

## Quarterly Activities Report for the quarter ended 31 December 2022

### Highlights

- Despite lockdowns in China, significant progress was made during the quarter in the largest esports gaming market in the world
- SportsHero's 2022 FIFA World Cup Qatar competitions generated a very significant 56,062,214 views in China
- Aim Assist Analysis (AAA) app delivered, approved by Apple and available for download in the Apple App Store
- The AAA algorithm is currently performing at above 80% prediction accuracy and during January 2023 delivered 100% prediction accuracy on the 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup>, 11<sup>th</sup>, 16<sup>th</sup> and 25<sup>th</sup> of January
- Secured \$100,000 sponsorship agreement with high profile esports betting company Rivalry
- OlahBola Ellevate app live in market and Topskor has commenced marketing and promotion to their members
- Non-recurring app development expenditure for the quarter of \$274k
- Appointment of a highly experienced Non-executive Chair, with significant commercial, legal, ASX, corporate governance and operational experience

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### China

In the largest esports market in the world, SportsHero Limited (**SportsHero**) has been rapidly building and delivering its China strategy.

Despite the disruptions of nationwide lockdowns (as a result of China's Zero Covid policy), SportsHero made substantial progress in China throughout the quarter, including the following:

1. The Company's office, in Shanghai, was established and key esports recruitments completed, including the following:
  - Esports tournament specialist, with in excess of 10 years experience in esports team management and development and tournament design;
  - Marketing manager, who has worked closely with NetEase, Inc. (HKG:9999) and will manage our marketing and promotional activities throughout China; and
  - Social media specialist who is responsible for the generation of content for our social media presence across Weibo, WeChat and Little Red Book.
2. Wuhan Esports Association (**WEA**) (the second largest esports association in China) and Wuhan Monster Technology (**WMT**):

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# SportsHero

- The parties successfully completed and launched the WEA app on WeChat. Due to Covid lockdowns, no tournaments were scheduled during the quarter. We are awaiting the start of the first tournament, scheduled for February 2023;
- This newly launched WEA app on WeChat is a complete esports tournament management and registration platform for WEA and its members;
- Every esports player who wants to participate in a tournament hosted by WEA, must register and set up an account on SportsHero's platform;
- As user registration and payment is mandatory for entry into all tournaments, the 12 tournaments WEA schedules every calendar year ensures user uptake and hence revenue for SportsHero;
- Registration fees are yet to be determined and all revenue generated is to be split on a 50/50 basis between WEA and SportsHero; and
- WMT (the commercial and operating arm of WEA) has facilitated a number of offline events to market and promote the upcoming WEA events and tournaments.



Screenshots of the WEA app on WeChat

3. During the quarter, SportsHero China launched FIFA World Cup Qatar 2022 prediction competitions on WeChat.
  - Sponsored prizes for our prediction competitions were provided by Black Shark, Logitech and WMT. Prizes included gaming hardware, Bluetooth gaming headsets and an iPhone 14 Pro Max 256GB.
  - Logitech provided \$25,000 of prizes and Black Shark (a subsidiary of Xiaomi) provided prizes to the value of \$10,000.
  - Due to the Covid imposed lockdown on WMT, its \$60,000 of advertising and promotion was deferred to upcoming prediction competitions.

Given that prediction competitions are an unfamiliar concept to most of the Chinese population and (as a result of Covid lockdowns) the WEA were unable to promote the competitions across their social media platforms and grassroots channels within their network, the results achieved from our FIFA World Cup Qatar 2022 prediction competitions were outstanding.

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During the 2022 FIFA World Cup SportsHero China received 56,062,214 views, 692,157 visits and 9,083 registered users.

4. As a consequence of Covid lockdowns, the launch of SportsHero's esports fully localised mobile app for China has been re-scheduled to coincide with the commencement of major esports tournaments in China in February 2023.

- As a result of the strong interest in the prediction competitions hosted on SportsHero esports WeChat app, SportsHero has developed a traditional mobile app that includes features and functions that have expanded our product and hence commercial opportunities to game publishers and tournament organisers;
- The app will be available at both the Apple Store and Google Playstore; and
- The esports mobile app includes news, a match data centre, live broadcasts of esports events, social engagement modules, community forums and daily mini-games to accelerate user growth and encourage user engagement.



Screenshots from the fully localised China app

5. During the quarter, SportsHero completed the development of prediction competitions for a new game title in China (Honor of Kings). This will be the 4<sup>th</sup> big game title available on EsportsHero China's prediction competition platform. Following the abolishment of China's Zero Covid policy, we will launch prediction competitions to cover upcoming Tencent organised Honor of Kings competitions.

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

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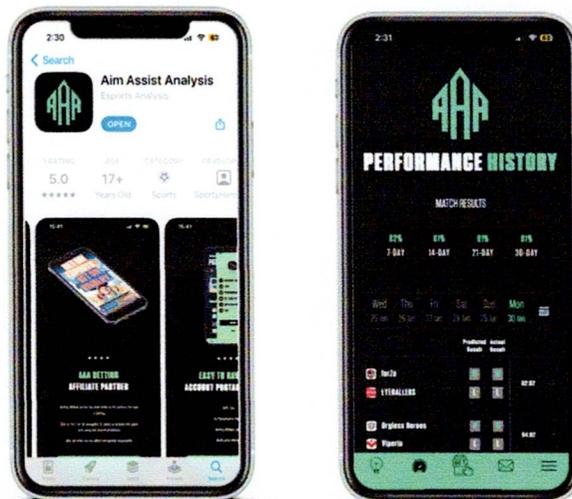
# SportsHero

## Australia

On 24 November 2022, SportsHero announced the completion of Aim Assist Analysis, a subscription only app that has been specifically designed, using SportsHero's proprietary artificial intelligence technology, to provide esports bettors with a list of up to 10 or more of the highest win probability betting recommendations per day.

### About Aim Assist Analysis (AAA)

- AAA is a dedicated esports betting guide app that leverages an enhanced betting algorithm (that has been developed from SportsHero's proprietary esports artificial intelligence technology) to generate daily esports tips and analysis, exclusively for esports betting.
- AAA uses a combination of Convolutional Neural Network and Deep Learning Reinforcement algorithms that are specifically designed for esports betting analysis. The algorithms generate esports betting recommendations with the highest win probability matched against the highest opportunity wagering odds available in the market.
- The daily betting recommendations provided by AAA will target three of the largest esports titles globally and will include League of Legends (LoL), Defense of the Ancients 2 (Dota 2) and Counter Strike Global Offensive (CS:GO).
- AAA was successfully approved by and is available to download on Apple iTunes as of 30 January 2023 and is expected to soon be available at the Google Play app store.
- Initial subscription cost has been set at A\$19.99 per month.
- The AAA algorithm is currently performing at above 80% prediction accuracy and during January 2023 delivered 100% prediction accuracy on the 3<sup>rd</sup>, 4<sup>th</sup>, 5<sup>th</sup>, 7<sup>th</sup>, 8<sup>th</sup>, 9<sup>th</sup>, 11<sup>th</sup>, 16<sup>th</sup> and 25<sup>th</sup> of January.



# SportsHero

## SportsHero's CEO, Tom Lapping said:

"In the fastest growing and most exciting betting segment in the world, being esports, our team has created what we consider to be an unrivaled esports prediction app."

"Our aim was to deliver not only a world first, but also a world best product. In so doing, we have invested heavily in terms of time and resources and delivered, on schedule and within budget, an impressive portfolio of tech assets in three different jurisdictions, all with strong subscription revenue potential."

"Whilst development, marketing and expansionary costs for the quarter were substantial, our focus now shifts to the promotion and subscription of our products and the generation of meaningful revenue, especially in China."

## AAA opportunities

The launch of AAA (initially in Australia) is expected to generate affiliate gaming revenue, subscription revenue, advertising/sponsorship revenue, exclusive streaming revenue and royalties.

In that regard, SportsHero:

- has launched a dedicated Twitch streaming channel for AAA that will demonstrate to esports gamers how to understand and place bets on esports matches using AAA predictions; and
- will leverage its strategic partnership with Australian gaming marketing leader, Livewire Group International Pty Ltd to promote AAA across Livewire's robust data set of over 1.2 million Australian device ID's that target 18+ gamers who are betting enthusiasts, esports enthusiasts and who play/watch LoL, Dota2 and/or CS:GO.

## Sponsorship agreement with esports betting company, Rivalry Australia Pty Ltd

Subsequent to the end of the quarter, SportsHero executed a sponsorship agreement (**Agreement**) with fully regulated sports betting and entertainment company, Rivalry Australia Pty Ltd (**Rivalry**).

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

### About Rivalry

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

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

### The Agreement

The Agreement with Rivalry has a term of one year (**Term**).

Pursuant to the Agreement, Rivalry has agreed to provide sponsorship to the value of A\$100,000 during the Term.

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Sponsorship fees of A\$8,333.33 will be paid monthly, for the first 6 months, subject to AAA generating not less than 25 referred users per month for the first 6 months.

Subject to AAA generating not less than 25 referred user per month for the first 6 months, the sponsorship will change to quarterly payments of A\$25,000 per month for the remaining term of the Term.

## **Sponsorship Deliverables**

Rivalry will have banner add placements on the main page of AAA as well as a fully owned Rivalry branded betting affiliate page on the app.

As part of the sponsorship deliverables, AAA will encourage its users to place bets with Rivalry using the daily match recommendations provided on AAA.

Rivalry and SportsHero will work collaboratively together to deliver unique and innovative marketing campaigns and promotional offers to drive maximum user acquisition and engagement across both platforms.

## **Termination**

If AAA generates less than 25 referred users per month for the first 6 months, then Rivalry (at its sole discretion) can immediately terminate the Agreement.

Prior to expiry of the Term, the parties will negotiate in good faith in relation to an extension of the arrangements governed by the Agreement. Subject to both parties agreeing in writing on or prior to the expiry of the Term, the Term can be extended for a further one year, or as agreed.

Either Party may terminate this Agreement immediately by written notice to the other Party if:

- (a) the other party becomes insolvent, or an order, petition, application, proceeding, meeting or resolution is made, presented, brought, called or passed for the purpose of winding up the Party (and not stayed, withdrawn or dismissed within 30 days);
- (b) an administrator is appointed to the other party;
- (c) the other party ceases to carry on business;
- (d) as reasonably determined by a party in good faith, the other party damages the reputation and/or brand of the other party;
- (e) the other party has breached a material term of the Agreement which is capable of remedy and has failed to remedy that breach within 30 days of receiving written notice from that party of that breach; or
- (f) the other party has committed a material breach of any provision of the Agreement, the breach is not (in the reasonable opinion of the party relying on this clause and acting in good faith) capable of being remedied and the parties have not agreed in writing a basis upon which this Agreement can continue within 30 days of the other party receiving notice of that breach occurring.

All other terms and conditions of the Agreement are considered standard for an agreement of this nature.

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## Indonesia

### OlahBola Ellevate

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

Olahbola Ellevate is now live in market with Top Skor actively marketing and promoting to their youth football members.

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

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

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

## Board Changes

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

### Stratos Karousos

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

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

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

### John Dougall

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

## Cash and expenditure (A\$'000)

Net cash used in operating activities for Q2 FY22/23 totaled \$675k, which included the following:

- China office and administration costs \$75k
- China marketing and promotional costs \$30k

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- Australia esports marketing, promotional and staff costs \$185k
- OlahBola operating & development costs, staff costs and promotion & marketing \$50k
- OlahBola content and software services \$22k
  
- Esports predictor consultancy fees \$85k
- Ellevate promotion & marketing, staff costs and development costs \$60k
- corporate costs, staff costs, administration, professional and legal expenses \$168k

Cash at bank as at 31 December 2022 totaled \$866k.

During Q2 FY22/23 a total of \$109k was paid to related parties of the Company as follows:

- \$55k for the provision of full-time services by a director
- \$33k for director fees paid to non-executive directors
- \$19.5k for the provision of services by a non-executive director
- \$1.5k to a non-executive director for office rent.

**Authorised for release by the Board**

**Michael Higginson**  
**Director/Company Secretary**

**Telephone: +61 42 999 5000**

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

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## Appendix 4C

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

**Name of entity**

SportsHero Limited

**ABN**

98 123 423 987

**Quarter ended ("current quarter")**

31 December 2022

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	16	18
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(23)	(23)
(c) advertising and marketing	(81)	(99)
(d) leased assets	-	-
(e) staff costs	(319)	(550)
(f) administration and corporate costs	(268)	(581)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	4
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(675)</b>	<b>(1,231)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	(274)	(462)
(f) other non-current assets	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(274)</b>	<b>(462)</b>

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

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,815	2,557
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(675)	(1,231)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(274)	(462)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	2
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>866</b>	<b>866</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	866	1,815
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>866</b>	<b>1,815</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	109
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
<b>7.4 Total financing facilities</b>	<b>-</b>	<b>-</b>
<b>7.5 Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(949)
8.2 Cash and cash equivalents at quarter end (item 4.6)	866
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	866
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>0.9</b>
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer: No. Having developed its apps and established a presence in China, the Company's focus will progress to promotion and subscription of our products and the generation of meaningful revenue.</p>	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
<p>Answer: The Company intends to raise additional cash to fund its operations via a placement of securities and intends to utilise the services of Novus Capital Limited as Lead Manager. The placement would utilise some of the Company's unused Listing Rule 7.1 and 7.1A placement capacity. The Company believes that its intended placement is very likely to be successful.</p>	

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

Answer: The Company expects to be able to continue its business operations and to meet its business objectives. The Company's subscription based apps are now available for download and it is expected that they will commence generating meaningful revenues in Q1 of 2023 and beyond.

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

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

31 January 2023

Date: .....

The Board of SportsHero Limited

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

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.