



SportsHero Limited

ACN 123 423 987

Annual Report

for the year ended

30 June 2023

CORPORATE DIRECTORY

Directors

Stratos Karousos (Non- Executive Chair) - appointed 13 October 2022
Tom Lapping (Director and CEO)
Michael Higginson (Non-Executive Director)
John Dougall (Non-Executive Chair) - resigned 13 October 2022

Company Secretary

Michael Higginson

Registered Office and Principal Place of Business

36 Prestwick Drive
Twin Waters, QLD 4564

Telephone: +61 (7) 5457 0557
Facsimile: +61 (7) 5457 0557

Website: <http://sportshero.live/>

Auditor

RSM Australia Partners
Level 32/2 The Esplanade
Perth WA 6000

Share Registry

Advanced Share Registry Services Limited
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Stock Exchange Listing

Australian Securities Exchange
ASX Code: SHO

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General information

The financial statements cover SportsHero Limited as a consolidated entity consisting of SportsHero Limited and its subsidiaries. The financial statements are presented in US dollars, which is SportsHero Limited's functional and presentation currency.

SportsHero Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

36 Prestwick Drive
Twin Waters, QLD 4564

Telephone: +61 (7) 5457 0557
Facsimile: +61 (7) 5457 0557

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 29 September 2023. The Directors have the power to amend and reissue the financial statements.

OPERATIONS REPORT

The Company's goal is to become one of the world's most dynamic, engaging and largest sporting communities.

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

SportsHero's strategy is to build a large and engaged user base of active sports fans utilising our unique and proprietary technologies, our official associations with governing bodies and partnerships with technology innovators and prominent market participants. We will then monetise these strategic assets with recurring revenue generated from multiple sources, including complementary advertising income, brand sponsorship, subscriptions, competition revenue, video streaming, ecommerce, affiliate gaming revenue and match and gamification ticket sales.

Having developed a white label digital solution, SportsHero is able to offer its digital solutions across multiple sports to sporting groups and other partners globally.

Asia Pacific

TALON Esports

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**).

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 SportsHero's proprietary technology in esports prediction and tournament management to enhance their esports offering to their network and clientele.

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**).

The parties have agreed that all revenue generated in the Territory from all sources, including

OPERATIONS REPORT

memberships, subscriptions, advertising, sponsorship and ecommerce, will be shared equally after deducting agreed costs and expenses.

SportsHero has been working directly with TALON's co-founders Sean Zhang and Jerrold Tham to develop a white label solution to create a dynamic esports entertainment hub.

As a result of these efforts, we are on target to launch, in the December 2023 quarter throughout the Territory, a new product with more features and revenue streams.

China

Shanghai Fumin Sports and Culture Co. Ltd

In the largest esports market in the world, 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 the NASDAQ: NTES and HKEX: 9999.

In accordance with the Terms Sheet, a schedule of prediction tournaments is expected to be featured on FMWH's mobile app in the December 2023 quarter.

Wuhan Monster Technology Co Ltd

Wuhan Monster Technology Co Ltd (**WMT**) (the commercial and operating arm of the Wuhan Esports Association (**WEA**)) will be directly involved in the upcoming Asian Games in Hangzhou and have scheduled prediction competitions on WEA's miniprogram. SportsHero's executive team met with the CEO of WMT in Hangzhou to discuss and plan the best go to market strategy for the many esports tournaments scheduled in the second half of 2023.

Chinese mobile app

SportsHero's executive team have been expanding our commercial partnerships and supporting the planned phase 2 release of our Chinese mobile app.

The planned phase 2 release will feature in-depth data analysis of the competing esports teams.

Indonesia

Olahbola

We are very pleased to confirm that Olahbola maintains its position as a top 5 sports influencer on TikTok and continues to attract advertisers and sponsors. Unfortunately, the prevailing economic conditions in Indonesia continue to be challenging and as such many firms have not returned to their pre-Covid advertising budgets.

Olahbola now has over 1.5 million followers on Tiktok. The top performing post generated over 15.3 million views and the Olahbola page has generated over 63.6 million likes.

SportsHero has completed the development of a white label product for football in Indonesia and we are currently developing a similar platform for esports, which is expected to launch in the December 2023 quarter.

PSSI

On 1 September 2023, the Company announced a new 3 year revenue share agreement (**Agreement**) with the Football Association of Indonesia (**PSSI**) under the new leadership and administration appointed in February 2023 and led by Mr Erick Thohir, (Chairman) and Mr Marsal Masita (Head of Commercial). Revenue generated during the 3 year agreement is to be shared PSSI 70%, SportsHero 30%.

OPERATIONS REPORT

Mr Thohir is well known in the Indonesia sports scene. He is the Chairman of Indonesian Olympic Committee, owner of Satria Muda basketball club and sits in the executive board of Liga 1 team Persib Bandung Football Club. He is also renowned globally as the former owner of Inter Milan and the owner of DC United (the football club of Washington, DC) and the Philadelphia 76ers basketball club.

Under PSSI's new leadership, PSSI has embarked on a fresh commercial strategy that includes a suite of new National Team social media channels and an updated KitaGaruda web app (that was developed by SportsHero) to connect and engage with their over 80 million passionate Indonesian football fans. Football being the number one sport in Indonesia, by way of viewership and fan base.

PSSI is looking forward to aggressively promoting the newly launched and updated KitaGaruda web app across all their digital and marketing channels as this will be their centralised platform for fan community and engagement.

Indonesia represents the largest 'digital' community in the Association of South East Asian Nations ('ASEAN'), with 191 million social media users, 370 million mobile users and 204 million internet users.

Australia

Aim Assist Analysis (AAA)

On 19 April 2023, AAA was launched in Australia's Apple store and Google Play stores and has achieved the following esports prediction accuracy:

- 72% accuracy in April, with 7 days hitting 100% accuracy
- 84% accuracy in May, with 12 days hitting 100% accuracy
- 81% accuracy in June, with 8 days hitting 100% accuracy
- 82% accuracy in July, with 5 days hitting 100% accuracy
- 77% accuracy in August, with 4 days hitting 100% accuracy
- 77% accuracy in September (until 20 Sep), with 6 days hitting 100% accuracy.

AAA marketing and promotion campaigns ran from 19 April to 30 June across Meta, YouTube, Reddit and Google and focused on the AAA brand and product awareness. The initial marketing campaigns generated an impressive 7,040,311 impressions, which provided valuable learnings for the upcoming anticipated generation of AAA installs and subscriptions.

AAA - Version 2

Following the initial and highly exploratory Version 1 marketing campaign, we are now focused on improving and delivering a product with optimum commercial appeal. Version 2 of AAA will include live streaming of esports matches, an improved dynamic display of team data and clearer icons next to prediction tips, to improve and increase user conversion to our betting partner.

Personnel

During the past 18 months, Scott Russell (Chief Commercial Officer) and Sam Stevens (Esports Business Development Executive) have played pivotal roles in developing EsportsHero (our Australian subsidiary) and AAA.

With key partnerships now in place and our focus being set outside of the Australian market, both Scott and Sam have now ceased their employment with the Company.

DIRECTORS REPORT

The Directors present their report together with the consolidated financial report for SportsHero Limited (“SportsHero” or the “Company”) and its controlled entities (collectively the “Group”), for the year ended 30 June 2023.

Directors

(i) Names, qualifications and experience

The names and details of the Group’s Directors in office at any time during the financial period and until the date of this report are as follows:

Stratos Karousos	Non-Executive Chair (appointed 13 October 2022)
Tom Lapping	Director and CEO
Michael Higginson	Non-Executive Director
John Dougall	Non-Executive Chair (resigned 13 October 2022)

Stratos Karousos - Non-Executive Director and Chair (appointed 13 October 2022)

Mr Karousos is the holder of a Bachelor of Law (University of Technology, Sydney) and Master of Commerce (University of New South Wales).

Mr Karousos is an experienced director and senior executive with deep corporate and legal experience gained mostly in Australia, Asia and the United States.

Stratos is currently a non-executive director of robotics company Nightingale Intelligent Systems Inc (ASX: NGL). He is also the Chief Commercial Officer of productivity tool and workflow group espresso Displays and the Chief Strategy Officer of aquaculture and agriculture biotechnology group Genics.

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

Tom Lapping – Director and CEO

Mr Lapping is highly experienced across the securities and media sectors. Since 2016, he has played an integral role within SportsHero and was a key member of the team during the transition of the SportsHero business from a Singaporean unlisted entity to an ASX listed public company in February 2017.

Tom is a successful entrepreneur who has accumulated extensive experience leading both established and early-stage ventures in the Asia-Pacific region. Tom has a keen understanding of consumer behaviour and was recognised as a 40under40 business entrepreneur award winner in Western Australia in 2003.

Michael Higginson – Non-Executive Director

Qualification: B.Bus Fin & Admin

Mr Higginson is the holder of a Bachelor of Business Degree with majors in both Finance and Administration.

Mr Higginson is a professional director and company secretary with extensive experience in public company administration, ASX Listing Rules, the Corporations Act, capital raisings, corporate governance, financial reporting and due diligence.

Mr Higginson was formerly an executive officer with the Australian Securities Exchange and has, over the last 35 years, held numerous directorship and company secretarial roles with a number of public listed companies across a range of industry sectors.

Mr Higginson is a director of Cape Range Limited (ASX: CAG) and Zuleika Gold Limited (ASX: ZAG).

John Dougall – Non-Executive Chair (resigned 13 October 2022)

Mr Dougall is the holder of Bachelor of Commerce Degree from the University of Melbourne.

DIRECTORS REPORT

Mr Dougall has worked at Chief Executive and board level in a number of technology companies based in Melbourne, New York, Sydney, London and San Francisco. He has also served as Managing Director of four ASX listed companies, successfully exporting Australian technology to China, India, Indonesia, The Philippines, Vietnam and Latin America.

Mr Dougall is currently the Non-Executive Chair of Tinybeans Group Limited (ASX: TNY), a mobile and web-based technology company based in Sydney and New York, that connects parents with the most trusted tools and resources to assist, in particular, young families.

He has also served as President and CEO of an Australian company that ultimately listed on the NASDAQ, selling its software solutions to major retailers in the USA and Europe.

In addition, Mr Dougall previously served as a director to several industry associations, as Chair of the Australian Government's CSIRO Information Technology Advisory Board, as well as advising Government on industry strategy and trade.

(ii) Interests in the Shares and Options of the Group

As at the date of this report, the interest of the Directors in the shares, options and performance rights of the Group are:

	Number of shares	Number of options	Number of performance rights
Stratos Karousos	146,911	-	-
Tom Lapping	13,782,143	-	-
Michael Higginson	1,020,834	-	-
TOTAL	14,949,888	-	-

Company Secretary

Michael Higginson
Qualification: B.Bus Fin & Admin

Directors' meetings

The number of meetings attended by each of the Directors of the Group during the financial year was:

	Directors' Meetings	
	(a)	(b)
Stratos Karousos	3	3
Tom Lapping	6	6
Michael Higginson	6	6
John Dougall	3	3

- (a) Number of meetings held and entitled to attend
(b) Number of meetings attended

Given the size of the Group and current level of activities, the Board has assumed the duties and responsibilities typically delegated to an audit committee, risk committee, remuneration committee and nomination committee.

Corporate structure

SportsHero Limited is a company limited by shares that is incorporated and domiciled in Australia.

For details of the Company's controlled entities, please refer to note 27.

DIRECTORS REPORT

Nature of operations and principal activities

The principal activity of the Group during the year was the development of the Group's sports gamification platforms.

Results of operations

The operating loss after income tax of the Group for the year ended 30 June 2023 was US\$2,182,894 (2022: US\$1,714,648).

As set out in the Statement of Comprehensive Income, the two most significant expense categories for the financial year were:

- Administration expenses, totaling US\$1,110,831 and
- Employee and consulting expenses, totaling US\$922,879

The Group's basic loss per share for the year was 0.38 US cents (2022: 0.32 US cents).

Dividends

No dividend has been paid during or is recommended for the financial year ended 30 June 2023 (2022: nil).

Review of operations

The principal activity of the Group during the financial year was the development of the Group's sports gamification platforms.

An overview of the Group's operations during the financial year is set out in the Operations Report.

Significant changes in state of affairs

On 7 July 2022, the Company announced that Logitech (China) Technology Co Ltd (a wholly owned subsidiary of Swiss multinational Logitech International SA) had agreed to be the first commercial sponsor for the Company's recently launched Chinese app on Wechat.

On 18 August 2022, the Company announced the launch of its first ever tier 1 professional esports prediction tournament in Australia, which was launched on 23 August 2022.

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).

On 21 September 2022, the Company announced the execution of a 2 year Australian Gift Card Supplier Agreement with digital gift card supplier Prezsee Pty Ltd.

On 13 October 2022, the Company announced the resignation of Mr John Dougall as a Director and the appointment of Mr Stratos Karousos as the Company's Non-Executive Chair.

On 24 November 2022, the Company announced the Australian launch of Aim Assist Analysis (**AAA**), a subscription based app that has been specifically designed, using SportsHero's proprietary artificial intelligence technology, to provide esports bettors with daily high win probability esports betting recommendations.

On 14 February 2023, the Company announced that AAA is available for download at both Apple and Google app stores.

On 30 March 2023, the Company announced the execution of a three year partner agreement with Shanghai Fumin Sports and Culture Co Ltd (the esports tournament and events provider for Netease Games) for the promotion of SportsHero's app (including its artificial Intelligence prediction competitions) across Netease game titles, including OPL (Onmyoji Arena Pro League).

DIRECTORS REPORT

On 27 April 2023, the Company announced that it was expanding into 6 new Asia Pacific markets through an exclusive licence agreement with TALON Esports. Pursuant to the agreement, TALON Esports will white label, market and scale SportsHero's proprietary esports prediction and tournament management platform in Hong Kong, Macau, Taiwan, the Philippines, Thailand and India.

Future developments

Likely future developments in the operations of the Group are referred to in the Operations Report. Other than as referred to in this report, further information as to likely developments in the operations of the Group and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Group and its shareholders.

Subsequent events

On 1 September 2023, the Company announced the execution of a new three year revenue share agreement with the Football Association of Indonesia, known as PSSI. Under the agreement, revenue generated from PSSI's KitaGaruda web app (that was developed by SportsHero) will be split 70/30 in PSSI's favour.

Financial position

The Group's working capital, being current assets less current liabilities, was negative US\$488,620 as at 30 June 2023 (2022: US\$1,582,509).

In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Proceedings on behalf of the Group

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

	2023 US\$	2022 US\$	2021 US\$	2020 US\$	2019 US\$
Income	16,728	42,034	40,570	3,434	463,791
EBITDA	(2,170,635)	(1,712,389)	(1,442,887)	(1,204,006)	(2,276,050)
EBIT	(2,182,158)	(1,714,648)	(1,462,932)	(1,257,439)	(2,276,625)
Loss after income tax	(2,182,894)	(1,714,648)	(1,479,219)	(1,259,559)	(2,276,625)

The factors that are considered to affect total shareholders return are summarised below:

	2023 US	2022 US	2021 US	2020 US	2019 US
Share price at financial year end (US cents)	1.7	1.4	1.5	1.3	4.5
Total dividends declared (US cents per share)	-	-	-	-	-
Basic and diluted loss per share for continued operations (US cents per share)	0.38	0.32	0.37	0.39	0.93
Basic diluted loss per share for discontinued operations (US cents per share)	-	-	-	-	-
Basic loss per share (US cents per share)	0.38	0.32	0.37	0.39	0.93

DIRECTORS REPORT

Remuneration report (Audited)

Details of Remuneration for the Year Ended 30 June 2023

Details of the remuneration for each Director and the key management personnel of the Group during the year are set out in the following tables.

The Board's policy for determining the nature and amount of remuneration for Directors and senior executives of the Group is as follows:

- All executives receive a base salary (which is based on factors such as length of service and experience).
- The Board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors.
- All remuneration paid to Directors and executives is valued at the cost to the Group and expensed. Options are valued using the Black-Scholes methodology.
- Remuneration of non-executive Directors at market rates for time, commitment and responsibilities.

The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought if required.

During the financial year ended 30 June 2023, the consolidated entity did not engage any external parties for a review of remuneration practices.

At the 2022 Annual General Meeting, 100% of the eligible votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The Group did not receive any specific feedback at the Annual General Meeting regarding its remuneration practices.

The key management personnel of the Group include the Directors and Company Secretary. There were no other persons considered key management personnel as defined in AASB 124 Related Party Disclosures.

The tables below show the 2023 and 2022 remuneration of the Directors:

2023	Short-term	Post-employment	Share-based payments	Total US\$	Value of share-based payments as a %
	Salary & fees US\$	Superannuation US\$	Shares US\$		
<i>Chair</i>					
Stratos Karousos	47,808	-	-	47,808	0%
John Dougall	19,388	-	-	19,388	0%
<i>Directors</i>					
Tom Lapping	161,314	-	-	161,314	0%
Michael Higginson	57,317	-	-	57,317	0%
Total key management personnel compensation	285,827	-	-	285,827	0%

DIRECTORS REPORT

2022	Short-term	Post-employment	Share-based payments	Value of share-based payments as a %	
	Salary & fees US\$	Superannuation US\$	Shares US\$	Total US\$	
<i>Chair</i>					
John Dougall	72,580	-	(710) ¹	71,870	(1)%
<i>Directors</i>					
Tom Lapping	147,085	-	21,607	168,692	13%
Michael Higginson	69,885	-	20,882	90,767	23%
Total key management personnel compensation	289,550	-	41,779	331,329	13%

(1) Reversal of value of Class C performance rights issued in prior year that are vesting over period due to change in probability for achieving vesting conditions.

Related party transactions and balances

Payables to key management personnel

	Consolidated	
	2023 US\$	2022 US\$
Amounts payable to Directors and Director related entities at the end of the financial year, included in current liabilities	25,789	43,937

Other transactions with key management personnel

During the year the Group paid rent of US\$4,040 (2022: US\$4,355) to Mr Higginson for the provision of the Group's registered and principal office.

There were no other sale or purchase related transactions between the Group and key management personnel during the year ended 30 June 2023 (2022: nil).

Other transactions with related parties

Following the receipt of shareholder approval on 29 November 2022, on 29 December 2022 the Company issued 1,456,711 shares to Mr Dougall in lieu of cash fees for the 2022 financial year totaling AU\$50,000.

There were no other transactions with related parties throughout the year.

Performance Rights as a Proportion of Total Remuneration

No performance rights were issued during the year ended 30 June 2023 and included as a proportion of total remuneration (2022: nil).

On 31 December 2022, 5,000,000 performance rights issued to Mr Dougal lapsed, 2,000,000 performance rights issued to Mr Lapping lapsed and 1,000,000 performance rights issued to Mr Higginson lapsed.

DIRECTORS REPORT

Ordinary Shares held by Directors

2023	<i>Balance at beginning of year</i>	<i>Allotted during the year</i>	<i>Purchased during the year</i>	<i>Sold during the year</i>	<i>Balance at end of year</i>
Directors					
S Karousos	146,911	-	-	-	146,911
M Higginson	1,020,834	-	-	-	1,020,834
T Lapping	13,782,143	-	-	-	13,782,143
J Dougall	3,589,624	1,456,711	-	-	5,046,335
	18,539,512	1,456,711	-	-	19,996,223
2022	<i>Balance at beginning of year</i>	<i>Allotted during the year</i>	<i>Purchased during the year</i>	<i>Sold during the year</i>	<i>Balance at end of year</i>
Directors					
J Dougall	1,510,756	2,078,868	-	-	3,589,624
M Higginson	20,834	1,000,000	-	-	1,020,834
T Lapping	11,782,143	2,000,000	-	-	13,782,143
	13,313,733	5,078,868	-	-	18,392,601

Group Performance, Shareholder Wealth and Director and Executive Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. The achievement of this aim has been through the issue of options or performance rights to Directors and executives to encourage the alignment of personal and shareholder interests.

Executive and non-executive Directors and other key management personnel may be granted options or performance rights over ordinary shares.

The recipients of options or performance rights are responsible for growing the Group and increasing shareholder value. If they achieve this goal the value of the options or performance rights granted to them will also increase. Therefore, the options or performance provide an incentive to the recipients to remain with the Group and to continue to work to enhance the Group's value.

Options granted for the Year Ended 30 June 2023

During the year there were no options granted, converted, expired or lapsed (2022: Nil).

Performance rights granted for the Year Ended 30 June 2023

2023	<i>Balance at beginning of year</i>	<i>Performance rights movements for the year</i>				<i>Other changes</i>	<i>Balance at end of year</i>
		<i>Allotted</i>	<i>Granted as compensation</i>	<i>Converted</i>	<i>Expired</i>		
Directors							
S Karousos	-	-	-	-	-	-	
J Dougall	5,000,000	-	-	-	5,000,000	-	
T Lapping	2,000,000	-	-	-	2,000,000	-	
M Higginson	1,000,000	-	-	-	1,000,000	-	
Total	8,000,000	-	-	-	8,000,000	-	

DIRECTORS REPORT

2022 Directors	<i>Balance at beginning of year</i>	<i>Allotted</i>	<i>Granted as compensation</i>	<i>Converted</i>	<i>Expired</i>	<i>Other changes</i>	<i>Balance at end of year</i>
J Dougall	7,000,000	-	-	1,000,000	1,000,000	-	5,000,000
T Lapping	6,000,000	-	-	2,000,000	2,000,000	-	2,000,000
M Higginson	3,000,000	-	-	1,000,000	1,000,000	-	1,000,000
Total	16,000,000	-	-	4,000,000	4,000,000	-	8,000,000

Performance rights as a proportion of total remuneration

The value of performance options issued during the year to key management personnel as a percentage of the total remuneration paid to key management personnel was 0% (2022: 0%).

Employment Contracts of Directors and Senior Executives

On 18 October 2019, the Company entered into an agreement with Mr Dougall that set out the terms and conditions of his appointment as a Non-Executive Director and Chair of the Company.

In consideration for the appointment of Mr Dougall, the Company agreed to pay Mr Dougall the following:

- cash fee of AU\$4,166.67 per month;
- share fee of AU\$50,000 per annum (at an issue price equal to the VWAP of the Company's Shares for the year); and
- subject to shareholder approval (which was obtained on 15 January 2021); the granting of 4,000,000 performance rights.

On 7 October 2022, the Company entered into an agreement with Mr Karousos that set out the terms and conditions of his appointment as a Non-Executive Director and Chair of the Company.

In consideration for the appointment of Mr Karousos, the Company agreed to pay Mr Karousos the following:

- cash fee of AU\$5,000 per month; and
- share fee of AU\$40,000 per annum (at an issue price equal to the VWAP of the Company's Shares for the year).

If following any financial year end shareholders do not approve the issue of the shares the subject of the share fee, then the Company will pay Mr Karousos the share fee in cash.

Mr Lapping is paid fees at the rate of SG\$18,333 per month. Total fees paid to Mr Lapping during the year was SG\$219,996.

Mr Higginson is paid fees at the rate of AU\$25,000 per annum. Total consulting and secretarial fees paid or payable to Mr Higginson for the year are AU\$60,112.50

As of 30 June 2023, there were no other formal contracts for Non-Executive Directors.

Share-based compensation

The issue of options and/or performance rights to Directors and executives is to encourage the alignment of personal and shareholder returns. The intention is to align the objectives of Directors and executives with that of the business and shareholders. In addition, all Directors and executives are encouraged to hold shares in the Group.

Loans to key management personnel and their related parties

There are no loans to Directors or executives at reporting date (30 June 2022: nil).

End of remuneration report

DIRECTORS REPORT

Share options

At the date of this report, the unissued ordinary shares of the Group under option are as follows:

Grant date	Date of Expiry	Exercise Price	Number Under Option
3 February 2022	31 October 2023	AU\$0.05	1,000,000
3 February 2022	31 November 2023	AU\$0.10	1,000,000
3 February 2022	31 December 2023	AU\$0.20	1,000,000
3 February 2022	31 December 2023	AU\$0.05	2,500,000
29 December 2022	30 June 2024	AU\$0.05	2,000,000
29 December 2022	30 June 2024	AU\$0.10	1,000,000
29 December 2022	30 June 2024	AU\$0.20	1,000,000
29 December 2022	31 December 2024	AU\$0.03	1,000,000
29 December 2022	31 December 2024	AU\$0.05	1,000,000
29 December 2022	31 December 2024	AU\$0.10	1,000,000
29 December 2022	31 December 2024	AU\$0.20	1,000,000
29 December 2022	31 December 2024	AU\$0.50	5,000,000
29 December 2022	31 December 2024	AU\$1.00	5,000,000
27 April 2023	30 April 2026	AU\$0.05	2,500,000
27 April 2023	30 April 2026	AU\$0.10	2,500,000
27 April 2023	30 April 2026	AU\$0.15	5,000,000
			33,500,000

During the financial year ended 30 June 2023, 149,650,000 listed options each exercisable at AU\$0.05 expired on 16 December 2022, 1,000,000 options each exercisable at AU\$0.05 expired on 30 April 2023, 1,000,000 options each exercisable at AU\$0.10 expired on 31 May 2023, 1,000,000 options each exercisable at AU\$0.20 expired on 30 June 2023 and no SportsHero shares were issued following the exercise of options.

Since the end of the financial year 6,000,000 options each exercisable at AU\$0.05 expired on 1 July 2023 and no other options have been issued or lapsed.

Since the end of the financial year no shares have been issued following the exercise of options.

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Performance rights

16,000,000 performance rights issued to Directors

On 22 January 2021, 16,000,000 performance rights were issued to Directors following the receipt of shareholder approval on 15 January 2021.

On 2 July 2021, 4,000,000 shares were issued following the conversion of 4,000,000 (of the 16,000,000) performance rights to the following Directors:

- 1,000,000 shares were issued to John Dougall;
- 2,000,000 shares were issued to Tom Lapping; and
- 1,000,000 shares were issued to Michael Higginson.

Of the remaining 12,000,000 performance rights held by Directors, on 5 January 2022 4,000,000 performance rights lapsed and on 31 December 2022 the remaining 8,000,000 performance rights lapsed.

6,000,000 performance rights issued pursuant to Incentive Plan

On 2 July 2021, 6,000,000 performance rights were issued in accordance with the Company's Employee Securities Incentive Plan.

DIRECTORS REPORT

On 1 May 2022, 3,000,000 of the performance rights lapsed and on 30 June 2023 the remaining 3,000,000 performance rights issued in accordance with the Company's Employee Securities Incentive Plan lapsed.

2,500,000 Incentive performance rights

On 3 February 2022, 2,500,000 performance rights were issued following the appointment of Scott Russell as the Company's Chief Commercial Officer.

On 31 December 2022, these 2,500,000 performance rights lapsed.

1,500,000 performance rights issued to Livewire Group International Pty Ltd

On 23 March 2022, 1,500,000 performance rights were issued to Livewire Group International Pty Ltd following their appointment as the Company's media, marketing, loyalty and sponsorship advisor.

Since the end of the financial year no other performance rights have been issued and no shares have been issued following the conversion of performance rights.

Indemnification

During the financial year, the Group did not pay premiums to insure the Directors and Company Secretary of the Group.

Non-audit services

No fees for non-audit services were paid/payable to the Group's auditors during year (2022: nil).

Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2023 has been received and immediately follows the Directors' Report.

Officers of the Group who are former partners of RSM Australia Partners

There are no officers of the Group who are former partners of RSM Australia Partners.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Group support and have adhered to the principles of sound corporate governance. The Board recognises the recent recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that SportsHero is in compliance with those guidelines which are of importance to the commercial operation of a small cap company. The Group's corporate governance statement and disclosures are contained on the Group's website at: <http://sportshero.live/>

This report is made in accordance with a resolution of the Directors.



Stratos Karousos
Chair

29 September 2023

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of SportsHero Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) Any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read 'Matthew Beevers'.

MATTHEW BEEVERS
Partner

Perth, WA
Dated: 29 September 2023

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		Consolidated	
		30 June	30 June
		2023	2022
	Note	US\$	US\$
Current assets			
Cash and cash equivalents	8	135,461	1,761,612
Trade and other receivables	9	43,076	3,076
Total current assets		<u>178,537</u>	<u>1,764,688</u>
Non-current assets			
Right of use assets	11	17,476	-
Plant and equipment	10	7,668	2,122
Total non-current assets		<u>25,144</u>	<u>2,122</u>
Total assets		<u>203,681</u>	<u>1,766,810</u>
Current liabilities			
Trade payables	13	331,457	182,179
Borrowings	14	331,500	-
Lease liability - current	12	4,200	-
Total current liabilities		<u>667,157</u>	<u>182,179</u>
Non-current liabilities			
Lease liability – non current	12	13,679	-
Total non-current liabilities		<u>13,679</u>	<u>-</u>
Total Liabilities		<u>680,836</u>	<u>182,179</u>
Net (liabilities)/assets		<u>(477,155)</u>	<u>1,584,631</u>
Equity			
Issued capital	15	16,299,945	16,207,345
Share based payments reserve	16	342,006	1,176,927
Foreign currency translation reserve	16	(381,325)	(316,120)
Accumulated losses		(16,737,781)	(15,483,521)
Total equity		<u>(477,155)</u>	<u>1,584,631</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2023

		Consolidated	
		2023	2022
	Note	US\$	US\$
Continuing operations			
Income			
Revenue	3	16,643	16,783
Other revenue	3	85	25,251
Expenses			
Administration expenses	4	(1,110,831)	(851,714)
Employee and consulting expenses	5	(922,879)	(635,751)
Depreciation expense	10,11	(11,523)	(2,259)
Interest expense		(736)	-
Share based payments	20	(153,653)	(266,958)
		<hr/>	<hr/>
Loss before income tax expense		(2,182,894)	(1,714,648)
Income tax expense	7	-	-
		<hr/>	<hr/>
Loss after tax expense for continuing operations		(2,182,894)	(1,714,648)
		<hr/>	<hr/>
Loss for the year		(2,182,894)	(1,714,648)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(65,205)	(83,917)
		<hr/>	<hr/>
Total comprehensive loss for the year		(2,248,099)	(1,798,565)
		<hr/>	<hr/>
Basic and Diluted loss per share (US cents per share)	6	0.38	0.32

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Issued Capital	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	US\$	US\$	US\$	US\$	US\$
Consolidated					
Balance at 1 July 2022	16,207,345	1,176,927	(316,120)	(15,483,521)	1,584,631
Total comprehensive loss for the year	-	-	(65,205)	(2,182,894)	(2,248,099)
Performance rights issued during the year	-	-	-	-	-
Share based payments	59,940	(834,921)	-	928,634	153,653
Share based payments for settlement of liability	33,530	-	-	-	33,530
Shares issued during the year	-	-	-	-	-
Share issue costs	(870)	-	-	-	(870)
Balance at 30 June 2023	16,299,945	342,006	(381,325)	(16,737,781)	(477,155)
Balance at 1 July 2021	14,161,989	1,083,076	(232,203)	(13,768,873)	1,243,989
Total comprehensive loss for the year	-	-	(83,917)	(1,714,648)	(1,798,565)
Performance rights issued during the year	95,565	(95,565)	-	-	-
Share based payments	126,877	140,081	-	-	266,958
Share based payments for settlement of liability	36,435	-	-	-	36,435
Shares issued during the year	1,981,277	-	-	-	1,981,277
Share issue costs	(194,798)	49,335	-	-	(145,463)
Balance at 30 June 2022	16,207,345	1,176,927	(316,120)	(15,483,521)	1,584,631

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

		Consolidated	
		2023	2022
	Note	US\$	US\$
Cash Flows from Operating Activities			
Receipts from customers		16,643	40,768
Payments to suppliers		(1,092,130)	(1,413,057)
Payments to Employees		(922,879)	-
Interest received		84	12
Net cash flows (used) in operating activities	17	<u>(1,998,282)</u>	<u>(1,372,277)</u>
Cash Flows from Investing Activities			
Payments for plant and equipment		(8,068)	(2,013)
Net cash flows (used) in investing activities		<u>(8,068)</u>	<u>(2,013)</u>
Cash Flows from Financing Activities			
Issue of new share capital		-	1,981,277
Share issue transaction costs		(870)	(145,463)
Borrowings		331,500	-
Lease liability payments		(14,012)	-
Net cash provided by financing activities		<u>316,618</u>	<u>1,835,814</u>
Net (decrease)/increase in cash and cash equivalents		(1,689,732)	461,524
Effects of exchange rate changes on cash and cash equivalents		63,581	(77,169)
Cash and cash equivalents at the beginning of the year		1,761,612	1,377,257
Cash and cash equivalents at the end of the year	8	<u>135,461</u>	<u>1,761,612</u>

The above statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of SportsHero Limited and its controlled entities (the “Group” or “consolidated entity”) for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Director’s on 29 September 2023.

SportsHero Limited (“SportsHero” or the “Company”) is a company limited by shares, incorporated in Australia, and whose securities are publicly traded on the Australia Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Director’s Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (‘AASB’) that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The directors of the Group do not anticipate that the application of the new or amended Accounting Standards and Interpretations in the future will have an impact on the Group’s financial statements.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2(z).

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 18.

The report is presented in US dollars, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

(b) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the Group incurred a loss of US\$2,182,894 and had net cash outflows from operating activities of US\$1,998,282 for the year ended 30 June 2023. As at that date the Group had net current liabilities of US\$488,620 and net liabilities of US\$477,155, including cash balance of US\$135,461.

Since year end, the Group has continued to incur losses and requires immediate fund raisings in order to meet current liabilities and fund working capital needs.

These factors indicate a material uncertainty as to whether the Group will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the Group will be able to continue as a going concern, after consideration of the following factors:

- The ability to issue additional securities under the Corporations Act 2001 to raise further working capital and is currently in advanced negotiations for a capital raise of approximately AU\$2.5million;
- The Directors expect to retain the continued support from shareholders and other financiers that have supported the Company's previous capital raisings to assist with meeting future funding needs. Since 30 June 2023, the Group has a short term shareholder loan of AU\$100,000 with AU\$53,000 received in late September 2023 and has extended the loan set out in Note 14 until funds are available for repayment; and
- The Company has the ability to scale down its operations in order to curtail expenditure, in the event insufficient cash is available to meet projected expenditure.

Accordingly, the Directors believe that the Company will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the Group does not continue as a going concern.

(c) Statement of Compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards.

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SportsHero as at 30 June 2023 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS

Associates and joint venture entities are consolidated using the equity method. The initial recognition of the investment in the joint venture has been recognised at cost, with the carrying amount increased or decreased to recognise SportsHero's share of the profit or loss of the investee after the date of acquisition. The share of the investee's profit or loss is recognised in the investor's profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

(d) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of any operating segments.

(f) Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

NOTES TO THE FINANCIAL STATEMENTS

Advertising revenue

Advertising revenue is recognised over the term of the advertising contract as services are rendered over time.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

(g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above. The Group does not have any bank overdraft facilities.

(h) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 90 days. The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(i) Plant and equipment

Plant and equipment is stated at historical cost less depreciation and any accumulated impairment losses.

Historical cost includes expenditure that is directly attributable to the acquisition of these items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives. The expected useful lives are.

- Equipment – 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

(j) Joint venture

Joint ventures are entities over which the consolidated entity has joint control. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or

NOTES TO THE FINANCIAL STATEMENTS

losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Dividends received or receivable from joint ventures reduce the carrying amount of the investment.

When the consolidated entity's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

The consolidated entity discontinues the use of the equity method upon the loss of joint control and significant influence over the joint venture and recognises any retained investment at its fair value. Any difference between the joint venture's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(k) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(l) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification.

Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The

NOTES TO THE FINANCIAL STATEMENTS

measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

(m) Trade and other payables

Trade payables and other payables are carried at the transaction price minus principal repayments. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(n) Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

(o) Employee entitlements

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(p) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(q) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the

NOTES TO THE FINANCIAL STATEMENTS

temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation

SportsHero Limited and its wholly-owned subsidiaries have not formed an income tax consolidated group under tax consolidation legislation.

(r) Equity based payments

The Group provides benefits to its Directors and employees in the form of share-based payments, whereby Directors and employees render services in exchange for share, options to acquire shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value to the Group of the equity instruments at the date at which they were granted. The fair value of options is determined using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised as an expense, together with a corresponding increase in equity, on a straight-line basis, over the period in which the vesting and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant Directors and employees become fully entitled to the options (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income reflects:

- a. the grant date fair value of the options;
- b. the current best estimate of the number of options that will ultimately vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of vesting conditions being met, based on best available information at balance date; and
- c. the extent to which the vesting period has expired.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS

(s) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Group.

(u) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(v) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financial activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(w) Foreign currency transactions and balances

The financial statements are presented in US dollars, which is SportsHero's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into US dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Foreign operations

The assets and liabilities of foreign operations are translated into US dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into US dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(x) Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a current liability until extinguished on conversion or redemption as the maturity date is within 12 months. The corresponding interest on convertible notes is expensed to profit or loss.

(y) Right to use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(z) Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management take judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees and suppliers by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. Probabilities have been assigned to non-market vesting conditions for the performance rights issued. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

3. Revenue

	Consolidated	
	2023	2022
	US\$	US\$
<i>Revenue from customers</i>		
Advertising revenue	16,643	16,783
	16,643	16,783
<i>Other revenue</i>		
Interest revenue	9	12
Other income	76	25,239
	85	25,251

Advertising revenue is recognised over the term of advertising contract as services are rendered over time.

4. Administration expenses

	Consolidated	
	2023	2022
	US\$	US\$
<i>Administration expenses include the following:</i>		
Advertising and marketing	167,487	84,410
Professional fees	180,344	258,386
Sports subscription services	21,137	14,747
Legal	39,606	13,561
Research and development	343,134	223,936

NOTES TO THE FINANCIAL STATEMENTS

5. Employee and consulting expenses	Consolidated	
	2023	2022
	US\$	US\$
Salary and wages	922,879	635,751
	<u>922,879</u>	<u>635,751</u>

6. Loss per share	Consolidated	
	2023	2022
	US\$	US\$

The following reflects the loss used in the basic and diluted loss per share computations.

Loss used in calculating earnings per share

For basic and diluted earnings per share:

Loss for year attributed to continued operations	2,182,894	1,714,648
Loss for the year attributable to ordinary shareholders	<u>2,182,894</u>	<u>1,714,648</u>

Weighted average number of shares

	2023	2022
	No. of shares	No. of shares
Weighted average number of ordinary shares for basic and diluted loss per share	<u>572,404,861</u>	<u>533,990,545</u>

Loss per share

Basic and diluted loss per share (US cents)	0.38	0.32
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(i) Anti-dilutive options on issue are excluded from the dilutive earnings per share calculation.

(ii) Other than the issue of the securities disclosed in note 15, there has been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

7. Income taxes	Consolidated	
	2023	2022
	US\$	US\$
Income tax recognised in profit or loss		
Prima facie tax benefit on operating loss before income tax at 25% (2022: 25%)	(545,724)	(428,662)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other non-deductible items	(27,572)	(269)
Unrecognised deferred tax asset attributable to tax losses and temporary differences	<u>573,296</u>	<u>428,931</u>
Income tax expense	<u>-</u>	<u>-</u>

The consolidated entity has US\$11,978,943 (2022: US\$11,265,226) tax losses arising in Australia that are available indefinitely for offset against future profit of the Group in which the losses arose.

NOTES TO THE FINANCIAL STATEMENTS

The potential deferred tax asset of US\$2,280,850 (2022: US\$2,816,306), arising from tax losses and temporary differences (as disclosed above), has not been recognised as an asset because recovery of tax losses and temporary differences is not considered probable given the development stage of the Company's apps.

The potential deferred tax asset will only be obtained if:

- the Group derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the related deduction for the losses.

8. Cash and cash equivalents	Consolidated	
	2023 US\$	2022 US\$
Cash at bank	135,461	1,761,612
	<u>135,461</u>	<u>1,761,612</u>

9. Trade and other receivables	Consolidated	
	2023 US\$	2022 US\$
Trade receivables	1,219	-
Less: allowance for expected credit losses	-	-
Other receivables	41,857	3,076
	<u>43,076</u>	<u>3,076</u>

Allowance for expected credit losses

The consolidated entity has recognised a loss of nil (2022: nil) in profit or loss in respect of the expected credit losses for the year ended 30 June 2023.

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2023 US\$	2022 US\$
Opening balance	-	-
Written off in current year	-	-
Closing balance	<u>-</u>	<u>-</u>

Credit Risk

The maximum exposure to credit risk at balance date is the carrying amount (net of allowance for expected credit losses) of those assets as disclosed in the statement of financial position and notes to the financial statements. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded are spread amongst approved counterparties.

NOTES TO THE FINANCIAL STATEMENTS

13. Trade and other payables (cont)

- (i) Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.
- (ii) Trade payables are non-interest bearing.

14. Borrowings

Consolidated

	2023 US\$	2022 US\$
Loans from Shareholders	331,500	-
	<u>331,500</u>	<u>-</u>

During the year, the Group obtained US\$331,500 loan from shareholder. The loan is unsecured and has no interest. The loan is repayable 6 months from 17 April 2023, or within 14 days of the Group successfully completing an equity capital raising, whichever event occurs earlier.

15. Contributed Equity

	2023 Number	2023 US\$	2022 Number	2022 US\$
(a) Share capital				
<i>Ordinary fully paid shares</i>	575,001,084	16,299,945	569,794,373	16,207,345
(b) Movements in ordinary shares				
Opening balance	569,794,373	16,207,345	478,965,505	14,161,989
Shares issued at US\$0.024 per share ¹	-	-	4,000,000	95,565
Shares issued at US\$0.020 per share ²	-	-	3,000,000	60,475
Shares issued at US\$0.034 per share ³	-	-	1,078,868	36,435
Shares issued at US\$0.024 per share ⁴	-	-	500,000	12,024
Shares issued at US\$0.024 per share ⁵	-	-	2,000,000	48,094
Shares issued at US\$0.025 per share ⁷	-	-	80,000,000	1,981,277
Shares issued at US\$0.025 per share ⁷	-	-	250,000	6,285
Transaction cost on share issue	-	-	-	(194,798)
Shares issued at US\$0.016 per share ⁸	250,000	4,480	-	-
Shares issued at US\$0.016 per share ⁹	1,000,000	16,093	-	-
Shares issued at US\$0.016 per share ¹⁰	2,500,000	39,367	-	-
Shares issued at US\$0.023 per share ¹¹	1,456,711	33,530	-	-
Transaction cost on share issue	-	(870)	-	-
	<u>575,001,084</u>	<u>16,299,945</u>	<u>569,794,373</u>	<u>16,207,346</u>

¹ Issue price AU\$0.032 translated to US\$ at grant date

² Issue price AU\$0.027 translated to US\$ at grant date

³ Issue price AU\$0.0463 translated to US\$ at grant date

⁴ Issue price AU\$0.033 translated to US\$ at grant date

⁵ Issue price AU\$0.033 translated to US\$ at grant date

⁶ Issue price AU\$0.035 translated to US\$ at grant date

⁷ Issue price AU\$0.34 translated to US\$ at grant date

⁸ Issue price AU\$0.024 translated to US\$ at grant date

⁹ Issue price AU\$0.024 translated to US\$ at grant date

¹⁰ Issue price AU\$0.024 translated to US\$ at grant date

¹¹ Issue price AU\$0.0343 translated to US\$ at grant date

- On 2 July 2021, the Company issued 4,000,000 shares to Directors following the conversion of 4,000,000 performance rights.
- On 2 July 2021, the Company issued 3,000,000 shares to executives following the receipt of shareholder approval.

NOTES TO THE FINANCIAL STATEMENTS

3. On 12 November 2021, the Company issued 1,078,868 shares to John Dougall at an issue price of AU\$0.04635 per share in lieu of AU\$50,000 in Director fees.
4. On 12 November 2021, the Company issued 500,000 shares to entity associated with Scott Russell in consideration for the receipt of esports consulting services.
5. On 12 November 2021, the Company issued 2,000,000 shares in part consideration for work undertaken towards the development of an artificial intelligence esports predictor.
6. On 3 December 2021, the Company issued 80,000,000 shares at an issue price of AU\$0.035 per share to raise AU\$2,800,000 in working capital.
7. On 23 March 2022, the Company issued 250,000 shares to Livewire Group International Pty Ltd in consideration for the provision of media, marketing, loyalty and sponsorship advisory services.
8. On 29 December 2022, the Company issued 250,000 shares to Livewire Group International Pty Ltd in consideration for the provision of media, marketing, loyalty and sponsorship advisory services.
9. On 29 December 2022, the Company issued 1,000,000 shares to AiDriven Pty Ltd in part consideration for the development of the App.
10. On 29 December 2022, the Company issued 2,500,000 shares to Sherry Chen in part consideration for the engagement of Sherry as the Company's Head of Esports, China.
11. On 29 December 2022, the Company issued 1,456,711 shares to John Dougall at an issue price of AU\$0.03432 per share in lieu of AU\$50,000 in Director fees.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Group in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets.

The entity does not have a defined share buy-back plan.

No dividends were paid in 2023 (2022: nil) and no dividends are expected to be paid in 2023.

There is no current intention to incur debt funding on behalf of the Group

The Group is not subject to any externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

16. Reserves	Consolidated	
	2023 US\$	2022 US\$
Reserves		
<i>Share-based payments reserve</i>		
As at 1 July 2022	1,176,927	1,083,076
Share based payments	93,713	140,081
Conversion of rights	-	(95,565)
Expiry of Options and Performance rights	(928,634)	-
Underwriter options – transaction costs on share issue	-	49,335
As at 30 June 2023	<u>342,006</u>	<u>1,176,927</u>
 <i>Foreign currency reserve</i>		
As at 1 July 2022	(316,120)	(232,203)
Foreign currency translation	(65,205)	(83,917)
As at 30 June 2023	<u>(381,325)</u>	<u>(316,120)</u>

Nature and purpose of reserves

Share-based payment reserve

The share-based payments reserve records the value of share options and performance rights issued by the Group.

Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of international operations to US dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

17. Notes to Statement of Cash Flows

(a) Reconciliation of net cash used in operating activities to operating loss after income tax

	Consolidated	
	2023 US\$	2022 US\$
Operating loss after tax	(2,182,894)	(1,714,648)
<i>Add non-cash items:</i>		
Depreciation and amortisation	1,037	2,259
Share-based payments expense	153,652	266,958
Interest expense on lease liability	736	-
<i>Changes in net assets and liabilities:</i>		
Movement in receivables	(9,766)	(1,258)
Movement in payables	52,965	74,412
Lease liabilities	(14,012)	-
Net cash flow used in operating activities	<u>(1,998,282)</u>	<u>(1,372,277)</u>

NOTES TO THE FINANCIAL STATEMENTS

(b) Non-cash financing and investing activities	Consolidated	
	2023 US\$	2022 US\$
Shares issued for provision of services	59,940	258,877
	<u>59,940</u>	<u>258,877</u>
18. Parent Information	Parent	
	2023	2022
	US\$	US\$
ASSETS		
Current assets	-	1,703,835
Non-current assets	-	-
TOTAL ASSETS	<u>-</u>	<u>1,703,835</u>
LIABILITIES		
Current liabilities	477,155	119,204
TOTAL LIABILITIES	<u>477,155</u>	<u>119,204</u>
NET (LIABILITIES)/ASSETS	<u>(477,155)</u>	<u>1,584,631</u>
EQUITY		
Contributed equity	13,799,489	13,707,344
Reserves	(373,513)	667,658
Accumulated losses	(13,903,131)	(12,790,371)
TOTAL EQUITY	<u>(477,155)</u>	<u>1,584,631</u>
Loss for the year	(1,112,760)	(1,538,385)
Total comprehensive loss	<u>(1,112,760)</u>	<u>(1,538,385)</u>

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 (2022: nil)

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2023 and 30 June 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2.

NOTES TO THE FINANCIAL STATEMENTS

19. Related Party Transactions

(a) Directors and Specified Executives

The names and positions held by key management personnel in office at any time during the year are:

J Dougall	Non-Executive Director and Chair - resigned 13 October 2022
S Karousos	Non-Executive Director and Chair - appointed 13 October 2022
T Lapping	Director and CEO
M Higginson	Non-Executive Director

All of the above persons were key management personnel during the year ended 30 June 2023.

	Consolidated	
	2023	2022
	US\$	US\$
(b) Key management personnel remuneration		
Short-term employee benefits	285,827	331,329
	285,827	331,329

(c) Payables to key management personnel

Amounts payable to Directors and Director related entities at the end of the financial year, included in current liabilities	25,789	43,937
	25,789	43,937

(d) Other transactions with key management personnel

During the year the Group paid rent of US\$4,040 (2022: US\$4,355) to Mr Higginson for the provision of the Group's registered and principal office.

There were no other sale or purchase related transactions between the Group and key management personnel during the year ended 30 June 2023 (2022: nil).

(e) Other transactions with related parties

There were no other transactions with related parties throughout the year.

(f) Other Entities

There were no other transaction with other entities.

	Consolidated	
	2023	2022
	US\$	US\$
20. Share based payments		
Recognised share-based payment expenses		
Shares issued for services rendered	59,940	126,877
Performance rights vesting over period – issued in prior year	12,371	107,381
Options issued for services rendered	81,342	32,700
	153,653	266,958
Underwriter options – transaction costs on share issue	-	49,355

NOTES TO THE FINANCIAL STATEMENTS

Employee Securities Incentive Plan

On 15 January 2021, the Group established an Employee Securities Incentive Plan that allows for securities to be granted to eligible employees and officers of the Group. The number of securities that can be issued under the plan cannot exceed 19,833,383. The terms and conditions of the securities issued under the plan are at the discretion of the Board.

(a) Performance rights

There were no performance rights granted during the 12 months ending 30 June 2023.

The following table sets out the movements in the number of performance rights throughout the year:

Grant date	Expiry date	Balance at start of year	Number issued during year	Number exercised during year	Number expired during year	Balance at end of year	Number exercisable at end of year
15-Jan-21	31-Dec-22	4,000,000	-	-	(4,000,000)	-	-
15-Jan-21	31-Dec-21	1,000,000	-	-	(1,000,000)	-	-
15-Jan-21	31-Dec-21	1,000,000	-	-	(1,000,000)	-	-
15-Jan-21	31-Dec-22	2,000,000	-	-	(2,000,000)	-	-
2-Jul-21	30-Jun-23	3,000,000	-	-	(3,000,000)	-	-
3-Feb-22	31-Dec-22	2,500,000	-	-	(2,500,000)	-	-
23-Mar-22	22-Mar-24	1,500,000	-	-	-	1,500,000	-
Total		15,000,000	-	-	(13,500,000)	1,500,000	-

(b) Options

During the year a total of 28,000,000 options were issued as follows:

Issue date	Date of Expiry	Exercise Price	Number Under Option
29-Dec-22	30 June 2024	AU\$0.05	2,000,000
29-Dec-22	30 June 2024	AU\$0.10	1,000,000
29-Dec-22	30 June 2024	AU\$0.20	1,000,000
29-Dec-22	31 December 2024	AU\$0.03	1,000,000
29-Dec-22	31 December 2024	AU\$0.05	1,000,000
29-Dec-22	31 December 2024	AU\$0.10	1,000,000
29-Dec-22	31 December 2024	AU\$0.20	1,000,000
29-Dec-22	31 December 2024	AU\$0.50	5,000,000
29-Dec-22	31 December 2024	AU\$1.00	5,000,000
27-Apr-23	30 April 2026	AU\$0.05	2,500,000
27-Apr-23	30 April 2026	AU\$0.10	2,500,000
27-Apr-23	30 April 2026	AU\$0.15	5,000,000

The following options were granted in the 12 months ending 30 June 2023.

On 29 November 2022, the Company issued AiDriven 2,000,000 options at an exercise price of AU\$0.05 per share and expiring 30 June 2024, 1,000,000 options at an exercise price of AU\$0.010 per share and expiring 30 June 2024 and 1,000,000 options at an exercise price of AU\$0.20 per share and expiring 30 June 2024.

NOTES TO THE FINANCIAL STATEMENTS

Grant date	¹ 29 November 2022	¹ 29 November 2022	¹ 29 November 2022
Dividend yield (%)	-	-	-
Expected price volatility	100%	100%	100%
Risk-free interest rate (%)	3.18%	3.18%	3.18%
Expected life of options (years)	1.58	1.58	1.58
Option exercise price (AU\$)	0.05	0.10	0.20
Option exercise price in AU\$ translated to US\$ at grant date	0.034	0.067	0.134
Share price at grant date AU\$	0.024	0.024	0.024
Share price in AU\$ translated to US\$ at grant date	0.016	0.016	0.016
Number of options issued	2,000,000	1,000,000	1,000,000
FV at grant date (AU\$)	14,206	3,680	1,540
FV at grant date (US\$)	9,527	2,468	1,033

¹ These 4,000,000 options were issued on the 29 December 2022, however the grant date is deemed to have been 29 November 2022.

On 29 November 2022, the Company issued Sherry Chen 1,000,000 options at an exercise price of AU\$0.03 per share and expiring 31 December 2024, 1,000,000 options at an exercise price of AU\$0.05 per share and expiring 31 December 2024, 1,000,000 options at an exercise price of AU\$0.10 per share and expiring 31 December 2024, 1,000,000 options at an exercise price of AU\$0.20 per share and expiring 31 December 2024, 5,000,000 options at an exercise price of AU\$0.50 per share and expiring 31 December 2024 and 5,000,000 options at an exercise price of AU\$1.00 per share and expiring 31 December 2024,

Grant date	¹ 29 November 2022					
Dividend yield (%)	-	-	-	-	-	-
Expected price volatility	100%	100%	100%	100%	100%	100%
Risk-free interest rate (%)	3.18%	3.18%	3.18%	3.18%	3.18%	3.18%
Expected life of options (years)	2.09	2.09	2.09	2.09	2.09	2.09
Option exercise price (AU\$)	0.03	0.05	0.10	0.20	0.50	1.00
Option exercise price in AU\$ translated to US\$ at grant date	0.020	0.034	0.067	0.134	0.335	0.671
Share price at grant date AU\$	0.024	0.024	0.024	0.024	0.024	0.024
Share price in AU\$ translated to US\$ at grant date	0.016	0.016	0.016	0.016	0.016	0.016
Number of options issued	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000	5,000,000
FV at grant date (AU\$)	11,838	8,948	5,430	2,823	4,571	1,573
FV at grant date (US\$)	7,938	6,000	3,642	1,893	3,065	1,055

¹ These 14,000,000 options were issued on the 29 December 2022, however the grant date is deemed to have been 29 November 2022.

On 27 April 2023, the Company issued Talon Esports Ltd 2,500,000 in incentive options at an exercise price of AU\$0.05 per share and expiring 30 April 2026, 2,500,000 in incentive options at an exercise price of AU\$0.10 per share and expiring 30 April 2026, and 5,000,000 in incentive options at an exercise price of AU\$0.15 per share and expiring 30 April 2026.

NOTES TO THE FINANCIAL STATEMENTS

Grant date	27 April 2023	27 April 2023	27 April 2023
Dividend yield (%)	-	-	-
Expected price volatility	100%	100%	100%
Risk-free interest rate (%)	3.01%	3.01%	3.01%
Expected life of options (years)	1.09	1.09	1.09
Option exercise price (AU\$)	0.05	0.10	0.15
Option exercise price in AU\$ translated to US\$ at grant date	0.033	0.066	0.10
Share price at grant date AU\$	0.021	0.021	0.021
Share price in AU\$ translated to US\$ at grant date	0.014	0.014	0.014
Number of options issued	2,500,000	2,500,000	5,000,000
FV at grant date (AU\$)	24,037	16,815	26,043
FV at grant date (US\$)	15,930	11,143	17,259

	2023		2022	
	Number of Options	Weighted Average Exercise Price US\$	Number of Options	Weighted Average Exercise Price US\$
At beginning of reporting year	164,150,000		117,750,000	
<i>Granted during the year</i>	28,000,000	0.225	66,400,000	0.039
- Lapsed	(152,650,000)	0.037	(20,000,000)	0.069
- Exercised	-	-	-	-
Balance the end of reporting year	39,500,000	0.045	164,150,000	
Exercisable at end of reporting year	39,500,000	0.045	164,150,000	

NOTES TO THE FINANCIAL STATEMENTS

The following table sets out the movements in the number of options throughout the year:

Grant date	Expiry date	Balance at start of year	Number issued during year	Number exercised during year	Number expired during year	Balance at end of year	Number exercisable at end of year
22-Jan-21	16-Dec-22	47,750,000	-	-	(47,750,000)	-	-
9-Feb-21	16-Dec-22	50,000,000	-	-	(50,000,000)	-	-
2-Jul-21	16-Dec-22	5,900,000	-	-	(5,900,000)	-	-
2-Jul-21	2-Jul-23	6,000,000	-	-	-	6,000,000	6,000,000
12-Nov-21	30-Apr-23	1,000,000	-	-	(1,000,000)	-	-
12-Nov-21	31-May-23	1,000,000	-	-	(1,000,000)	-	-
12-Nov-21	30-Jun-23	1,000,000	-	-	(1,000,000)	-	-
3-Dec-21	16-Dec-22	40,000,000	-	-	(40,000,000)	-	-
3-Feb-22	31-Oct-23	1,000,000	-	-	-	1,000,000	1,000,000
3-Feb-22	30-Nov-23	1,000,000	-	-	-	1,000,000	1,000,000
3-Feb-22	31-Dec-23	3,500,000	-	-	-	3,500,000	3,500,000
4-Feb-22	16-Dec-22	6,000,000	-	-	(6,000,000)	-	-
29-Nov-22	30-Jun-24	-	4,000,000	-	-	4,000,000	4,000,000
29-Nov-22	31-Dec-24	-	14,000,000	-	-	14,000,000	14,000,000
27-Apr-23	30-Apr-26	-	10,000,000	-	-	10,000,000	10,000,000
Total		164,150,000	28,000,000	-	(152,650,000)	39,500,000	39,500,000

(c) Shares issued for services rendered

On 29 December 2022, the following shares were issued:

- 1,456,711 shares were issued to John Dougall in lieu of Director fees of AU\$50,000;
- 2,500,000 shares were issued to Sherry Chen in part consideration for securing her services;
- 1,000,000 shares were issued to AiDriven Pty Ltd in part consideration for the development of the Company's Chinese esports app; and
- 250,000 shares were issued to Livewire Group International Pty Ltd in part consideration for the provision of marketing services.

21. Auditors' Remuneration

	Consolidated	
	2023 US\$	2022 US\$
<u>Audit of the financial statements - RSM Australia Partners</u>		
Audit or review of financial reports	36,858	40,812
	<u>36,858</u>	<u>40,812</u>
<u>Audit of the financial statements – RSM network firms</u>		
Audit or review of the financial statements - RSM Chio Lim LLP	11,732	11,031
Audit or review of the financial statements - RSM China CPA LLP	4,040	-
	<u>15,772</u>	<u>11,031</u>
	<u>52,630</u>	<u>51,843</u>

22. Commitments

There are no outstanding commitments as at 30 June 2023 (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS

23. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are cash flow interest rate risk and equity price risk. Other minor risks are either summarised below or disclosed at note 9 in the case of credit risk and note 15 in the case of capital risk management. The Board reviews and agrees policies for managing each of these risks.

Cash Flow Interest Rate Risk

The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's short-term deposits with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. The Group's borrowings which are fixed rate convertible notes expose the Group to fair value risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Group does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the Group's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments.

The Group has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the Group does not have a formal policy in place to mitigate such risks.

Consolidated 2023	Notes	Interest Rate	1 year or less US\$	Over 1- 5 years US\$	Non- interest bearing US\$	Total US\$
Financial assets						
Cash and cash equivalents	8	0%	-	-	135,461	135,461
Trade and other receivables	9	0%	-	-	43,076	43,076
Total financial assets			-	-	178,537	178,537
Financial liabilities						
Trade and other payables	13	0%	-	-	211,958	211,958
Borrowings	14	0%	-	-	331,500	331,500
Total financial liabilities			-	-	543,458	543,458
Net financial liabilities			-	-	(364,921)	(364,921)

NOTES TO THE FINANCIAL STATEMENTS

Consolidated	Notes	Interest Rate	1 year or less US\$	Over 1-5 years US\$	Non-interest bearing US\$	Total US\$
2022						
Financial assets						
Cash and cash equivalents	8	0%	-	-	1,761,612	1,761,612
Trade and other receivables	9	0%	-	-	3,076	3,076
Total financial assets for continuing operations			-	-	1,764,688	1,764,688
Financial liabilities						
Trade and other payables	12	0%	-	-	182,179	182,179
Total financial liabilities			-	-	182,179	182,179
Net financial assets			-	-	1,582,509	1,582,509

Interest rate sensitivity

At 30 June 2023, if interest rates had changed by 15% during the entire year with all other variables held constant, income for the year and equity would have been nil lower/higher (30 June 2022: Nil), as a result of lower/higher interest income from cash and cash equivalents.

At 30 June 2023, if interest rates had changed by 15% during the entire year with all other variables held constant, income for the year and equity would have been nil lower/higher (30 June 2022: Nil), as a result of lower/higher interest income from borrowings.

A sensitivity of 15% (15%: 2022) has been selected as this is considered reasonable given the current level of both short term and long term Australian interest rates. A 15% sensitivity would move short term interest rates at 30 June 2022 from around 0.25% to 0.287% representing a 0.0375 basis point increase. Market expectations are that interest rates in Australia are more likely to move up than down in subsequent periods.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances are impacted resulting in a decrease or increase in overall income.

Liquidity risk

The Group manages liquidity risk by maintaining sufficient cash reserves and marketable securities, and through the continuous monitoring of budgeted and actual cash flows.

	Note	Weighted average interest rate	Consolidated 2023 US\$	Consolidated 2022 US\$
Contracted maturities of payables at 30 June				
Borrowings	14	-	331,500	-
Lease liabilities	12	-	17,879	-
Trade and other payable - less than 6 months	13	-	331,457	182,179
			<u>680,836</u>	<u>182,179</u>

Foreign exchange risk

The Group has cash and cash equivalents denominated in AU\$ of US\$69,112 (2022: US\$1,719,194). At 30 June 2023, if USD/AUD rates had changed by 15% with all other variables held constant, loss for the

NOTES TO THE FINANCIAL STATEMENTS

year and equity would have been US\$10,367 lower/higher (30 June 2022: US\$257,879), as a result of with change in fair value of cash and cash equivalents.

A sensitivity of 15% (15%: 2022) has been selected as this is considered reasonable given the current level of volatility in the USD/AUD rate.

Net fair values

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The consolidated entity has no financial assets where carrying amount exceeds net fair values at balance date.

24. Segment Information

For management purposes the Group is organised into four strategic units:

- corporate head office in Australia
- technology development and marketing based in Singapore and China; and
- operations in Indonesia

Such structural organisation is determined by the nature of risks and returns associated with each business segment and define the management structure as well as the internal reporting system. It represents the basis on which the Group reports its primary segment information to the Board.

The operating segment analysis presented in these financial statements reflects operations analysis by business. It best describes the way the Group is managed and provides a meaningful insight into the business activities of the Group.

The following table presents details of revenue and operating loss by business segment as well as reconciliation between the information disclosed for reportable segments and the aggregated information in the financial statements. The information disclosed in the table below is derived directly from the internal financial reporting system used by the Board of Directors to monitor and evaluate the performance of our operating segments separately.

NOTES TO THE FINANCIAL STATEMENTS

Consolidated - 2023	Australia US\$	Singapore US\$	Indonesia US\$	China US\$	Total US\$
Revenue					
Intersegment sales	-	-	-	-	-
Income	75	490	16,162	-	16,727
Total segment income	75	490	16,162	-	16,727
Intersegment eliminations	-	-	-	-	-
Total revenue					<u>16,727</u>
EBITDA	<u>(1,287,264)</u>	<u>(480,566)</u>	<u>(105,293)</u>	<u>(297,512)</u>	<u>(2,170,635)</u>
Loss before income tax expense	<u>(1,287,264)</u>	<u>(481,605)</u>	<u>(105,293)</u>	<u>(308,732)</u>	<u>(2,182,894)</u>
Income tax expense	-	-	-	-	-
Loss after income tax expense	<u>(1,287,264)</u>	<u>(481,605)</u>	<u>(105,293)</u>	<u>(308,732)</u>	<u>(2,182,894)</u>
<i>Material items include:</i>					
Share based payments					(153,652)
Depreciation					(1,037)
Assets					
Segment assets	69,113	48,736	9,390	76,442	203,681
Total assets					<u>203,681</u>
Liabilities					
Segment liabilities	846,294	5,201,625	259,821	523,681	6,831,421
Intersegment eliminations					(6,150,585)
Total liabilities					<u>680,836</u>
Consolidated - 2022	Australia US\$	Singapore US\$	Indonesia US\$	China US\$	Total US\$
Revenue					
Intersegment sales	-	-	-	-	-
Income	2,140	23,099	16,795	-	42,034
Total segment income	2,140	23,099	16,795	-	42,034
Intersegment eliminations	-	-	-	-	-
Total revenue					<u>42,034</u>
EBITDA	<u>(987,435)</u>	<u>(511,705)</u>	<u>(101,112)</u>	<u>(112,137)</u>	<u>(1,712,389)</u>
Loss before income tax expense	<u>(987,435)</u>	<u>(511,705)</u>	<u>(101,112)</u>	<u>(112,137)</u>	<u>(1,712,319)</u>
Income tax expense	-	-	-	-	-
Loss after income tax expense					<u>(1,714,648)</u>
<i>Material items include:</i>					
Share based payments					(266,958)
Depreciation					(2,259)
Assets					
Segment assets	1,719,194	43,364	4,252	-	1,766,810
Total assets					<u>1,766,810</u>
Liabilities					
Segment liabilities	210,524	4,431,778	150,106	108,351	4,900,759
Intersegment eliminations					(4,718,580)
Total liabilities					<u>182,179</u>

NOTES TO THE FINANCIAL STATEMENTS

25. Subsequent Events

On 1 September 2023, the Company announced the execution of a new three-year revenue share agreement with the Football Association of Indonesia, known as PSSI, under the new leadership and administration appointed in February 2023. Under the agreement, revenue generated from PSSI's KitaGaruda web app (that was developed by SportsHero) will be split 70/30 in PSSI's favour. Included under the agreement is revenue generated from third-party sponsorship, direct marketing, and gamification.

26. Contingent Liabilities and Contingent Assets

The Group does not have any contingent liabilities or contingent assets as at 30 June 2023 (2022: Nil).

27. Investment in Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following wholly-owned subsidiaries in accordance with the accounting policy described in note 1:

	Country of Incorporation	Principal Activities	Functional Currency	Ownership %
Parent entity				
SportsHero Limited	Australia	Parent	Australian Dollars (AUD)	
Name of Controlled Entity				
Sportz Hero Pty Limited	Australia	Investment holding	Australian Dollars (AUD)	100%
SportsHero Enterprise Pte Ltd	Singapore	Technology development & marketing	Singapore Dollars (SGD)	100%
PT Sport Hero Indonesia	Indonesia	Operations	Indonesia Rupiah (IDR)	100%
Zongheng (Shanghai) Esports Information Technologies Co Ltd	China	Operations	Chinese Yuan (CNY)	100%
EsportsHero Pty Ltd	Australia	Operations	Australian Dollars (AUD)	100%

28. Company Details

The registered office and principal place of business of the Group is:

36 Prestwick Drive
Twin Waters, QLD 4564

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of SportsHero Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the year ended on that date; and
 - (ii) complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and
- (c) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2023.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Board



Stratos Karousos
Chair

Dated this 29th day of September 2023



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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SPORTSHERO LIMITED**

Opinion

We have audited the financial report of SportsHero Ltd (**Company**) and its subsidiaries (**Group**), which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (Code)* that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group has incurred a net loss of US\$2,182,894 during the year ended 30 June 2023 and, as of that date, the Group's current liabilities exceeded its current assets by US\$488,620. As stated in Note 1, this condition, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed this matter
<p>Share-based payments</p> <p>Refer to Note 20 in the financial statements</p>	
<p>In accordance with AASB 2 <i>Share-based Payment</i>, the Group recognised share based payment expenses from the issue of 28,000,000 options as consideration for services rendered, and the recognition of non-market performance rights issued in prior periods.</p> <p>We determined this to be a key audit matter due to the material amount of the share-based payment and the significant judgement involved in assessing the fair value of the transactions in accordance with AASB 2 <i>Share-based Payment</i>.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Assessing the Group’s accounting policy for compliance with Australian Accounting Standards; • Reading the key terms and conditions of the options issued; • Obtaining the valuation models prepared by management and assessing whether the models were appropriate for valuing the options; • Assessing management’s determination of the probability of achieving the non-market performance conditions attached to the performance rights issued in prior periods; • Assessing the mathematical accuracy of the computation and the apportioned expense over the vesting period; • Challenging the reasonableness of key assumptions used by management to value the options; and • Assessing the relevant disclosures in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of SportsHero Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in blue ink that reads 'RSM'.

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to be 'Matthew Beevers'.

MATTHEW BEEVERS
Partner

Perth, WA
Dated: 29 September 2023

SHAREHOLDER INFORMATION

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this Annual Report is as follows. The information is made up to 19 September 2023.

Distribution schedules of security holders

	Fully Paid Shares	AU\$0.05 AU\$0.10 AU\$0.20 Options Expiring 31/10/23 30/11/23 31/12/23	AU\$0.05 Options Expiring 31/12/23	AU\$0.05 AU\$0.10 AU\$0.20 Options Expiring 30/6/24	AU\$0.03 AU\$0.05 AU\$0.10 AU\$0.20 AU\$0.50 AU\$1.00 Options Expiring 30/12/24	AU\$0.05 AU\$0.10 AU\$0.15 Options Expiring 30/4/26	Performance Rights
1 -1,000	155	-	-	-	-	-	-
1,001 - 5,000	184	-	-	-	-	-	-
5,001 - 10,000	125	-	-	-	-	-	-
10,001 - 100,000	496	-	-	-	-	-	-
100,001 and over	316	1	1	1	1	1	1
Number of Holders	1,276	1	1	1	1	1	1

Holders of non-marketable parcels

There are 696 fully paid ordinary shareholders who hold less than a marketable parcel of shares.

Twenty largest holders

The names of the twenty largest shareholders are:

	Number of shares	% Held
1 IPV CAPITAL II HK LIMITED	47,898,000	8.33
2 A + N PAUL	30,044,766	5.23
3 SUNSHORE HOLDINGS PTY LTD	20,682,694	3.11
4 CJF LOW	17,908,837	3.21
5 AHMAD FUAD BIN MD ALI	17,000,000	2.96
6 TIMRIKI PTY LTD	16,337,000	2.84
7 MN BULL	15,234,564	2.65
8 JL WOODWARD	14,323,204	2.49
9 BNP PARIBAS NOMINEES PTY LTD	12,460,126	2.17
10 J & TW DEKKER PTY LTD	12,240,216	2.13
11 WIG PTY LTD	11,914,706	2.07
12 COLIN JEE FAI LOW	11,400,000	1.98
13 P D'ANGELO	11,330,425	1.97
14 CJF LOW	9,309,402	1.62
15 TN LAPPING TONAVANIK	8,357,143	1.45
16 ONE MANAGED INVESTMENT FUNDS LIMITED	8,285,000	1.44
17 JG LIM	8,190,310	1.42
18 T LEI	7,495,071	1.3
19 HAPPINESS INVESTMENTS PTY LTD	7,056,681	1.23

SHAREHOLDER INFORMATION

20 M MARNEWICK	6,694,298	1.16
	294,162,443	51.16

Restricted securities

The Group has no Restricted Securities on issue.

Unquoted equity securities

	Number on issue	Number of holders
Options exercisable at AU\$0.05 and expiring 31 October 2023	1,000,000	1
Options exercisable at AU\$0.10 and expiring 30 November 2023	1,000,000	1
Options exercisable at AU\$0.20 and expiring 31 December 2023	1,000,000	1
Options exercisable at AU\$0.05 and expiring 31 December 2023	2,500,000	1
Options exercisable at AU\$0.05 and expiring 30 June 2024	2,000,000	1
Options exercisable at AU\$0.10 and expiring 30 June 2024	1,000,000	1
Options exercisable at AU\$0.20 and expiring 30 June 2024	1,000,000	1
Options exercisable at AU\$0.03 and expiring 31 December 2024	1,000,000	1
Options exercisable at AU\$0.05 and expiring 31 December 2024	1,000,000	1
Options exercisable at AU\$0.10 and expiring 31 December 2024	1,000,000	1
Options exercisable at AU\$0.20 and expiring 31 December 2024	1,000,000	1
Options exercisable at AU\$0.50 and expiring 31 December 2024	5,000,000	1
Options exercisable at AU\$1.00 and expiring 31 December 2024	5,000,000	1
Options exercisable at AU\$0.05 and expiring 30 April 2026	2,500,000	1
Options exercisable at AU\$0.10 and expiring 30 April 2026	2,500,000	1
Options exercisable at AU\$0.15 and expiring 30 April 2026	5,000,000	1
Performance rights	1,500,000	1

Names of persons holding more than 20% of a given class of unquoted securities (other than incentive securities)

AiDriven Pty Ltd holds 100% of the options for each of the following 6 classes of options:

- options expiring 31 October 2023, 30 November 2023, 31 December 2023 and the 3 classes of options expiring 30 June 2024.

Talon Esports Ltd holds 100% of the 3 classes of options expiring 30 April 2026.

Substantial shareholder

	No. of Shares Held	% of Shares Held
IPV Capital II HK Limited	47,898,000	8.33%

On-market buy-back

There is no current on-market buy-back.

SHAREHOLDER INFORMATION

Acquisition of voting shares

No issues of securities have been approved for the purposes of Item 7 of section 611 of the Corporations Act 2001.

Voting Rights

Ordinary fully paid shares – on a show of hands, every member present in person or by proxy shall have one vote and upon a poll, each member shall have one vote per share.

Tax status

The Group is treated as a public company for taxation purposes.

Franking credits

The Group has nil franking credits.