



30 April 2020

Quarterly Report for the quarter ended 31 March 2020

Highlights

- All technology, assets, partnerships and people in place to generate revenue.
- Large attractive market opportunity...targeting passionate football fans aged 18-35 years with middle-income demographics...no obvious competition.
- Q3 committed milestones completed on schedule...web browser platforms completed...Linus technology fully integrated on Kita Garuda platform...content creation and production team in Indonesia in place.
- COVID-19 Impact has resulted in all sporting fixtures being suspended...well-placed to commence material revenue generation as games and fixtures re-commence.
- Board action reduced operating expenses by \$1,000,000 pa, whilst retaining key talent in order to be able to rapidly scale up.
- Technology is highly scalable with insignificant variable costs...current fixed cost base can support significant revenues.
- Commitments secured in mid-April via a Convertible Notes issue to provide \$300,000 in working capital and to strengthen the balance sheet.
- Planned e-store upgrades completed...e-commerce strategy aimed at fast tracking revenue generation.
- Exploring opportunities to monetise the e-commerce functionality in the "SportsHero" and "Kita Garuda" apps and browsers via the sale of an extensive range of sporting goods and related products to PSSI's 80,000,000 football fans.

Quote from CEO Tom Lapping

"We have enriched our offering, streamlined our cost base and are strengthening our partnerships so that everything is in place for us to generate material revenues once football recommences."

"The raising of \$300,000 and the implementation of substantial cost savings provides the Company with a 6 month runway to outlast the COVID-19 crisis and the disruptions to the Indonesian and Spanish football leagues."

COVID-19

As a consequence of the COVID-19 pandemic:

1. On 17 March 2020, PSSI announced the suspension of all Indonesian football competitions.
2. On 12 March 2020, LaLiga announced an initial suspension of Spanish football and on 23 March 2020 announced the indefinite suspension of professional football in Spain.

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SportsHero

The suspension of football by both the Indonesian and the Spanish football leagues will have a temporary, although material impact on the Company's ability to generate revenues from its prediction platforms, sponsor and partner advertising and ticketing.

As a response, the Company has implemented substantial cost saving measures, whilst at the same time retaining key talent and personnel in order to retain the ability to rapidly scale up in the future.

Total annual cash savings of in excess of \$1,000,000 have now been implemented. These cost saving measures include the following:

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

e-store site upgraded

During the quarter, upgrades to the Kita Garuda apps e-store site were undertaken. Simultaneously, the joint venture partners proactively commenced sourcing a range of sporting and related products to populate the e-store for promotion to PSSI's 80 million football fans.

The commencement of this e-commerce strategy was aimed at fast tracking our ability to generate revenue from a more dynamic e-store during a period when revenue from other sources, such as competition revenue, match ticketing and gamification related ticket sales, is simply not currently possible.

SportsHero's CEO Tom Lapping said: "The e-commerce sector is growing rapidly in emerging markets and our e-commerce strategy will broaden the service profile of our platform to take advantage of the upside that this growth sector can deliver, especially at time when people are forced to shop online."

"By working with PSSI, our distribution and media partners and utilising some of Indonesia's biggest football personalities, we will be looking to offer Indonesian football fans the opportunity to purchase a range of new, innovative and exciting products."

PSSI/SportsHero partnership – commercialisation

SportsHero has an exclusive three year agreement (with two further three-year options) with PSSI. Under the agreement with PSSI, SportsHero and PSSI will share revenues from football fan subscriptions and advertising campaigns on both the Kita Garuda app and web browser. PSSI is responsible for all marketing costs, while SportsHero advises on strategy and execution.

Importantly, the web browser enables the capture of all smart phone users and there are over 130 million avid social media users in Indonesia, with 65 million people aged between 18 and 35.

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Linus (ASX: LNU) technology

The Linus technology allows a user to customise a video to show only content that is relevant to the individual requirements and viewing preferences of the user. For example, a user of the Kita Garuda app will be able to search for and watch highlights of their favourite players, the best goals scored, or customise their viewing content based on virtually any criteria, such as shots on target, goalkeeper saves, injuries, substitutions, penalties, red cards and many more.

The integration of the Linus technology has the potential to significantly increase user engagement and viewer numbers, which in turn is expected to result in the generation of more substantive advertising revenue for both PSSI and SportsHero.

Cash and expenses

Operational cash expended in Q3 FY19/20 totaled \$534 thousand, with \$188 thousand invested in R&D and product manufacturing and operating costs.

Cash at Bank as at 31 March 2020 totaled \$208 thousand. Expenses for Q4 FY19/20 are forecast to be around \$160 thousand.

During Q3 FY19/20 a total \$73 thousand was paid to related parties for the provision of services, director fees and office rent.

Convertible note issue

On 16 April 2020, the Company announce that it had received irrevocable commitments for the raising of \$300,000 pursuant to the issue of 300 10% Convertible Notes, each with a face value of \$1,000.

Sports Bookmaker Licence

During the March 2019 quarter, SportsHero executed binding agreements with Cross Bet Holdings Pty Ltd for the purpose of establishing a 50/50 joint venture and enabling the granting of a Sports Bookmaker Licence (regulated by the Northern Territory Racing Commission (**NTRC**)) to facilitate the Australian launch of a pay-to-play sports prediction platform.

The Licence has not yet been granted/transferred by the NTRC to the Pay-to-Play Australia Pty Ltd Joint Venture.

Authorised for release by the Board

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About SportsHero

SportsHero's strategy is to build a large user base of active sports fans utilising our premium technologies and official associations with the sport's governing bodies. We will then monetise these strategic assets with recurring revenue generated from complementary advertising income, brand sponsorship, subscriptions, competition revenue, video streaming, ecommerce and match and gamification ticket sales.

SportsHero has developed an intelligent, engaging sports prediction platform, designed to provide a dynamic immersive social experience, coupled with both monetary and other prizes.

It has an exclusive digital partnership with PSSI as well as with Spain's LaLiga, one of the world's most popular sporting leagues.

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

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