

MIGHTY KINGDOM QUARTERLY ACTIVITIES UPDATE AND APPENDIX 4C

Quarter Ended 30 June 2024

Mighty Kingdom Limited (ASX: MKL) ("MK" or the "Company"), is pleased to provide its Quarterly Activities Update and Appendix 4C for the June 2024 Quarter ("Q4 FY24").

QUARTERLY NOTES

- **Completion of capital raise nets \$7.3m in total proceeds for the Quarter**
- **Operational review completed with restructure delivering annualised cost savings of \$2.1m**
- **Receipts from Capital raise applied towards one-off restructure costs and balance sheet management**

OPERATIONAL SUMMARY

The Company reported receipts of \$1.1m generated from games during the quarter with total operating outflows of \$2.67m. This Operating figure was significantly inflated due to a number of one-off items, including costs of the restructure (as announced to ASX on 13th May 2024) and management of historical debt.

Looking forward, the outcomes of the operational review and new game launches are anticipated to have a positive impact on operational cashflows in line with the Company's stated objectives of achieving gaming profitability by 1HFY25.

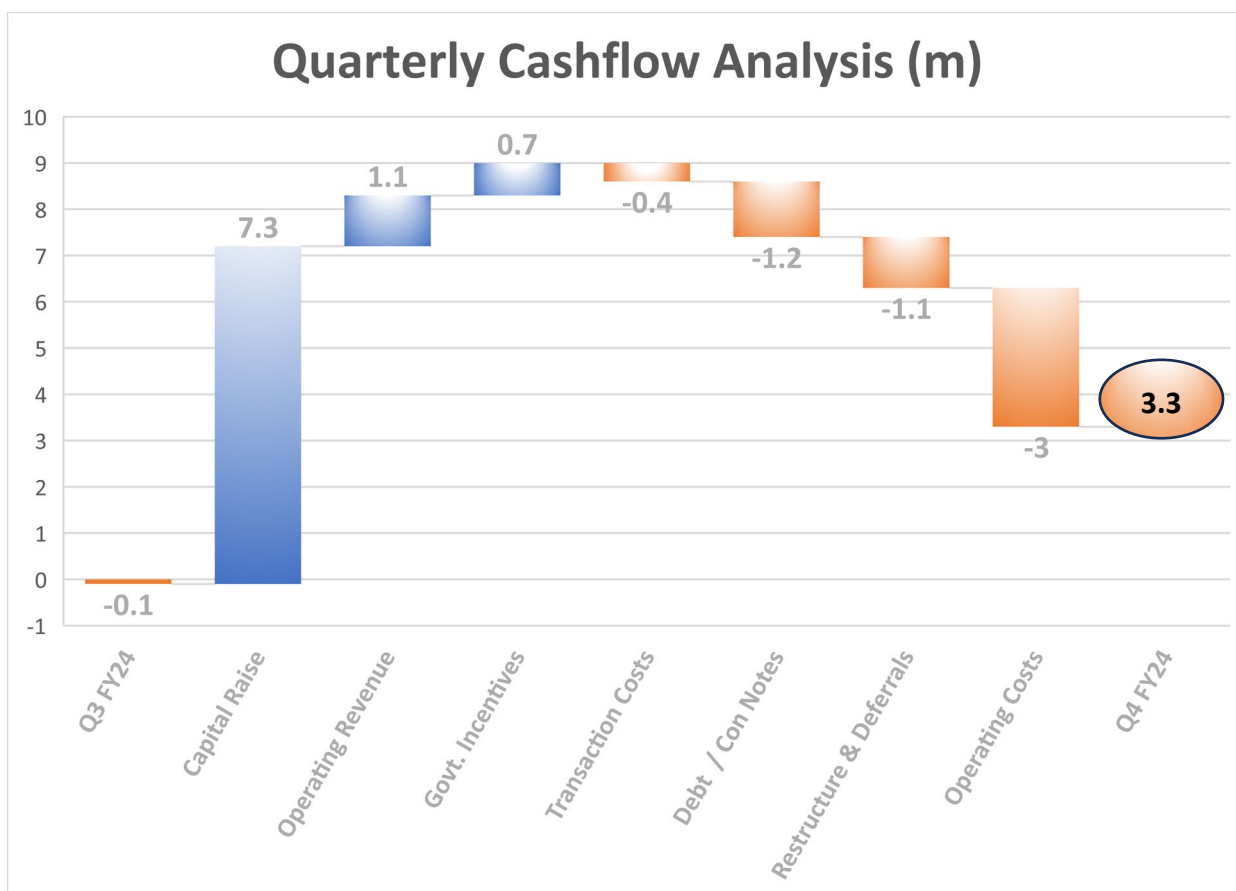
CAPITAL MANAGEMENT SUMMARY

Mighty Kingdom successfully executed on a Capital Raise process that delivered \$7.3m this quarter (before transaction costs) via a Rights Issue and subsequent Placement of shares.

Over and above one-off costs associated with the operational review, the Company applied some proceeds of the capital raise towards repayment of debt and reducing aged creditor liabilities.

Cash at Bank as at 30 June 2024 of \$3.3m reflects the very significant efforts and costs associated with right-sizing the business and ensuring sustainability for the business moving forward, without the burden of debt and unmanageable creditor positions.

In addition, it is anticipated that during H1FY25 the Company will be in receipt of approximately \$1.9m via R&D and Digital Games Tax Offset (DGTO) government initiative's which will continue to support the capital requirements of the Company.



PROJECT HIGHLIGHTS

As part of MKL’s review process the need for more commercial rigour and controls around contractual relationships was identified as a key area for improvement. This included reviewing existing and upcoming contractual commitments to ensure alignment with clients to ensure the best possible commercial success of the games in market.

Gaming

MK announced its involvement in the launch of the Fitbit Ace LTE, a first-of-its-kind kids smartwatch designed to move the next generation of gamers. Google Fitbit launched the watch in June 2024, with the product using kid-centric developed software to encourage movement through gameplay, whilst also allowing for parent-controlled seamless communication. MK worked with Google for over 18+ months and are pleased to have contributed to Fitbit Arcade’s portfolio of amazing games.

The Company is also close to completing our co-developed game with East Side Games (“ESGG”) with worldwide launch expected in Q1’FY25. Mighty Kingdom continues to exercise strong commercial rigour in preparation for the launch of the game and continues to work closely with ESGG to maximise the performance of the game.

In addition the Company secured further on-going work with Spinmaster (Gabby’s Dollhouse) and continues to have encouraging discussions with potential work-for-hire clients.

New Initiative – AI Gaming Lab

During the quarter, MKL implemented the formation of its dedicated AI Gaming lab to deliver cutting edge outcomes to some of the fastest growing sectors in the industry.

With AI in Video Games Market set to Reach \$11.4 Billion globally by 2032 at a 26.8%% CAGR¹, the Company is focussing on key initiatives around Player Behaviour Analysis and reducing Game development time to deliver a value accretive business model.

It is anticipated there will be three key phases to the AI Lab rollout:

- **Phase 1** - AI prototypes and AI platform establishment (6 months): Mar - Sep 2024
- **Phase 2** - AI proof of concepts, testing & validation (6-12 months): Oct 2024 - Mar 2025
- **Phase 3** – MVP development (12+ months): April 2025 onwards

MKL will keep investors updated as this very exciting new AI Lab reaches key milestones.

Key Appointments

Company announced the appointment of Mr David Yin to the role of Managing Director in addition to his role of CEO.

In addition, Emilie Poissenot (ex-Electronic Arts, League of Geeks) was promoted to Chief Creative Officer / Head of Gaming and Dylan Miklashek (ex-Electronic Arts, Gameloft) was appointed as Senior Product manager

OUTLOOK

Mighty Kingdom's key focus for the Quarter has revolved around the following initiatives:

- Drive to gaming profitability in H1'FY25 via growth in work-for-hire revenues
- Establishment of the AI Gaming Lab;
- Strategic Initiatives

With the benefit of a significant fresh influx of capital from new and existing Shareholders, Mighty Kingdom has invested those funds appropriately and aggressively to deliver on the remaining two pillars of the Strategy.

As announced to the ASX on 24th April 2024, the increased capital raise totalling a gross \$8.2m (of which \$0.6m was receipted in Q3 FY24) has allowed the Company to deliver a restructure path, clean balance sheet and forward capital availability for new opportunities. Moving forward your Board and Management Team are enthused about demonstrating the benefits of this process and adding value for shareholders.

¹ Allier Market Research, 2023

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

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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. These games include the popular Shopkins, LEGO Friends: Heartlake Rush, Gabby's Dollhouse, Wild Life and Ava's Manor. Mighty Kingdom is one of the largest independent game developers in Australia, working with top tier entertainment and gaming companies including Disney, East Side Games, LEGO, Sony, Google, Mattel, Apple Arcade, Spinmaster and Funcom.

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 June 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	1,108	5,327
1.2	Payments for		
	(a) research and development	0	0
	(b) product manufacturing and operating costs	(301)	(879)
	(c) advertising and marketing	(33)	(75)
	(d) leased assets	0	0
	(e) staff costs	(3,020)	(10,275)
	(f) administration and corporate costs	(853)	(2,204)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	9	14
1.5	Interest and other costs of finance paid	(9)	(71)
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	718	3,384
1.8	Other – ATO repayment outstanding tax liabilities	(289)	(646)
1.9	Net cash from / (used in) operating activities	(2,670)	(5,425)

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	(14)	(14)
	(d) investments	0	0

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(e) intellectual property	0	0
(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	27	106
(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	13	92

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	7,324	8,997
3.2 Proceeds from issue of convertible debt securities	0	726
3.3 Proceeds from exercise of options	0	0
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(234)	(234)
3.5 Proceeds from borrowings	135	1,588
3.6 Repayment of borrowings	(971)	(2,542)
3.7 Transaction costs related to loans and borrowings	(107)	(108)
3.8 Dividends paid	0	0
3.9 Other (provide details if material)	0	0
3.10 Net cash from / (used in) financing activities	6,147	8,427

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	(114)	302
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,670)	(5,425)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	13	92
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,147	8,427
4.5	Effect of movement in exchange rates on cash held	(9)	(29)
4.6	Cash and cash equivalents at end of period	3,367	3,367

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	3,367	36
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	(150)
5.4	Other (provide details)	0	0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,367	(114)

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	74
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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities	0	0
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
7.4 Total financing facilities	0	0
7.5 Unused financing facilities available at quarter end		0
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(2,670)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,367
8.3 Unused finance facilities available at quarter end (item 7.5)	0
8.4 Total available funding (item 8.2 + item 8.3)	3,367
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.3
If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6 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?	
No - During the quarter Mighty Kingdom incurred \$1.1m in one off operating outflow relating to a business restructure and deferral payments. The entity expects its net operating cashflows to improve with clear strategic objectives and streamlined operations.	
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?	
No - The business can continue to fund operations through visible future cashflow. In addition, as at 30 June 2024 the entity has an Other Receivable of circa \$1.9m relating to R&D and DGTO Government tax incentives.	
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?	
Yes - During the quarter Mighty Kingdom implemented a significant number of management, financial and operational measures to ensure it can continue to meet its business objectives	
<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>	

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 July 2024**

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.