Animoca Brands Corporation Limited
(ACN 122 921 813)

Appendix 4E
Preliminary Results (Unaudited)
for financial year ended
31 December 2019

Animoca Brands Corporation Limited

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Content

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Two years ago we laid out a vision for Animoca Brands to become a leader in the gaming industry by developing the capability to deliver true digital ownership to gamers, which number approximately 2.5 billion.

Our progress has been notable. Animoca Brands' strategy has gained it strong influence and opportunity in the space of blockchain gaming and recognition as one of the most innovative blockchain game companies in the world, having recently been ranked fifth on BlockchainGamer.biz's list of Top 50 blockchain companies 2020. *The Sandbox*, one of the world's first decentralised games based on user generated content, ranked #13 in the same list (*The Sandbox* is developed and published by one of our subsidiaries). Various of our portfolio companies were also ranked, including Dapper Labs (#3), Sky Mavis (#6), WAX (#9), Experimental (#15), Decentraland (#18), and Lucid Sight (#23).

As we have reiterated many times, we believe that digital content, including and especially games, will become significantly more appealing if consumers can enjoy access to products that enable true digital ownership.

The opportunity of Virtual Asset Ownership (true digital ownership)

In 2019, the video gaming industry generated over US$150 billion in revenue (more than the music and film industries combined). Virtual goods were estimated to represent approximately US$50 billion of that total, and are projected to grow to US$189.76 billion within five years[1].

Almost everyone who plays video games today buys some form of virtual goods, including virtual cars, character equipment, and "skins". And most of these players, quite reasonably, think that they own the virtual goods they purchased with their hard-earned money.

But they don't. That ownership of the vast majority of virtual goods is merely an illusion that can evaporate in a moment - regardless of the amount of money invested.

That's because virtual goods in almost every game are provided as a licensed service, and are subject to the restrictive terms of service that the game company has specified for the use of those assets (for example, you cannot truly own the assets, and are not allowed to use them outside of the game where they are provided).

In effect, the games industry is **renting** virtual goods to players. That's not **ownership**.

We believe that this "rental" system - despite its tremendous growth - restricts the full potential of the games industry because it limits engagement. This is a factor contributing to the extremely low player conversion rates in gaming (the average conversion rate from free play to paying user is below 3%). Why would users want to pay for something that they never actually own, and that can be taken away in an instant when a game publisher decides to shut down the game or alter its terms of service?

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[1] Adroit Market Research, March 2019 https://www.adroitmarketresearch.com/press-release/virtual-goods-market

Animoca Brands Corporation Limited
Founder's Letter

In a previous letter to shareholders we outlined how we believe that digital goods that can deliver direct value and ownership will significantly increase user engagement and thereby drive conversions rates in games today (please refer to our ASX announcement dated 19 June 2019).

Why is blockchain so relevant to virtual goods?

This question has become increasingly critical. Blockchain is a form of technology - very simply it is a digital distributed (decentralized) ledger made of various blocks of information linked by cryptography. Blockchain offers excellent security and transparency for the management of digital assets, which can be nearly anything that belongs to someone: cryptocurrency, medical records, cooking recipes, in-game items, financial reports, loyalty points, etc.

Why is that important? Because blockchain has the capability to provide true digital ownership.

We believe that the games industry is being held back by antiquated practices of "rental ownership" and that gamers prefer to have proper ownership and control over virtual goods - which translates to higher value for those goods. Such ownership can be delivered by adoption of non-fungible tokens (NFTs), a type of cryptographic token used to represent a distinctive digital asset on blockchain (e.g., a magic sword or a racing car).

Validation for our view is provided by the success of some of our activities over the past year, including our recent sale of LAND on *The Sandbox*, the continuing success of our Formula 1 NFT auctions and sales, and the Bayern Munich collectible cards issued via our subsidiary Stryking.

In communications to be issued in the near future, I will discuss how we will continue to advance our blockchain strategy and why M&A is such an important component of our approach. For now, I wish to extend my heartfelt gratitude to all of our shareholders, customers, and employees, whose dedication made it possible for Animoca Brands to become a globally recognised company in the exciting fields of gaming and blockchain.

Yat Siu

Co-founder and Chairman

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2019 was a landmark year for Animoca Brands, as we solidified a leading position in the burgeoning field of blockchain games, continuing to acquire and take stakes in some of the leading companies in the field.

While the Group generated the highest revenues and customer receipts in its history in 2019, this process of acquisition and integration also resulted in both cash and non-cash expenses that impacted the unaudited financial results. As we have noted in our presentations, blockchain gaming is a segment of the A$220+ billion global gaming industry[2] and one that we strongly believe in - but a segment still in an early stage of development. 2019 was a watershed year in blockchain gaming, for the Group and for the industry as a whole. While we have accomplished a great deal during FY2019, we believe that the financial results of these investments will only be truly reflected in the coming years.

In FY2019, the Group generated $17.8 million in unaudited revenues (up 39% year on year) as well as $6.9 million in deferred revenues (mainly from Animoca Brands Limited, Pixowl, and TSB Gaming), with record receipts from customers of $24.9 million (up 83% year on year).

Notwithstanding the growth in revenues and receipts, the Group generated a net loss for the year as a result of significant expenditure on game development, acquisitions, and investments with significant non-cash related transactions detailed below.

Throughout the year the Company engaged in a number of strategic investments and acquisition initiatives (including nWay and Quidd which were completed post year end), which have significantly contributed to an increase of $17.9 million in the total assets of the Company from the prior year to $45.9 million in FY2019. The strategic investments and acquisitions have also contributed to the higher cost structure as the Group starts an integration program.

An increase in professional fees associated with these transactions, as well as increased interactions with the ASX requiring multiple legal counsels, increased consulting expenditures from $0.9 million in 2018 to $4.6 million in 2019; some of these costs are one-off in nature.

The Income Statements include a number of non-cash charges, including impairment of goodwill on acquisition and amortisation of intellectual property associated with the acquisitions the Group has undertaken over the last two years, totalling $6.2 million. While the impairment of goodwill on acquisition is a one-off non-cash charge, the Group is aggressively amortising intellectual properties acquired over three years. The Board of Directors believe that the accounting policy taken in relation to both impairment and amortisation represents a prudent approach to the recording of assets.

The major expense items for 2019 fall loosely into four buckets:

1. marketing initiatives that drove growth
2. an increase in development resources driven by overall business expansion in particular through its subsidiaries Pixowl and TSB Gaming (*The Sandbox*)

[2] *"The Global Games Market Will Generate $152.1 Billion in 2019 as the U.S. Overtakes China as the Biggest Market,"* 18 June 2019, Newzoo Global Games Market Report

3. a variety of non-cash accounting adjustments including those set out above as well as accounting provisions
4. Accounting for Financial Instruments including digital assets on the fair value basis through the Profit and Loss in accordance with accounting standards.

A table on the following page provides further detail on these four expense groupings.

Animoca Brands Corporation Limited

Net Loss Reconciliation *(in A$000's)*

Net loss in 2018		**(3,109)**
Increase in Gross Revenue in the current year		**5,039**
Marketing Growth		**(6,467)**
Cost of sales related to more intense marketing to drive revenues	(5,709)	
Marketing expenses	(758)	
Increased Development Resources		**(11,068)**
Development of The Sandbox	(2,870)	
Increased manpower arising from acquisitions and business growth	(3,907)	
Consultants, contractors, and other outsourcing	(3,751)	
Travel	(540)	
Non-Cash Charges		**(7,325)**
One-time write-off of past acquisitions to bring the Group into line with current accounting practices	(3,492)	
Amortisation of intellectual property associated with acquisitions of entities	(2,478)	
Provision for doubtful accounts relating to iCandy	(762)	
Adoption of new accounting standards	(435)	
Exchange losses	(158)	
Fair Value Accounting		**(1,496)**
Fair value accounting for financial assets	(935)	
Loss in the market value of digital assets	(381)	
Finance costs	(180)	

Other	**(628)**
Net Loss for the Current Year	**(25,054)**

The acquisition-led growth in 2019 also involved a variety of innovative financing structures, such as the SAFE notes issued by the Company's subsidiary, TSB Gaming, and a number of share-swap investments into strategic partnerships. As a result, the balance sheet includes $5.0 million in "borrowings" which represents the funds raised by TSB Gaming and OliveX via the SAFE notes as well as borrowings assumed on acquisition of entities.

The Group ended the year with $8.8 million in cash and cash equivalents as well as $1.6 million in digital assets.

As previously announced, as part of the acquisition of nWay, the Company announced unsecured loan agreements of $2.5 million with attached 12-month options, of which $2 million are to be raised following the end of FY2019.

Animoca Brands Corporation Limited
Results for announcement to the market

	2019	2018	Variance/$	Variance/%
Revenue from ordinary activities	17,809,140	12,769,667	5,039,473	39.4%
Profit (loss) from for the year ordinary activities after tax	(25,334,892)	(3,109,137)	(22,225,755)	N/A
Net profit (loss for the year attributable to members	(24,706,022)	(3,274,825)	(21,431,197)	N/A

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Animoca Brands Corporation Limited
Consolidated statement of profit and loss and other comprehensive income

	Note	31 December	
		2019	2018
		$	$
Net revenue			
Revenue from operating activities		17,809,140	12,769,667
Direct costs of revenue from operating activities		(9,728,054)	(4,018,922)
		8,081,086	8,750,745
Other income			
Gain on sale of mobile application games		-	2,788,704
Interest income		4,955	7,415
Other	5	473,667	219,683
		478,622	3,015,802
Costs			
Employee benefits	6	(10,096,395)	(4,550,475)
Marketing		(4,263,329)	(3,504,703)
Research and development		(1,719,958)	(2,587,232)
Consultants		(4,630,196)	(879,492)
Impairment of goodwill on acquisition		(3,492,910)	-
Amortisation of intellectual property		(2,786,595)	(309,169)
Losses on digital assets		(1,772,277)	(1,391,169)
Fair value of financial assets recognised through profit and loss		(187,005)	747,752
Exchange fluctuation		(310,636)	(153,095)
Doubtful debts		(1,042,206)	(279,940)
Depreciation		(483,017)	(47,809)
Finance costs		(180,642)	-
Other expenses	7	(2,648,172)	(1,920,352)
		(33,613,338)	(14,875,684)
Loss before income tax		(25,053,630)	(3,109,137)
Income tax expense	8	(281,262)	-
Loss after tax		(25,334,892)	(3,109,137)
Loss attributable to			
Owners of Animoca Brands Corporation Limited		(24,706,022)	(3,274,825)
Non-controlling interests		(628,870)	165,688
		(25,334,892)	(3,109,137)
Other comprehensive income (expense)			
Exchange fluctuation on translation of foreign currency financial statements		(1,996,333)	650,166
Fair value of financial assets recognised in comprehensive income		(629,753)	(475,011)
Total comprehensive income (expense)		(27,332,108)	(2,933,982)
Earnings (loss) per share (cents)			
Basic	31	(2.991)	(0.600)
Diluted		(2.991)	(0.600)

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Animoca Brands Corporation Limited
Consolidated statement of financial position

	Note	31 December 2019 $	31 December 2018 $
Assets			
Current assets			
Cash and cash equivalents	**9**	8,816,735	7,662,353
Digital assets	**10**	1,649,373	647,827
Trade and other receivable	**11**	1,878,773	4,086,216
Inventories		25,095	-
Other financial assets	**12**	1,937,349	1,020,119
Other current assets	**13**	1,167,299	775,637
Total current assets		15,474,624	14,192,152
Non-current assets			
Other financial assets	**12**	13,647,546	3,348,714
Loans to other entities	**14**	2,197,012	-
Investment in associate entity	**15**	1,184,659	-
Plant and equipment	**16**	790,802	207,871
Intangible assets	**17**	11,254,425	5,014,202
Deferred expenditure	**18**	1,365,632	-
Goodwill	**19**	-	5,292,411
Total non-current assets		30,440,076	13,863,198
Total assets		45,914,700	28,055,350
Liabilities			
Current liabilities			
Trade and other payables	**20**	10,303,002	6,344,552
Contract liabilities	**21**	6,946,881	1,087,115
Loans from related entities	**22**	2,070,594	-
Provisions	**23**	318,848	176,622
Oher financial liabilities	**24**	3,061,529	353,444
Milestone obligations due to vendors		-	1,933,296
Total current liabilities		22,700,854	9,895,029
Non-current liabilities			
Borrowings	**25**	4,968,562	200,580
Lease obligations	**26**	609,088	-
Total non-current liabilities		5,577,650	200,580
Total liabilities		28,278,504	10,095,609
Net assets		17,636,196	17,959,741
Equity			
Paid-up capital	**27**	73,614,245	45,813,735
Other contributed capital		4,222,379	5,811,314
Reserves	**28**	(1,343,002)	(82,548)
Accumulated losses	**29**	(58,256,239)	(33,550,217)
		18,237,383	17,992,284
Non-controlling interests	**30**	(601,187)	(32,543)
Total equity		17,636,196	17,959,741

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Animoca Brands Corporation Limited
Consolidated statement of changes in equity

	Paid-up Capital	Other Contributed Capital	Reserves: Financial assets	Reserves: Share-based Payments	Reserves: Translation	Accumulated Losses		Non-Controlling Interests	Total Equity
	$	$	$	$	$	$	$	$	$
Balance as at 1 January 2019	45,813,735	5,811,314	(475,011)	122,207	270,256	(33,550,217)	17,992,284	(32,543)	17,959,741
Comprehensive income									
Loss for year after tax	-	-	-	-	-	(24,706,022)	(24,706,022)	(628,870)	(25,334,892)
Other comprehensive income/(loss)	-	-	(629,753)	-	(630,701)	-	(1,260,454)	60,226	(1,200,228)
Total comprehensive income (loss) for the year	-	-	(629,753)	-	(360,445)	(24,706,022)	(25,966,476)	(601,187)	(26,535,120)
Transactions with owners in their capacity as owners									
Share issues									
Share issues for cash	16,258,976	-	-	-	-	-	16,258,976	-	16,258,976
Share-based payments	8,692,102	-	-	-	-	-	8,692,102	-	8,692,102
Shares issues pursuant to acquisition of controlled entities	5,221,161	-	-	-	.-	-	5,221,161	-	5,221,161
Shares to be issued	-	(1,588,935)	-	-	-	-	(1,588,935)	-	(1,588,935)
Transaction costs	(2,371,729)	-	-	-	-	-	(2,371,729)	-	(2,371,729)
Total transactions with owners	27,800,510	(1,588,935)	-	-	-	-	26,211,575	-	26,211,575
Balance as at 31 December 2019	73,614,245	4,222,379	(1,104,764)	122,207	(360,445)	(58,256,239)	18,237,383	(601,187)	17,636,196

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Animoca Brands Corporation Limited
Consolidated statement of changes in equity

	Paid-up Capital	Other Contributed Capital	Reserves: Financial assets	Reserves: Share-based Payments	Reserves: Translation	Accumulated Losses		Non-Controlling Interests	Total Equity
	$	$	$	$	$	$	$	$	$
Balance as at 1 January 2019	31,121,237	-	-	-	(379,910)	(30,275,392)	465,935	-	465,935
Comprehensive income									
Loss for year after tax	-	-	-	-	-	(3,274,825)	(3,274,825)	165,688	(3,109,137)
Other comprehensive income/(loss)	-	-	(475,011)	-	650,166	-	175,155	-	175,155
Total comprehensive income (loss) for the year	-	-	(475,011)	-	650,166	(3,274,825)	(3,099,670)	165,688	(2,933,982)
Transactions with owners in their capacity as owners									
Share issues									
Share issues for cash	10,944,947	-	-	-	-	-	10,944,947	-	10,944,947
Share placement and shares to be issued	-	5,811,314	-	-	-	-	5,811,314	-	5,811,314
Share-based payments	-	-	-	-	-	-	-	-	-
Shares issues pursuant to acquisition of controlled entities	4,271,852	-	-	-	-	-	4,271,852	-	4,271,852
Transaction costs	(524,301)	-	-	122,207	-	-	(402,094)	-	(402,094)
Non-controlling interest recognised on acquisition	-	-	-	-	-	-	-	(198,231)	(198,231)
Total transactions with owners	14,692,498	5,811,314	-	122,207	-	-	20,626,019	(198,231)	20,427,788
Balance as at 31 December 2019	45,813,735	5,811,314	(475,011)	122,207	270,256	(33,550,217)	17,992,284	(32,543)	17,959,741

	Note	31 December	
		2019	**2018**
		$	**$**
Cash flows from operating activities			
Receipts from customers		24,903,627	13,557,650
Payments to employees and suppliers		(30,184,800)	(16,905,465)
Interest received		4,955	7,415
Interest paid		(126,008)	-
Taxation paid		(281,262)	-
Other cash receipts		473,667	-
Net cash flows from (used in) operating activities	**32**	(5,209,821)	(3,340,400)
Cash flows from investing activities			
Proceeds from the sale of application games		-	625,000
Payments for the acquisition of controlled entities, net of cash acquired		-	(715,331)
Plant and equipment acquired		(103,672)	(52,185)
Digital assets		(3,003,223)	-
Capitalised expenditure		(1,365,632)	-
Payments for other financial assets		(12,082,227)	(3,951,948)
Net cash flows from (used in) investing activities		(16,554,754)	(4,094,464)
Cash flows from financing activities			
Proceeds from share issues		16,258,976	14,704,201
Equity raising costs		(493,121)	(412,059)
Drawdowns from borrowings		1,907,962	-
Repayment of borrowings		(258,698)	
Borrowings assumed on acquisition		1,143,797	
Proceeds from the issue of SAFE		4,670,677	270,658
Net cash flows from financing activities		23,229,593	14,562,800
Net increase (decrease) in cash flows		1,465,018	7,127,936
Exchange fluctuation		(310,636)	(153,095)
Cash at the beginning of the year		7,662,353	687,512
Cash at the end of the year	**9**	8,816,735	7,662,353

Note 1 Corporate information

These are the consolidated financial statements and notes of Animoca Brands Corporation Limited (the "Company") and controlled entities ("Consolidated Group" or "Group"). Animoca Brands Corporation Limited is a company limited by shares, domiciled and incorporated in Australia.

The separate financial statements of the parent entity, Animoca Brands Corporation Limited, have not been presented with this financial report as permitted by the *Corporations Act 2001* (Cth).

Basis of preparation

i. Statement of compliance
The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001 (Cth).

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

ii. Financial position
The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

iii. Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year.

iv. Comparative figures
Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Note 2 Basis of preparation and accounting policies

A controlled entity is any entity over which Animoca Brands Corporation Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered. A list of controlled entities is contained in Note 23 Controlled entities in the financial statements.

All inter-group balances and transactions between entities in the Consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

As at the reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

Business combinations

Business combinations occur when an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(i) The Group raising sufficient additional funding from shareholders or other parties;

(ii) The group converting existing loans to equity and if necessary, deferring deferred payment arrangements; and

(iii) The Group reducing expenditure in line with available funding.

New accounting standards
Leases
The Group has recognised all right of use assets and lease liabilities, with the exception of short-term (12 months or fewer) and low value leases, on the balance sheet. The lease liability is initially measured at the present value of future lease payments for the lease term. Where a lease contains an extension option, the lease payments for the extension period will be included in the liability if the Group is reasonably certain that it will exercise the option. The liability includes variable lease payments that depend on an index or rate but excludes other variable lease payments. The right of use asset at initial recognition reflects the lease liability, initial direct costs and any lease payments made before the commencement date of the lease less any lease incentives and, where applicable, provision for dismantling and restoration.

The Group has recognised depreciation of right of use assets and interest on lease liabilities in the statement of comprehensive income over the lease term. Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest portion (which the Group presents in operating activities) in the cash flow statement.

The Group has measured the rights to use as if AASB 16 has applied since the commencement date of the lease arrangements and used the incremental borrowing rate at the date of transition. Under this approach the Group has capitalised the rights to use and recorded the present value of obligations to pay as a liability by applying a single incremental borrowing rate with an adjustment to the opening balance of accumulated losses

Note 3 Segment reporting

The Consolidated Group has identified its operating segments based on internal reports that are reviewed and used by the board of directors is assessing performance and determining the allocation of resources.

The Segments identified are Asia, the Americas and Europe.

The Asian segment consists of Animoca Brands Limited, the principal entity within the Group, based in Hong Kong. The Americas segment consists of Fuel Powered; Pixowl Inc, an entity incorporated in Delaware, USA, and its controlled entity, Pixowl SA, based in Argentina; and Gamma Innovations and Leade.rs Inc, entities acquired during the financial year. The Europe segments consists of TicBits; Tribeflame; TSB Gaming Ltd, an entity incorporated in Malta which to advance The Sandbox digital game; and Stryking Entertainment, an entity acquired during the financial year.

Each segment is managed separately as each segment has developed different technologies and marketing strategies. In addition, each segment has different requirements for resources based on the stage of development of digital game technologies.

	As at 31 December 2019			
	Asia	**Europe**	**Americas**	**Total**
	$	**$**	**$**	**$**
Revenue				
External customers	13,326,116	57,472	4,425,552	17,809,140
Between segments	-	1,880,206	4,686,488	6,566,694
	13,326,116	1,937,678	9,112,040	24,375,834
Operating profit(loss)	(20,034,410)	(3,578,213)	(1,441,007)	(25,053,630)
Segment assets	20,883,608	12,603,095	12,427,997	45,914,700
Segment liabilities	13,479,335	10,940,223	3,858,946	28,278,504

	As at 31 December 2018			
	Asia	**Europe**	**Americas**	**Total**
	$	**$**	**$**	**$**
Revenue				
External customers	11,560,148	73,924	1,135,595	12,769,667
Between segments	-	1,940,336	668,583	2,608,919
	11,560,148	2,014,260	1,804,178	15,378,586
Operating profit(loss)	(3,141,416)	512,845	(480,566)	(3,109,137)
Segment assets	24,574,766	2,799,997	680,587	28,055,350
Segment liabilities	9,323,167	374,126	398,316	10,095,609

The Group has applied AASB 8 *Operating Segments* in preparation of segment results, assets and liabilities with the exception of the following:

- gains and losses from the recognition of the fair value of financial assets which are not incorporated in the determination of result for the operating segments; and

- corporate assets and liabilities that are not directly attributable to the business activities of the operating segments are not allocated to a segment.

Note 4 Parent entity and controlled entities

Animoca Brands Corporation Limited is the parent entity and its controlled entities are set out below:

	Principal Activities	Country of Incorporation	Equity Interest 31 December	
			2019	2018
OliveX Limited	Holding Company	Australia	100%	-
Animoca Brands Corporation	Holding Company	BVI	100%	100%
Zeroth Fano Ventures Limited	Accelerator	BVI	100%	-
Zeroth Fano Ventures II Limited	Accelerator	BVI	100%	-
Zeroth Holdings III Limited	Accelerator	BVI	100%	-
Animoca Brands Limited	Application game maker	Hong Kong	100%	100%
Amazing Panther Limited	Accelerator	Hong Kong	100%	-
Concise Vision Limited	Application game maker	Hong Kong	100%	100%
Crowd Education Limited	Application game maker	Hong Kong	100%	100%
Georgeous Star Ventures Limited	Application game maker	Hong Kong	100%	-
Moonrealm Entertainment Limited	Application game maker	Hong Kong	51%	51%
OliveX (HK) Limited	Application Health Care	Hong Kong	78%	78%
Venture Classic Limited	Application game maker	Hong Kong	67%	67%
Zeroth Holdings II Limited	Accelerator	Hong Kong	100%	-
Animoca Brands Technology Shanghai Ltd	Application game maker	China	100%	-
Stryking Entertainment GmbH	Application game maker	Germany	100%	-
Benji Bananas Oy	Application game maker	Finland	100%	100%
TicBits Oy	Application game maker	Finland	100%	100%
Tribeflame Oy	Application game maker	Finland	100%	100%
TSB Gaming Limited	Application game maker	Malta	100%	-
Pixowl SA	Application game maker	Argentina	100%	100%
Gamma Innovations Inc	Utilisation of idle computer time power	USA	100%	-
Fuel Powered Inc	Application game maker	USA	60%	60%
Grantoo LLC	Application game maker	USA	60%	60%
Leade.rs Inc	Networking	USA	100%	-
Pixowl Inc	Application game maker	USA	100%	100%

Note 5 Acquisitions

During the financial year, the Group acquired all the shares on issue in Gamma Innovations Inc, Leade.rs Inc and Stryking Entertainment GmbH pursuant to Sale and Purchase Agreements.

The Group has accounted for the acquisitions under AASB 10 *Consolidated Financial Statements* as each acquisition did not satisfy the test under AASB 3 *Business Combinations*. In such circumstances, the Group has accounted for the acquisitions as an acquisition of assets with the difference between the consideration and the net assets as intellectual property with the amount recorded as intellectual property to be amortised over three years from the date of acquisition.

Gamma Innovations Inc
The Group completed the acquisition of Gamma Innovations Inc on 2 August 2019. Gamma is focused on developing the GammaNow computing engine, a desktop application that allows users to leverage their computers idle processing power to generate Gamma Points, which are used to acquire in-game rewards for their favourite digital games.

Under the terms and conditions of the Share Purchase Agreement, the Group acquired 100% of the shares on issue in Gamma for an upfront payment of US$350,000. The Company issued 2,913,600 fully paid ordinary shares at a share price of 17.5 cents. At balance date, 31 December 2019, the Group has accounted for Gamma as a controlled entity notwithstanding the conversion of outstanding convertible notes into equity, Conditions Precedent for Completion, which remain outstanding by the Vendors.

The Group also agreed to pay the Vendors of Gamma Earn-out Payments equal to US$2.5 million in the event that Gamma achieves a cumulative revenue milestone of US$5 million over a three-year period from the date of acquisition. The Group has not accrued any Earn-out entitlement as at balance date, 31 December 2019, based on its assessment of future revenue streams.

Leade.rs Inc
The Group completed the acquisition of Leade.rs Inc on 3 May 2019. Leade.rs is a platform built by event organisers to source and match available qualified speakers in the technology industry from around the world for a variety of high-profile events. Leade.rs has a network of high-profile speakers in blockchain, artificial intelligence, digital healthcare, digital transformation, branding and design, consumer products, exponential organisations, entrepreneurship, investment, social impact and media.

Under the terms and conditions of the Share Purchase Agreement, the Group acquired 100% of the shares on issue in Leade.rs for an upfront consideration of US$0.5 million, consisting of US$165,972 in cash and the issue of 2,592,893 fully paid ordinary shares in the Animoca Brands Corporation Limited at a share price of 15.5 cents per fully paid ordinary share.

The Group also agreed to pay the Vendors of Leade.rs over two years a Performance payment of US$1,000,000. As at balance date, 31 December 2019, the Group has accrued no Earn-out for the first milestone period and an Earn-out of US$125,000 for the second milestone period.

Stryking Entertainment GmbH

The Group completed the acquisition of Stryking on 18 September 2019. Stryking operates the award-winning fantasy sports platform Football Stars which provides football fans from all over the world gaming technology over the internet or by way of mobile devices.

Under the terms and conditions of the Share Purchase Agreement, the Group acquired all the shares on issue in Stryking as well as assumed its debt obligations. The upfront consideration payable was Euros 1 million which was settled by way of the issue of 15,757,958 fully paid ordinary shares at a share price of 10 cents per fully paid ordinary share.

The Group also agreed to pay the Vendors of Stryking a maximum of Euros 2 million in shares or cash subject to milestones in Earn-out payments. As at balance date, 31 December 2019, the Group has accrued no Earn-out.

	Gamma Innovations Inc	Leade.rs Inc	Stryking Entertainment GmbH	Total
	$	$	$	$
Net assets (liabilities) acquired				
Assets				
Cash and cash equivalents	-	226,392	42,986	269,378
Receivables	2,601	3,693	2,243	8,537
Other financial assets	-	18,652	128,959	147,611
Other current assets	-	-	72,023	72,023
Plant and equipment	-	-	3,476	3,476
Deferred expenditure	253,755	267,973	-	521,728
	256,356	516,710	249,687	1,022,753
Liabilities				
Payables	-	4,620	694,155	698,775
Other financial liabilities	-	-	4,810	4,810
Borrowings	-	-	1,159,303	1,159,303
	-	4,620	1,858,268	698,775
Net assets (liabilities) acquired	256,356	512,090	(1,608,581)	323,978
Intellectual property acquired				
Consideration paid	509,880	2,232,504	2,710,131	5,452,515
less Net assets (liabilities) acquired	(256,356)	(512,090)	1,608,581	840,135
Intellectual property acquired	253,524	1,720,414	4,318,712	6,292,650

Note 5 Other income

	31 December	
	2019	2018
	$	$
Gain on sale of mobile application games	-	2,788,704
Interest income	4,955	7,415
Other	473,667	219,683
	478,622	3,015,802

Note 6 Employee entitlements

	31 December	
	2019	2018
	$	$
Salaries and other remuneration expenses	9,341,252	2,946,350
Earn-out entitlements set out in Sale and Purchase Agreements between the Company and Vendors accrued	84,015	1,322,299
Retirement benefits	118,000	244,253
Other	553,128	37,573
	10,096,395	4,550,475

Note 7 Other expenses

	31 December	
	2019	2018
	$	$
Secretarial costs	303,399	50,185
Travel	770,833	230,722
Insurances	152,759	106,696
Office costs	728,944	193,897
Communications and computing	109,247	21,473
Occupancy costs	260,340	719,741
Withholding taxes	54,433	113,484
Other	268,217	484,154
	2,648,172	1,920,352

Note 8 Income tax expense (benefit)

	31 December	
	2019	**2018**
	$	**$**
Accounting profit (loss) before income tax	(25,053,630)	(3,109,137)
At corporate tax rate/30%	7,516,089	932,741
Adjusted for the tax effect of:		
Amortisation of intellectual property	(835,979)	-
Exchange fluctuation	(93,191)	(83,982)
Depreciation of leased assets	(116,656)	-
Gain on sale of mobile application games	-	836,611
Impairment of goodwill	(1,047,873)	-
Fair value of financial assets recognised through the profit and loss	(56,102)	(224,326)
Finance costs	(16,390)	-
Unrealised Gains (losses) on digital assets	(474,029)	(417,351)
Tax losses not brought to account	(5,329,889)	(1,043,693)
Taxation (expense) benefit	(281,262)	-

At balance date, 31 December 2019, Animoca Brands Limited, the principal controlled entity of Animoca Brands Corporation Limited, based in Hong Kong had estimated unused tax losses of approximately US$20,349,000 (2018: US$14,608,000). Under the Hong Kong tax regime tax losses can be carried forward indefinitely and accordingly, can be offset against future taxable income. Tax losses accrued by controlled entities acquired in Germany and USA are not expected to be available to the Group in future periods and accordingly, the recoverability of these tax losses will be dependent on future taxable income generated by the respective entities that have incurred then tax losses.

Tax losses incurred by Animoca Brands Corporation Limited, the ultimate parent entity of the Group, are not likely to be realisable in the foreseeable future due to Australian legislation relating to continuation of ownership test and continuation of business tests.

The Group has not brought to account any deferred tax assets or liabilities.

Note 9 Cash and cash equivalents

	31 December	
	2019	**2018**
	$	**$**
Cash in hand and cash at bank	8,816,735	7,662,353
Short-term deposits	-	-
	8,816,735	7,662,353

Note 10 Digital assets

	$	$
Bitcoin	80,244	40,932
Datum	33,372	33,897
Decentraland	262,274	316,793
Etherium	80,210	6,819
Harmony	530,877	-
iHouse	47	-
Kraken	103,225	-
Likecoin	130,375	42,222
Lympo	14,892	26,020
Musicoin	2,672	17,646
Nitro	1,085	30,849
OpenST	16,256	132,649
SilverPoint	243,582	-
WAX	150,263	6,819
	1,649,373	647,827

Digital assets are measured using the quoted price in US dollars on Coin Market Cap (www.coinmarket.com) at the closing price at Coordinated Universal Time. The board of directors considers this fair value to be a Level 1 input under AASB 13 *Fair Value Measurement* fair value hierarchy,

During the financial year, the Group recognised A$1,772,277 (2018: A$1,391,169) in unrealised fair value movements arising from changes in observable market prices.

Note 11 Trade and other receivables

	31 December	
	2019	2018
	$	$
Trade receivables	3,200,919	4,337,103
GST	-	5,614
Non trade receivables	-	23,439
	3,200,919	4,366,156
Provision for doubtful debts	(1,322,146)	(279,940)
	1,878,773	4,086,216

An amount A$23,439 recorded as non-trade receivables for the financial year ended 31 December 2018 represents a related party receivable recognised in accordance with AASB 124 *Related Parties Disclosures*. The amount was non-interest bearing and settled with the 30-60 trading terms.

Trade receivables are amounts due from customers for goods and services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 days and therefore, are all classified as current assets. Trade receivables are

recognised initially at the amount of consideration that is unconditional unless an amount recorded as trade receivable contains a significant financing component in which case the trade receivable is recognised at fair value.
The Group holds trade receivables with the objective to collect the contractual cash flows and accordingly, measures the trade receivables at amortised cost using the effective interest rate method where contractual terms are extended beyond the normal recoverable period.

Given the short-term nature of trade receivables and non-trade receivables, the carrying values represent the fair value.

Note 12 Financial assets

	31 December	
	2019	**2018**
	$	**$**
Current financial assets		
Mandatorily at fair value through profit or loss		
Japan Keep It Simple Security (J-KISS Agreement)	71,365	-
Simple Agreements for Future Equity (SAFE Agreements)	1,865,984	1,020,119
	1,937,349	1,020,119
Non-current financial assets		
Designated at fair value through other comprehensive income		
Listed equity securities	799,501	1,245,431
Unlisted equity securities	3,208,589	1,098,045
	4,008,090	2,343,476
Manadorily at fair value through the profit or loss		
Convertible notes	4,080,826	141,683
Unlisted preferred securities	4,723,649	863,555
Limited partnerships	834,980	-
	9,639,456	1,005,238
	13,647,546	3,348,714
Total other financial assets	15,584,894	4,368,833
Amounts recognised as		
Fair value gain (loss) through profit or loss	(187,005)	747,752
Fair value (loss) through other comprehensive income	(629,753)	(475,011)

Financial assets mandatorily fair value through the profit or loss
During the financial year, the Group recognised a fair value loss of $187,005 (2018: a fair value gain of $747,752 on financial assets classified as Mandatorily at fair value through the profit or loss.

The financial assets accounted for on this basis represents J-KISS and SAFE Agreements that provide the Group the contractual right to receive equity instruments in start-up entities when a pre-determined “trigger” event occurs (i.e, a specific pricing round of funding above a threshold or liquidation. The number of equity instruments (ie shares in a specific start-up entity) on conversion of the SAFE instrument is linked to the upfront cash subscription and the pricing round of funding that “triggers” the equity or liquidation event.

Financial assets designated fair value through other comprehensive income
During the financial year, the Group recognised a fair value loss of $629,753 (2018: a fair value loss of $475,011) on financial assets classified as designated at fair value through other comprehensive income.

The Group has designated since 1 January 2018 equity securities at fair value through other comprehensive income as those securities represent investments that the Group intends to hold for the long term due to their strategic nature to the business activities of the Group.

Fair value measurement
Financial assets measured at fair value in the Consolidated Statement of Financial Position are grouped into three levels of fair value hierarchy. The three levels are as follows:

Level 1
The fair value of financial instruments traded in active markets (ie publicly traded derivatives and equity instruments) is based on quoted market prices at the end of the financial period. The quoted market price used for financial assets held by the Group is the current bid price.
Level 2
The fair value of financial instruments that are not traded in an active market (ie over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market information and rely as little as possible on entity-specific estimates.
Level 3
The fair value of financial instruments under this level represent outcomes that occur if one or more of the significant inputs is not based on observable market information.

Note 13 Other current assets

	31 December	
	2019	**2018**
	$	**$**
Bonds	6,169	-
Guarantees	46,958	-
Prepayments	1,114,172	775,637
	1,167,299	775,637

Note 14 Loans to other entities

	31 December	
	2019	2018
	$	$
nWay Inc	570,920	-
Quidd Inc	1,472,416	-
Other	153,676	-
	2,197,012	-

At balance date, 31 December 2019, Share Purchase Agreements between Animoca Brands Limited and nWay Inc and Quidd Inc remained unexecuted. Pursuant to terms and conditions of the above agreements, the Group advanced nWay Inc and Quidd Inc US$400,000 and US$1,031,609, respectively, to satisfy working capital requirements. On execution of the Share Purchase Agreements, the amounts advanced to these entities will be classified as inter-group transactions and will be eliminated on consolidation. Accordingly, the advances will no longer be classified as loans to other entities.

On 19 February 2020 Animoca Brands Limited and the vendors of Quidd Inc executed the Share Purchase Agreement and on 25 February 2020, Animoca Brands Limited and the vendors of nWay Inc executed the Share Purchase Agreement. As a result of the execution of these documents Quidd Inc and nWay Inc became wholly owned controlled entities of the Company.

Note 15 Investment in associate entity

	31 December	
	2019	2018
	$	$
Helix One Limited	1,184,659	-

On 15 October 2019, the Group entered into a strategic partnership with Mind Fund Group Ltd, a leading venture capital company, and Helix One Limited, an accelerator established by Mind Fund and Hedera Hashgraph Inc.

Helix One Limited will provide financial, intellectual and network support to developers and entrepreneurs and their companies, and guide them as they build a new class of decentralized applications on the Hashgraph consensus protocol

Note 16 Plant and equipment

	31 December	
	2019	**2018**
	$	**$**
Property plant and equipment owned by the Group		
at Cost		
Opening balance	333,666	195,757
Acquired during the financial year	100,373	39,172
Acquired through business combinations	-	99,539
Exchange fluctuation	2,473	(802)
Other movements	-	-
	436,512	333,666
Accumulated depreciation		
Opening balance	(125,795)	(78,787)
Amortisation charge for the year	(94,165)	(47,809)
Exchange fluctuation	(932)	801
Other movements	-	-
	(220,892)	(125,795)
Net carrying value	215,620	207,871
Property plant and equipment leased by the Group		
at fair value		
Opening balance	-	-
Adoption of new accounting policy	1,157,475	-
Acquired during the financial year	-	-
Acquired through business combinations	-	-
Exchange fluctuation	-	-
Other movements	-	-
	1,157,475	-
Accumulated depreciation		
Opening balance	-	-
Adoption of new accounting policy	(193,441)	.-
Amortisation charge for the year	(388,852)	-
Exchange fluctuation	-	
Other movements	-	-
	(582,293)	-
Net carrying value	575,182	-
Net carrying value of owned and leased property plant and equipment	790,802	207,871

The Group adopted AASB 16 *Leases* with effect from 1 January 2019 and recognised the fair value of operating leases that satisfied the criteria for capitalisation under the accounting standard.

Note 17 Intangible assets

	31 December	
	2019	**2018**
	$	**$**
Cost		
Opening balance	5,323,371	-
Intellectual property acquired during the financial year	6,292,650	5,323,371
Reclassification of previous recorded goodwill under business combination accounting to intangible assets	2,354,650	-
Other movements	-	-
Exchange fluctuation	358,686	-
	14,329,357	5,323,371
Amortisation		
Opening balance	(309,169)	-
Amortisation charge for the year	(2,786,595)	(309,169)
Other movements	-	-
Exchange fluctuation	(20,832)	-
	(3,074,932)	(309,169)
Net carrying value	11,254,425	5,014,202

Note 18 Deferred expenditure

	31 December	
	2019	**2018**
	$	**$**
Deferred expenditure	1,365,632	-

The Group, for the first time, deferred expenditure that was directly related to the development of The Sandbox. The deferred costs related to employees and technical sub-contractors and specific consultants that were identified with supporting documentation to be directly involved in the software development. The Sandbox is due for launch in June 2020 and accordingly, the deferred expenditure will be transferred to the profit or loss during the course of the financial year ended 31 December 2020.

Note 19 Goodwill on acquisition

	31 December	
	2019	**2018**
	$	**$**
Opening balance	5,292,411	1,140,896
Acquired as a result of applying business combination accounting to acquisition during the financial year	488,850	4,031,574
Exchange fluctuation	39,101	119,941
Reclassification of previous recorded goodwill under business combination accounting to intangible assets	(2,354,650)	-
Impairment	(3,465,712)	-
	-	5,292,411

The Group impaired the carrying value of goodwill on acquisition arising from a number of acquisitions that were not accounted for under AASB 3 *Business Combinations* at balance date 31 December 2019. The impairment represents the goodwill on acquisition arising largely on the acquisition of TicBits Oy undertaken in 2016.

Note 20 Trade and payables

	31 December	
	2019	**2018**
	$	**$**
Trade payables	3,801,537	2,391,589
Non-trade payables	1,583,681	-
Accruals	4,917,784	858,421
Consideration payable for acquisitions	-	3,094,542
	10,303,002	6,344,552

Note 21 Contract obligations

	2019	**2018**
	$	**$**
Unearned income	6,946,881	1,087,115

During the financial year, the Group entered into a number of Token Purchase & SAFE Agreements with sophisticated and professional investors for The SANDBOX digital game. Under the terms and conditions of the Token Purchases & SAFE Agreements, the subscribers are entitled a specific number of Tokens as well as an entitlement to an equity instrument on the occurrence of a liquidity event.

The Group has applied AASB 9 *Financial Instruments* to each Token Purchase & SAFE Agreement and apportioned the proceeds from between sales revenue and the embedded derivative that will result on the occurrence of a liquidity event. The unearned revenue recognised on the Token Purchase & SAFE Agreements was A$3,595,108.

The Group also received A$2,119,450 from Totally Apps in advance of supply of development services with a residual unearned income recorded by Animoca Brands Limited and Pixowl Inc.

Note 22 Loans from other entities

	2019	2018
	$	$
Venture Classic fund managemnt clearing	2,070,594	-

Venture Classic Limited, a controlled entity of Animoca Brands Limited in which it has a 67% equity interest, is the manager of Zeroth SPC, a special purpose vehicle incorporated in the Cayman islands to undertake investments in accelerator opportunities.

Venture Classic Limited is solely responsible for all the business and investment decisions of Zeroth SPC and each of its segregated portfolios pursuant to the Management Services Agreement, dated 27 September 2018. Venture Classic Limited holds all the Management Shares on issue in Zeroth SPC. Under the Memorandum of Association, the management shares entitle Venture Classic to a 30% carried interest in profits and losses of the segregated portfolios held by Zeroth.

During the course of the financial year, Venture Classic was advanced funds by Zeroth SPC to evaluate new opportunities for investment. Venture Classic does not believe that this amount with be ultimately payable.

Note 23 Provisions

	31 December	
	2019	2018
	$	$
Employee entitlements	214,234	176,622
Other	104,614	-
	318,848	176,622

Note 24 Other financial liabilities

	31 December	
	2019	2018
	$	$
Embedded derivative instrument	3,061,529	-
Other	-	353,444
	3,061,529	353,444

During the financial year, the Group entered into a number of Token Purchase & SAFE Agreements with sophisticated and professional investors for The SANDBOX digital game. Under the terms and conditions of the Token Purchases & SAFE Agreements, the subscribers are entitled a specific number of Tokens as well as an entitlement to an equity instrument on the occurrence of a liquidity event.

The Group has applied AASB 9 *Financial Instruments* to each Token Purchase & SAFE Agreement and apportioned the proceeds from between sales revenue and the embedded derivative that will result on the occurrence of a liquidity event. The embedded derivative recognised on the Token Purchase & SAFE Agreements was $3,061,529.

Note 25 Borrowings

	31 December	
	2019	**2018**
	$	**$**
Bank loans		
Opening balance	-	-
Drawdowns	-	-
Assumed on acquisition of Stryking Entertainment GmbH	959,317	-
Repayments	-	-
Other movements	-	-
Exchange fluctuation		
Closing balance	959,317	-
Institutional loans		
Opening balance	200,580	-
Drawdowns	499,555	-
Assumed on acquisition of Pixowl group	-	200,580
Repayments	(258,698)	-
Other movements		
Exchange fluctuation	13,515	-
Closing balance	454,952	200,580
Other loans		
Opening balance	-	-
Drawdowns	1,020,413	-
Assumed on acquisition of Stryking Entertainment GmbH	184,480	-
Repayments	-	-
Other movements	-	
Exchange fluctuation	-	-
Closing balance	1,204,893	-

The Group completed the acquisition of Stryking Entertainment GmbH on 18 September 2019. Stryking operates the award-winning fantasy sports platform Football Stars which provides football fans from all over the world gaming technology over the internet or by way of mobile devices.

The Group assumed bank and other loans recorded by Stryking at the date of acquisition with the principal loan being provided by InvestitionsBank Berlin (“IBB”), a government supported institution, which provides low interest-bearing loans to start-up businesses. The IBB loan is repayable in equal instalments of Euros 30,000 per month.
Pixowl Inc has entered into a revolving facility with InFin Capital Inc to provide working capital. The revolving facility incurs interest at the rate of 2% and is repayable in equal instalments over 10 months from the date of drawdown.

	31 December	
	2019	2018
	$	$
Convertible notes		
Opening balance	-	-
Drawdowns	513,828	-
Repayments	-	-
Closing balance	513,828	-

OliveX HK Limited issued US$360,000 of convertible notes to subscribers on the close of business on 22 February 2019. Under the terms and conditions of the issue, the subscribers are entitled to convert the convertible notes into fully paid ordinary shares of OliveX, or its successor entity, whichever entity is listed on a securities exchange.

The proceeds from the issue of the convertible notes equals the face value and therefore, no interest is payable.

	31 December	
	2019	2018
	$	$
Simple Agreement for Future Equity (SAFE)		
Opening balance	-	-
Drawdowns	1,621,477	-
Repayments	-	-
Other movements	212,525	-
Exchange fluctuation	1,570	-
Closing balance	1,835,572	-

OliveX HK Limited issued US$150,000 of SAFE instruments during the course of 2018 and a further US$1,136,000 of SAFE instruments during the course of 2019.

Under the terms and conditions of the SAFE:

(i) if there is an Equity Financing Event before the expiry or termination of the instrument, OliveX will automatically issue the Investor a number of SAFE Preferred Shares equal to the amount invested divided by the conversion price.

The conversion price is the greater of the number of shares issued under either the price per share equal to the Valuation Cap divided by all shares on issue prior to the Equity Financing or the discount price which represents a 15% discount to the pricing of shares to new investors at the Equity Financing closing;

(ii) if there is a Liquidity Event before the expiry or termination of the instrument OliveX will automatically issue the Investor a number of Ordinary Shares equal to the amounted invested dividend by the liquidity price. The liquidity price is the Valuation Cap divided by the number of shares on issue, assuming the dilution of all outstanding vested and unvested options but excluding ordinary shares reserved for future incentive schemes, the SAFE instrument, other SAFE instruments and convertible notes; and

(iii) If the there is a Dissolution Event before the instrument expires or terminates, OliveX will pay the investor the amount invested.

The SAFE instrument expires or terminates on the issue of shares to the investor or the payment of the amount invested.

Note 26 Lease obligations

	31 December	
	2019	**2018**
	$	**$**
Opening balance	-	-
Adoption of accounting policy	955,005	-
Interest expense	54,209	
Repayments	(407,822)	-
Other movements	-	-
Exchange fluctuation	7,696	
Closing balance	609,088	-

The Group adopted for the first time AASB 16 *Leases* and recognised the discounted value of future payments to be made over the life of leases that satisfied the criteria set out in the accounting standard. Monthly payments due under the terms and conditions of lease agreements were discounted at an effective interest rate of 6.98% with the profit or loss charged interest expense and lease payments recorded as a reduction in the present of lease obligations.

Note 27 Share capital

	31 December	
	2019	**2018**
	No	**No**
Shares on issue at beginning of financial year	683,033,962	434,098,804
Shares issued during the year		
1 February 2018	-	54,197,788
21 June 2018	-	11,538,460
21 June 2018	-	1,666,665
22 June 2018	-	2,048,424
19 July 2018	-	83,600,000
7 September 2018	-	21,428,573
16 November 2018	-	13,854,880
16 November 2018	-	126,288
16 November 2018	-	6,400,000
13 December 2018	-	54,074,080
25 January 2019	69,019,930	-
18 April 2019	32,553,202	-
4 June 2019	36,401,413	-
22 August 2019	75,466,018	-
17 October 2019	32,268,723	-
25 October 2019	5,500,000	-
27 December 2019	9,871,751	-
	261,081,037	248,935,158
Shares on issue at end of financial year	944,114,999	683,033,962

	31 December	
	2019	**2018**
	$	**$**
Paid-up capital at the beginning of financial year	45,813,735	31,121,237
Capital raising during the financial year		
1 February 2018	-	3,251,867
21 June 2018	-	194,960
21 June 2018	-	100,000
22 June 2018	-	-
19 July 2018	-	4,180,000
7 September 2018	-	1,500,000
16 November 2018	-	1,385,488
16 November 2018	-	12,629
16 November 2018	-	320,000
13 December 2018	-	4,271,855
25 January 2019	6,805,184	-
18 April 2019	3,190,185	-
4 June 2019	3,550,086	-
22 August 2019	10,936,776	-
17 October 2019	4,051,542	-
25 October 2019	385,000	-
27 December 2019	1,253,466	-
	30,172,239	15,216,799
Transaction costs	(2,371,729)	(524,301)
	27,800,510	14,692,498
Paid-up capital at the end of the financial year	73,614,245	45,813,735

Note 28 Reserves

	31 December	
	2019	2018
	$	$
Other comprehensive income reserve	(1,104,764)	(475,011)
Share-based payments	122,207	122,207
Translation	(360,445)	270,256
	(1,343,002)	(82,548)

Note 29 Accumulated losses

	31 December	
	2019	2018
	$	$
Opening balance	(33,550,217)	(30,275,392)
Net loss for year after tax	(24,706,022)	(3,274,825)
	(58,256,239)	(33,550,217)

Note 30 Non-controlling interests

	31 December	
	2019	2018
	$	$
Paid-up capital	4,738,249	4,683,853
Reserves	(110,750)	(85,087)
Accumulated losses	(5,228,686)	(4,631,309)
	(601,187)	(32,543)

Note 31 Earnings (losses) per share

Basic earnings (loss) per share is calculated by dividing net profit (loss) for the financial year attributable to members of the parent entity by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings (loss) per share is calculated by dividing the net profit (loss) attributable to members of the parent entity by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be on issue following conversion of all outstanding options over ordinary shares into ordinary shares.

As at balance date 31 December 2018 and 2019 there were no dilutive options over ordinary shares outstanding.

	31 December	
	2019	**2018**
	$	$
Loss from continuing operations for the year	(24,706,022)	(3,109,137)
	No	No
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	826,024,497	546,672,645
Basic and diluted earnings per share (cents per share)	(2.991)	(0.559)

Note 32 Reconciliation of net loss after tax with net cash flows from operating activities

	31 December	
	2019	**2018**
	$	**$**
Net loss after tax	(24,706,022)	(3,109,137)
Adjusted for:		
Amortisation of intellectual property	2,786,595	309,169
Deferred income	5,699,850	-
Depreciation and amortisation of property plant and equipment	483,017	47,809
Digital assets	1,772,277	1,391,169
Doubtful debts	1,042,206	279,940
Exchange fluctuation	310,636	153,095
Earn-out provisions to Vendors of acquired businesses	-	1,051,475
Fair value of other financial assets recognised through the profit and loss	187,005	(747,752)
Impairment of goodwill on acquisition	3,492,910	.-
Gains on sale of mobile application games	-	2,788,704
Provisions	142,226	(24,305)
Share-based payments	4,361,258	.-
Other	196,999	-
Changes in other current assets and current liabilities		
Current assets		
Receivables	(64,326)	(1,363,528)
Current liabilities		
Payables	(914,452)	2,563,761
	(5,209,821)	(3,340,400)

Note 33 Subsequent events

On January 2020, the Company 12,188.995 fully paid ordinary shares as well as 3,047,248 options over ordinary shares. The shares and options over ordinary shares formed part of a capital raising previously announced to the market on 8 August 2029. In this announcement, the Company sought to raise A$8 million from strategic investors, Australian institutional investors and existing shareholders at 20 cents per fully paid ordinary shares.

The attaching 1:4 loyalty options were priced at 25 cents per option over ordinary shares and were offered subject to a vesting condition that investors in the capital raising hold the shares subscribed to for a period of twelve months with an ultimate expiry date for the options over ordinary shares on 17 February 2021.

On 19 February 2020 Animoca Brands Limited and the vendors of Quidd Inc executed the Share Purchase Agreement and on 25 February 2020 Animoca Brands Limited and the vendors of nWay Inc executed the Share Purchase Agreement. As a result of the execution of these documents Quidd Inc and nWay Inc became wholly-owned controlled entities of the Company.

This announcement has been authorised for release by the Board.

If you have any queries in relation to this announcement, please contact John Madden, co-company secretary, at johnm@animocabrands.com.