

# MIGHTY KINGDOM QUARTERLY ACTIVITIES UPDATE AND APPENDIX 4C

**Quarter Ended 31 March 2023**

Mighty Kingdom Limited (ASX: MKL) ("MK" or the "Company"), is pleased to provide its Quarterly Activities Update and Appendix 4C for the March 2023 Quarter ("Q3 FY23").

## QUARTERLY HIGHLIGHTS

- **39% YoY increase in revenue**
- **Senior Management business review process delivering positive results**
- **Star Trek Lower Decks delivers positive revenue share and wins prestigious global 2023 Mobile Game Award for Best Story Telling**
- **Impact of improved business efficiency and government rebates/incentives to see significantly stronger cashflow outcomes in early FY24**

## OPERATIONAL SUMMARY

The Company continues to deliver YoY revenue growth from games, generating an 85% increase for the quarter and 39% growth YoY for the 9 months ended 31 March.

MKL's focus for this quarter has been a complete financial and operational overhaul across all areas of the business. With an existing pipeline of projects, development resources are operating at targeted 90% utilisation levels on revenue generating projects.

The Company is continuing to drive operational improvements, implementing an Agile team methodology across the business. This adoption aligns MKL with industry best practice for game development and supports our creative teams in exploring and building world class games for our customers. In addition, on-going cost control measures have been and will continue to be enacted to better align revenue and costs.

MK's team recently received the prestigious Best Story Telling Award for its work on 'Star Trek: Lower Decks The Badgery Directive' at the Pocket Gamer Mobile Game awards in London. This award is determined by global industry peers and testament to the Company's strategy to pursue narrative as a differentiator within the market.

The Company's invigorated business development efforts are beginning to show results, with several contract extensions for additional work with existing clients and new partnership opportunities being developed through management attendance at global games conferences throughout the quarter.

Mighty Kingdom is working with key agents as well as engaging key industry business development and licensing veterans in the UK and US to expand its business development footprint. It is anticipated that this will lead to new revenue streams being delivered in FY24.

The inherent cash lag driven by current commercial terms and the reliance on the timing of receipt of government grants and tax incentives, post year end, presents cash flow management challenges. However, receipt of these grants and incentives will see a strong positive net cash outcome reflecting the management team's focus on managing the existing business at a minimum on a cash flow neutral basis.

## PROJECT HIGHLIGHTS

### Co-Development

#### East Side Games Group Partnership

MK has been working in conjunction with East Side Games Group (East Side) in finalising development plans and commercial arrangements around a third game with East Side Games. With a contract imminent, the game is focused on developing a significant brand driven mobile free to play game using East Side Games' proven and successful IdleKit engine, combined with unique mechanics developed by MK.

#### Star Trek: Lower Decks mobile game

'Star Trek Lower Decks: The Badgley Directive' launched worldwide in September 2022 on the App Store and Google Play with strong consumer metrics continuing. To date, the games performance continues to deliver higher than expected Average Revenue Per Daily Active User ("ARPDau"). The team is focusing on player retention to boost daily active users which shows a clear correlation to increased revenue. The team continues to work closely with East Side Games to drive increased performance.

### Licensed IP

#### ZAG Entertainment

The Company is through its pre-production stage with its licensed game in partnership with Zag Entertainment. The game will be based on Zag Entertainment's "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

The Company is showing great progress with its game in development for the Apple Arcade subscription service. The agreement is for three years with an option to extend. Development work began on this game in Q2 FY23.

#### Gamestar+

The Company is developing a game with its cornerstone investor Gamestar+ and has already extended its initial contract to support several Gamestar+ games.

**DreamWorks Gabby's Dollhouse**

The Company and Spinmaster launched Gabby's Dollhouse on the Amazon Games platform during the quarter to improve its performance and reach. With further updates in the works, the Company is looking forward to continuing our partnership with the Spinmasterr team.

**Google Project**

Our contract with Google has been progressing well, with successive milestones being delivered through the quarter. The Company looks forward to continuing its collaboration with the Google team.

**Original IP****Broken Ridge**

Broken Ridge has been further developed for a VR game in line with international interest in publishing this uniquely Australian game, with negotiations continuing with global partners to bring this game to market.

**Hyper Rush**

With changes to the Company's strategy during this period, investment in Hyper Rush has been paused. However there remains interest from third parties including licensing partners to maximise its potential in market.

**OPERATING CASHFLOWS**

During Q3 FY23, the Company received \$1.7m in cash from customers. The Company also received a further \$2.3m (net of fees) from shareholders as part of the Tranche 2 placement.

The Company reported \$2.7m in operating cash outflows for the quarter. This outflow was in line with projected models with significant improvement of visibility of MK's cash balance and underlying cyclical cash to the end of the calendar year. MK notes that the quarter's burn rate is reflective of the state of operations prior to significant changes taking place and the positive effect of those will be seen going forward.

The cash flows from operating activities were impacted this quarter with one off costs in relation to the stepping down of the CEO and a timing delay on receipts from customers in relation to number of projects which will flow through in Q4 FY23.

Cash flows from financing activities were reduced with delayed payment of the balance of proceeds from the Tranche 2 placement with Gamestar+ (\$2.288m). Certain conditions to such payment under the agreement with Gamestar+, including the appointment of Shane Yeend as CEO and the adoption of a final capital and operating budgets for FY24, had not been completed as at the end of Q3 FY23. MKL's board and Gamestar+ are working collaboratively and expeditiously to finalise this process with an expectation that the remaining, outstanding items will be finalised imminently.

The Company had \$1.75 million cash at bank as of 31 March. We expect the balance of the Tranche 2 Placement from Gamestar+ to be finalised by 31 May 2023.

## IPO USE OF FUNDS RECONCILIATION

The Company raised \$18m in its IPO on 21<sup>st</sup> April 2021 and \$2.648m was utilised as below in Q3 FY23:

Use of Funds under Prospectus (000's)	Q3 FY23	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	\$988	\$1,271	\$1,789	\$1,814	\$2,157	\$1,792	\$1,858	\$1,311	\$12,980	\$7,300
Capital for game development - Licensed IP	\$1,560	\$1,782	\$1,741	\$1,057	\$592	\$446	\$574	\$1,967	\$9,718	\$5,572
Development of self-publishing capabilities	\$100	\$159	\$249	\$194	\$77	\$53	\$43	\$0	\$875	\$1,800
M&A	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenses of the Offer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,320	\$1,320	\$1,578
<b>Total</b>	<b>\$2,648</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>\$24,893</b>	<b>\$18,000</b>

## OUTLOOK

The Company anticipates the imminent appointment of Mr Shane Yeend as Chief Executive Officer. Mr Yeend has already been instrumental in driving new business opportunities, developing new relationships in market and building a strong global presence for the business.

With a complete restructure of the financial and operational frameworks of the business Mighty Kingdom is well placed to drive and deliver on new partnerships and grow opportunities with existing clients with a clear focus to turnaround the performance of the Company.

## 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 \$319k 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 March 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	1,681	4,961
1.2	Payments for		
	(a) research and development	0	0
	(b) product manufacturing and operating costs	(325)	(1,054)
	(c) advertising and marketing	(32)	(80)
	(d) leased assets	0	0
	(e) staff costs	(3,581)	(11,294)
	(f) administration and corporate costs	(468)	(1,450)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	4	6
1.5	Interest and other costs of finance paid	(7)	(33)
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	0	2,915
1.8	Other (provide details if material)	13	35
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(2,715)</b>	<b>(5,993)</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	(4)	(9)
	(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 (9 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	15	15
	(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>11</b>	<b>6</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,559	4,719
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	(245)	(300)
3.5	Proceeds from borrowings	0	0
3.6	Payments of lease liabilities	(113)	(347)
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</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,201</b>	<b>4,072</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	2,257	3,754
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,715)	(5,993)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.3	Net cash from / (used in) investing activities (item 2.6 above)	11	6
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,201	4,072
4.5	Effect of movement in exchange rates on cash held	0	(85)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,754</b>	<b>1,754</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	1,754	1,113
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	1,144
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,754</b>	<b>2,257</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).

<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	319
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	16	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>166</b>	<b>0</b>
<b>7.5</b>	<b>Unused financing facilities available at quarter end</b>		<b>166</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.</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.</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)	(2,715)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,754
8.3	Unused finance facilities available at quarter end (item 7.5)	166
8.4	Total available funding (item 8.2 + item 8.3)	1,920
<b>8.5</b>	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>0.7</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 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: No, Mighty Kingdom expects its net operating cashflows to improve with increased receipts from customers in Q4FY23 and FY24, as well as a result of improved financial and operational management.
- 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: No, Mighty Kingdom does not propose to raise further cash to fund operations. As noted in the Quarterly Activities Update, a payment of \$2.288m representing the balance of the Tranche 2 Placement from Gamestar+ to be finalised by 31 May 2023
- 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 implemented a significant number of management, financial and operational measures to ensure it can continue to meet its business objectives
- 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 April 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.