



## **ASX RELEASE**

16 April 2020

# **\$300,000 Convertible Notes issue and substantial cost saving measures implemented**

### **Highlights:**

- **\$300,000 capital raise commitments secured via the issue of Convertible Notes to provide working capital and strengthen SportsHero's balance sheet**
- **Cost savings implemented - total cash savings of over \$1,000,000 per annum**
- **Operating cash burn to reduce to \$60,000 per month – ability to withstand challenging market environment through to end of calendar year**

### **Convertible note issue**

SportsHero Limited (“**SportsHero**” or the “**Company**”) (**ASX: SHO**) is pleased to announce that it has received irrevocable commitments for the raising of \$300,000 pursuant to the issue of 300 Convertible Notes. The terms and conditions of the 300 Convertible Notes are set out in Schedule 1.

### **Cost savings implemented in response to COVID-19 and disruptions to Indonesian and Spanish football leagues**

In response to the COVID-19 pandemic, the Company advises that it has implemented material cost reduction measures to ensure the Company can outlast a significant downturn. Cost saving measures include the following:

- ✓ the standing down all contracted team members, whilst retaining the ability to scale up immediately following the COVID-19 crisis
- ✓ Chairman and Directors to forego remuneration for the period commencing 1 March 2020 to 30 June 2020 (inclusive)
- ✓ CEO and senior staff to take a 50% salary cut
- ✓ renegotiation of all retainers, subscription services and reduction of leased office space

The recent postponement and/or cancellation of all sporting events by both the Indonesian and the Spanish football leagues will have a temporary, although material impact on the Company's ability to generate revenues from its prediction platforms, sponsor and partner advertising and ticketing. As a response, the Company has implemented substantial cost saving measures, whilst at the same time retaining key talent and personnel in order to retain the ability

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to rapidly scale up in the future. Total annual cash savings of in excess of \$1,000,000 have now been implemented.

The SportsHero Board thanks our team, sporting associations, business partners and shareholders for their contribution to the Company through this challenging period and wishes them and their families good health and well-being during the COVID-19 crisis.

**SportsHero CEO Tom Lapping commented:** "The raising of the \$300,000 and the implementation of the substantial cost savings provides the Company with 6 to 8 month runway to outlast the COVID-19 crisis and the disruptions to the Indonesian and Spanish football leagues."

**Authorised for release by the Board**

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## SCHEDULE 1

### Convertible Notes - terms and conditions

<b>Face Value of each Convertible Note:</b>	AUD\$1,000
<b>Term:</b>	The Convertible Notes will be issued on the Subscription Date and if not already converted or redeemed shall be converted one (1) year from the Subscription Date issue ( <b>Conversion Date</b> ).
<b>Conversion Shares:</b>	Each Convertible Note will be convertible into that number of Conversion Shares as calculated in accordance with the following formula: $\text{Number of Conversion Shares} = \text{Face Value} / \text{Subscription Price}$
<b>Interest:</b>	Interest shall be payable in Shares on the Principal Amount calculated from the Subscription Date until the Convertible Notes are either redeemed or converted into Shares at the rate of 10% per annum and such Shares to be issued at an issue price equal to the Subscription Price.
<b>Conversion or Repayment at Subscriber's election:</b>	<p>The Subscriber may, at any time after six (6) calendar months following the Subscription Date, give notice to the Company of its election to convert some or all of the Convertible Notes into Shares by providing the Company with written notice (<b>Subscriber Notice</b>).</p> <p>(a) In the event that the Subscriber elects to convert all or a proportion of the Convertible Notes, the number of Shares to be issued upon conversion will be calculated by dividing the Face Value of the Convertible Notes being converted by the Subscription Price.</p> <p>(b) The conversion of the Convertible Notes into Shares in accordance with sub-paragraph (a) above will operate in full satisfaction of the Company's obligation to the Subscriber in respect of the outstanding Principal Amount on the Convertible Notes so converted.</p> <p>(c) The Company shall issue the Shares to which the Subscriber is entitled upon conversion of Convertible Notes no later than 5 Business Days after receiving the Subscriber Notice.</p> <p>(d) If the Convertible Notes are converted, the Company will make application for official quotation by ASX of all Shares issued upon the conversion and ensure all Shares are freely tradable as soon as reasonably practicable after Shares are so issued.</p>

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	(e) The Subscriber is prohibited from being issued Shares on conversion of Convertible Notes if to do so would have the effect that the Subscriber (together with its associates) would hold a relevant interest exceeding 19.99% or more in the issued share capital of the Company, unless the issue of Shares to the Subscriber satisfies any of the exemptions in Section 611 of the Corporations Act.
<b>Conversion on Conversion Date if no Subscriber Notice provided:</b>	If on the Conversion Date no Subscriber Notice has been received by the Company then the Convertible Notes will be converted into Shares
<b>Ordinary Shares Ranking:</b>	Shares issued on conversion of the Convertible Notes will be fully paid, will be unencumbered and will rank <i>pari passu</i> in all respects with the fully paid ordinary shares in the Company on issue.
<b>Conversion upon Change of Control:</b>	<p>In the event the Company is subject of a Change of Control (as defined below), the Company shall have the right to convert or redeem the Convertible Notes by written notice to the Subscriber at any time following the Change of Control occurring, following which such conversion and/or redemption shall occur within 10 Business Days following receipt of such notice by the Subscriber.</p> <p>For the purposes of this clause, <b>Change of Control</b> shall mean:</p> <ul style="list-style-type: none"> <li>(a) a bona fide takeover bid is declared unconditional and the bidder has acquired a relevant interest in at least 50.1% of the Company's issued shares;</li> <li>(b) a court approves a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or</li> <li>(c) in any other case, a person obtains voting power in the Company which the Board (which for the avoidance of doubt will comprise those directors immediately prior to the person acquiring that voting power) determines, acting in good faith and in accordance with their fiduciary duties, is sufficient to control the composition of the Board.</li> </ul>
<b>Redemption on Occurrence of Event of Default:</b>	The Company is required to redeem unconverted Convertible Notes for their Face Value plus any unpaid interest on the earlier of 10 Business Days following a demand by the Subscriber on the occurrence of an Event of Default (as defined below) which is not remedied by the Company within 5 Business Days.

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<b>Reconstruction:</b>	If there is a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, then the number of Shares into which each Convertible Note is convertible will be adjusted in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of such reconstruction so that the Convertible Notes are convertible into the same percentage of the issued ordinary share capital of the Company as the percentage into which they are convertible immediately before the relevant reconstruction and in a manner which will not result in any additional benefits being conferred on the Subscriber which are not conferred on the shareholders of the Company.
<b>Escrow:</b>	The Convertible Notes, or Conversion Shares issued on conversion of Convertible Notes, may be subject to escrow for a period as required by ASX.
<b>Failure to Convert:</b>	If on the Conversion Date the Conversion Share are not issued, the Convertible Notes remains on issue until the Subscriber receives the Conversion Shares in respect of the Convertible Notes. This clause does not affect the obligation of the Company to issue the Conversion Shares.
<b>Event of Default:</b>	<p>It is an event of default, whether or not it is within the control of the Company, where:</p> <ul style="list-style-type: none"> <li>(d) <b>Non-remediable failure:</b> the Company fails to perform or observe any material undertaking, obligation or agreement expressed in this Agreement and the Company does not remedy such failure within 14 days, or a longer period determined by the Subscriber, after receipt by the Company of a notice from the Subscriber specifying the failure;</li> <li>(e) <b>Receiver:</b> a receiver, manager, official manager, trustee, administrator or similar official is appointed, or steps taken for such appointment, over any of the assets or undertaking of the Company;</li> <li>(f) <b>Insolvency:</b> the Company is or becomes unable to pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act or is presumed to be insolvent under the Corporations Act;</li> <li>(g) <b>Administrator:</b> an administrator is appointed or a resolution is passed or any steps are taken to appoint, or to pass a resolution to appoint, an administrator to the Company;</li> <li>(h) <b>Winding up:</b> an application or order is made for the winding-up or dissolution of the Company, which application is not dismissed or withdrawn within 21 days or a resolution is</li> </ul>

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	<p>passed or any steps are taken to pass a resolution for the winding-up or dissolution of the Company otherwise than for the purpose of an amalgamation or reconstruction; or</p> <p>(i) <b>Suspends payment:</b> the Company suspends payment of its debts generally,</p> <p>(together, <b>Events of Default</b>).</p>
<b>Voting rights and Participation Rights:</b>	<p>(a) Before conversion of the Convertible Notes, the Subscriber will be entitled to attend general meetings of the Company but is not entitled to vote any Conversion Shares issuable upon conversion of the Convertible Notes until such time as such Conversion Shares have been issued.</p> <p>(a) Before conversion, the Subscriber is not entitled to participate in rights issues, returns of capital, bonus issues or capital reconstructions of the Company.</p>

## Glossary

In this announcement, the following terms have the following meanings:

**Agreement** means an agreement constituted by a Convertible Notes Subscription Agreement executed by a Subscriber and the Company.

**ASX** means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange (as the context requires).

**ASX Listing Rules** means the listing rules of the ASX.

**Business Day** means a day on which banks are open for business in Perth, Western Australia, excluding a Saturday or a Sunday or a public holiday.

**Company** means SportsHero Limited.

**Conversion Date** has the meaning given to that term in Schedule 1 above.

**Conversion Shares** means that number of Shares issued to a Subscriber following conversion of Convertible Notes by a Subscriber.

**Convertible Notes** means convertible notes in the Company each with a Face Value of \$1,000 which are subscribed for by a Subscriber and are convertible into Shares in accordance with the terms and conditions of the convertible notes.

**Convertible Notes Subscription Agreement** means an agreement entered into by a Subscriber to subscribe for Convertible Notes.

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**Corporations Act** means the *Corporations Act 2001* (Cth).

**Face Value** means \$1,000 per Convertible Note.

**Principal Amount** is that amount equal to the number of Convertible Notes in the Company which are subscribed for by a Subscriber, multiplied by the Face Value of each Convertible Note.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of Shares.

**Subscriber** means a subscriber for Convertible Notes.

**Subscription** means the subscription by the Subscriber for Convertible Notes under the Agreement.

**Subscription Date** means the date that is 5 Business Days after the date of the Agreement, or such other date as the Company and the Subscriber may otherwise agree in writing.

**Subscription Price** means the lower of:

\$0.03; or

80% of the volume weighted average price of Shares trading on ASX over the 7 trading days prior to the Conversion Date.