

30 April 2021

## Emerge Gaming Quarterly Update and Appendix 4C

**Emerge Gaming Limited, (ASX: EM1) (“Emerge” or the “Company”)** a leading provider of competitive casual gaming and eSports technology and products, is pleased to release its activities report for the quarter ended on 31 March 2021 (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 where subscribers enter tournaments playing their favourite social games.

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 has banked a further AUD\$4.7M in cash receipts from customers this quarter and \$13.0M for the year to date**
- **Cash at bank is \$9.7M after paying all costs of sales related to the previous quarter**
- **Year to date net cash build from operating activities of \$3.4M with \$4.4M due to be received from customers at quarter end**
- **Emerge has built a thriving and active community of more than 400,000 subscribers in more than 160 countries**
- **Hosted more than 10 million games played in tournaments – with up to 8,000 entrants per tournament**
- **Platform Performance: Pages per session, average session times and bounce rates significantly better than industry benchmarks**
- **With a significant userbase built, delivery of premium game streaming is now the Company’s primary focus**

### Subsequent to Quarter end

- **Option exercises raise \$5.1M further strengthening the Company’s balance sheet including \$847k from the Board**

Emerge delivered a strong Quarter of growth with MIGGSTER achieving more than 150,000 subscribers (ASX: 3 March 2021) AND strong growth with MTN Arena exceeding expectations and posting 225,000 subscribers after Quarter end (ASX: 7 April 2021).

The continued strength of performance from MIGGSTER is very positive and with current and upcoming promotions, the product promises to expand rapidly and provides a proven case study for EmERGE to present to other marketing networks.

The growth of MTN Arena is particularly exciting as it provides EmERGE with better diversification of revenue and similarly builds the case study for presentation to other global MNOs.

## Business Growth Strategy

The Company is pursuing a co-ordinated business growth strategy to drive and increase shareholder value.

After proving out the Competitive Social Gaming product the next phase to building a truly global recognised community is for Emerge to target a subscriber base in the 10s of millions.

In this next community scaling phase, Emerge will seek to achieve this objective through initiatives including: promotional strategies; R&D investment focusing on new features to enhance the value proposition and create other products; and execution of the Company's go-to-market ("GTM") strategy.

Once Emerge has built its targeted community size, it will seek to leverage this engaged community to realise significant revenue growth which will drive shareholder value. In phase 3 revenue growth will be achieved through enhanced and new gaming and esports products being offered to the Emerge community. Scaling of revenue will be delivered through multiple go-to-market ("GTM") channels with global reach.

Commenting on the growth strategy CEO Greg Stevens noted:

*"The United States' recent demand for investment into social gaming has received significant attention with the recent listings of social gaming platforms Skillz and Playtika. Emerge Gaming's social gaming offering with competitive layers, social engagement, enticing prizes and brand engagement opportunities uniquely positions the Company to be a global player in this exciting sector. Our global peer group have invested millions of dollars into growing subscriber communities and driving product innovation, and this value is recognised by the investment community."*

## Go-to-Market Strategies

Emerge has four GTM strategies for its products: -

- B2B2C partnerships with MNOs
- B2C business model leveraging direct selling by consumers
- B2C over the top ("OTT") broadcasting channel activations
- B2B distribution partnerships within Microsoft ecosystem to MNO's and PayTV providers

Emerge has strongly established the B2B2C partnerships with MNOs (**MTN Arena**) and the B2C business Model / Direct Selling (**MIGGSTER**) GTM strategies in the last quarter and positioned these models for global scaling in line with the Company's growth strategy.

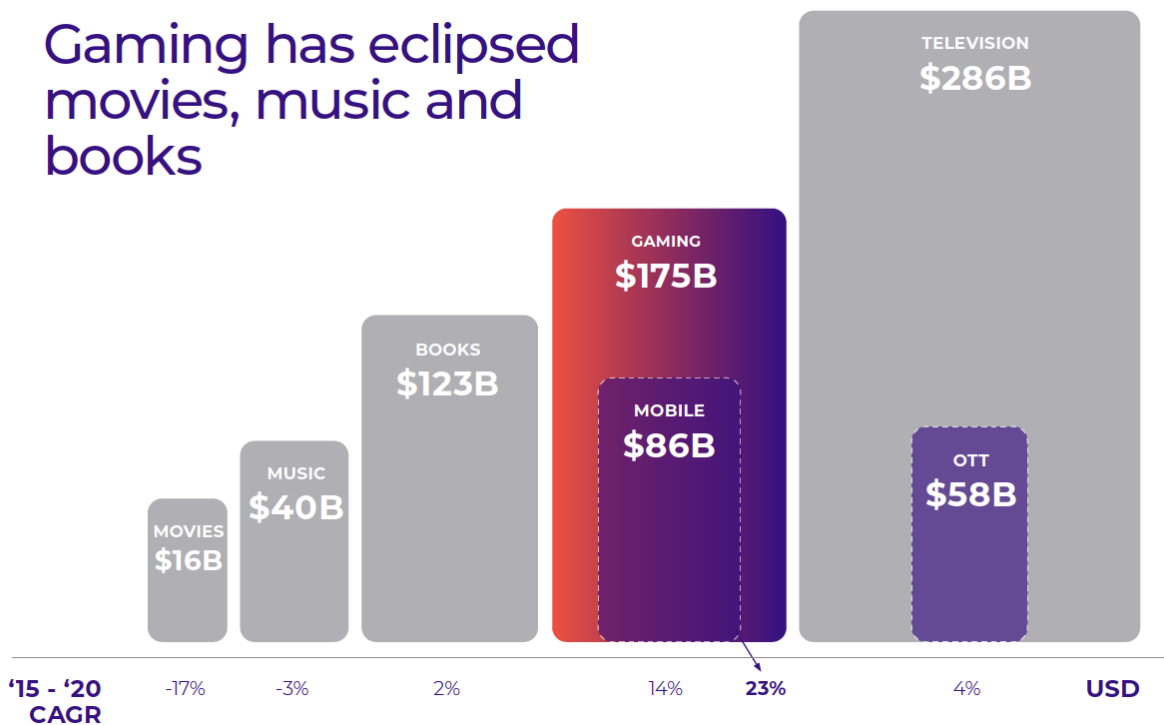
The Company's strategy to develop multiple GTM channels has the objective of de-risking the reliance on any one channel to acquire paying customers in the long term in addition to increasing Emerge's presence across various market segments.

### New GTM channel – OTT Broadcasting

Emerge is developing new GTM strategies that provide additional channels for subscriber acquisition.

The Company today announces plans to launch and operate its new OTT Broadcasting channel. The OTT segment of the television market is currently valued at US \$58 billion with a strong growth trend driven by rapid user adoption of internet-based broadcasting to a gaming and esports audience.

Gaming has eclipsed movies, music and books



Emerge's channel will be a Social Gaming and eSports interactive channel offering an immersive experience into the world of social and casual gaming. Accessible by audience via native iOS, Android and SmartTV applications the channel will be used to promote products, showcase unboxing of prizes, interview influencers, interviews with industry leaders, offer brand experiences, broadcast live game play and much more.

The audience will be engaged socially through live interaction and real time chat. The channel represents an opportunity to promote and activate EmERGE's products directing viewers to subscription offers.

Emerge is in final discussions with commercial partners to promote social gaming and esports content, including its competitive social gaming products, to international audiences of more than 50 million.

#### New GTM channel – Game Streaming

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

The Microsoft ISV partner ecosystem provides a network opportunity to promote EmERGE Gaming's game streaming products through B2B2C partnerships.

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

The MIGGSTER Social Gaming Platform was launched on the 14 November 2020 following significant development efforts which have continued throughout the period to: incorporate new features, upgrade and integrate new games content, develop tournament plans, ideate prize content and integrate the platform into multiple global payment providers.

On 3 March 2021, the Company reported that MIGGSTER had registered 154,365 subscriptions of which ~79% are annual subscriptions. MIGGSTER subscriptions continue to show strong daily growth and Emerge will continue to provide the market with material updates as they transpire.

MIGGSTER subscriptions are primarily offered in Euros (“EUR”) with tiered subscription packages offered to platform subscribers. The blended value of the 154,365 subscriptions sold at the tiered subscription package prices is EUR 8,355,576 (~AUD\$ 13,034,699). Please refer to the Company’s announcement of 22 January 2021 for Emerge’s estimated share of this revenue after costs.

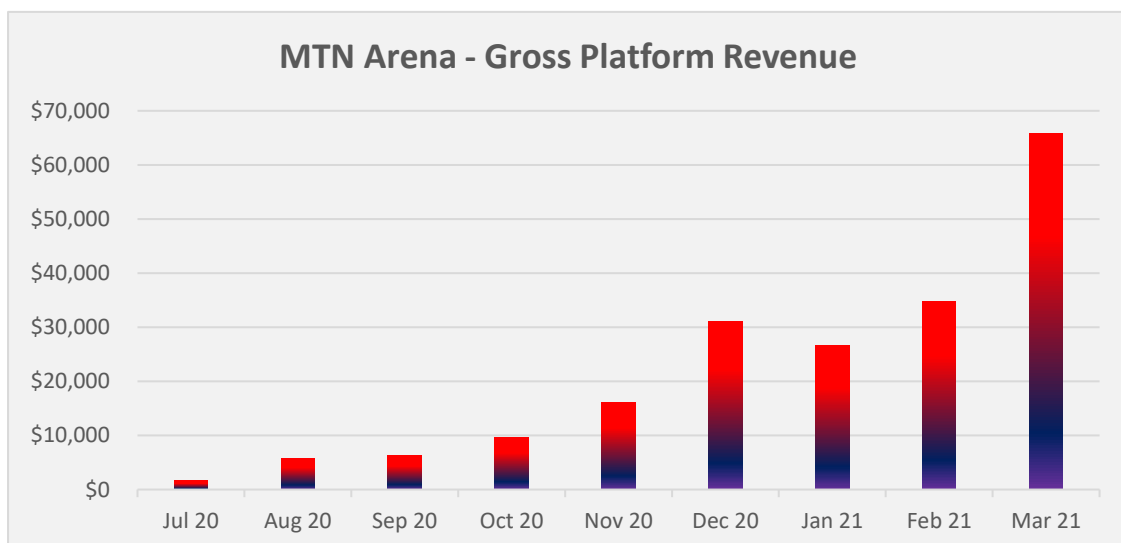
## MTN Arena Social Gaming Tournament Platform “B2B2C” - Operational Overview

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-headquartered 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.

On 7 April 2021, the Company reported that MTN Arena has acquired more than 225,000 paying subscribers. MTN Arena has generated ~AUD \$200,000 in gross platform revenue since launch. The platform has continued to demonstrate strong revenue growth post Quarter end and on an annualised basis is operating at a rate of ~AUD \$1,200,000 pa.



The strong growth in revenue of the MTN Arena platform in South Africa provides the foundation for further expansion within the remaining 22 countries where MTN operates and provides Emerge with a successful case study for marketing to other global MNOs.

With MTN investing into marketing activities in line with its agreement with Emerge, strong subscriber growth is expected to continue. The platform continued its strong growth post quarter end with MTN accelerating its investment into marketing activities. MTN Arena continues to be marketed through MTN funded campaigns to its 29 million mobile subscribers in South Africa.

## **Platform Operations and Performance**

Emerge's competitive social gaming platforms have hosted more than 10 million games played in tournaments in the last 6 months of operation in more than 160 countries globally. The platforms are hosting tournaments with up to 8,000 entrants.

In the last 30 days the total number of users and sessions have trended upward with the average session duration of each subscriber ~13 minutes, with an average number of sessions per user of 6.

According to "Google Analytics Benchmarking" Emerge operated platforms compare extremely favourably to similar or higher traffic websites within the gaming industry. Pages per session are 150% higher, average session duration is 140% longer and bounce rate is over 90% lower than industry peers.

The operation and performance of Emerge's platforms demonstrate the ability of Emerge's technology to operate at scale with a global reach providing the technological foundation and market validation to spur further growth.

## **Investment into Research and Development**

Emerge is investing into R&D for feature and new product development. Investment in innovation and technology are central to the growth strategy aiming to continuously improve the customer value proposition and introduce new product offerings to drive the increase in revenue per customer in the medium term.

The focus of the R&D will be to improve the competition mechanics, improve the social engagement, and introduce premium games streamed to mobile devices. Included in the new features and products are:

- Head-to-head competition functionality
- Live streaming of tournaments
- Game casting
- Broadcasting social gaming content
- Augmenting social engagement functionality
- Premium game streaming

Emerge continues to develop its game streaming features with its technology partners.

During the Quarter, Emerge continued working closely with 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's product development of its game streaming offering is uniquely different to Microsoft's recently announced streaming game service, the beta version of which seeks to launch into 22 countries by invite-only for USD\$14.00 monthly subscription (~AUD \$19.50). Emerge's current competitive social gaming platform is offered at a monthly subscription of ~AUD \$9.00 demonstrating revenue growth potential of premium game streaming technology when launched.

Emerge's uniqueness is in the competition layer with competition functionality, established global prize distribution logistics and established competition & tournament marketing mechanics which help positioning Emerge strategically as a unique competitor in the global social gaming and eSports industry.

## 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 ~\$9.7M.

As highlighted in the December 2020 quarterly report, last quarter the Company had not yet paid out the bulk of the costs matched to the receipts due to contracted and supplier terms. With these costs paid out in the current quarter, the cash balance has reduced due to timing. However, over the full year-to-date period, the Company has seen net cash from operating activities increase by \$3.4M which provides an indication of the underlying strength of the results.

Emerge banked \$4.7M from customers during the reporting Quarter for subscriptions sold to 31 December 2020 in addition to the \$8.3M banked in the previous quarter bringing the total receipts from customers to \$13.0M year-to-date.

At the end of the Quarter, the Company was due to bank ~\$4.4M from customers which will be reported as receipts in the next quarter. Strong growth in subscriptions has continued after quarter end and the Company is targeting to finish the financial year ending 30 June 2021 selling more than AUD \$20 million in subscriptions.

During the Quarter, the Company banked \$1.0M from option holders exercising their EM10 listed options. The balance of \$5.1M in cash from option exercises has been received since Quarter end.

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.

The management team continue to incur costs with financial and commercial discipline to maximise the Company's benefit from the spends. The Company has maintained a strong flexibility in its costs through low impact termination clauses allowing for swift supplier changes in a rapidly evolving industry.

## Strategy and outlook

Emerge looks forward to implementing its growth and GTM strategies. The Company expects the next quarter to deliver higher receipts from customers than the current quarter, maintaining growth in subscriptions whilst scaling the community size.

Commenting on the Quarter CEO Greg Stevens noted:

*"I am delighted at the solid performance of both platforms during the last quarter. The performance and execution of the Company's strategies lays the foundation for the delivery of growth and adding value to our shareholders. We are working extremely hard to simultaneously deliver on our strategies and communicate material updates to our shareholders and market investors".*

## CEO Investor Presentation Conference Call

On Thursday 6 May at 2pm (WST), investors are invited to dial into an EmERGE investor presentation virtual conference call. CEO Greg Stevens will host the conference call discussing the Company's operations and business strategy. Registration and dial in details will be provided early next week.

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## About EmERGE Gaming

EmERGE Gaming Limited (ASX:EM1) is a leading competitive social gaming and eSports technology company. EmERGE Gaming owns and operates an online casual gaming tournament platform technology and lifestyle hub. EmERGE has built a competition layer for casual mobile gaming and 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, winning prizes and experiences.

Our products create unique gaming platform experiences for customers and marketing opportunities for businesses. 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.

As a global B2B and B2C technology provider, we distribute our products internationally through proven go-to-market strategies. More information: view [www.emergegaming.com.au](http://www.emergegaming.com.au)

## Forward-looking Statements

This Announcement has been made by the authority of the Board of the Company and may contain forward-looking statements. Any forward-looking statements contained in this document are not guarantees of future performance. Such statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company. Readers should not place undue reliance upon any forward-looking statements and the Company disclaims any responsibility for any reader who does so. All numbers presented in this Announcement are unaudited.

## 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 March 2021

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		4,651	13,026
1.2 Payments for			
(a) research and development		(342)	(695)
(b) product manufacturing and operating costs		(1,733)	(1,869)
(c) advertising and marketing		(6,181)	(6,246)
(d) leased assets		-	-
(e) staff costs		(103)	(401)
(f) administration and corporate costs		(143)	(572)
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		1	5
1.5 Interest and other costs of finance paid		-	(1)
1.6 Income taxes paid		-	-
1.7 Government grants and tax incentives		199	199
1.8 Other (provide details if material)		-	(1)
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(3,651)</b>	<b>3,445</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)
(d) investments		-	-
(e) intellectual property		-	-
(f) other non-current assets		-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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>-</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	960	4,154
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>960</b>	<b>4,154</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	12,277	1,992
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,651)	3,445
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(4)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	960	4,154
4.5	Effect of movement in exchange rates on cash held	161	160
4.6	<b>Cash and cash equivalents at end of period</b>	<b>9,747</b>	<b>9,747</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	9,747	12,027
5.2	Call deposits	-	250
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>9,747</b>	<b>12,277</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	134
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

<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.		

<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)	(3,651)
8.2	Cash and cash equivalents at quarter end (item 4.6)	9,747
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	9,747
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	2.67
<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: 30 April 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.