

May 2, 2022

LEET TECHNOLOGY INC. (OTCQB: LTES)

BUSINESS DESCRIPTION

Based in Malaysia, Leet Technology Inc. is an e-sports technology company that provides a platform for competitive gaming (including arcade games) in the fast-growing Southeast Asian market. The company aims to capitalize on the global trend of increased interest in competitive gaming, as technology has enabled the simultaneous participation of players in different locations, and live streaming has expanded the gaming audience.

Leet's flagship, end-user platform, Matchroom.net, connects tournament organizers with competitive gamers in a casual, but competitive gaming platform that offers daily prizes. In addition, through its modular-based, white-label platform, Maverick, Information & Communications Technology ("ICT") partners and Over the Top ("OTT") companies are able to better engage, retain, and monetize their user base with fully customizable, highly localizable solutions. These solutions can be integrated into their existing applications or platforms. For these enterprises, Leet manages the platform from behind the scenes, leveraging its expertise.

In our view, Leet is now increasing awareness across the e-global sports community. We are encouraged by the company's participation in the March 2022 Mobile World Congress (MWC) event in Barcelona, which is the largest mobile technology event globally and attracts up to 60,000 attendees from 150 countries (spanning the spectrum of industry participants, including device manufacturers and network operators). At the event, Leet showcased both its Matchroom and Maverick platforms. As well, Chairman Dai Song was a panelist on the topic of "Evolution and Reach of 5G Gaming."

Leet's current coverage area includes Southeast Asia, specifically Malaysia, Philippines, Indonesia, Bangladesh, Sri Lanka, and Cambodia, and the company expects to penetrate these markets further in 2022. In 2023-2024, it plans to expand into Vietnam, as well as into markets in South Asia, the Middle East, and Africa.

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KEY STATISTICS

Key Stock Statistics

| | |
|------------------------|-----------------|
| Recent price (4/28/22) | \$0.13 |
| 52 week high/low | \$0.44 - \$0.11 |
| Shares outstanding (M) | 152.9 |
| Market cap (M) | 20 |
| Dividend | Nil |
| Yield | Nil |

Sector Overview

| | |
|---------------------|------------------------|
| Sector | Information Technology |
| Sector % of S&P 500 | 27.9% |

Financials (\$M, as of 12/31/21)

| | |
|-----------------------|------|
| Cash & Mkt Securities | 0.0 |
| Debt | 0.0 |
| Working Capital (\$M) | -4.9 |
| Current Ratio | 0.0 |
| Total Debt/Equity (%) | NM |
| Payout ratio | NM |
| Revenue (M) TTM | 0.1 |
| Net Income (M) TTM | NM |
| Net Margin | NM |

Risk

| | |
|-----------------|----|
| Beta | NA |
| Inst. ownership | 0% |

Valuation

| | |
|-------------------|----|
| P/E forward EPS | NA |
| Price/Sales (TTM) | NM |
| Price/Book (TTM) | NM |

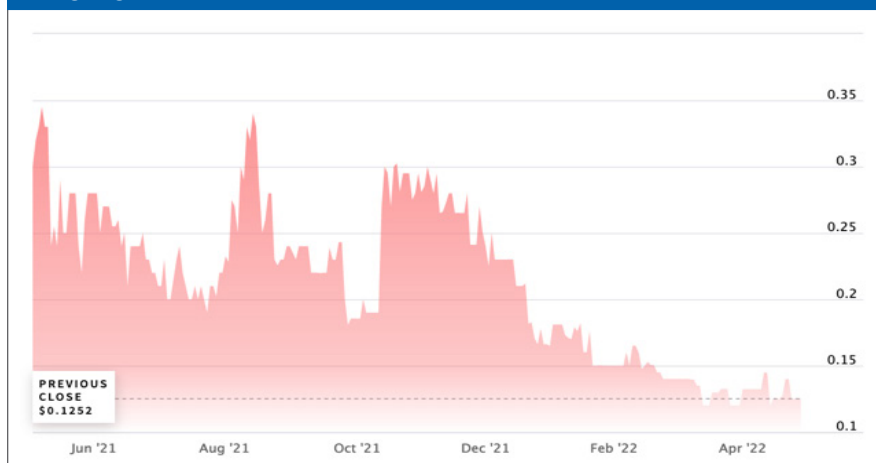
Top Holders

NA

Management

| | |
|-----------------|---|
| CEO | Mr. Keith Long |
| CFO | Mr. Kamal Hamidon |
| CTO | Mr. Daniel Pacheco |
| Company website | https://myleet.com |

PRICE CHART



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The company's target demographic are users between the ages of 17 and 35, the primary users of mobile-centric gaming applications. The company is partnering with mobile network operators in its target markets, this so as to gain access to their mobile subscribers and drive Leet's own user-base expansion. Leet plans to utilize a subscription model, which would provide users with tournament passes that allow them to participate in a series of tournaments with prize pools and benefits.

The e-sports industry reached Southeast Asia in 2016, with the first prize-money tournament in Malaysia, and has expanded significantly since that time. Matchroom.net went live in 2019, and has thus far hosted more than 1,000 online tournaments for a wide range of popular games on mobile, console, and PC platforms. The company has hosted events with up to 15,000 participants in a single event and has served more than 120,000 gamers to date.

Although the Southeast Asian market is at an earlier stage of growth than are markets in North America and China, its mobile gaming industry has been among the fastest-growing markets in the world. Within the mobile gaming category, e-sports remains at a nascent stage as well. However, Research & Markets forecasts the global e-sports market will triple by 2025, and reach \$3 billion in revenue, up from approximately \$1 billion at the end of 2019. According to a 2021 white paper co-developed by Tencent and Newzoo, the expected compound annual growth rate (CAGR) for e-sports revenue in Southeast Asia between 2019 and 2024 is more than 20%, and is expected to reach \$72.5 million in 2024. The growth rate represents nearly double the CAGR of +11.1% for the sector globally.

In addition, according to an insight study conducted by Newzoo, 82% of the total online population in the Southeast Asia region plays mobile games, and the number of mobile game players in Southeast Asia is expected to increase rapidly, reaching 320 million by 2023. As such, we expect that e-sports in Southeast Asia will continue to experience growth at levels that are comparable to the global trend over the coming years.

The industry has capitalized on increased consumer interest in mobile games as mobile devices have become more powerful and affordable, and is benefiting from the shift to 5G technology. As a result, players who were previously limited to stationary PCs can now participate in mobile settings. This has led to significant market expansion for Leet and other gaming companies, and provided new opportunities to monetize play.

The e-sports industry has also seen increased user interest due to the cancellation of live sporting events during the COVID-19 pandemic, with more gamers competing in online tournaments

and more viewers watching livestreams. This increased interest in online games has also attracted ICT providers, who see it as a way to stimulate data usage and monetize their infrastructure, while capitalizing on the availability of advanced technologies (including 5G mobile networks and higher internet data consumption). That said, we note that several partner projects that were expected to launch during the second half of 2021 were delayed into 2022, due to ongoing disruptions from the pandemic.

Leet's end-to-end gaming ecosystem for game developers and brand partners, called Matchroom.net, allows competitive tournaments to be hosted on Leet's platform. Matchroom.net enables mass audiences of casual competitors (in both e-sports and arcade-style/skill-based game categories) to participate in both in-house and branded tournaments, and to win daily prizes. The platform is designed to enhance partners' branding, user-acquisition, conversion, and monetization efforts, and to foster relationships between brands and gaming communities. Its marketing strategy will revolve around digital marketing through social media, brand marketing, influencer marketing, and co-promotion with mobile carriers.

Matchroom.net hosts tournaments under its R3KTNATION series for popular titles including Call of Duty Mobile, FIFA, and Apex Legends. The platform is supported by a membership model and has a wallet system that allows users to earn money from prize pools. The platform also elevates the social aspect of the gaming experience through the use of chat and usage-tracking features, among others. Leading game developers allow access to their titles, and, as a result, customer acquisition costs are very low. Matchroom's platform also continues to evolve. The platform is currently developing features that will allow users and subscribers to redeem points for the purchase of in-game products, gaming merchandise, and exclusive, "limited edition" items. Subscribers will also be able to receive coaching from other streamers or professional players in the foreseeable future as part of the platform offerings.

A key revenue-generating feature of Matchroom is its packaging of activities, rewards, and tools that are designed to attract gamers to a subscription service. The company also works with corporate sponsors and advertisers in conducting tournaments. Sponsoring companies may participate in prize pools and offer product ad placements, sampling, and giveaways as part of a broader e-commerce strategy.

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PEER COMPARISON

| Company | Ticker | Recent Price (\$) | 52-Week High (\$) | 52-Week Low (\$) | Mkt. Cap (\$MIL) | 1-yr Price Change (%) | 1-yr Rev Growth (%) | 1 YR EPS Growth (%) | P/E Ratio | Beta | Yield (%) |
|--------------------------------|--------------|-------------------|-------------------|------------------|------------------|-----------------------|---------------------|---------------------|-----------|------|-----------|
| LEET TECHNOLOGY INC | OTCQB: LTES | 0.13 | 0.44 | 0.11 | 20 | -62 | -14 | NM | NM | NA | NA |
| ESPORTS TECHNOLOGIES INC | NASDAQ: EBET | 4.01 | 36.16 | 3.92 | 57 | -83 | -16 | NM | NM | NA | NA |
| ENGINE GAMING AND MEDIA INC | TSXV: GAME | 1.48* | 16.50* | 1.40* | 23* | -87 | 253 | NM | NM | 0.81 | NA |
| ENTHUSIAST GAMING HOLDINGS INC | TSX: EGLX | 2.59* | 10.66* | 2.36* | 346* | -75 | 129 | NM | NM | 1.08 | NA |

* Statistics in Canadian Dollars (CAD)

In addition to its internal capabilities, Maverick (Leet's modular-based, white-label platform, gaming infrastructure, and implementation services) allows ICT providers and OTT companies to increase data usage by enhancing their brands to engage, retain, and monetize their user base. In this business, Leet shares revenue with its partners. The partners incur acquisition and marketing costs, while Leet provides the back-end infrastructure to customize and localize the appearance and logistics of each tournament experience. Leet also uses social media, brand and "influencer" marketing, and works with mobile carriers to co-promote tournaments. In 2022, Leet plans to develop a B2B (Business-to-Business) model with mobile network operators in Southeast Asia and other continents.

COMPETITIVE ADVANTAGE

A key competitive advantage for Leet is its value proposition for telecom and game developer partners. Leet provides telecom carriers with gaming technology that allows them to generate more revenue and earnings from their mobile customers, amid stagnant revenue growth and shrinking margins across the industry. While telcos have built expensive infrastructure for streaming (highlighted by edge computer technology and 5G capabilities), third-party technology companies such as Netflix, Amazon, and many others have been primary beneficiaries of monetizing these networks and using network bandwidth.

The Maverick offering is designed to generate earnings for partner carriers within one to two quarters, helping them to offset the impact of declining voice-based usage. Carriers also will be poised to benefit from the fact that gamers have higher-than-average data usage and are more likely to be retained. In addition, end users can be rewarded with loyalty points that drive retention and overall usage. Maverick allows telecom operators to run tournaments without a dedicated team of content developers and e-sports operators. This allows carriers to eliminate the technology risk of e-sports tournaments and focus solely on marketing the event. In particular, Leet's infrastructure strengthens the cybersecurity of e-sports events, which usually require billing information from players.

Leet's operating model is attractive in other respects. First, the platform is highly scalable and not technology-constrained, as most of the infrastructure related to partnered tournaments is stored on the telecom carrier's own servers. Second, the partnerships involve long-term commitments from partners, usually in the three-year range, making Leet's business more stable. We like this stability, given intense industry competition from companies such as ESPL, Mogul.gg, Yamisok, ESL, and others that are expanding in the Southeast Asian and South Asian markets.

In order to maximize its consumer reach, Leet's gaming catalog addresses multiple age groups with a wide array of titles rather than appealing only to Millennials. It is also well positioned to capitalize on the increased demand for games based on current sporting events. For example, the company has hosted tournaments related to the recent Euro 2020 soccer championship, and plans a similar event for the 2022 World Cup. It has also hosted tournaments related to popular auto racing events.

In its 10K for the year ended December 31, 2021, Leet highlighted several key priorities for 2022. These included the enhancement of its current platform to enable deep linking with mobile carriers; launching a redemption and e-commerce platform; enhancing its current e-sports tools and services; enhancing gamifications and the user experience; multi language and geographical-led content management; software development kits (SDK) for better onboarding of game developers and tournament operators; and customer engagement and community management tools for better customer experience.

Lastly, we note that the expansion of the e-sports market has received support from the Malaysian government. As part of its 2021 annual budget, the government allocated the equivalent of \$3.6 million for the development of e-sports, the third straight year in which the industry has received Malaysian government support. In our view, a favorable regulatory environment should help make e-sports more attractive for ICT providers and drive continued investment in the platform.

ANALYST COMMENTARY: EARNINGS

Throughout 2021, several expansion initiatives, including projects with telco and OTT partners that were targeted for launch in the second half of 2021, were delayed into 2022 due to continued disruptions from the pandemic. While on-ground events resume as travel and gathering restrictions ease and economies resume more-normalized conditions, we expect telco players to ramp up the launch of these previously scheduled events.

For the year ended December 31, 2021, Leet reported revenue of \$62,842, which represented a 14.4% decline over the prior year. Gross loss was \$525,848, largely reflecting increased network bandwidth expenses and direct labor costs for white-label projects. We expect revenue growth to accelerate in 2022, as Leet expands its roster of mobile operator partners and begins to gain traction on its subscription model (which was introduced in 2021).

In 2021, G&A expenses increased by 842% to \$4.8 million, though we note that more than half of this total was attributable to stock-based compensation and were non-cash in nature. For the year, net loss was \$5.4 million in 2021, or \$0.04 per share, compared with a net loss of \$846,240 in 2020, or \$0.03 per share.

As of December 31, 2021, the company had cash and cash equivalents of \$23,192, accounts receivable of \$19,833, deposit and other receivables of \$25,367. Subsequently on March 31, 2022, the company had approximately \$12,815 in cash. Its management has been pursuing additional financing to support ongoing operations.

As of December 31, 2021, Leet had a working capital deficit of \$4.9 million and accumulated deficit of \$7.8 million. An aggregate of 152,899,640 shares of common stock were outstanding as of April 15, 2022.

In October 2021, Leet entered into an equity purchase agreement with Lincoln Park Capital. Under the agreement, Leet can sell company stock to Lincoln Park for up to \$15,000,000. Although we view Leet's cash burn rate as modest, we view its access to capital favorably to support the commercial rollout, which we expect will begin to generate meaningful cash flow, beginning in 2022.

Since October 2021, the company's shares trade on the OTCQB market under the ticker LTES. Previously, the shares had traded under ticker BDIC, following its merger with Blow & Drive Interlock Corp, which was completed in November 2020. We expect the recent upgrade to the OTCQB, complementing the recent corporate name change, will increase Leet's visibility across the investment community. Longer-term, we expect the company to seek an uplist to a national exchange.

MANAGEMENT

Keith Long is the co-founder and CEO of Leet Technology. He has more than 20 years of experience in the Asian gaming industry, and has held senior management positions at Terra ICT (eGames Global), Asiasoft, and Migme. Mr. Long began his career with HP and Computer Sciences Corp. before joining Terra ICT in 2003. Terra was one of the first companies to bring online video games to Malaysia and Southeast Asia.

Additionally, we note that chairman and co-founder Dai Song holds approximately 74% of the company's outstanding stock.

In 2021, Leet appointed technology executive Elain Lockman (CEO and co-founder of Malaysia-based Ata Plus Sdn Bhd, a blockchain-enhanced equity crowdfunding online platform) as an independent director. We like this appointment, which we see as providing a broader perspective on the gaming industry and helping Leet develop products that appeal to a wide range of users. Also in 2021, Mr. Ganesh Karuppiaya, Blow & Drive's former chief technology officer, was appointed as an independent director. He was succeeded as CTO by Mr. Daniel Pacheco, who has almost 10 years of software development experience with firms including Fintech start-up Xendity, which was acquired in 2021 by renowned Malaysian publicly listed company, Green Packet Sdn. Bhd.

RISKS

Risks to an investment in Leet Technology include continued disruption to its business from the pandemic, which has delayed the rollout of new initiatives by its Telco partners; reliance on raising capital to sustain its operations; the potential for dilution from the issuance of additional shares of common stock as well as convertible securities; competition for both its end-user Matchroom platform and white-label Maverick platform; and customer concentration risk, as two customers accounted for 56% of its 2021 revenues and three customers accounted for 84% of 2020 revenues.

RECENT DEVELOPMENTS

In January 2021, Matchroom.net launched an expanded, subscription-based model with the ability to deliver "next-level" rewards and experiences for users. The upgrade established the site as a fully integrated virtual playground able to host a larger number of tournaments for a larger participant pool. The site upgrade also will enable Leet to capitalize on the evolution of the e-sports industry from a niche hobby to an established, mainstream industry.

Since completing the initial back-end platform build in 2020, Leet has made progress expanding its business among mobile network operators in South East Asia. To date, the company has announced deals with Cambodia's Cellcard, Telenor Digital (a unit of telecom provider Telenor Group, which has 182 million subscribers), and Malaysia's Celcom, among others.

In February 2021, Matchroom signed a master service agreement with PayTM, an Indian digital-payment and e-commerce platform serving more than 350 million users. Under this agreement, Matchroom will deliver e-sports content to PayTM customers in India as well as in the Middle East and North Africa.

In October 2020, Smart Communications, the Philippines' leading telecommunications operator, launched a tournament on the title "Call of Duty" in partnership with Leet. Subsequently, in March 2022, Leet and Smart Communications announced a new e-sports gaming partnership with Smart GIGA Arena, the first all-in-one online e-sports gaming platform in the Philippines. The platform is built on a proprietary e-sports and social-gaming platform by LEET on the fastest 5G network in the Philippines, providing Smart's subscribers a competitive gaming experience including a nationwide leader board to winning cash prizes. The platform also enables casual competitive communities through continuous in-house and branded tournaments. In addition, Leet provides support on all server hosting, network optimization, and platform availability logistics. In support of the launch, Leet's CEO Keith Lee was co-featured in an interview with Biztech.asia. Leet expects to launch another regional telco partnership in June 2022.

In October 2021, Leet achieved two key corporate milestones. First, it entered into an equity purchase agreement with Lincoln Park Capital, which could provide up to \$15,000,000 in capital to support its commercial rollout. Second, the company uplisted its stock to the OTCQB market, from the previous Pink Sheet market listing. We expect these transactions to help legitimize the company's prospects among investors, and think that successful execution on its strategy should raise its stock price, thus, limiting dilution under the equity purchase program.

Steve Silver,
Argus Analyst

INCOME STATEMENT

| Growth Analysis (\$MIL) | 2020 | 2021 |
|--|-------------|-------------|
| Revenues | 0.1 | 0.1 |
| Gross Profit | -0.3 | -0.5 |
| Sales General and Marketing | 0.5 | 4.8 |
| R&D | 0.1 | 0.0 |
| Operating Income | -0.8 | -5.4 |
| Interest Expense | 0.0 | 0.0 |
| Pretax Income | -0.8 | -5.4 |
| Tax Rate (%) | NA | NA |
| Net income | -0.8 | -5.4 |
| Diluted Shares | 24.2 | 144.6 |
| EPS | -0.03 | -0.04 |
| Dividend | NA | NA |
| Growth Rates (%) | | |
| Revenue | NA | NA |
| Operating Income | NA | NA |
| Net Income | NA | NA |
| EPS | NA | NA |
| Valuation Analysis | | |
| Price (\$): High | NA | NA |
| Price (\$):Low | NA | NA |
| PE: High | NA | NA |
| PE: Low | NA | NA |
| PS: High | NA | NA |
| PS: Low | NA | NA |
| Yield: High | NA | NA |
| Yield: Low | NA | NA |
| Financial & Risk Analysis (\$MIL) | | |
| Cash | 0.0 | 0.0 |
| Working Capital | -3.1 | -4.9 |
| Current Ratio | 0.0 | 0.0 |
| LTDebt/Equity (%) | NA | NA |
| Total Debt/Equity (%) | NA | NA |
| Ratio Analysis | | |
| Gross Profit Margin | NM | NM |
| Operating Margin | NM | NM |
| Net Margin | NM | NM |
| Return on Assets (%) | NA | NA |
| Return on Equity (%) | NA | NA |
| Op Inc/Int Exp | NA | NA |
| Div Payout | NA | NA |

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