
MIGHTY KINGDOM QUARTERLY ACTIVITIES UPDATE AND APPENDIX 4C

Quarter Ended 31 December 2021

Mighty Kingdom Limited (ASX: MKL) ("MK" or the "Company"), is pleased to provide its Quarterly Activities Update and Appendix 4C for the December 2021 Quarter ("Q2 FY22").

QUARTERLY HIGHLIGHTS

- 👑 **Quarterly cash receipts achieve historical high**
 - 👑 **24% reduction in operating cash outflows**
 - 👑 **\$5.0m capital raising to enable project pipeline expansion through FY22 to FY23**
 - 👑 **Significant expansion of East Side Games Group ("ESGG") partnership with three additional games to be developed for worldwide release in 2022 and 2023**
-

OPERATIONAL SUMMARY

MK recorded cash receipts of \$1.4m for the quarter ended 31 December 2021, indicating the stronger revenue generating capability across the studio through long-term relationships with co-development and work for hire partners such as Spin Master (Gabby's Dollhouse), Uken Games (Ava's Manor) and Funcom (Conan Chop Chop).

MK successfully completed a placement to sophisticated investors of \$3.3m (before costs) with a subsequent additional \$1.7m (at maximum) to be raised during Q3 FY22 via shareholder approval at Extraordinary General Meeting and shareholder Share Purchase Plan.

The cash received from this capital raising has provided extra flexibility for MK to invest in high-quality co-development, licensed and original IP titles.

PROJECT PIPELINE

Original IP

Project Ball Stars

Buoyed by positive feedback from industry and user tests of the core gameplay experience, the Company is focusing on scaling the game's content offering. It is on track for a release in FY22.

Co-Development

East Side Games

MK has entered a partnership agreement with ESGG to increase the scale of collaboration between two companies.

The expanded partnership will see a total of four MK-developed, ESGG-published original and licensed IP games for worldwide release. Of the three additional games, one will be based on popular licensed IP; the remaining two games are in early-stage design and seek to capitalise on MK's deep narrative capability.

The first game to be released, a Sci-Fi franchise game, has been proceeding to schedule, with all initial development work complete towards an imminent technical launch. This includes animation, gameplay and a narrative which strongly aligns with this well-known and beloved global recognised franchise.

Ava's Manor

MK has significantly enhanced the performance of Ava's Manor by developing extensive content and optimising the game's economy. Key engagement and revenue metrics continue to hold steady. Game industry impacts due to iOS privacy changes and a shift towards online purchasing increased advertising costs, however return on marketing spend continues to remain positive.

The game hit significant content milestones and is positioned well for growth across CY22. MK maintains a strong relationship with Uken, who will monitor the ROI as marketing ramps up in Q3 FY22 with expected corresponding rises in revenue.

Conan Chop Chop

MK is collaborating with its partner Funcom on marketing activities to support the upcoming Worldwide release of Conan Chop Chop. We have great confidence in this game and are looking forward to further announcements on its release date soon.

Licensed IP

Project Broken Ridge

MK has entered a licensing contract to develop a game tied to an Australian film, which is currently in production. Development will continue throughout FY22 and is on schedule for an expected release in FY23.

Peter Rabbit Run

MK released a technical update in Q2 FY22, which saw revenue from in-game advertising increase over 2.5x, and total game revenue double. However, the competitive holiday advertising market presented significant challenges exacerbated by iOS privacy changes and increased competition from non-gaming advertisers. The Company is now focused on optimising app marketing to maximise user numbers and revenue.

Work For Hire

Barbie Fashion Closet

MK has significantly enhanced performance of Barbie's Fashion Closet, with content and design additions released in November 2021. This led to an increase of usage by 5%. Holiday content was also well received, contributing to a 10% increase of in-app purchasing from the previous quarter.

Gabby's Dollhouse

Season 3 of the Gabby's Dollhouse television show was released on Netflix in November 2021, with a new range of toys shortly following. These both drove continued engagement in the brand as the game surpassed 9.9 million downloads year-to-date.

Shopkins

MK continues to support the Shopkins titles in market, and the operational performance and revenue generation potential remains steady across all platforms.

OPERATING CASHFLOWS

During Q2 FY22, the Company received \$1.4m cash from customers – a record for MK's cash receipts in a quarter.

The Company reported \$2.8m in operating cash outflows, a reflection of lower capital expenditure for the quarter.

MK has \$9.4 million cash at bank as of 31 December 2021 including \$3.3m (before cost) from Capital Raising.

IPO USE OF FUNDS RECONCILIATION

The Company raised \$18m in its IPO on 21st April 2021 and \$2.0m was utilised as below in Q2 FY22:

Use of Funds under Prospectus (000's)	Q2 FY22	Q1 FY22	Q4 FY21	Investment since listing	Total IPO Prospectus
Capital for game development - Original IP	\$1,562	\$1,858	\$1,311	\$4,730	\$7,300
Capital for game development - Licensed IP	\$404	\$574	\$1,967	\$2,945	\$5,572
Development of self-publishing capabilities	\$53	\$43	\$0	\$96	\$1,800
M&A	\$0	\$0	\$0	\$0	\$0
Expenses of the Offer	\$0	\$0	\$1,320	\$1,320	\$1,578
Total	\$2,019	\$2,475	\$4,598	\$9,092	\$18,000

OUTLOOK

In line with expectations post the Company's IPO in April 2021, there is an expectation that net cash burn will reduce significantly over the remainder of FY22.

RELATED PARTY TRANSACTIONS

As noted in Item 6 of the Company's Appendix 4C for Q2 FY22, payments to related parties and their associates represented cash benefits of \$60k for non-executive directors and \$148k for executive directors.

This announcement has been authorised for release by the Board of Mighty Kingdom Limited.

For further information, please contact

Philip Mayes

Managing Director
Mighty Kingdom Limited
T: +61 8 7200 3252
E: hello@mightykingdom.com

Duncan Gordon

Executive Director
Adelaide Equity Partners Ltd
T: +61 8 8232 8800
E: info@adelaideequity.com.au

ABOUT MIGHTY KINGDOM LIMITED

Since its formation in 2010, Mighty Kingdom has released over 50 games that have been downloaded more than 50 million times. Mighty Kingdom is one of the largest independent game developers in Australia, working with top tier entertainment and gaming companies including Disney, LEGO, Sony, Funcom, Rogue, and Snapchat. A growing team of more than 140 employees with significant experience across mobile and console platforms supports its clients to develop high-quality, successful games whilst driving Mighty Kingdom's internal IP development.

APPENDIX 4C

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

Name of entity

Mighty Kingdom Limited

ABN

39 627 145 260

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,355	2,287
1.2 Payments for		
(a) research and development	0	0
(b) product manufacturing and operating costs	(210)	(958)
(c) advertising and marketing	(37)	(54)
(d) leased assets	0	0
(e) staff costs	(3,618)	(7,011)
(f) administration and corporate costs	(476)	(953)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	2	5
1.5 Interest and other costs of finance paid	(24)	(39)
1.6 Income taxes paid	(148)	(148)
1.7 Government grants and tax incentives	354	354
1.8 Other (provide details if material)	(8)	(3)
1.9 Net cash from / (used in) operating activities	(2,810)	(6,520)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	0	0
(b) businesses	0	0
(c) property, plant and equipment	(332)	(522)
(d) investments	0	0
(e) intellectual property	0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6months) \$A'000
	(f) other non-current assets	0	0
2.2	Proceeds from disposal of:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	0	0
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	Net cash from / (used in) investing activities	(332)	(522)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,299	3,299
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(220)	(220)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	(105)	(237)
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
3.10	Net cash from / (used in) financing activities	2,974	2,842

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,544	13,553
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,810)	(6,520)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(332)	(522)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,974	2,842
4.5	Effect of movement in exchange rates on cash held	(10)	13
4.6	Cash and cash equivalents at end of period	9,366	9,366

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	9,366	9,544
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,366	9,544

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	208
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

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.

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	85	0
7.2	Credit standby arrangements	0	0
7.3	Other (please specify)	150	0
7.4	Total financing facilities	235	0
7.5	Unused financing facilities available at quarter end		235
7.6	<p>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.</p> <p>Item 7.1: Commonwealth Bank Business Loan: Interest rate: Variable Base Rate minus a margin of 0.96% p.a.; Maturity date: 4 July 2023; General Security interest by MIGHTY KINGDOM GAMES PTY LTD ACN 149 485 165 comprising: First ranking charge over All Present & After Acquired Property.</p> <p>Item 7.3: Commonwealth Bank Overdraft: Interest rate: 8.43% p.a.; General Security interest by MIGHTY KINGDOM GAMES PTY LTD ACN 149 485 165 comprising: First ranking charge over All Present & After Acquired Property.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,810)
8.2	Cash and cash equivalents at quarter end (item 4.6)	9,366
8.3	Unused finance facilities available at quarter end (item 7.5)	235
8.4	Total available funding (item 8.2 + item 8.3)	9,601
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.4
	<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

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

Compliance statement

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

Date: 27 January 2022

Authorised by: **By the Board**
(Name of body or officer authorising release – see note 4)

Notes

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