

eSports Mogul Pty Ltd
(ACN 609 780 154)

Financial Report

For the period 10 December 2015 to 31 December 2015

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DIRECTORS' REPORT

The directors present the following report on eSports Mogul Pty Ltd (“the Company”) during or at the end of the financial period ended 31 December 2015.

1. DIRECTORS

The names and details of the Company’s directors in office during and since the financial period end until the date of the report are as follows.

Mr Gernot Abl (appointed 10 December 2015)
Mr Neville Bassett (appointed 10 December 2015)

2. PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial period was the execution and completion of the Heads of Agreement (including Letter of Variation), Platform Licence Agreement, Series Seed Preferred Stock Purchase Agreement and Second Amended and Restated Stockholders’ Agreement with eSports Hero Inc.

3. OPERATING RESULTS

The loss of the Company after providing for income tax amounted to \$6,713.

4. DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Company occurred during the financial year:

- On 10 December 2015 the company was incorporated and issued 1,000,000 fully paid shares at \$0.001 per share for total proceeds of \$1,000;
- On 16 December 2015 the Company entered into a Heads of Agreement and a Letter of Variation to the Heads of Agreement on 8 January 2016 with eSports Hero Inc;
- On 16 December 2015 the Company entered into a Platform Licence Agreement with eSports Hero Inc;
- On 16 December 2015 the Company entered into a Series Seed Preferred Stock Purchase Agreement with eSports Hero Inc; and
- On 16 December 2015 the Company entered into a Second Amended and Restated Stockholders’ Agreement with eSports Hero Inc

There were no other significant changes in the state of affairs of the Company during the financial period.

6. FUTURE DEVELOPMENTS

The Company intends to complete the transaction with Volta Mining Limited by the end of the first half of 2016 as well as launch the eSports Hero Platform in select countries in the APAC region.

DIRECTORS' REPORT (Continued)

7. AFTER REPORTING DATE EVENTS

- On 15 January 2016 eSports Mogul Pty Ltd issued \$2,000,000 worth of convertible notes to subscribers.
- As per the Heads of Agreement entered into between eSports Mogul Pty Ltd and eSports Hero Inc. on 16 December 2015, eSports Mogul Pty Ltd transferred US\$1,000,000 on 15 January 2016 to eSports Hero Inc. to obtain a 20% interest in eSports Hero Inc.
- On 2 February 2016 the eSports Mogul Pty Ltd (**ESM**) entered into a Binding Term Sheet with Volta Mining Limited (**VTM**), whereby VTM would acquire 100% of the issued capital of the ESM on the following terms, subject to a number of conditions precedent:-
 - Issue of 100,000,000 VTM shares to the ESM shareholders in consideration for their ESM Shares (**Consideration Shares**);
 - Issue 100,000,000 Class A Performance Shares to the ESM shareholders – conversion upon ESM achieving 100,000 registered users and 15% active users (as defined in the Platform Licence Agreement) within 24 months from the date of issue;
 - Issue 100,000,000 Class B Performance Shares to the ESM shareholders – conversion upon ESM achieving annualised EBIT of not less than \$5 million per annum, calculated over 3 consecutive months, within 60 months from the date of issue; and
 - \$2million in VTM shares to the ESM convertible note holders (**ESM Convertible Note Shares**). The issue price will be at a 50% discount to the VTM public offer price, which is yet to be determined.

There were no other significant changes in the state of affairs of the Company during the financial period.

8. ENVIRONMENTAL ISSUES

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

9. OPTIONS

No options over issued shares or interests in the Company were granted during or since the end of the financial period and there were no options outstanding at the date of this report.

10. INDEMNIFYING OFFICERS OR AUDITOR

The Company has not otherwise, during or since the end of the financial period, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Company against a liability incurred as such by an officer or auditor.

11. PROCEEDINGS ON BEHALF OF COMPANY

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

The Company was not a party to any such proceedings during the period.

12. AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 31 December 2015 has been received and can be found on page 5 of the annual report.

DIRECTORS' REPORT (Continued)

Signed in accordance with a resolution of the Board of Directors.

A handwritten signature in blue ink, consisting of several loops and a horizontal line at the bottom.

Gernot Abl
Director

Dated this 25th day of March 2016

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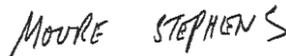
**AUDITOR'S INDEPENDENCE DECLARATION UNDER
S307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF
ESPORTS MOGUL PTY LTD**

I declare that, to the best of my knowledge and belief, during the period ended 31 December 2015 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 25th day of March 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the period 10 December 2015 to 31 December 2015

	Note	2015 \$
Revenue from continuing operations		-
Administration expenses		713
Compliance and legal expenses		6,000
		<hr/>
Loss before income tax expense		6,713
Income tax expense		-
		<hr/>
Net loss after tax		6,713
Other comprehensive income		-
		<hr/>
Total comprehensive loss for the period		6,713
		<hr/> <hr/>

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Note	2015
		\$
CURRENT ASSETS		
Cash and cash equivalents	3	262
Other receivables	4	425
TOTAL CURRENT ASSETS		687
TOTAL ASSETS		687
CURRENT LIABILITIES		
Trade and other payables	5	6,400
TOTAL CURRENT LIABILITIES		6,400
TOTAL LIABILITIES		6,400
NET ASSETS/(LIABILITIES)		(5,713)
EQUITY		
Issued Capital	6	1,000
Accumulated Losses		(6,713)
TOTAL EQUITY/(DEFICIENCY)		(5,713)

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2015

	Issued Capital	Accumulated Losses	Total
	\$	\$	\$
Balance at 10 December 2015	-	-	-
<i>Total comprehensive income for the year</i>			
Loss for the period	-	(6,713)	(6,713)
Other comprehensive income	-	-	-
	-	(6,713)	-
<i>Transaction with owners in their capacity as owners:</i>			
Issue of shares	1,000	-	1,000
Balance at 31 December 2015	1,000	(6,713)	(5,713)

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the period ended 31 December 2015

	2015
	\$
Cash Flows from Operating Activities	
- Payments to suppliers and employees	(738)
<i>Net cash used in operating activities</i>	(738)
Cash Flows from Financing Activities	
- Proceeds from issue of shares	1,000
<i>Net cash provided by financing activities</i>	1,000
Net increase/(decrease) in cash and cash equivalents held	262
Cash and cash equivalents at beginning of financial period	-
Cash and cash equivalents at end of financial period	262

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2015

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Directors' have prepared the financial statements on the basis that the Company is a non-reporting entity because there are no users dependent on a general purpose financial report. The financial report is therefore a special purpose financial report that has been prepared in order to meet the requirements of the *Corporations Act 2001*.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations and the disclosure requirements of AASB 101 Presentation of Financial Statements, AASB 107 Statement of Cash Flows, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, AASB 1031 Materiality, AASB 1048 Interpretation of Standards and AASB 1054 Australian Additional Disclosures, as appropriate for for-profit oriented entities.

eSports Mogul Pty Ltd is a Company limited by shares, incorporated and domiciled in Australia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

The financial statements have been prepared on a historical cost basis. The functional and presentation currency is Australian dollars (\$).

(b) Changes in accounting policy, disclosures, standards and interpretations

Australian Accounting Standards issued but not yet effective

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the reporting period ended 31 December 2015. The directors have not yet fully assessed the impact of these new or amended standards (to the extent relevant to the Company) and interpretations.

(c) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:-

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- 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 the 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.

The Company classifies all other liabilities as non-current.

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

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short term deposits, as defined above.

(e) Trade receivables

Trade receivables were recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. Trade receivables were due for settlement no more than 60 days from the date of recognition, and no more than 60 days for other debtors.

Collectability of trade receivables was reviewed on an ongoing basis. Debts which were known to be uncollectable were written off. A provision for doubtful receivables was established when there was objective evidence that the Company was not able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the statement of profit of loss and other comprehensive income.

(f) Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses, including impairment on inventories are recognised in the statement of profit or loss and other comprehensive income as an expense.

An assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the assets recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(g) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(i) Issued Capital

Ordinary shares are classified as equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company has concluded that it is the principal in all of its revenue arrangements, since it is the primary obligator in all revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the significant and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received, net of returns and allowances, trade discounts and volume rebates.

Interest income

Interest income is accrued when earned.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2015

	2015
	\$
3. CASH AND CASH EQUIVALENTS	
Current	
Cash at bank and on hand	262
4. OTHER RECEIVABLES	
Current	
GST receivable	425
5. TRADE AND OTHER PAYABLES	
Current (unsecured)	
Trade creditors ¹	4,400
Other creditors & accruals ²	2,000
	6,400

Terms and conditions relating to the above financial instruments.

1. *Trade creditors are non-interest bearing and generally on 60 day terms.*
2. *Other creditors are non-interest bearing have no fixed repayment terms.*

6. ISSUED CAPITAL

1,000,000 fully paid ordinary shares 1,000

(a) Movements in fully paid ordinary shares on issue

	2015	
	\$	Number
At the beginning of the reporting period	-	-
Shares issued during the period:		
Issue of fully paid ordinary shares	1,000	1,000,000
Balance at 31 December 2015	1,000	1,000,000

(b) Terms of ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

At shareholder's meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands. These fully paid ordinary shares have no par value.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2015

7. EVENTS SUBSEQUENT TO REPORTING DATE

- On 15 January 2016 eSports Mogul Pty Ltd issued \$2,000,000 worth of convertible notes to subscribers.
- As per the Heads of Agreement entered into between eSports Mogul Pty Ltd and eSports Hero Inc. on 16 December 2015, eSports Mogul Pty Ltd transferred US\$1,000,000 on 15 January 2016 to eSports Hero Inc. to obtain a 20% interest in eSports Hero Inc.
- On 2 February 2016 the eSports Mogul Pty Ltd (**ESM**) entered into a Binding Term Sheet with Volta Mining Limited (**VTM**), whereby VTM would acquire 100% of the issued capital of the ESM on the following terms, subject to a number of conditions precedent:-
 - Issue of 100,000,000 VTM shares to the ESM shareholders in consideration for their ESM Shares (**Consideration Shares**);
 - Issue 100,000,000 Class A Performance Shares to the ESM shareholders – conversion upon ESM achieving 100,000 registered users and 15% active users (as defined in the Platform Licence Agreement) within 24 months from the date of issue;
 - Issue 100,000,000 Class B Performance Shares to the ESM shareholders – conversion upon ESM achieving annualised EBIT of not less than \$5 million per annum, calculated over 3 consecutive months, within 60 months from the date of issue; and
 - \$2million in VTM shares to the ESM convertible note holders (**ESM Convertible Note Shares**). The issue price will be at a 50% discount to the VTM public offer price, which is yet to be determined.

There were no other significant changes in the state of affairs of the Company during the financial year.

8. CONTINGENT LIABILITIES

In the opinion of the directors there were no contingent liabilities at 31 December 2015, and the interval between 31 December 2015 and the date of this report

9. COMMITMENTS

	2015 \$
Marketing, promotion & advertising expenditure commitments	
No later than 12 months	1,250,000
Between 12 and 24 months	1,250,000
	2,500,000

As part of the Platform Licence Agreement entered into between eSports Hero Inc. and eSports Mogul Pty Ltd on 16 December 2015, eSports Mogul Pty Ltd is required to spend a minimum of US\$1,750,000 on marketing, promotion and advertising within the first 24 months.

The exchange rate used has been US\$0.70:AU\$1 to convert the minimum expenditure into Australian Dollars.

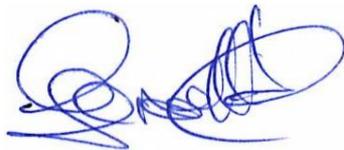
DIRECTORS' DECLARATION

The Directors have determined that the Company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements:

In the opinion of the directors:

1. The financial statements and notes of the Company for the period ended 31 December 2015 are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the Company's financial position as at 31 December 2015 and of its performance for the period ended on that date; and
 - (b) comply with the Australian Accounting Standards as stated in Note 1.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Gernot Abl
Director

Dated this 25th day of March 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ESPORTS MOGUL PTY LTD.

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose financial report of eSports Mogul Pty Ltd, which comprises the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of eSports Mogul Pty Ltd (the company).

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report and have determined that the accounting policies described in Note 2 of the financial statements are appropriate to meet the requirements of the *Corporations Act 2001* and to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 2, are appropriate to meet the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

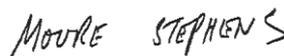
- (a) the special purpose financial report of eSports Mogul Pty Ltd. is in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial positions as at 31 December 2015 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001 to the extent outlined in Note 1.

Emphasis of Matter – “Basis of Accounting”

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose.



Suan-Lee Tan
Partner



Moore Stephens
Chartered Accountants

Signed at Perth this 25th day of March 2016

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