

27 January 2021

## 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 31 December 2020 (the “**Quarter**”).

Emerge owns and operates an online eSports and “Social Gaming Tournament Platform” technology and lifestyle hub. This technology is a cutting-edge online eSports and casual gaming tournament and competition facilitation platform. Emerge operates the platform through a B2C business model under the **MIGGSTER** brand and through a B2B2C business model partnering with multinational mobile network operators (“**MNOs**”), the first instance of which is operated as **MTN Arena**.

### HIGHLIGHTS

- **Emerge banks AUD\$8.4M in cash receipts from customers this quarter**
- **Cash at bank is AUD\$12.3M with potential for a further ~AUD\$6.1M from options exercises**
- **MIGGSTER Social Gaming Platform launched on the 14 November 2020 and achieved 50,000 paying subscribers within one month**
- **Subscribers in over 160 countries have signed up to MIGGSTER with ~76% of these opting for annual subscriptions**
- **MIGGSTER Social Gaming Platform achieved 100,000 paying subscribers soon after quarter end**
- **Emerge is planning the launch of its Game Cloud Streaming Product in 2021**
- **MTN Arena registered ~80,000 new subscribers since launch**

A combination of factors including the strong revenue performance over the quarter, platform subscribers across 160 countries and the successful launch of Emerge’s B2B2C offering with a leading global MNO has set Emerge and its robust platform for future growth.

### MIGGSTER Social Gaming Tournament Platform “B2C” - Operational Overview

Emerge previously announced the execution of an agreement with Influence Crowd Technologies S.L. (“**ICT**”) (formerly named Tecnología de Impacto Multiple S.L.) whereby ICT guaranteed a minimum of 100,000 paying subscribers within 6 months of the launch of MIGGSTER (ASX: 10 September 2020).

The MIGGSTER Social Gaming Platform launched on the 14 November 2020 following 3 months of development to incorporate new features, upgrade and integrate new games content, develop tournament plans, ideate prize content, re-design the front end in line with the MIGGSTER brand and integrate the platform into multiple global payment providers.

Emerge achieved early success reaching 50,000 paying subscribers to the MIGGSTER platform within one month of the platform’s launch date.

MIGGSTER went on to achieve the 100,000 paying subscriber milestone soon after the Quarter end and well ahead of the guarantee period from ICT. The successful launch of the platform has also translated into significant subscription cash receipts during the quarter.

An encouraging statistic is that 76% of MIGGSTER subscriptions sold are annual subscriptions.

Emerge has signed up, and received payment for, subscriptions in more than 160 countries for the platform. MIGGSTER platform metrics are very encouraging and demonstrate strong subscriber engagement.

MIGGSTER is now set for further international growth in subscriptions with marketing efforts continuing into the next quarter.

## **MTN Arena Social Gaming Tournament Platform “B2B2C” - Operational Overview**

Emerge operates its Social Gaming Tournament technology under the MTN Arena brand for a leading emerging market MNO, MTN.

MTN Arena is a competition and tournament platform with a social element, which allows casual gamers to enter competitions, win prizes and earn points whilst engaging in their favourite casual games.

MTN is a South Africa-based multinational MNO listed on the Johannesburg Stock Exchange with a market capitalisation of ~AUD\$8.4 billion with ~19,000 employees. MTN serves 250 million+ subscribers in 22 countries across Africa and the Middle East, making it the 9<sup>th</sup> largest MNO globally and the largest MNO in Africa. MTN has access to broad-scale distribution via mobile devices and this is aligned to Emerge’s planned strategy for growth.

MTN Arena’s tournaments include daily, weekly, weekend and monthly competitions with opportunities for gamers to enjoy mobile gaming whilst winning prizes and money. Grand prizes will encourage mobile gamers to engage for longer periods on the platform. This competition and prize content is the cornerstone of the marketing content. The platform provides an ‘entertainment’ factor with content that encourages re-engagement and longer lifetime values of subscribing gamers.

The value proposition is that subscribers pay R3 per day (~A\$0.26c per day, equivalent to ~A\$7.80 per month) to enter into competitions involving their favourite mobile social games, earn rewards and win prizes to the value of R100,000 per month across the tournaments offered. This value proposition targets the middle to low-income mass market. MTN Arena generates revenue by billing a daily subscription fee against mobile subscriber accounts when they subscribe to the MTN Arena Platform.

After launching MTN Arena in early July 2020, the Quarter saw the acceleration of marketing efforts with promotions of tournaments, competitions and prizes through key messaging, video and other digital content in the distribution channels.

The platform is promoted through a series of targeted digital campaigns across multiple digital channels and bulk SMSs to promote MTN Arena targeting potential subscribers across its 29 million mobile subscribers in South Africa. In addition MTN Arena continues to be marketed by MTN funded paid media campaigns dedicated to driving user adoption of the platform. The success of the MTN funded campaigns is demonstrated by the strong new subscriber adoption.

On December 16 2020, Emerge announced that ~80,000 new subscribers had subscribed to MTN Arena. MTN Arena’s ability to attract this significant level of interest demonstrates the platform’s strong value proposition and offering as an appealing consumer product.

The Platform continues to acquire new registered subscribers on a daily basis to grow its active billable subscribers and generates revenue daily.

A pillar of the Company's go-to-market strategy is to continue the expansion of its B2B2C commercial model in which it partners with MNOs like MTN, to deliver to the consumer the Social Gaming Tournament Platform technology as a branded product, as with MTN Arena. The Company's strategy is to enter into partnerships in which MNOs provide product marketing support and offer mobile subscription billing integration services. Emerge is in discussions with other multinational MNOs to expand the reach of its Social Gaming Tournament Platform.

## **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 connection 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 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 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 Technology 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.

The Game Cloud Streaming Product, touted the "Netflix of Gaming", targets the more avid gamer with higher average user spends.

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). This demonstration seamlessly streamed AAA games over a 5G network to a mobile device. Cloud gaming is poised to do to gaming what video-on-demand has done to TV; a complete game-changer delivered via 5G and fibre.

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 Game Cloud technology, concentrating on the areas of software, hardware, technology, distribution and games content production.

Emerge views the introduction of 5G as a revolution in ultra-reliable, high-speed, low-latency, power-efficient, high-density wireless connectivity. Globally, the rapid deployment of 5G and fibre will provide billions of people with unprecedented access to high bandwidth connectivity at an increasingly affordable cost.

Emerge has partnered with Microsoft as an Independent Service Vendor ("ISV") to drive the development of its Game Cloud Streaming Product giving rapid scalable access to hardware in 61 countries, with 5 more African & Middle Eastern countries launching soon (ASX: 21 September 2020).

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.

Emerge's new generation Game Cloud Streaming Technology delivered with Microsoft, combined with 5G and fibre, will unlock the full capabilities of hardware free next-generation services such as virtual and augmented reality, ultra-high-definition game and video streaming, to mobile devices and smart TVs.

Emerge plans to launch its Cloud Game Streaming technology under the MIGGSTER brand in a B2C business model engaging ICT as a marketing partner to promote MIGGSTER Plus. After the successful launch of Emerge's MIGGSTER Social Gaming platform, Emerge has the opportunity to unlock the potential of offering its Game Cloud Streaming product into its existing subscriber base and into a network of 25 million affiliates, while leveraging Emerge's established billing infrastructure providing access to more than 160 countries.

## COVID-19

Emerge reports that, consistent with our previous reports, the COVID-19 pandemic impact has to 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.

As social distancing, lockdowns and semi-voluntary quarantines gradually became a global reality the gaming industry has seen a significant increase in time spent by gamers playing online games. This change in gaming culture has led to growing gamer engagement globally and provided the ideal opportunity for Emerge to launch its eSports and gaming products internationally.

## 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>

## Company Financial and Corporate Overview

Cash at the end of the quarter was ~\$12.3M.

The launch of the MIGGSTER platform was the significant driver of receipts during the Quarter accounting for the majority of the Company's \$8.4M in cash receipts.

The Company is yet to pay out the bulk of the costs matched to the receipts due to contracted and supplier terms. In any event, the Company estimates that it will retain ~34% of the receipts on a net basis (i.e. after costs and partnership expenses), or ~\$ 3.1M.

During the Quarter, the Company banked ~\$2.2M from option holders exercising their EM1O listed options. The Company still has ~307M options on issue representing a potential further ~\$6.1M in cash to the Company.

The aggregate amount of payments to related parties and their associates included in the current quarter totalled ~\$291,000. 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 further revenues from its MIGGSTER products and the operation of the MTN Arena platform in due course along with timelines for the launch of additional products. Commenting on the Quarter CEO Greg Stevens noted:

*"Operationally, Emerge has delivered an exceptional quarter. MTN Arena has continued to build its subscriber base following on from a successful launch. Added to this, we have now successfully launched MIGGSTER which has leveraged off its affiliate network to provide strong growth in subscribers and revenue. Together our platforms boast 180,000 subscribers and a strong active and engaged community of social gamers".*

## For further information:

Gregory Stevens

CEO

E: [greg@emergegaming.com.au](mailto:greg@emergegaming.com.au)

P: +27 72 420 4811

## 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](http://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")**

31 December 2020

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		8,375	8,375
1.2 Payments for			
(a) research and development		(255)	(353)
(b) product manufacturing and operating costs		(119)	(136)
(c) advertising and marketing		(42)	(65)
(d) leased assets		-	-
(e) staff costs		(213)	(298)
(f) administration and corporate costs		(300)	(429)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	4
1.5 Interest and other costs of finance paid		-	(1)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		-	-
1.8 Other (provide details if material)		-	(1)
<b>1.9 Net cash from / (used in) operating activities</b>		<b>7,447</b>	<b>7,096</b>
<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire or for:			
(a) entities		-	-
(b) businesses		-	-
(c) property, plant and equipment		(4)	(4)
(d) investments		-	-
(e) intellectual property		-	-
(f) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(4)</b>	<b>(4)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	2,236	3,194
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,236</b>	<b>3,194</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	2,599	1,992
4.2	Net cash from / (used in) operating activities (item 1.9 above)	7,447	7,096
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(4)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,236	3,194
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>12,277</b>	<b>12,277</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	12,027	2,329
5.2	Call deposits	250	270
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>12,277</b>	<b>2,599</b>

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	291
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-



<b>7.</b>	<b>Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		
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.		
	n/a		

<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)	7,447
8.2	Cash and cash equivalents at quarter end (item 4.6)	12,277
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	12,277
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	n/a
	<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>	
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: n/a	
	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: n/a	
	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: n/a	
	<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: 27 January 2021

Authorised by: By the Board

## 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.