

30 October 2020

Emerge Gaming Quarterly Update and Appendix 4C

Emerge Gaming Limited (ASX: EM1) (“Emerge” or the “Company”), a leading provider of enhanced eSports and gaming technology and products, presents the following activities report for the quarter ended on 30 September 2020 (the “Quarter”).

Emerge owns and operates an online eSports and “Casual Gaming Tournament Platform” technology and lifestyle hub. This technology is a cutting-edge online eSports and casual gaming tournament and competition facilitation platform. In line with Emerge’s premium content to mobile strategy it partners with leading eSports and gaming technology providers and software providers to offer a “Game Cloud Streaming Platform” technology.

HIGHLIGHTS

- **Casual Gaming Tournament Platform, MTN Arena, went live in July 2020 in South Africa**
- **Emerge and MTN commenced MTN Arena Marketing Campaign in August 2020**
- **MTN Arena registered 25,000 platform subscribers from the quarters marketing efforts**
- **Emerge recorded the its first revenues from the MTN Arena Platform invoicing ~AUD\$30k**
- **Emerge entered into an agreement with European based Tecnología de Impacto Multiple S.L. (“TIM”) in September 2020 to deploy its Casual Gaming Tournament Platform under the Miggster brand**
- **The agreement with TIM guarantees a minimum of 100,000 paying subscribers within 6 months**
- **100,000 subscribers equates to monthly revenue of USD\$850k (~AUD\$1.2M) at a monthly subscription of USD\$8.50 (~AUD\$12.00) each**
- **Monthly revenue from 100,000 paying subscribers translates to a potential annual recurring revenue of USD\$10.2million (~AUD\$14.4million assuming 100% retention of subscribers)**
- **Emerge was first in the southern hemisphere to demonstrate GameCloud Streaming Platform on MTN’s newly launched 5G network in South Africa**
- **Emerge became a Microsoft ISV Partner in September 2020**

Casual Gaming Tournament Platform - Operational Overview of MTN Arena

At the end of the previous Quarter, Emerge signed an agreement (ASX: 23 June 2020) with Mobile Telephone Networks Proprietary Limited (Pty) Ltd (“MTN”) to distribute, market and operate Emerge’s Casual Gaming Tournament Platform technology under the brand “MTN Arena”, in South Africa.

MTN Arena is a competition and tournament platform with a social element, which allows casual gamers to enter competitions, win prizes and earn raffles tickets whilst engaging in their favourite casual games. The platform provides an ‘entertainment’ factor with content that encourages reengagement and longer lifetime values of subscribing gamers.

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MTN Arena is differentiated from typical subscription-based casual gaming content offerings with competitions on premium app and premium HTML5 games that require no download and are easily streamed to mobile devices, an important attribute in emerging markets.

During July 2020, testing was fully completed and the MTN Arena platform went live (ASX: 8 July 2020). Emerge and MTN commenced marketing of MTN Arena in August 2020 (ASX: 10 August 2020) creating the awareness through influencer campaigns promoting the platform.

In late August 2020, the next phase of the MTN Arena marketing campaign commenced with the platform being promoted through interactive TV shows (ASX: 21 August 2020) leading to the digital amplification of the promotion through MTN's Digital Channels using uniquely curated marketing content and broadcasting through MTN South Africa's numerous owned digital channels to early September 2020 demonstrating an increase in registered subscribers.

In September 2020, Emerge and MTN commenced a targeted paid digital marketing campaign through social channels culminating in MTN Arena registered a milestone 25,000 registered subscribers shortly after quarter end (ASX: 6 October 2020). In October 2020, MTN commenced bulk SMS campaigns further increasing its marketing efforts.

Emerge recorded its first revenues from MTN Arena, submitting invoices to MTN of AUD\$30k. The revenue from MTN Arena is set to grow in the next quarter as the marketing efforts of Emerge and MTN gain further momentum and the number of registered subscribers increase.

Emerge continues to further its plan to expand its products range and distribution throughout MTN.

About MTN

MTN is a South Africa-based multinational mobile network operator ("MNO") listed on the Johannesburg Stock Exchange with a market capitalisation of ~AUD\$8.4 billion with ~19,000 employees. As a leading emerging market mobile operator, MTN serves 250 million+ subscribers in 22 countries across Africa and the Middle East, making it the 9th largest MNO globally and the largest MNO in Africa. This agreement aligns with Emerge's execution strategy with the footprint of MTN firmly in emerging markets. MTN has access to broad-scale distribution via mobile devices. MTN South Africa has 29 million subscribers.

Casual Gaming Tournament Platform - Operational Overview of MIGGSTER Mobile

During the quarter Emerge concluded a first phase licence agreement with Tecnología de Impacto Multiple S.L. ("TIM") to market Emerge's Casual Gaming Tournament Platform under the MIGGSTER brand to an affiliate network that has since grown to more than 14 million members in 150 countries.

MIGGSTER Mobile is a mobile casual eSports platform that uses Emerge's proprietary eSports tournament platform technology with new and enhanced platform features and exciting games. This platform will be the first product launched into the MIGGSTER community.

The platform will offer avid mobile gamers the opportunity to turn their hours of entertaining mobile gaming into prizes and rewards, whilst competing against the community and sharing their success with gaming friends. Targeting at a high value demographic at a premium monthly fee, MIGGSTER Mobile will offer its subscribers high value experiential prizes and rewards pools. These prizes and rewards combined with the global and regional tournament structures offers captivating premium competitive eSport content.

The MIGGSTER Mobile subscription fee is USD\$8.50 (~AUD\$12.00) per month. The value proposition is that subscribers can enter into tournaments involving their favourite mobile social games, using their leisure time to earn rewards, win prizes and participate in a minimum aggregate prize pool of USD\$500,000 (~AUD\$700,000).

The planned launch will offer subscribers the opportunity to sign up to the MIGGSTER Mobile platform on tiered subscription packages, including bi-annual packages of USD\$51.00 (~AUD\$71.00) and discounted annual packages.

MIGGSTER Mobile will be made available globally, subject to all jurisdictional legal and compliance requirements and is set to launch on 14 November 2020. Official pre-registration of interest in MIGGSTER products commenced following the end of this quarter through pre-launch promotions and to date recorded 5.5 million pre-registrations opting in to MIGGSTER.

Further information on Emerge's terms of agreement with TIM are available previous announcements (ASX: 10 September 2020).

Game Cloud Streaming Platform - Overview

In the eSports and gaming markets, services that stream high quality immersive games have been slow to commercialise being previously hampered by restrictions of bandwidth resulting in latency challenges and expensive hardware solutions. Today, most games are downloaded to a device—a smartphone, gaming console, or PC, by gamers.

Cloud gaming moves content execution off the consumer's device and into the cloud. Similar to how video streaming services deliver content (NetFlix, Showmax, YouTube, Twitch, etc.), the view of the game is streamed to the player's device via content delivery networks (CDNs) with regional points of presence near densely populated cities. In addition to the streaming the game's video, the gamers commands to control the gameplay are rapidly sent back to the Cloud. Essentially the "Console" is in the cloud.

Emerge's Game Cloud Streaming Platform offers an all-in-one gaming and entertainment platform for mobile smart devices and smart TV's including cloud gaming, live streaming, video, comics, esports and ecommerce. Offering download free cloud-based multiplayer AAA games with graphic interface overlays ("on screen soft buttons as a controller") seamlessly to mobile devices is a key differentiator of the technology.

In the nine months since the annual report, Emerge is the first in the southern hemisphere to demonstrate GameCloud AAA game streaming technology on a 5G network, showcasing the technology alongside MTN's launch of its 5G network (ASX: 1 July 2020).

Emerge views the 5G introduction as a revolution in ultra-reliable, high-speed, low-latency, power-efficient, high-density wireless connectivity. During the Quarter, Emerge began working closely with potential partners to establish a scalable, variable-cost infrastructure solution to deliver AAA game streaming to mobile devices using the GameCloud technology.

Emerge continued the business development of its Game Cloud Streaming Platform by working closely with partners in software, hardware, technology, distribution and games content production.

Microsoft ISV Partner Status

During the quarter Emerge has become an Independent Software Vendor (“ISV”) partner of Microsoft driving the development of its Game Cloud Streaming Product (ASX: 21 September 2020). An ISV is a tech industry term used by Microsoft and other companies to describe individuals and organizations who develop, market and sell software that runs on third-party software and hardware platforms, such as Microsoft's Azure.

As a Microsoft ISV Partner, Emerge designed and successfully tested a unique scalable hardware infrastructure solution that seamlessly operates its game cloud streaming technology solution on the Azure servers integrating the Azure PlayFab software. Emerge is leveraging Microsoft’s new edge zone computing capabilities to efficiently stream high quality immersive gaming experiences to mobile devices, smart TVs and PCs, with no downloads required.

By partnering with Microsoft, Emerge eliminates the need for significant upfront investment into expensive server and GPU infrastructure required for streaming immersive high quality games and content. Microsoft will offer its infrastructure solution on a pay-as-you-use basis, meaning Emerge and its distribution partners can offer commercially feasible game cloud streaming services to the end user accelerating business development by overcoming the major infrastructure entry barrier in the industry.

MIGGSTER and the Game Cloud Streaming Platform

The partnership between Emerge and TIM is taking a phased approach, with the first phase MIGGSTER Mobile launch being the precursor to a planned second phase collaboration on a MIGGSTER product which is expected to launch in Q1 next year under the MIGGSTER brand.

COVID-19

Emerge reports that, consistent with our previous report, the COVID-19 pandemic impact has to the date not adversely impacted its business operations. To date, the Company has had no reported cases of infections amongst our staff, key services providers and suppliers.

The Company’s operations continue to seamlessly operate in a “remote” environment and business continuity has been maintained. The Company’s existing corporate sales and business development activity continues albeit over digital interaction with key and target customers.

A positive trend from this terrible pandemic is that mobile usage and gaming demand have continued to strengthen along with the mobile users demanding more entertaining content. This has resulted in greater emphasis and interest in the social eSports and casual gaming technology, and strong new interest game streaming technology, from MNOs.

Tantalum International Ltd Update

Shareholders of the Company of record on 3 November 2017 received shares in an unlisted, Australian public Company Tantalum International Limited (“TIL”). For the latest on TIL, shareholders can refer to: <https://tantalumint.wixsite.com/tantalumint>

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Company Financial and Corporate Overview

Cash at the end of the quarter was ~\$2.6M.

The Company is targeting a cash outflow of ~\$140,000 per month to maintain its operations in the forthcoming quarter. This monthly cash burn does not include any projected revenue amounts to be received, which will offset the expenditure. In comparison, the Company's cash outflow from operating activities this quarter was ~\$117,000 per month. Marketing and other costs are anticipated to ramp up as Emerge looks to support marketing of its live platforms, in that regard, the Company is fully funded.

During the period, the Company banked ~\$958,000 from option holders exercising their EM10 listed options. This trend continued post quarter end further bolstering the Company's cash balance. Following the Company's most recent conversions (ASX: 27 October 2020 & 30 October 2020) which banked ~\$1.9M cash, the Company still has ~316M options on issue representing a potential further ~\$6.3M in cash to the Company.

The aggregate amount of payments to related parties and their associates included in the current quarter totalled ~\$134,000. These payments consisted of Directors' fees and salaries paid to directors, accounting and bookkeeping fees, IT development and maintenance services, technical consultancy fees and corporate advisory fees. All payments were on normal commercial terms.

Strategy and outlook

Emerge looks forward to reporting revenues from the launch of the MIGGSTER Mobile and the operation of the MTN Arena platform in due course.

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About Emerge Gaming

Emerge Gaming Limited (ASX:EM1) is a leading eSports and gaming technology company. Emerge Gaming owns and operates an online eSports and casual gaming tournament platform technology and lifestyle hub. Via this platform, casual, social and hardcore gamers can play hundreds of gaming titles against each other via their mobile, console or PC, earning rewards and winning prizes.

The platform uses its unique IP, advanced analytics tracking and proprietary algorithms to deliver an optimum tournament gaming experience for users while providing advertisers with the perfect vehicle for delivery of their messaging to a fully engaged audience.

More information: view www.emergegaming.com.au

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

EMERGE GAMING LIMITED

ABN

31 004 766 376

Quarter ended ("current quarter")

30 September 2020

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*	-	-
1.2 Payments for		
(a) research and development	(98)	(98)
(b) product manufacturing and operating costs	(17)	(17)
(c) advertising and marketing	(23)	(23)
(d) leased assets	-	-
(e) staff costs	(85)	(85)
(f) administration and corporate costs	(129)	(129)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(1)	(1)
1.9 Net cash from / (used in) operating activities	(351)	(351)

*First revenues from MTN Arena invoiced this quarter, with first receipts to occur in Q2

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	958	958
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	958	958

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,992	1,992
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(351)	(351)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	958	958
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,599	2,599

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	2,329	992
5.2	Call deposits	270	1,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,599	1,992

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

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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

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** -

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)	(351)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,599
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	2,599
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	7.4

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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

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

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

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.

30 October 2020

Date:

By the Board

Authorised by:
 (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.