class A Performance Rights have vested. Tripp has agreed to increase the escrow arrangement to 100% on the Class A Performance Rights (and any shares issued on conversion) for a period of 3 years in return for consideration of \$15 million.

Mr Tripp will continue to be engaged with the Company exclusively advising on B2B opportunities."
- D. Intelligence received by ASX, which suggests that at BET's AGM on 22 November 2022, BET's CEO, Todd Buckingham made comments to the effect that the business rationale behind granting additional consideration of \$15,000,000 to Mr Tripp was *"because it was more than a strategic deal and because Matt [Tripp] has helped me personally"*.
- E. BET's Annual Report for FY21, lodged on MAP on 30 August 2021, which stated that BET's net loss after tax for FY21 was approximately \$17 million, and BET's book value of equity was approximately \$195 million.
- F. BET's Annual Report for FY22, lodged on MAP on 26 August 2022, which stated that BET's net loss after tax for FY22 was approximately \$89 million, and BET's book value of equity was approximately \$189 million.
- G. Guidance Note 8, which provides relevantly at paragraph 7.3 in relation to what constitutes materiality from an earnings perspective:

“Entities in the ASX 300 or that normally have very stable or predictable earnings should consider applying a materiality threshold of 5% rather than 10%. Entities outside the ASX 300 that have relatively variable earnings may consider it more appropriate to apply a materiality threshold of 10%.”

H. Guidance Note 35, which states at paragraph 14 in relation to stale resolutions (relevantly):

“Where a transaction is approved by a listed entity’s security holders under the Listing Rules and, in ASX’s opinion:

...

- *There is a material change in the terms of the transaction from those approved by security holders*

...

ASX may require the entity to seek a fresh approval from its security holders under the applicable Listing Rule.”

I. Listing Rule 3.1 which states:

“Once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity’s securities, the entity must immediately tell ASX that information.”

Request for Information

Having regard to the above, ASX asks BET to respond separately to each of the following questions and requests for information:

1. Does BET consider the additional \$15 million in cash payable to Mr Tripp to be material to BET?
2. If the answer to question 1 is ‘no’, please explain the basis for that view, commenting specifically on the fact that the \$15 million payment exceeded 10% of BET’s loss for FY22.
3. Noting that BET’s shareholders approved the issue of the Performance Securities to Mr Tripp with an expressly stated condition that Mr Tripp would not receive any additional cash consideration, is BET of the view that the change to the terms of the consultancy agreement by paying Mr Tripp additional cash compensation was valid in accordance with the approved resolution? If so, please explain BET’s view as to why paragraph 14 of Guidance Note 35 (paragraph H above) does not apply.
4. Is BET’s disclosure at paragraph C accurate in that the only reason Mr Tripp was entitled to an additional \$15,000,000 cash consideration was due to his willingness to place additional escrow restrictions on the Performance Securities?
5. If the answer to question 4 is ‘no’, please provide adequate disclosure in accordance with Listing Rule 3.1, and explain why this disclosure was not made in the first instance.
6. If the answer to question 4 is ‘yes’, is ASX’s characterisation of Mr Buckingham’s alleged comments at BET’s general meeting accurate? Please provide an explanation of Mr Buckingham’s alleged comments with adequate context.
7. Will Mr Tripp receive any further remuneration for his continued advisory services? If so, please provide all relevant details.
8. Please confirm that BET is complying with the Listing Rules and, in particular, Listing Rule 3.1.

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9. Please confirm that BET's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of BET with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:00 AM AEDT Tuesday, 13 December 2022**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, BET's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require BET to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsComplianceSydney@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading Halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in BET's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in BET's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to BET's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that BET's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Regards

Yulia Gurdina

Senior Adviser, Listings Compliance (Sydney)