

# MIGHTY KINGDOM QUARTERLY ACTIVITIES UPDATE AND APPENDIX 4C

**Quarter Ended 31 December 2022**

Mighty Kingdom Limited (ASX: MKL) ("MK" or the "Company"), is pleased to provide its Quarterly Activities Update and Appendix 4C for the December 2022 Quarter ("Q2 FY23").

## QUARTERLY HIGHLIGHTS

- **20% YoY increase in revenue**
- **Extension of Technology Partnership with Google LLC**
- **New agreement secured with Apple**
- **License secured with ZAG Entertainment's Miraculous Ladybug brand**
- **Tranche 2 of capital raise approved at AGM**
- **Implementation of further efficiency improvements and cost control**

## OPERATIONAL SUMMARY

The Company continues to deliver YoY revenue growth from games, generating a 16% increase for the quarter and 20% growth YoY for the 6 months ended 31<sup>st</sup> December.

The extension of the partnership with Google LLC and further work for hire deals with Apple will further support increased revenues.

In conjunction with this strong revenue base, the Company continues to drive efficiency improvements and cost control strategies which will aid in achieving its target of delivering sustainability and growth.

## PROJECT HIGHLIGHTS

### Original IP

#### Broken Ridge

An opportunity to develop Broken Ridge arose and resources have been focused on plans to adapt the game for a new global partner.

#### Hyper Rush

With changes to the business's strategy during this period, investment in Hyper Rush has been paused however there remains interest from third parties about moving the project forward.

## Co-Development

### **East Side Games Group Partnership**

Early Pre-Production began on a third game with East Side Games to develop a brand driven mobile free to play game using East Side Games' proven and successful Idle engine combined with unique mechanics developed by Mighty Kingdom.

### **Star Trek: Lower Decks mobile game**

Star Trek Lower Decks: The Badger Directive launched worldwide in September on the App Store and Google Play with solid consumer metrics to date. 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

### **ZAG Entertainment**

Mighty Kingdom secured an agreement with Zag Entertainment. The game will be based on Zag Entertainments' "Miraculous Ladybug", which has been a global success, with season 5 now rolling-out on Disney Channel and Disney+ and other leading free-to-air broadcasters around the world. Seasons 1 – 3 also are available on Netflix.

## Work For Hire

### **Apple Arcade**

During this quarter, Mighty Kingdom entered into an agreement to develop a mobile game for the Apple Arcade subscription service. The agreement is for three years with an option to extend. Work began on development in Q2 FY23.

### **Gamestar+**

Discussions have been taking place with new cornerstone investor Gamestar+ on potential opportunities to bring to market. Mighty Kingdom is excited to collaborate with Gamestar+ and hope to be able to announce future projects shortly.

### **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, the Company is looking forward to continuing our partnership with the Spin Master team.

### **Google Project**

Our contract with Google has been extended through to the end of FY23, and milestone 1 has been successfully delivered. Mighty Kingdom looks forward to continuing its collaboration with the Google team.

## OPERATING CASHFLOWS

During Q2 FY23, the Company received \$1.9m in cash from customers. The Company also received \$2.3m from the ATO related to the Research and Development Offset which applied to eligible spending in game development during FY22.

The Company reported \$0.3m in operating cash outflows for the quarter.

Mighty Kingdom had \$2.257 million cash at bank as of 31 December, however noting cash at bank includes \$1.14m representing partial payment of Tranche 2 Placement as approved by shareholders at the AGM on 28 November 2022 where allotment had not yet occurred. Allotment of Equity Securities was finalised on 19 January 2023.

## IPO USE OF FUNDS RECONCILIATION

The Company raised \$18m in its IPO on 21<sup>st</sup> April 2021 and \$3.05m was utilised as below in Q2 FY23:

Use of Funds under Prospectus (000's)	Q2 FY23	Q1 FY23	Q4 FY22	Q3 FY22	Q2 FY22	Q1 FY22	Q4 FY21	Investment since listing	Total IPO Prospectus
Capital for game development - Original IP	\$1,271	\$1,789	\$1,814	\$2,157	\$1,792	\$1,858	\$1,311	\$11,991	\$7,300
Capital for game development - Licensed IP	\$1,782	\$1,741	\$1,057	\$592	\$446	\$574	\$1,967	\$8,158	\$5,572
Development of self-publishing capabilities	\$159	\$249	\$194	\$77	\$53	\$43	\$0	\$775	\$1,800
M&A	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenses of the Offer	0	\$0	\$0	\$0	\$0	\$0	\$1,320	\$1,320	\$1,578
<b>Total</b>	<b>\$3,053</b>	<b>\$3,779</b>	<b>\$3,064</b>	<b>\$2,826</b>	<b>\$2,291</b>	<b>\$2,475</b>	<b>\$4,598</b>	<b>\$22,244</b>	<b>\$18,000</b>

## OUTLOOK

The successful launch of Star Trek Lower Decks during the quarter 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 a stronger focus on business sustainability and cost control measures, Mighty Kingdom is now set to follow a positive trajectory during the next few months.

## RELATED PARTY TRANSACTIONS

As noted in Item 6 of the Company's Appendix 4C for Q2 FY23, payments to related parties and their associates represented cash benefits of \$69k for executive and non-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")

31 December 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	1,919	3,280
1.2	Payments for		
	(a) research and development	0	0
	(b) product manufacturing and operating costs	(199)	(729)
	(c) advertising and marketing	(23)	(48)
	(d) leased assets	0	0
	(e) staff costs	(3,889)	(7,715)
	(f) administration and corporate costs	(439)	(983)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	2	2
1.5	Interest and other costs of finance paid	(12)	(26)
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	2,325	2,915
1.8	Other (provide details if material)	13	22
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(303)</b>	<b>(3,278)</b>
<b>2.</b>	<b>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	(5)	(5)
	(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 (6 months) \$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</b>	<b>Net cash from / (used in) investing activities</b>	<b>(5)</b>	<b>(5)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	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	0	(55)
3.5	Proceeds from borrowings	0	0
3.6	Payments of lease liabilities	(119)	(234)
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	1,144	1,144
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,023</b>	<b>1,871</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	1,671	3,754
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(303)	(3,278)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5)	(5)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,024	1,872
4.5	Effect of movement in exchange rates on cash held	(130)	(86)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>2,257</b>	<b>2,257</b>

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	1,113	1,671
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	1,144	0
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,257</b>	<b>1,671</b>

Other cash or cash equivalents includes partial payment of Tranche 2 Placement as approved by shareholders at the AGM on 28 November 2022 where allotment had not yet occurred. Allotment of Equity Securities was finalised on 19 January 2023 (See ASX release dated 19 January 2023).

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	69
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.</b>	<b>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	29	0
7.2	Credit standby arrangements	0	0
7.3	Other (please specify)	150	0
<b>7.4</b>	<b>Total financing facilities</b>	<b>179</b>	<b>0</b>
<b>7.5</b>	<b>Unused financing facilities available at quarter end</b>		<b>179</b>
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 &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.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(303)
8.2	Cash and cash equivalents at quarter end (item 4.6)	2,257
8.3	Unused finance facilities available at quarter end (item 7.5)	179
8.4	Total available funding (item 8.2 + item 8.3)	2,436
<b>8.5</b>	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>8.0</b>
	<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>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>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?</p> <p><i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i></p>	



**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: **31 January 2023**

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.