

MIGHTY KINGDOM QUARTERLY ACTIVITIES UPDATE AND APPENDIX 4C

Quarter Ended 30 September 2022

Mighty Kingdom Limited (ASX: MKL) ("MK" or the "Company"), is pleased to provide its Quarterly Activities Update and Appendix 4C for the September 2022 Quarter ("Q1 FY23").

QUARTERLY HIGHLIGHTS

- **24% YoY increase in revenue**
- **Star Trek Lower Decks worldwide launch**
- **Completed first tranche of capital raise**
- **Cost reduction strategy implemented to ensure sustainability**

OPERATIONAL SUMMARY

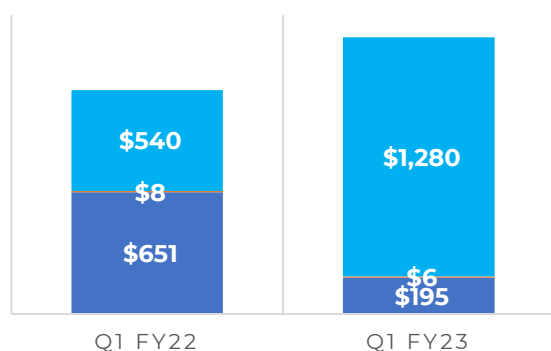
The Company reported a 24% YoY increase in revenue generated from games during the quarter. New partnerships with Lion Studios and Google LLC assisted the Company's push towards growth in baseline revenue to ensure long term sustainability.

Combined with these new partnerships, the Company initiated an efficiency improvement and cost control strategy which will aid in achieving a target of operational cashflow break-even by Q3 FY23. This strategy is being driven by target utilisation of >90% across the developer base by January 2023 and includes FTE reduction within the developer and administration teams and better control of fixed costs in IT, subscriptions and other operations.

During the period, Mighty Kingdom received a net \$0.9m of funds under Tranche 1 of the equity Placement announced on 4 August 2022.

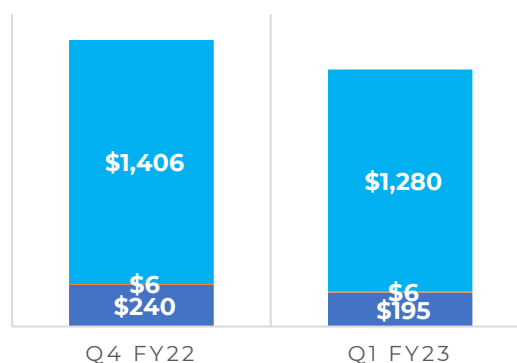
GAME REVENUE ('000)

■ Co-Dev & License ■ Original IP ■ Work for hire



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PROJECT Highlights

Original IP

Project Ball Stars

The project received important changes to art style and game design during the last three months. The game design team gave more focus on mastery which piqued further interest from potential partners and publishers during its showcase at Gamescom, the world's largest video games event. The positive reception of the game during the show indicates the potential the game has for an international audience.

Co-Development

East Side Games Group Partnership

While Mighty Kingdom and East Side Games Group (ESGG) are continuing to explore options for two of their three upcoming mobile titles, they are finalising contracting and scheduling on a title which they anticipate to be in pre-production by the middle of Q2.

Star Trek: Lower Decks mobile game

Star Trek Lower Decks: The Badgery Directive launched worldwide in September on the App Store and Google Play. With Season 4 of the series ordered by Paramount, Mighty Kingdom looks forward to continuing the collaboration with East Side Games Group into the future.

Licensed IP

Shopkins

After a long run and in consultation with Moose Toys, Mighty Kingdom has retired the Shopkins portfolio of games.

Work For Hire

DreamWorks Gabby's Dollhouse

With season 6 recently announced of the DreamWorks/Netflix series, Mighty Kingdom continues supporting Gabby's Dollhouse. With new updates in the works, we are looking forward to continuing our partnership with the Spin Master team.

Barbie Fashion Closet

Barbie Fashion Closet goes from strength to strength and, with some content updates throughout the year, has maintained its engagement with players. These consistent results have strengthened Mighty Kingdom's relationship with Mattel.

Google Project

Our contract with Google has been extended through to the end of FY23, and we are looking forward to continuing our collaboration.

OPERATING CASHFLOWS

During Q1 FY23, the Company received \$1.4m in cash from customers. The Company also received \$590k from SA VGD for eligible spending in game development during FY22.

The Company reported \$3.0m in operating cash outflows for the quarter.

Mighty Kingdom has \$1.7 million cash at bank as of 30 September 2022.

IPO USE OF FUNDS RECONCILIATION

The Company raised \$18m in its IPO on 21st April 2021 and \$3.8m was utilised as below in Q1 FY23:

Use of Funds under Prospectus (000's)	Q1 FY23	Q4 FY22	Q3 FY22	Q2 FY22	Q1 FY22	Q4 FY21	Investment since listing	Total IPO Prospectus
Capital for game development - Original IP	\$1,789	\$1,814	\$2,157	\$1,792	\$1,858	\$1,311	\$10,721	\$7,300
Capital for game development - Licensed IP	\$1,741	\$1,057	\$592	\$446	\$574	\$1,967	\$6,376	\$5,572
Development of self-publishing capabilities	\$249	\$194	\$77	\$53	\$43	\$0	\$616	\$1,800
M&A	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenses of the Offer	\$0	\$0	\$0	\$0	\$0	\$1,320	\$1,320	\$1,578
Total	\$3,779	\$3,064	\$2,826	\$2,291	\$2,475	\$4,598	\$19,033	\$18,000

OUTLOOK

The successful launch of Star Trek Lower Decks is another testament to Mighty Kingdom's world class storytelling, game design and product development capabilities.

With additional games in the pipeline with its partner ESGG, new relationships in the making and cost control measures, Mighty Kingdom is now set to follow a positive trajectory during the next few months.

Following on from Gamescom participation and project re-scoping measures, Original IP initiatives are also set to follow to ensure Mighty Kingdom's sustainable approach to success.

RELATED PARTY TRANSACTIONS

As noted in Item 6 of the Company's Appendix 4C for Q1 FY23, payments to related parties and their associates and Directors represented cash benefits of \$51k for non-executive directors and \$117k for executive directors.

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

For further information, please contact

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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 110 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")

30 September 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	1,361	1,361
1.2	Payments for		
(a)	research and development	0	0
(b)	product manufacturing and operating costs	(530)	(530)
(c)	advertising and marketing	(25)	(25)
(d)	leased assets	0	0
(e)	staff costs	(3,823)	(3,823)
(f)	administration and corporate costs	(544)	(544)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	(13)	(13)
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	590	590
1.8	Other (provide details if material)	9	9
1.9	Net cash from / (used in) operating activities	(2,975)	(2,975)

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	(1)	(1)
(d)	investments	0	0
(e)	intellectual property	0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$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	(1)	(1)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,016	1,016
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	(55)	(55)
3.5	Proceeds from borrowings	0	0
3.6	Payments of lease liabilities	(114)	(114)
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	847	847

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,754	3,754
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,975)	(2,975)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(1)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	847	847
4.5	Effect of movement in exchange rates on cash held	45	45
4.6	Cash and cash equivalents at end of period	1,671	1,671

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	1,671	3,754
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)	1,671	3,754

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	168
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	36	0
7.2	Credit standby arrangements	0	0
7.3	Other (please specify)	150	0
7.4	Total financing facilities	186	0
7.5	Unused financing facilities available at quarter end		186
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)	(2,975)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,671
8.3	Unused finance facilities available at quarter end (item 7.5)	186
8.4	Total available funding (item 8.2 + item 8.3)	1,857
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.6
	<p><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></p>	
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <p>Answer: No, Mighty Kingdom expects its net operating cash flows will improve during the next six months as a result of forecast revenue growth and cost reductions implemented in the current quarter.</p> <p>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?</p> <p>Answer: Yes, Mighty Kingdom will complete 2nd Tranche of Placement of \$6m subject to shareholders' approval on 28th November 2022 Annual General Meeting.</p>	

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: Yes, Mighty Kingdom has been working on several solutions to ensure continuity of its operations and to achieve its strategic goals. The Company initiated an efficiency improvement and cost control strategy which will aid in achieving a target of operational cashflow break-even by Q3 FY23. This strategy is being driven by target utilisation of >90% across the developer base by January 2023 and includes FTE reduction within developer and administration teams and better control of fixed costs in IT, subscriptions and other operations.

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: **28 October 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.