

Blue Star Capital plc

(“Blue Star” or “the Company”)

Half-yearly Results for the six months ended 31 March 2020

Chairman’s Statement

I am pleased to report Blue Star’s half-yearly results for the period ended 31 March 2020.

Financials

Blue Star reported a loss for the period of £189,460 compared with a loss of £494,543 for the six months ended 31 March 2019. The results for the period ending 31 March 2019 included a substantial loss relating to non-cash adjustments to the carrying value of investments. The ongoing running costs of the business have been maintained at a similar level to last year.

Net assets increased to £5,969,917 compared to £5,209,377 at the Company’s last financial year end of 30 September 2019 and reflected the fund raise of £900,00 (before expenses) undertaken in November 2019. This equates to a net asset value per share of approximately 0.19 pence.

Blue Star’s cash position at 31 March 2020 was £7,379 compared to a balance of £120,828 at 30 September 2019. The Company’s working capital position is dependent on new funds being made available to it and post the period end the Company successfully raised £500,000 before expenses on 9 June 2020.

Portfolio Review

I would like to provide the following information on our portfolio companies, inclusive of updates for the six-month period ended 31 March 2020 and any subsequent developments of note.

SatoshiPay

Company Description

SatoshiPay provides an innovative two-way digital payments platform with applications across a number of segments within the global payment industry. The SatoshiPay platform is powered by the Stellar network, which is a leading global blockchain network and payment technology. SatoshiPay is targeting three segments within the global payments industry, each of which represents a substantial market opportunity:

The SatoshiPay platform has unique advantages in each of the three markets:

- Micro-payments represent a growing market segment. These are transactions that can be as low as a few cents and are often uneconomical using conventional payment technologies. Applications include online publishing (pay per view), gaming and consumer reward programmes. The SatoshiPay platform offers instant end-to-end payments at a level of commission that makes payments viable for merchants and customers. SatoshiPay has commercial partnerships in place with online publishers such as Axel Springer and Börsenmedien.
- Digital wallets are a mechanism allowing consumers to make payments using their mobile or desktop device. The Solar wallet from SatoshiPay, powered by the Stellar Network, has more than 25k instalments in 40 countries. It is recommended by the Stellar Development Foundation, which coordinates the Stellar network.
- B2B cross-border payments are the most recent market for SatoshiPay. In November 2019, the company announced the new SatoshiPay B2B service, using the same technical platform as the existing products. This is the largest segment in the global payments market and represents an exciting growth opportunity for SatoshiPay.

Recent developments at SatoshiPay

On 28 May 2020, the Stellar Development Foundation (“SDF”) announced that it had made a strategic investment of \$550,000 by way of convertible loan notes into SatoshiPay. This investment

will be used to support the development of SatoshiPay's B2B solution for commercial, cross-border payments and its digital wallets. SatoshiPay was one of the first businesses to use Stellar commercially and has, to date, processed EUR650,000 in payments from over 200,000 accounts.

SDF is a key partner of SatoshiPay providing maintenance and partner support for the Stellar decentralised ledger network. This investment will enhance the already strong relationship that exists between the two organisations. The convertible loan notes are expected to convert at the time of SatoshiPay's next round of funding.

SatoshiPay is currently testing its B2B payments solution and expects to have a public beta product launch live sometime in the fourth quarter of 2020. SatoshiPay advises that the reaction to the product continues to be very positive with a number of potential clients already signed for when the product goes live.

Blue Star's holding in SatoshiPay

The Company's shareholding in SatoshiPay was acquired for £1,876,788 and represents 27.9 per cent, of SatoshiPay as at 30 March 2020. This investment has a carrying value of £4,745,787.

Esports portfolio

The global esports market is a rapidly growing economy. More than 200 million viewers regularly stream competitive gaming tournaments and related content, with a broader fan-base of up to 900 million occasional viewers. In terms of revenues, the industry exceeded US\$1bn for the first time in 2019 and is forecast to reach over US\$1.8bn in 2021.

The growing professionalisation of the esport industry has been attracting increasing investment capital into the space and Blue Star has made investments in a portfolio of early-stage businesses with potential to enter the top tier. In October 2019 Blue Star announced a £900k investment in the esports market, comprising six e-sport companies, each valued around £150k. I will discuss each of these companies below.

Dynasty Esports PTE is a Singapore-based business addressing the Malaysian market. Malaysia is already a rapidly growing market for e-sport, and we believe that this will be accelerated by a programme of government investment that is already underway, aimed at making Malaysia a regional hub in the e-sport industry. In this regard, we are delighted at the recent announcement from Dynasty that it has signed a five year exclusive partnership agreement with Malaysia eSports Federation ("MESF"), via its Kuala Lumpur based subsidiary Dynasty eSports (M) Sdn Bhd, to provide its esports Portal Management ("EPM") platform to enable effective management and control of the esports ecosystem within Malaysia.

Dynasty's EPM platform will be fully white-labelled, customised and branded for MESF and will bring together the main elements of the esports ecosystem being the players, the organisations and the tournaments, under one single integrated digital platform with the intention of providing a shared national and global view of the esports industry.

Under the Terms of the partnership agreement, MESF will actively endorse, promote and drive all esports related traffic in Malaysia to the EPM platform. MESF will also regulate and ensure that all domestic esports events, leagues or tournaments in Malaysia will be exclusively hosted on the MESF platform as the single destination site for esports. Tournaments and leagues attempting to operate outside of the MESF Platform will not be licensed or authorised by MESF which is expected to have the effect of any such event being blocked.

Dynasty will generate income throughout the term of the partnership via a matrix of revenue streams including management fees, advertising, sponsorship, exclusive eSports broadcast rights (both nationally and internationally), and other revenue share arrangements with MESF.

Blue Star's shareholding in Dynasty is 13.7%.

Guild Esports plc ("Guild") is a London-based esports team operator. On 25 June 2020, Guild announced its global launch and association with David Beckham, an investor in Guild. Guild is developing a talent pipeline in the UK, based on the traditional academy model, with the intention that

the most able players are coached and nurtured by industry leaders in order to attain the skillset required to compete professionally. A roster of scouts will continually find and sign the best young talent.

Guild has established a management team of esports veterans with experience as professional players, coaches and esports media. Guild Executive Chairman, Carleton Curtis, is well-known in the industry and architect of the Overwatch League and Call Of Duty Leagues. Prior to joining Guild, he held senior esports roles at Activision Blizzard and Red Bull. His expertise complements David Beckham's position in the world of mainstream sports to create a unique esports proposition.

Guild intends to develop into various esports disciplines over the course of the 2020/2021 season with its first team making its debut in autumn 2020 expecting to compete in the most popular titles including Rocket League, EA Sports FIFA, and Fortnite. The Company's ambition is to build a culture of excellence around its brand and digital presence.

At the same time and connected to the launch, the Company announced that it was making a further investment of £480,000 into the Guild in order to retain its shareholding at 11.7 per cent. The investment has been made at a price of 6p per share, which compares to the Company's initial investment at 1p per share.

Googly is an esports tournament operator based in India. This is a large and fast-growing esports market, with prize money more than doubling each year in 2017, 2018 and 2019 (data from AFK Gaming). Googly is actively engaged in conversations regarding the development of its business and I am hopeful we will have news later this year. Blue Star's shareholding in Googly is just over 11%.

The Drops is an esports team operator, based in Canada, which will field teams in Rocket League, Fortnite, FIFA, and CounterStrike Global Offensive. In February 2020 The Drops announced that it had exchanged letters of intent for its entire share capital to be acquired by Fibersources Corporation, an entity listed on the TSX Venture Exchange, in an all-share deal, allowing The Drops to achieve market listed status. Furthermore, The Drops announced that it intended to cancel some founder shares, which would increase Blue Star's holding from 13.6% to 18.6%. We are awaiting further news on this transaction which has been impacted by recent events connected to Covid 19.

Diemens Esports, formerly The Cubs, operates in the Australian market. In February 2020 Diemens announced its intention to merge with Critical Hit Entertainment PTY Ltd (CHE) and should the transaction proceed, Blue Star's stake in the combined entity will be 6.6%. The board of Blue Star is still awaiting news regarding the proposed transaction.

The Dibs is an esports team operator based in Los Angeles that will field an all-female teams in major e-sport tournaments. This business is at an early stage, with the potential to grow strongly. Blue Star holds a US\$185k convertible loan note, which will represent a 13.7% holding in The Dibs Esport Corp upon conversion.

Sthaler Limited ("Sthaler")

Company Description

In June 2015 the Company invested £50,000 in Sthaler Limited, an early stage identity and payments technology business which enables a consumer to identify themselves and pay using just their finger at retail points of sale.

Sthaler was founded in 2012 when it was introduced as a biometric identity authentication and payment platform into the UK live entertainment industry with British Telecom and Bancorp/Elavon. The system, named Fingopay, uses a biometric called VeinID which instantly recognises an individual through the unique pattern of veins inside each finger. In same year, the Company also entered into a long-term partnership with Hitachi for exclusive use of Fingopay across many areas of the globe.

During the period of 2016-2019 the Company conducted several successful authentication security trials with Hitachi, Visa, Mastercard, Worldpay and Ernst and Young. In 2019 Fingopay was deployed in Denmark with Nets and Dankort, the Danish national debit card scheme. In 2020, Fingopay was piloted successfully by the UK's Open Banking Authority with the Financial Conduct Authority to introduce a new fraud free bank-to-bank account payment scheme.

The largest market the company is currently targeting is Egypt, with a population of 100 million. Fingopay is now being piloted in Egypt by the banking industry to authenticate payment transactions and by the Ministry of Supply to authenticate government food subsidies. The Egyptian approach came from global television coverage of Fingopay including CNBC, BBC, Al Jazeera and Fox, to name just a few. In addition, Fingopay has won the following awards this year: • The Fintech Power 50 - Most influential, innovative and powerful figures in the Global Fintech industry 2020 • Card & Payment Industry Awards – Industry Innovation of the Year 2020 • Fast Company – Top 50 World's most Innovative Companies 2020.

Blue Star's Shareholding in Sthaler

The Company's shareholding in Sthaler is valued on the basis of the last fundraise at approximately £350,000.

Outlook

The recent esports announcements relating to the Guild and Dynasty have helped to illustrate the potential upside from our esports investment portfolio and the Board remains highly confident that this new area of investment offers the potential for a significant improvement in net asset value. Our long-term shareholdings in payment companies SatoshiPay and Sthaler continue to progress and while taking time to mature provide another exciting area of investment. Overall, we are pleased with progress over the period and look to the future with confidence.

Derek Lew
Non-Executive Chairman
30 June 2020

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

Blue Star Capital plc

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**Statement of Comprehensive Income
for the six months ended 31 March 2020**

	Note	Unaudited		Audited
		Six months ended 31 March		Year ended
		2020	2019	30 September
		£	£	£
Revenue		-	-	-
Loss arising from investments held at fair value through profit or loss:		-	(288,496)	(399,748)
Other fair value losses		(8,414)	(36,757)	-
			<u>(325,253)</u>	<u>(399,748)</u>
Administrative expenses		<u>(181,094)</u>	<u>(169,320)</u>	<u>(287,662)</u>
Operating loss		(189,508)	(494,573)	(687,410)
Finance income		48	30	2,446
			<u>(494,543)</u>	<u>(684,964)</u>
Loss before and after taxation and total comprehensive income for the period		(189,460)	(494,543)	(684,964)
Loss per ordinary share:				
Basic (loss)/earnings per share	3	(0.01p)	(0.03p)	(0.03p)
Diluted (loss)/earnings per share	3	<u>(0.01p)</u>	<u>(0.03p)</u>	<u>(0.03p)</u>

The loss for the period was derived from continuing operations and is attributable to equity shareholders.

**Statement of Financial Position
as at 31 March 2020**

		Unaudited		Audited
		Six months ended 31 March		Year ended 30 September
	Note	2020	2019	2019
		£	£	£
Non-current assets				
Investments		5,820,215	5,173,757	5,101,587
		<u>5,820,215</u>	<u>5,173,757</u>	<u>5,101,587</u>
Current assets				
Trade and other receivables		166,103	8,329	10,275
Cash and cash equivalents		7,379	63,605	120,828
		<u>173,482</u>	<u>71,934</u>	<u>131,103</u>
Total assets		<u>5,993,697</u>	<u>5,245,691</u>	<u>5,232,690</u>
Current liabilities				
Trade and other payables		23,780	95,893	23,313
Total current liabilities		<u>23,780</u>	<u>95,893</u>	<u>23,313</u>
Net assets		<u>5,969,917</u>	<u>5,149,798</u>	<u>5,209,377</u>
Shareholders' equity				
Share capital	4	3,092,584	1,892,584	2,142,584
Share premium account	4	8,852,724	8,852,724	8,852,724
Other reserves		64,190	64,190	64,190
Retained earnings		(6,039,581)	(5,659,700)	(5,850,121)
		<u>5,969,917</u>	<u>5,149,798</u>	<u>5,209,377</u>

**Statement of changes in equity
as at 31 March 2020**

	<u>Share capital</u>	<u>Share premium</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
	£	£	£	£	£
Six months ended 31 March 2020					
At 1 October 2019	2,142,584	8,852,724	64,190	(5,850,121)	5,209,377
Loss for the period and total comprehensive income	-	-	-	(189,460)	(189,460)
Shares issued in period	950,000	-	-	-	950,000
At 31 March 2020	<u>3,092,584</u>	<u>8,852,724</u>	<u>64,190</u>	<u>(6,039,581)</u>	<u>5,969,917</u>
 Six months ended 31 March 2019					
At 1 October 2018	1,881,473	8,679,075	64,190	(5,165,157)	5,459,581
Loss for the period and total comprehensive income	-	-	-	(494,543)	(494,543)
Shares issued in period	11,111	188,889	-	-	200,000
Share issue costs	-	(15,240)	-	-	(15,240)
At 31 March 2019	<u>1,892,584</u>	<u>8,852,724</u>	<u>64,190</u>	<u>(5,659,700)</u>	<u>5,149,798</u>
 Year ended 30 September 2019					
At 1 October 2018	1,881,473	8,679,075	64,190	(5,165,157)	5,459,581
Loss for the year and total comprehensive income	-	-	-	(684,964)	(684,964)
Shares issued in year	261,111	188,889	-	-	450,000
Share issue costs	-	(15,240)	-	-	(15,240)
At 30 September 2019	<u>2,142,584</u>	<u>8,852,724</u>	<u>64,190</u>	<u>(5,850,121)</u>	<u>5,209,377</u>

**Statement of cash flows
for the six months ended 31 March 2020**

	Unaudited		Audited
	Six months ended 31 March		Year ended 30 September
	2020	2019	2019
	£	£	£
Operating activities			
Loss for the period	(189,460)	(494,543)	(684,964)
<i>Adjustments for:</i>			
Finance income	(48)	(30)	(2,446)
Fair value loss	8,414	325,253	391,748
<i>Working capital adjustments</i>			
(Increase)decrease in trade and other receivables	(155,828)	57,750	265,871
Increase/(decrease) in trade and other payables	467	(41,031)	(113,612)
Net cash used in operating activities	(336,455)	(152,601)	(143,343)
Investing activities			
Increase in investments	(727,042)	-	(204,451)
Interest received	48	30	2,446
Net cash generated (used in)/from investing activities	(726,994)	30	(202,005)
Financing activities			
Proceeds from issue of equity shares	950,000	200,000	450,000
Share issue costs	-	(15,240)	(15,240)
Net cash generated by financing activities	950,000	184,760	434,760
Net (decrease)/ increase in cash and cash equivalents	(113,449)	32,189	89,412
Cash and cash equivalents at beginning of the period	120,828	31,416	31,416
Cash and cash equivalents at end of the period	7,379	63,605	120,828

Notes to the Interim Financial Statements for the six months ended 31 March 2020

1. Basis of preparation

The principal accounting policies used for preparing the Interim Accounts are those the Company expects to apply in its financial statements for the year ending 30 September 2020 and are unchanged from those disclosed in the Company's Report and Financial Statements for the year ending 30 September 2019.

The financial information for the six months ended 31 March 2020 and for the six months ended 31 March 2019 have neither been audited nor reviewed by the Company's auditors.

2. Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of financial instruments:

The Company holds investments that have been designated at fair value through profit or loss on initial recognition. The Company determines the fair value of these financial instruments that are not quoted, using valuation techniques such as the price of the most recent transaction and discounted cash flow analysis. It is important to recognise that the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

In certain circumstances, where fair value cannot be readily established, the Company is required to make judgements over carrying value impairment and evaluate the size of any impairment required.

3. Loss per ordinary share

The calculation of a basic loss per share is based on the loss for the period attributable to equity holders of the Company and on the weighted average number of shares in issue during the period.

4. Share capital

On 18 October 2019, the Company announced that it was raising £450,000 from a placing and that it was holding an Extraordinary General meeting on 6th November to approve a second placing to raise a further £450,000 at a price of 0.10p per share. The funds raised were invested into a portfolio of six Esports companies.

On 17 February 2020, the Company allotted 50,000,000 new ordinary shares of 0.1p each pursuant to an exercise of warrants.

On 17 April 2020, the Company raised £100,000 at a price of 0.10p per share by issuing 100 million shares. The company invested approximately £57,000 into Leaf Mobile Inc which subsequently listed on the TSX Venture Exchange.

On 4 May, 2020, the Company raised £35,000 at a price of 0.12p per share and invested £16,000 in the Guild to maintain its shareholding at 11.7%.

On 9 June 2020, the Company raised 500,000 through the issue of 416,666.666 new ordinary shares at a price of 0.12p. The places were also granted warrants to subscribe on a one for one basis at a price of 0.175p and had a one year life, terminating on 8 June 2021.