

# MIGHTY KINGDOM QUARTERLY ACTIVITIES UPDATE AND APPENDIX 4C

## Quarter Ended 31 March 2022

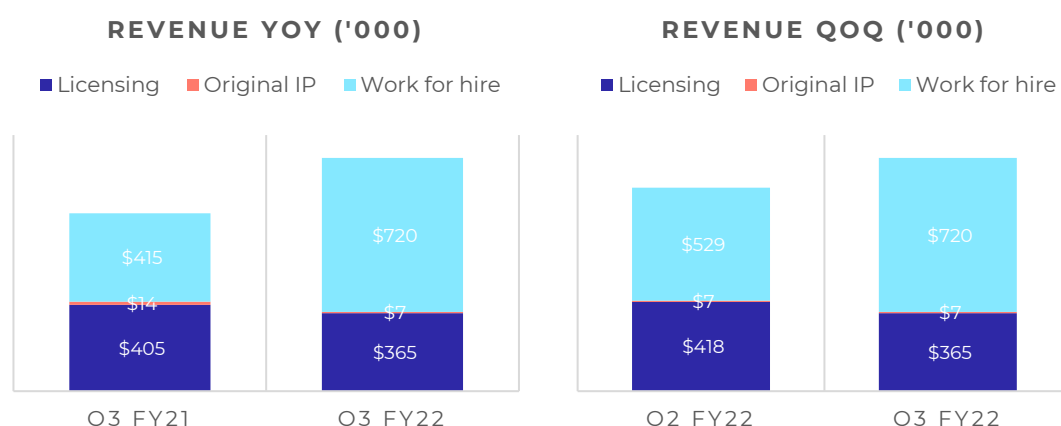
Mighty Kingdom Limited (ASX: MKL) (“MK” or the “Company”), is pleased to provide its Quarterly Activities Update and Appendix 4C for the March 2022 Quarter (“Q3 FY22”).

### QUARTERLY HIGHLIGHTS

- **31% YoY increase and 15% QoQ growth in revenue**
- **Global release of Mighty Kingdom’s first console title *Conan Chop Chop***
- **Multi Game agreement signed with East Side Games Group (ESGG)**
- **Soft launch of *Star Trek: Lower Decks* in Q3 with Global Launch on track for Q4**
- **Acquired licence for Australian film ‘Carnifex’ to develop game**
- **Contract Extensions with Mattel and Spin Master**

### OPERATIONAL SUMMARY

The Company reported a 31% YoY increase in revenue generated from games. This represented growth of 15% compared to Q2 FY22. This revenue growth included revenue from new games developed with ESGG and contract extensions with Mattel (Barbie Fashion Closet) and Spin Master (Gabby’s Dollhouse).



## PROJECT PIPELINE

### Original IP

#### Project Ball Stars

Mighty Kingdom's Original IP game in development has been met with a positive response from potential publishing partners. Mighty Kingdom's intention is to leverage this strong interest into a collaborative development approach with a quality partner that de-risks financial burdens moving forward without losing upside on game release. Development either on a stand-alone or partnership basis will continue through the remainder of FY22, with an expected partner-backed release in FY23.

### Co-Development

#### Ava's Manor

Mighty Kingdom has been collaborating with its publisher, Uken, on further optimisation work to improve the overall player experience. The team has delivered an additional three chapters of content to players. Workflow tooling improvements have been made by the Mighty Kingdom backend team to deliver consistent quality content to users. Q3 saw a 15% QoQ increase in downloads, and a 17% QoQ increase in revenue.



#### Conan Chop Chop



Conan Chop Chop launched worldwide on the 1 March 2022. The game was released on Steam (PC), PlayStation, Xbox and Nintendo Switch. It was also released in the Japan region on 31 March 2022, on PlayStation and Switch with excellent reviews reflecting the quality work done by Mighty Kingdom in the development phase of the game.

With some significant, unexpected competition from AAA game launches, Conan Chop Chop sales were at the lower end of forecast. Publisher, Funcom together with Mighty Kingdom are working together in refining marketing and gameplay to improve sales over coming months. Mighty Kingdom also continues to respond to player feedback to provide quality of life improvements to the game.

Working on Conan Chop Chop has provided the Mighty Kingdom team opportunities to innovate and expand its technical capabilities to multiplayer console development. The new technologies and skills developed will be critical for future major projects.

#### Star Trek: Lower Decks mobile game

In February, Mighty Kingdom officially announced its work on a Star Trek: Lower Decks mobile game in partnership with East Side Games Group. The game is developed by Mighty Kingdom and published by ESGG.

It is currently available in test markets, including Philippines, New Zealand, Australia, and Canada. Early metrics show strong engagement from players and ESGG plans to rapidly increase marketing as the game is launched globally.

With weekly events and new game content being planned, as well as at least two more seasons of the Star Trek: Lower Decks television series still to air, the mobile game is expected to drive revenue growth through FY23 and beyond.

### East Side Games Group Partnership

High-level ideation has begun for the next projects between Mighty Kingdom and ESGG. These will be the second and third of four titles that form part of the two-year partnership for games to be developed by MK and published by ESGG.



These projects will be based on a popular licensed IP and an original IP offering. It is also likely the final game included in the agreement will be an original IP concept from Mighty Kingdom.

### Licensed IP

#### Project 'Carnifex'

Following the February acquisition by Mighty Kingdom of the global gaming licence for Australian horror film 'Carnifex', this project has entered development and has been buoyed by positive feedback from both industry and film production partners. The project offers an opportunity to work closely from a technical perspective with Epic Games to utilise the newly released 'Unreal Engine 5' in expanding the Company's technology partnerships and skillset. Project 'Carnifex' is on track for release in FY23.

#### Peter Rabbit Run

Further content production on Peter Rabbit Run is currently paused following MK's focus on optimising the revenue performance and stability of the app in the previous quarter. As a result of this work, this quarter saw Peter Rabbit Run surpass 1 million lifetime users (1.124M total) and the product continues to see a steady volume of organic users due to the strength of the brand and genre of product.

### Work For Hire

#### Barbie Fashion Closet

Barbie Fashion Closet's Holiday release was positively received by players, with the associated purchasable 'Holiday Signature 2021' pack achieving the most sales and highest profit of all packs in the last six months. The quarter also saw the release of two new Ken dolls.

Usage of the game has remained steady, and Mighty Kingdom's roadmap for CY22 is set to boost performance even further. MK's new goal is optimising the game's first-time user experience and in-game currency to further increase retention and conversion.

#### Dreamwork's Gabby's Dollhouse

Season 4 of the Gabby's Dollhouse show was released globally on Netflix on 1 February 2022, shortly after a new range of toys was released in January. The popular children's series and toys have continued to drive engagement in the game which has surpassed 12 million downloads year-to-date. Mighty Kingdom has also significantly enhanced performance of the game with

new content including the recent introduction of in-app-purchases, as well as the Meta feature, which allows users to have their own customised dollhouse space within the game.

### Shopkins

Mighty Kingdom continued to support the Shopkins range of games in the last quarter. Player retention remains steady on all platforms.

## OPERATING CASHFLOWS

During Q3 FY22, the Company received \$2.2m in cash inflows including a \$1.07m R&D Tax refund and \$397k from the recently completed Share Purchase Plan.

During the quarter, MK received a \$1.1m cash refund from the ATO as an R&D tax incentive for FY21. The amount has increased by 91% from the prior year, resulting from MK's increased investment in product development in the period.

The Company reported \$2.6m in operating cash outflows for the quarter.

MK has \$6.8 million cash at bank as of 31 March 2022.

## IPO USE OF FUNDS RECONCILIATION

The Company raised \$18m in its IPO on 21<sup>st</sup> April 2021 and \$2.8m was utilised as below in Q3 FY22:

Use of Funds under Prospectus (000's)	Q3 FY22	Q2 FY22	Q1 FY22	Q4 FY21	Investment since listing	Total IPO Prospectus
Capital for game development – Original IP	\$2,157	\$1,792	\$1,858	\$1,311	\$7,118	\$7,300
Capital for game development – Licensed IP	\$592	\$446	\$574	\$1,967	\$3,579	\$5,572
Development of self-publishing capabilities	\$77	\$53	\$43	\$0	\$173	\$1,800
M&A	\$0	\$0	\$0	\$0	\$0	\$0
Expenses of Offer	\$0	\$0	\$0	\$1,320	\$1,320	\$1,578
<b>Total</b>	<b>\$2,826</b>	<b>\$2,291</b>	<b>\$2,475</b>	<b>\$4,598</b>	<b>\$12,190</b>	<b>\$18,000</b>

## OUTLOOK

Mighty Kingdom's focus continues to be on generating additional operating revenue in the shorter term from Work for Hire and Co-development initiatives. This allows cash burn to be managed without compromising Original IP initiatives that are anticipated to cornerstone future, more sizeable revenue streams.

Balancing multiple revenue streams from different business models has been the focus of significant effort this calendar year and the Company anticipates delivering on this strategy in the quarters ahead.

## RELATED PARTY TRANSACTIONS

As noted in Item 6 of the Company's Appendix 4C for Q3 FY22, payments to related parties and their associates represented cash benefits of \$67k for non-executive directors and \$129k for executive directors.

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

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**ABOUT MIGHTY KINGDOM LIMITED**

Mighty Kingdom delights more than 7 million players every month and designs game experiences with the world's most recognised brands such as LEGO, Disney, Mattel, Funcom, Moose Toys, Spin Master and more, as well as developing its own original games. Our portfolio of games is crafted from our Adelaide headquarters, with a diverse team of more than 140 developers from across Australia. Led by a desire to engage and delight players, we make exceptional experiences that connect our diverse talent with millions of people around the world. We make games with heart. We Love Fun. We want to share it with the world.

We want you to be part of it.

## 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 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	707	2,994
1.2 Payments for		
(a) research and development	0	0
(b) product manufacturing and operating costs	(482)	(1,440)
(c) advertising and marketing	(30)	(84)
(d) leased assets	0	0
(e) staff costs	(3,341)	(10,352)
(f) administration and corporate costs	(525)	(1,478)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	1	6
1.5 Interest and other costs of finance paid	(20)	(59)
1.6 Income taxes paid	0	(148)
1.7 Government grants and tax incentives	1,072	1,426
1.8 Other (provide details if material)	(1)	(4)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,619)</b>	<b>(9,139)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	0	0
(b) businesses	0	0
(c) property, plant and equipment	(204)	(726)
(d) investments	0	0
(e) intellectual property	0	0

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9months) \$A'000</b>
(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
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(204)</b>	<b>(726)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	397	3,696
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	0	(220)
3.5 Proceeds from borrowings	0	0
3.6 Repayment of borrowings	(146)	(383)
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
<b>3.10 Net cash from / (used in) financing activities</b>	<b>251</b>	<b>3,093</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of period	9,366	13,553
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,619)	(9,139)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(204)	(726)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	251	3,093
4.5	Effect of movement in exchange rates on cash held	(35)	(22)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>6,759</b>	<b>6,759</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> 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 \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	6,759	9,366
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>6,759</b>	<b>9,366</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	196
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.*



<b>7. Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	69	0
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	150	0
<b>7.4 Total financing facilities</b>	<b>219</b>	<b>0</b>
<b>7.5 Unused financing facilities available at quarter end</b>		<b>219</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.		
<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 &amp; 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 &amp; After Acquired Property.</p>		

<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)	(2,619)
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,759
8.3 Unused finance facilities available at quarter end (item 7.5)	219
8.4 Total available funding (item 8.2 + item 8.3)	6,978
<b>8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>2.7</b>
<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 April 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.