

26 July 2022

## Emerge Gaming Quarterly Update and Appendix 4C

**Emerge Gaming Limited, (ASX: EM1)** (“Emerge” or the “Company”) a leading provider of competitive casual gaming and eSports technology and products, provides its report for the quarter ended on 30 June 2022 (the “Quarter”).

Emerge owns and operates online “Competitive Social Gaming Platform” technology and lifestyle hubs. This technology enables cutting-edge online casual gaming tournament and competition facilitation platforms where subscribers enter tournaments, play their favourite social games, and earn rewards and prizes, while engaging socially.

During the Quarter, Emerge operated the MTN Arena platform, a B2B2C business model partnering with multinational mobile network operators (“MNOs”).

### HIGHLIGHTS

- **Cash at bank as at 30 June 2022 of A\$17.9M (previous quarter A\$15.7M)**
- **Emerge completed the Sale of MIGGSTER for \$5M, banking the initial payment of A\$1.75M during the Quarter, with the balance of \$3.25M deferred consideration to be collected in due course**
- **Emerge banked A\$758k in cash receipts from customers this quarter (previous quarter A\$548k)**
- **Operational focus shifted to MTN Arena. During the Quarter, MTN and Emerge agreed to expand their MTN Arena agreement to launch Game Streaming Platform MTN Arena 5G**
- **In the expanded agreement, Emerge’s share of existing MTN Arena revenue increased to 50% with Emerge’s MTN Arena 5G revenue share set at 60%**
- **The MTN Arena platform has attracted ~1,000,000 new subscribers since launch, representing 3% of MTN South Africa’s 33 million mobile subscribers**
- **In addition to South Africa, Emerge is targeting international expansion across MTN’s operations, initially in a further 4 African countries which have a combined ~120 million mobile subscribers**
- **R&D activities continue to focus on game streaming, head-to-head competition, extended brand engagement features and new social engagement features**
- **Post Quarter end, a further A\$800k of MIGGSTER deferred consideration was banked.**

During the Quarter, the Emerge management team focused on the expansion of the Telco B2B partnerships; the deployment of the developed platform features; and the deployment of the game streaming technology.

### Go-to-Market Strategies

Emerge has four GTM strategies for its products and technology: -

- B2B2C partnerships with MNOs (“**Telco Strategy**”)
- B2C business model leveraging direct selling by consumers
- B2B distribution partnerships within the Microsoft ecosystem to MNOs and PayTV providers
- B2C over the top (“**OTT**”) broadcasting channel activations



# EMERGE GAMING

ASX:EM1 | ABN 31 004 766 376

Emerge has a strongly established B2B2C partnership with MTN (“**MTN Arena**”). The results of the MTN Arena platform in South Africa has provided the foundation for the imminent further expansion of this commercial model through offerings to countries outside South Africa, where MTN services more than 272 million subscribers<sup>1</sup>.

The Company will continue to implement its MNO expansion strategy and is in initial discussions targeting 4 countries (Nigeria, Ghana, Cameroon and Ivory Coast) in the MTN Group with a total addressable market of ~120 million mobile subscribers leveraging MTN Arena’s performance in South Africa. Initial engagement and meetings between MTN country, MTN Group and EmERGE have led to strong country interest in launching both the MTN Arena platform and the game streaming technology.

Emerge continues to market to other multinational MNOs and to prospective partners across its various GTM strategies.

## **MTN South Africa - New Commercial Terms (ASX: 20 June 2022)**

During the Quarter, EmERGE agreed updated terms with MTN South Africa for extending the services engagement for a further 2 years and increasing EmERGE’s share of MTN Arena revenue to 50% (from 40%).

Emerge will launch newly developed technology platform enhancements in its MTN Arena platform that has acquired in excess of 1,000,000 subscribers since launch, representing 3% of MTN South Africa’s 33 million mobile subscribers. During the Quarter, MTN continued to invest into marketing the MTN Arena platform in South Africa beyond its contractual obligations supported by its investment of A\$500,000 in marketing spend over the 3-month period of February to April 2022.

## **Game Streaming Service – MTN Arena 5G**

Emerge and MTN South Africa have agreed to launch a game streaming service (“**MTN Arena 5G**”) with EmERGE’s revenue share from this service set at 60%.

The launch of MTN Arena 5G will be supported by a promotional launch campaign funded by MTN and builds on the momentum of the MTN Arena offering.

MTN Arena 5G is a new game streaming service to be offered as a new feature of the existing MTN Arena platform.

Game streaming subscribers will redeem ‘play tokens’ for entries into tournaments offering custom designed competitive premium games that are streamed through a browser launch web application.

Tournaments will offer streamed games and players will be ranked by high score in the tournament leader boards with the opportunity to win enticing rewards and prizes.

## **Revenue Sources**

Emerge’s customer receipts during the Quarter continue to be derived from user subscription revenues.

---

<sup>1</sup> <https://www.mtn.com/investors/financial-reporting/quarterly-trading-update> (30 September 2021)



The Company continues to seek to grow and diversify revenue. In this regard, Emerge has begun developing solutions to offer marketing to corporate brands seeking exposure to the gaming and esports industries.

Emerge continues to explore opportunities to diversify its offerings and revenue streams both organically and through acquisitions or joint ventures.

## Completion of Miggster Sale Agreement

On 9 March 2022, Emerge executed a binding sale agreement (“**Sale Agreement**”) to sell the MIGGSTER business to NIBIRU e-gaming AB (“**NIBIRU**”) for a consideration of A\$5,000,000 payable over 12 months.

Completion of the Sale Agreement during the Quarter (ASX: 3 May 2022) has resulted in NIBIRU making the initial payment of A\$1,750,000 of the A\$5,000,000 sale consideration.

The payment of the balance of the A\$3,250,000 deferred consideration will be made over an agreed 12-month period.

In terms of the transition of operations, NIBIRU has nominated Gameout Incorporated (“**Gameout**”) as the holding company of the MIGGSTER business. Former Emerge operational contractors and staff that were dedicated to the MIGGSTER operations, have transferred to Gameout as part of the sale agreement.

The sale of the MIGGSTER business also means the closure of the OTT Channel and the Social, Gaming & Coconuts show both being distribution services and marketing channels dedicated to MIGGSTER. Emerge will consider other OTT broadcasting channel activations opportunities to support its ongoing operations in due course.

## Board Changes

During the Quarter, Mr Gregory Stevens decided to end his term as CEO and Executive Director of Emerge, remaining on the Emerge board as a non-executive director. In this capacity, Mr Stevens will assist the Company in management of partnership relations and the execution of Emerge’s strategic objectives with a particular focus on Emerge receipting the A\$3,250,000 deferred consideration from the MIGGSTER sale.

## Emerge’s Core Technology

Emerge owns significant intellectual property relating to its development of core technology central to a gaming platform with competition, tournament, social engagement, profile, shop, messaging and all other core features.

As per last quarter, the Company continued to invest into R&D to improve its core platform technology.

Emerge has invested into game streaming technology to stream AAA and premium games, new competition features (such as Head-to-Head competition), extended brand engagement features and new social engagement features. Investment into R&D for the Quarter was A\$258k (March quarter: A\$634k).

These new social and brand engagement features and technologies are included in planned releases of Emerge’s next generation social competition platform to be offered in partnership with existing and future commercial partners.



# EMERGE GAMING

ASX:EM1 | ABN 31 004 766 376

Emerge has made strong progress in its research and development activities and will leverage these new features in the continued execution of its GTM strategy.

## **Emerge's Game Streaming Technology and Proof of Commercialisation**

Emerge has developed its own bespoke browser-based game streaming technology together with a configurable controller module consisting of a touch-enabled on-screen display for mobile devices and the ability to integrate popular physical gaming controllers with Bluetooth technology. This technology has been successfully tested internally streaming numerous AAA games but further customisation will focus the Company's first phase of launch streaming Emerge's own AAA quality premium games developed in its Game Studio.

During the Quarter, Emerge engaged with numerous potential commercial partners to launch the game streaming feature within existing progressive web application ("PWA") products or as a separate PWA product offering.

In the first instance, the Company's game streaming technology will be deployed with MTN South Africa under the product name MTN Arena 5G.

## **Emerge Game Studio**

As previously reported, Emerge launched a game studio consisting of inhouse and outsourced game developers.

During the Quarter, the game studio has continued to work side by side with Emerge's game streaming platform developers and commercial managers to develop and produce proprietary libraries of short form AAA quality premium games using the Unity and Unreal game engines. These game engines enable the delivery of cutting-edge content, interactive experiences and immersive virtual worlds. The Emerge Game Studio is striving to leverage the tools in these engines as it develops and produces further competition ready games in its development roadmap.

Development of these bespoke games are a key focus in delivering competition ready premium gaming content for cloud streamed use and commercialisation on Emerge's tournament platforms. MTN Arena 5G will be launched with 3 games produced by Emerge's Game Studio.

## **Company Financial and Corporate Overview**

Cash at the end of the Quarter (i.e. 30 June March 2022) was A\$17.9M - excluding \$800k of deferred consideration banked after the end of the Quarter (31 March 2022: A\$15.7M).

Emerge banked A\$758k in cash receipts from customers during the Quarter (March quarter A\$548k), along with a further \$1.75M being the initial payment for the sale of the MIGGSTER business.

The increase in the cash receipts resulted from recovery of outstanding balances related to the MIGGSTER business, along with MTN Arena activity and corporate receipts.

Business expenditure totalled \$832k for the Quarter, 40% lower than the \$1.4M spent in the previous quarter. The reduction in costs are inline with the reduced Company footprint due to the sale of the MIGGSTER business and the loss of staff dedicated to that business.



# EMERGE GAMING

ASX:EM1 | ABN 31 004 766 376

During the Quarter, Emerge moved its core operational offices to Wembley Square, Cape Town South Africa, alongside other technology companies such as Amazon. As well as a cost saving, this move also provides further delineation between Emerge's ongoing businesses and its discontinued business line.

Expenditure in the Quarter comprises advertising and marketing (\$65k), operating costs (\$367k) and research and development (\$258k) with the balance being administration and staff costs (combined for \$142k).

The aggregate amount of payments to related parties and their associates included in the Quarter totalled \$116k. These payments consisted of Directors' fees and salaries paid to directors, accounting and bookkeeping fees, technical consultancy fees and corporate advisory fees. All payments were on normal commercial terms. The management team continue to incur costs with financial and commercial discipline to maximise the Company's benefit from the spend.

## Strategy and outlook

Emerge looks forward to implementing its growth and GTM strategies to realise value from the strong growth in the gaming and esports industries.

## For further information:

### Investor relations:

E: [info@emergegaming.com.au](mailto:info@emergegaming.com.au)

P: +61 2 9680 8777

## About Emerge Gaming

Emerge Gaming Limited (ASX:EM1) is a leading competitive social gaming and eSports technology company. Emerge Gaming owns and operates an online casual gaming tournament platform technology and lifestyle hub. Emerge has built a competition layer for casual mobile gaming and via this platform, casual, social and hardcore gamers can play hundreds of gaming titles against each other via their mobile, console or PC, earning rewards, winning prizes and experiences.

Our products create unique gaming platform experiences for customers and marketing opportunities for businesses. The platform uses its unique IP, advanced analytics tracking and proprietary algorithms to deliver an optimum tournament gaming experience for users while providing advertisers with the perfect vehicle for delivery of their messaging to a fully engaged audience.

As a global B2B and B2C technology provider, we distribute our products internationally through proven go-to-market strategies. More information: view [www.emergegaming.com.au](http://www.emergegaming.com.au)

## Forward-looking Statements

This Announcement has been made by the authority of the Board of the Company and may contain forward-looking statements. Any forward-looking statements contained in this document are not guarantees of future performance. Such statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company. Readers should not place undue reliance upon any forward-looking statements and the Company disclaims any responsibility for any reader who does so. All numbers presented in this Announcement are unaudited.



## Appendix 4C

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

**Name of entity**

EMERGE GAMING LIMITED

**ABN**

31 004 766 376

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

30 June 2022

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date (12<br/>months)<br/>\$A'000</b> |
|---|------------------------------------|---|
| <b>1. Cash flows from operating activities</b>            |                                    |   |
| 1.1 Receipts from customers                               | 758                                | 3,170   |
| 1.2 Payments for  |                                    |   |
| (a) research and development                              | (258)                              | (2,157)   |
| (b) product manufacturing and operating costs             | (217)                              | (1,927)   |
| (c) advertising and marketing                             | (65)                               | (367)   |
| (d) leased assets   | -                                  | -   |
| (e) staff costs   | (150)                              | (1,052)   |
| (f) administration and corporate costs                    | (142)                              | (775)   |
| 1.3 Dividends received (see note 3)                       | -                                  | -   |
| 1.4 Interest received                                     | 14                                 | 70  |
| 1.5 Interest and other costs of finance paid              | -                                  | -   |
| 1.6 Income taxes paid                                     | -                                  | -   |
| 1.7 Government grants and tax incentives                  | -                                  | -   |
| 1.8 Other – TIL settlement                                | 463                                | 3,329   |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>403</b>                         | <b>291</b>                                      |
| <b>2. Cash flows from investing activities</b>            |                                    |   |
| 2.1 Payments to acquire or for:                           |                                    |   |
| (a) entities  | -                                  | -   |
| (b) businesses  | -                                  | (1)   |
| (c) property, plant and equipment                         | (5)                                | (80)  |
| (d) investments   | -                                  | -   |
| (e) intellectual property                                 | -                                  | (5)   |
| (f) other non-current assets                              | -                                  | -   |

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date (12<br>months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|--|
| 2.2                                  | Proceeds from disposal of:                            |                            |  |
|                                      | (a) entities  | -                          | -                                      |
|                                      | (b) businesses  | -                          | -                                      |
|                                      | (c) property, plant and equipment                     | -                          | -                                      |
|                                      | (d) investments                                       | -                          | -                                      |
|                                      | (e) intellectual property                             | 1,750                      | 1,750                                  |
|                                      | (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>1,745</b>               | <b>1,664</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)   | -        | 20        |
| <b>3.10</b> | <b>Net cash from / (used in) financing activities</b>                                   | <b>-</b> | <b>20</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                             | 15,728 | 15,877 |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | 403    | 291    |
| 4.3       | Net cash from / (used in) investing activities (item 2.6 above)              | 1,745  | 1,664  |

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

| <b>Consolidated statement of cash flows</b> |  | <b>Current quarter<br/>\$A'000</b> | <b>Year to date (12<br/>months)<br/>\$A'000</b> |
|---|--|------------------------------------|---|
| 4.4   | Net cash from / (used in) financing activities (item 3.10 above) | -                                  | 20  |
| 4.5   | Effect of movement in exchange rates on cash held                | (9)                                | 15  |
| <b>4.6</b>                                  | <b>Cash and cash equivalents at end of period</b>                | <b>17,867</b>                      | <b>17,867</b>                                   |

| <b>5.</b>  | <b>Reconciliation of cash and cash equivalents</b><br>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<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</b> |
|------------|---|------------------------------------|-------------------------------------|
| 5.1        | Bank balances   | 17,867                             | 15,728                              |
| 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>17,867</b>                      | <b>15,728</b>                       |

| <b>6.</b>   | <b>Payments to related parties of the entity and their associates</b>                   | <b>Current quarter<br/>\$A'000</b> |
|---|---|------------------------------------|
| 6.1   | Aggregate amount of payments to related parties and their associates included in item 1 | 116                                |
| 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.<br/>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)  | -   | -  |
| 7.4 <b>Total financing facilities</b>   | -   | -  |
| 7.5 <b>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)  | 403            |
| 8.2 Cash and cash equivalents at quarter end (item 4.6)  | 17,867         |
| 8.3 Unused finance facilities available at quarter end (item 7.5)  | -              |
| 8.4 Total available funding (item 8.2 + item 8.3)  | 17,867         |
| 8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>  | n/a            |
| <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?  |                |
| Answer: n/a  |                |
| 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? |                |
| Answer: n/a  |                |
| 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: n/a  |                |
| <i>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.</i>   |                |

## 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.

Date: 26 July 2022

Authorised by: By the board

## 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.