SportsHero

31 October 2022

Quarterly Activities Report for the quarter ended 30 September 2022

Highlights

- **Substantial progress with our China strategy, in the largest esports gaming market in the world**
- **Logitech - first commercial sponsor for Chinese App**
- **First Australian professional prediction tournament goes live**
- **Supplier agreement with digital gift card giant Prezzee**
- **Partnerships with Indonesia's premier junior football leagues, Liga Top Skor**
- **Appointment of a highly experienced Non-executive Chair, with significant commercial, legal, ASX, corporate governance and operational experience**

China

In the largest esports market in the world, SportsHero Limited (**SportsHero**) has been systematically building and strategically progressing its China strategy. In that regard, on 31 August 2022 SportsHero soft launched its co-branded initial esports tournament in partnership with Wuhan Esports Association (the 2nd largest esports association in China).

SportsHero is positioning itself to be a world leader in the rapidly expanding esports market by introducing our artificial intelligence predictor and delivering unique esports prediction competitions. In addition, SportsHero is targeting tournament organisers, game publishers and other esports associations by expanding its esports offering to include tournament management and player registration.

SportsHero is further planning to apply its proprietary deep learning-based predictor across multiple sports and/or sporting events globally.

Accomplished highlights in China and related information

1. The Company's office, in Shanghai, has been established and key esports recruitments completed, including the following:

    - esports Tournament specialist, with in excess of 10 years experience in esports team management and development and tournament design;
    - Marketing Manager, who has worked closely with NetEase, Inc. (HKG:9999) and will manage our marketing and promotional activities throughout China; and
    - Social Media specialist who is responsible for the generation of content for our social media presence across Weibo, WeChat and Little Red Book.

2. Wuhan Esports Association (**WEA**) (the second largest Esports association in China) and Wuhan Monster Technology (**WMT**).

    - The parties have successfully completed and launched the WEA app on WeChat and we are awaiting the start of the first tournament, scheduled for the end of this calendar year;

- This newly launched WEA app on WeChat is a complete esports tournament management and registration platform for WEA and its members;
- Every esports player who wants to participate in a tournament hosted by WEA, must register and set up an account on SportsHero's platform;
- As user registration and payment is mandatory for entry into all tournaments, the 12 tournaments WEA schedules every calendar year ensures user uptake and hence revenue for SportsHero;
- Registration fees are yet to be determined and all revenue generated is to be split on a 50/50 basis between WEA and SportsHero; and
- WMT (the commercial and operating arm of WEA) has facilitated a number of offline events to market and promote the upcoming WEA events and tournaments;



Screenshots of the WEA app on WeChat

3. Commencing on 10 November 2022, SportsHero China will launch FIFA World Cup Qatar 2022 prediction competitions on WeChat.

    - With a huge football following in China, SportsHero is preparing for a month long prediction competition throughout the 2022 FIFA World Cup in Qatar;
    - The World Cup commences on 20 November and culminates in the World Cup Final on 18 December 2022; and
    - SportsHero has received multiple expressions of interest from both government and commercial parties for the running of a Chinese national World Cup prediction tournament.

4. Launch of SportsHero's Esports fully localised mobile app for China scheduled for 21 November 2022.

    - As a result of the strong interest in the prediction competitions hosted on SportsHero Esports WeChat app, SportsHero is now developing a traditional mobile app that will include more

features and functions that will expand our product and commercial opportunities to game publishers and tournament organisers;

- The fully localised Esports mobile app has been in the development stage for in excess of three months and is scheduled to be launched on 21 November 2022;
- The app will be available at both the Apple Store and Google Playstore; and
- The Esports mobile app will include news, a match data centre, live broadcasts of esports events, social engagement modules, community forums and daily mini-games to accelerate user growth and encourage user engagement.



Screenshots from the fully localised China app

5. SportsHero has completed the development of prediction competitions for a new game title in China (Honor of Kings) and will launch prediction competitions to cover the upcoming Tencent organised Honor of Kings World Championship Cup 2022.

    - Honor of Kings has been developed by Tencent and is ranked the top mobile game in China; [1]
    - It is the App Store's top 10 most downloaded app in the world, with over 500 million registered users in China alone; [1]
    - The average daily usage time is 2.23 hours;[1]
    - Honor of Kings World Championship Cup is scheduled for 21 November 2022;
    - Honor of Kings generated about US$1.24 billion, across the world, in the first seven months of 2022;[1] and
    - Honor of Kings World Championship Cup is an annual tournament with a total prize pool of 67.5 million RMB (~ AU $14.7 million) in 2022.[1]

Collaboration Agreement with Logitech

On 7 July 2022, SportsHero advised that Logitech (China) Technology Co Ltd (**Logitech**) (a wholly owned subsidiary of Swiss multinational Logitech International SA) has executed a Collaboration Agreement (**Agreement**) with SportsHero to be our first commercial sponsor for SportsHero's recently launched Chinese app (which includes our artificial intelligence prediction competitions) on Tencent Holdings Ltd's (HKG: 0700) WeChat platform.

Logitech International SA is a Swiss multinational manufacturer of computer peripherals (including gaming hardware) and software, with headquarters in Lausanne, Switzerland and Newark, California. In 2021. Logitech International SA generated over US$5.25 billion[1] in revenue and is listed on both the Swedish Stock Exchange (SIX: LOGN) and Nasdaq in the USA (NASDAQ: LOGI).

The initial Sponsorship provided by Logitech comprises Logitech products (including some limited edition gaming products) to the value of US$15,000 that will be offered as prizes to competition winners during the current quarter. The Logitech products include the following:

- 8 Logitech G913 TKL wireless keyboards
- 4 limited edition gaming mouse
- 12 G733 headphones
- 12 G610 Red Axis keyboards
- 20 G502 SE Hero gaming mouse
- 20 A10 Astro headphones
- 10 G33 computing accessories
- 20 G102 gaming mouse.

In consideration for the sponsorship, SportsHero will promote Logitech products on our Chinese app via the creation of a Logitech branded prize pool page.

Australia

In August 2022, SportsHero launched 3 professional Australian esports prediction tournaments (mobile site esportshero.com), across three major esports titles, League of Legends, Dota 2 and CS:GO.

In conjunction with and to support the tournaments, strategic trial marketing campaigns were implemented with Google Adwords and global community network Reddit. The campaigns delivered over 21,000 esportshero.com site engagements and outperformed both Reddit and Google advertising industry benchmarks.

Supplier agreement with gift card giant Prezzee

On 21 September 2022, the Company announced that its wholly owned Australian subsidiary, EsportsHero Pty Ltd (EsportsHero), executed a two year Australian Gift Card Supplier Agreement (Agreement) with digital gift card giant Prezzee Pty Ltd (**Prezzee**).

Prezzee operates a leading global digital gifting platform with operations in North America, United Kingdom, Australia and New Zealand.

Prezzee's platform is entirely digital and offers a seamless integration via its application programming interface. In so doing, Prezzee helps small and large businesses grow their revenue and market share with a customised white-label marketplace featuring a catalogue of 300+ Gift Cards.

EsportsHero users will be able to purchase Gift Cards from Google Play, Apple iTunes, League of Legends, Roblox and EA Origin Access to redeem online in their gaming accounts.

In accordance with the Agreement, the purchasing of Gift Cards will be available to only EsportsHero users located within Australia.

Indonesia

OlahBola Ellevate

On 6 July 2022, SportsHero announced the formation of a partnership with Indonesia's premier junior football leagues.

Pursuant to that partnership, SportsHero, the UK based Footie Group Ltd (owners of the world leading football talent scouting app, Ellevate Football) and PT Top Skor (**Top Skor**), who are the owners and operators of youth football leagues throughout Indonesia (**Liga Top Skor**), agreed to sponsor the 2022-2023 Liga Top Skor.

In consideration for the sponsorship, Top Skor agreed to actively promote SportsHero's OlahBola Ellevate Football platform (**OlahBola Ellevate**) to their youth football players, clubs and leagues across Indonesia.

OlahBola Ellevate is a subscription revenue product that is fully integrated into SportsHero's OlahBola app and allows aspiring amateur footballers to showcase their skills to scouts from leading football clubs worldwide.

Board Changes

On 13 October 2022, Mr Stratos Karousos was appointed as Non-executive Chair of the Company.

Stratos Karousos –

Mr Karousos (Bachelor of Law and Master of Commerce) is an experienced director and senior executive with deep corporate and legal experience gained mostly in Australia, Hong Kong, Singapore and the United States.

Stratos is currently a non-executive director of robotics company Nightingale Intelligent Systems Inc (ASX: NGL) and Australian online retailer, Aumake Limited (ASX; AUK).

He has previously held positions as CEO and director of Elixinol Wellness Limited (ASX: EXL) and has held senior roles in global organisations including Wise Tech Global Limited (ASX: WTC) and Baker McKenzie.

John Dougall

The appointment of Stratos results from Mr John Dougall's decision not to stand for re-election at the Company's 2022 Annual General Meeting.

John was appointed as a Non-executive Director and Chair of SportsHero on 30 October 2019 and throughout his three year tenure has served the Company with distinction. The Board of SportsHero sincerely thanks John for his wisdom, guidance and commitment during what has truly been a dynamic and formative period for the Company.

Cash and expenditure (A$'000)

Net cash used in operating activities for Q1 FY22/22 totaled $744k, which included the following:

- China app development costs $160k
- China office and administration costs $67k
- China marketing and promotional costs $20k
- Australia app development costs $111k
- Australia esports marketing, promotional and staff costs $108k
- OlahBola operating & development costs, staff costs and promotion & marketing $45k
- OlahBola content and software services $22k
- Esports predictor consultancy fees $51k
- Ellevate promotion & marketing, staff costs and development costs $55k

- corporate costs, staff costs, administration, professional and legal expenses $107k

Cash at bank as at 30 September 2022 totaled $1.8m.

During Q1 FY22/23 a total of $96.5k was paid to related parties of the Company as follows:

- $55k for the provision of full-time services by a director
- $19k for director fees paid to non-executive directors
- $21k for the provision of services by a non-executive director
- $1.5k to a non-executive director for office rent

Authorised for release by the Board

Michael Higginson
Director/Company Secretary

Telephone: +61 42 999 5000

1. https://www.statista.com/statistics/1231125/tencent-global-mobile-game-revenue-of-honor-of-kings/]

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
SportsHero Limited	
ABN	**Quarter ended ("current quarter")**
98 123 423 987	30 September 2022

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	2	2
1.2	Payments for		
	(a) research and development	(188)	(188)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(18)	(18)
	(d) leased assets	-	-
	(e) staff costs	(231)	(231)
	(f) administration and corporate costs	(313)	(313)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	4	4
1.9	**Net cash from / (used in) operating activities**	**(744)**	**(744)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,557	2,557
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(744)	(744)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	2	2
4.6	**Cash and cash equivalents at end of period**	**1,815**	**1,815**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	1,815	2,557
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,815**	**2,557**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	96
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(744)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,815
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,815
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	2.44

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

31 October 2022

Date: .....

The Board of SportsHero Limited

Authorised by: .....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.