



28 April 2023

Quarterly Activities Report for the quarter ended 31 March 2023

Highlights

- Significant progress was made during the quarter in China, the largest esports gaming market in the world
- Commercial Agreement executed with Shanghai Fumin Sports and Culture Co. Ltd, the esports tournament and events provider of Netease Games (Nasdaq : NTES and HKEL: 9999)
- Secured A\$100,000 sponsorship agreement with high profile esports betting company Rivalry
- Aim Assist Analysis (AAA) available for download at both the Apple and Google app stores
- The AAA algorithm continues to perform at above 80% prediction accuracy
- Expansion into 6 new Asia Pacific markets, through an exclusive partnership with TALON Esports

China

In the largest esports market in the world, SportsHero Limited (**SportsHero**) has continued to build and deliver its China strategy.

On 30 March 2023, the Company announced the execution of a 3 year legally binding terms sheet (**Terms Sheet**) with Shanghai Fumin Sports and Culture Co. Ltd (**FMWH**), the esports tournament and events provider of Netease Games – one of China's largest esports game publisher. Netease Games is listed on NASDAQ: NTES and HKEX: 9999.

Pursuant to the Terms Sheet, SportsHero's app (including its artificial intelligence prediction competitions) will be promoted across the Netease game titles including OPL (Onmyoji Arena Pro League).

FMWH has amassed a significant following and audience viewership growth for Netease and their impressive portfolio of clients that include Tencent, Riot Games, Valve, EA Sports and Blizzard.

The parties have agreed that all revenue generated from all sources, including memberships, subscriptions, advertising, sponsorship and ecommerce, will be share equally after deducting agreed costs and expenses.

Commercial obligations

In accordance with the Terms Sheet, SportsHero will:

- develop and operate its Chinese tournament management app and predictions competitions for FMWH;
- collaborate on the design, development, maintenance, upgrading and redevelopment of predictions competitions and the user facing product for use by FMWH; and
- provide relevant tournament and registration management technology, including artificial intelligence predictors for esports tournaments available on the FMWH mini program on WeChat.

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In accordance with the Terms Sheet, FMWH will:

- promote, engage and activate all their leagues, teams, registered gamers and promote SportsHero's app amongst all existing and potential corporate and commercial partners; and
- use reasonable endeavours to introduce and deliver advertising and sponsorship opportunities for the prediction competitions.



Figure 1. FMWH Global Partners and clients

Australia

On 31 January 2023, SportsHero announced the execution of a A\$100,000 sponsorship agreement (**Agreement**) with fully regulated sports betting and entertainment company, Rivalry Australia Pty Ltd (**Rivalry**).

Pursuant to the Agreement, Rivalry has been appointed for one year as the “Official Australian Sponsor” of SportsHero’s Aim Assist Analysis subscription based esports betting guide app.

About Rivalry

Focusing on esports as a brand and product, Rivalry has grown into the most engaged esports betting brand globally. Rivalry offers betting on all major esports as well as a range of traditional sports. With a wholly owned and internally developed proprietary tech stack, double digit month-over-month growth and profitable customer unit economics, Rivalry is building the leading betting and entertainment destination for the next generation.

Rivalry’s customer demographic is weighted toward Gen Z bettors, with users aged 18-24.

Progress during the quarter

During the quarter, AAA became available for download at both Apple’s App Store and Google’s Google Play Store and the initial subscription cost was set at A\$19.99 per month.

Unfortunately, technical integration issues were encountered during the quarter between Rivalry and SportsHero’s AAA platform. These issues resulted in the parties delaying the launch until 19 April 2023.

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These delays included the need for additional development work to ensure the precise and accurate tracking of referred users from AAA to Rivalry.

As a consequence of these tracking problems, the planned marketing campaigns to drive traffic to AAA were also delayed.

All required technical work has now been completed and the 8 week go-live awareness and engagement campaign (via YouTube, Reddit and Meta) and the subscribe and conversion campaign (via Google, Reddit and Meta) were activated on 19 April 2023.

With the integration delays behind us and the activation of the awareness and marketing campaigns, SportsHero anticipates the commencement of revenue generation in the June quarter of 2023.



Aim Assist Analysis (AAA)

AAA is SportsHero's dedicated esports betting guide app that leverages an enhanced betting algorithm (that has been developed from SportsHero's proprietary esports artificial intelligence technology) to generate daily esports tips and analysis, exclusively for esports betting.

In order to optimise AAA's accuracy for the Australian market, 4 updates have recently been released:

- Version 1.0 released on 26 January 2023
- Version 1.0.6 released on 26 February 2023
- Version 1.0.7 released on 26 March 2023
- Version 1.0.8 released on 19 April 2023

Throughout the quarter, the AAA algorithm delivered the following accuracy performance:

- January 84% accuracy;
- February 82% accuracy; and
- March 80% accuracy.

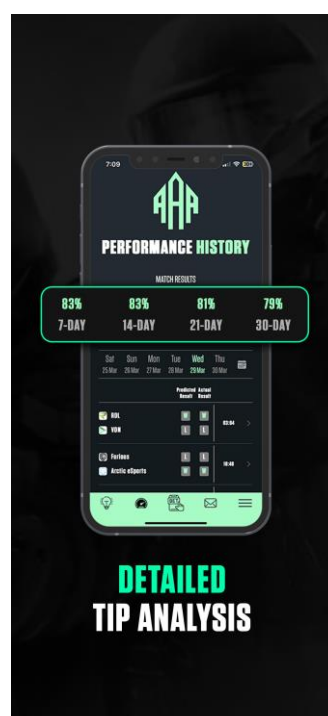
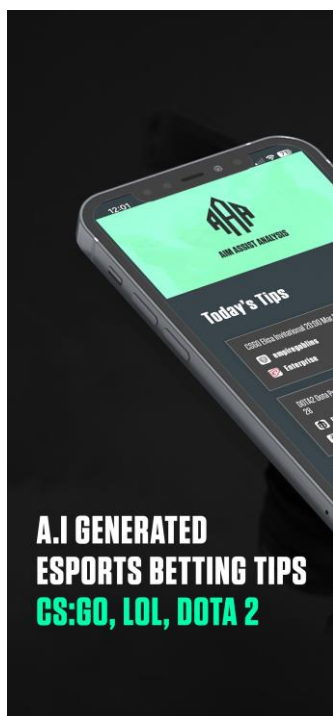
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Indonesia

OlahBola Ellevate

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

Pursuant to the 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.

Progress during the quarter

During the quarter, the integration of Ellevate Football with OlahBola Ellevate was not completed as a result of Liga Top Skor data cleansing issues.

As a consequence of these delays, marketing activities have been deferred until the June 2023 quarter.

Subsequent events

On 27 April 2023, the Company announced the execution of a 3 year legally binding agreement (**Agreement**) with Hong Kong based TALON Esports Limited (**TALON**).

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With a diverse range of revenue streams, including tournament winnings, sponsorship, player transfers, publisher fees and the sale of merchandise both physical and digital, as well as events and its own creative studio, TALON brings the discipline of traditional sport to competitive gaming. It is particularly known for its PSG TALON team, which plays League of Legends, in partnership with the esports division of legendary French sporting club Paris Saint-Germain.

TALON is Asia Pacific's fastest growing esports brand (with a 20m+ fan base) winning 4 out of the last 5 championships in the PCS (League of Legends). They have qualified for every international tournament since their entry into League of Legends and have continued to build a portfolio across several popular game titles, including League of Legends, Valorant, Dota2, Arena of Valor, Rainbow 6, Tekken 7 and Street Fighter V.

Established in 2017, TALON has successfully grown their fan base in Asia Pacific with 20.2 million fans across all channels including players and influencers. Its partners include the likes of Animoca Brands, PSG, Nike, KFC and Mastercard.

In the last 12 months with 23 TALON owned and managed social channels in 7 different languages across 7 different markets, they have achieved over:

- 61 million average monthly impressions across all TALON channels;
- 10.1 million average monthly views across all TALON live and video content; and
- 4,000 pieces of content produced per month across the entire network.

TALON works and develops with the leading Web3 platforms and are keen to leverage EsportsHero's proprietary technology in esports prediction and tournament management to enhance their esports offering to their network and clientele.



Figure 2: TALON's current client portfolio

Pursuant to the Agreement, SportsHero's proprietary esports prediction and tournament management platform (**App**) will be marketed and promoted by TALON in Hong Kong, Macau, Taiwan, the Philippines, Thailand and India (collectively the **Territory**).

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The parties have agreed that all revenue generated in the Territory from all sources, including memberships, subscriptions, advertising, sponsorship and ecommerce, will be shared equally after deducting agreed costs and expenses.

Cash and expenditure (A\$'000)

Net cash used in operating activities for Q3 FY22/23 totaled \$403k, which included the following:

- China office and administration costs \$60k
- China marketing and promotional costs \$30k
- OlahBola operating & development costs, staff costs and promotion & marketing \$50k
- OlahBola content and software services \$22k
- Esports predictor consultancy fees \$70k
- Ellevate staff costs and development costs \$45k
- corporate costs, staff costs, administration, professional and legal expenses \$126k

Cash at bank as at 31 March 2023 totaled \$262k.

During Q3 FY22/23 a total of \$92k was paid to related parties of the Company as follows:

- \$55k for the provision of full-time services by a director
- \$21k for director fees paid to non-executive directors
- \$14.5k 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



Appendix 4C

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

Name of entity

SportsHero Limited

ABN

98 123 423 987

Quarter ended ("current quarter")

31 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4	22
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(63)	(86)
(c) advertising and marketing	(1)	(100)
(d) leased assets	-	-
(e) staff costs	(211)	(761)
(f) administration and corporate costs	(132)	(713)
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
1.9 Net cash from / (used in) operating activities	(403)	(1,634)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(g) businesses	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(h) property, plant and equipment	(1)	(1)
	(i) investments	-	-
	(j) intellectual property	(202)	(664)
	(k) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(l) businesses	-	-
	(m) property, plant and equipment	-	-
	(n) investments	-	-
	(o) intellectual property	-	-
	(p) 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	(203)	(665)

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	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	866	2,557
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(403)	(1,634)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(203)	(665)
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	4
4.6	Cash and cash equivalents at end of period	262	262

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	262	866
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)	262	866

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	92
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

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7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>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.</i>		
7.1	Loan facilities	500	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	500	-
7.5	Unused financing facilities available at quarter end		500
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.		
	Unsecured loan to be provided (if required) by Sunshore Holdings Pty Ltd (not a related party) for a term of 6 months and a total fee of \$50,000		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(403)
8.2	Cash and cash equivalents at quarter end (item 4.6)	262
8.3	Unused finance facilities available at quarter end (item 7.5)	500
8.4	Total available funding (item 8.2 + item 8.3)	762
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.9
	<i>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.</i>	
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: No. Having developed its apps and established a presence in China, the Company's focus will progress to promotion and subscription of our products and the generation of meaningful revenue.	
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: The Company intends to raise additional cash to fund its operations via a placement of securities. The placement would utilise the Company's unused Listing Rule 7.1 and 7.1A placement capacity. The Company believes that its intended placement is very likely to be successful.	

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: The Company expects to be able to continue its business operations and to meet its business objectives. The Company's subscription based apps are now available for download and it is expected that they will commence generating meaningful revenues in Q2 of 2023 and beyond.

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.

28 April 2023

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.

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