

9 July 2021

Laura Gomme, Adviser, Listings Compliance (Perth)  
ASX Compliance Pty Ltd  
Level 40, Central Park,  
152-158 St Georges Terrace  
Perth WA 6000

Dear Laura,

## **EMERGE GAMING LIMITED ('EM1'): GENERAL – QUERY**

In reference to your query letter of 6 July 2021 entitled “Emerge Gaming Limited ('EM1'): Query Letter” which refers to: -

- A. EM1’s announcement titled “MIGGSTER surpasses 100,000 Paying Subscriber milestone, lodged on the ASX Market Announcements Platform ('MAP') on 22 January 2021;
- B. Crowd1’s twitter posts published on 8 June 2021;
- C. EM1’s announcement titled “MIGGSTER achieves milestone of 1 million paid subscribers” (the ‘Announcement’) lodged on MAP on 9 June 2021;
- D. ASX’s discussions with EM1 about the Announcement and the Tweets;
- E. ASX Listing Rule 3.1;
- F. The definition of “aware” in Chapter 19 of the ASX listing rules;
- G. ASX Listing Rule 3.1A; and
- H. ASX’s policy position on the concept of “confidentiality”, which is detailed in section 5.8 of Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B.

EM1’s response to the Query Letter’s request for further information in number order is as follows:

1. On 1 March 2021 the EM1 Board was informed of the promotional strategies proposed by the CEO of EM1 that in order to meet the objective of creating a MIGGSTER community of significantly large scale, Crowd1 would, on behalf of EM1, be offering MIGGSTER subscriptions as part of promotional offers including offering bulk volumes of discounted MIGGSTER subscriptions. On 2 March 2021, Crowd1 agreed to launch the first of the promotions. On 3 March 2021, EM1 flagged in its announcement titled *‘Emerge operated MIGGSTER platform achieves 150,000 subscribers and is set for growth’* that its objective was to build a large MIGGSTER userbase and this would be achieved “through a myriad of promotional strategies”.
2. There has been no change in subscription fees disclosed in the EM1 ASX Market Announcement dated 22 January 2021. Standard sales of subscription that are not on promotion remain at the fees disclosed on the 22 January 2021 and subscriptions continue to be sold on this basis.
3. All MIGGSTER subscriptions sold by EM1 are paid MIGGSTER subscriptions because, in each case, EM1 has received a payment for the subscriptions.



As at 30 June 2021:

Number of Standard Price paid Subscriptions Sold	174,687
Number of Discounted Price paid Subscriptions Sold ("MIGGSTER Offer")	<u>1,062,335</u>
<b>Total Number of Subscriptions Sold</b>	<b>1,237,022</b>

- 861 MIGGSTER subscriptions have been sold on EM1's behalf under the standard agreement since the launch of the MIGGSTER Offer.
- All promotional subscriptions under the MIGGSTER Offer are 12-month subscriptions. EM1 receives the following amounts under the MIGGSTER Offer:
  - EUR 2.00 ( $\pm$  AUD \$3.10) per subscription up to 1,000,000 subscriptions
  - EUR 0.25 ( $\pm$  AUD \$0.39) per subscription for subscriptions in excess of 1,000,000 subscriptions
  - EUR 500,000 ( $\pm$  AUD \$780,000) in prize contribution revenue over 12 months, paid quarterly
  - Reimbursement of server costs to support these discounted promotional subscriptions
- EM1 does not remit any amounts to Crowd1 or Influence Crowd Technologies S.L (ICT) in the form of 'marketing commission cost' and/or revenue sharing arrangements if the subscription revenues result from subscriptions sold under the MIGGSTER Offer.
- No, EM1 does not anticipate a material difference to EM1's financial results due to the bulk discounted promotional pricing offered to Crowd1 i.e. the MIGGSTER Offer.
- As at the end of February 2021, results and internal management forecasts indicated that EM1 could expect to add 10,000 standard MIGGSTER subscriptions per month. On this basis, to 30 June 2021 EM1 would achieve a subscriber base of  $\pm$ 200,000.

Discussions with Crowd1 began 1 March 2021 (per query response 1) focused on accelerating the size of the MIGGSTER community using promotions but seeking to ensure that these strategies delivered similar financial benefit to EM1 over the proposed 12-month promotional period.

This is consistent with EM1's communication to the market referring to the MIGGSTER promotional strategy in ASX announcements on 3 March 2021, 15 March 2021, 30 April 2021, 21 May 2021 and in the referenced C. EM1's announcement titled "MIGGSTER achieves milestone of 1 million paid subscribers" lodged on MAP on 9 June 2021.

EM1's expectation at the time that the focus on accelerating the size of the MIGGSTER community using promotions would not materially affect EM1's financial results has proven correct. The number of MIGGSTER subscriptions has increased significantly beyond the level which EM1 believes would have been achieved without the use of the promotions, which has been offset by the reduced revenue per subscription derived under the promotional subscriptions and, as a result has not materially affected EM1's financial results.

- The Company confirms that it is complying with the listing rules including listing rule 3.1.
- Confirmed.

**By the order of the Emerge Gaming Board.**





6 July 2021

Mr Derek Hall  
642 Newcastle Street  
West Leederville  
WA 6007

By email: [dhall@regencycorporate.com.au](mailto:dhall@regencycorporate.com.au)

Dear Mr Hall

### Emerge Gaming Limited ('EM1'): Query Letter

ASX refers to the following:

- A. EM1's announcement titled "MIGGSTER surpasses 100,000 Paying Subscriber milestone, lodged on the ASX Market Announcements Platform ('MAP') on 22 January 2021, which outlined, among other items, how revenue and costs resulting from the operation of the Miggster platform would be allocated between ICT (also referred to interchangeably as 'Crowd1') and EM1. Specifically, this announcement disclosed that:
- (a) The fee schedule for Miggster is as follows:
    - Monthly subscription: EUR 7.50
    - Bi-annual subscription: EUR 39.00
    - Annual subscription: EUR 69.00
  - (b) Net Revenue is calculated as follows (emphasis original):
    - End User Price ("EUP") charged to users
    - Less any applicable direct taxes ("Tax")
    - **Result: Net Sales Price ("NSP") is the EUP less applicable Tax**
    - Less actual billing costs incurred
    - Less EmERGE's operational cost retention of 5% of NSP
    - Less EmERGE's prize pool retention of 5% of EUP
    - Less ICT's marketing commission cost
    - Add EmERGE commission retention
    - **Result: Net Revenue**
  - (c) Above the 700,000 paying subscriber threshold, Crowd1 is entitled to 80% of the 'Net Revenue', and EM1 is entitled to 20%.  
  
(together, the 'Agreement')
- B. Crowd1's twitter posts<sup>1</sup> (the 'Tweets'), published on 8 June 2021 which stated (emphasis added):
- *"1.000.000 MIGGSTER SUBSCRIBERS  
Today the take-up for the fantastic, one-time-only MIGGSTER FOR ALL offer passed 1.000.000!  
#Crowd1 #Miggster";* and
  - *"Everyone who hasn't got their free Miggster, time is running down on the super exclusive offer.  
Everyone who HAS got Miggster, the fun, excitement and the amazing prizes are waiting for you!"*

<sup>1</sup> <https://twitter.com/Crowd1Official/status/1402261431127511040>

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- C. EM1's announcement titled "MIGGSTER achieves milestone of 1 million paid subscribers" (the 'Announcement') lodged on MAP on 9 June 2021, disclosing that EM1 had surpassed 1 million paid subscribers on the Miggster platform.
- D. ASX's discussions with EM1 about the Announcement and the Tweets, in which EM1 indicated that:
- Crowd1 are giving away subscriptions to Miggster to those who subscribe to the Crowd1 platform;
  - Crowd1 pays a subscription fee to EM1 for each of the subscriptions that it is giving to its customers for free; and
  - The subscription fee paid by Crowd1 to EM1 is not the same as the market rate of a standalone subscription.
- (together, the 'Miggster Offer')
- E. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- F. The definition of "aware" in Chapter 19 of the listing rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."*
- G. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
- "3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1 One or more of the following applies:*
- *It would be a breach of a law to disclose the information;*
  - *The information concerns an incomplete proposal or negotiation;*
  - *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
  - *The information is generated for the internal management purposes of the entity; or*
  - *The information is a trade secret; and*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
- 3.1A.3 A reasonable person would not expect the information to be disclosed."*
- H. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:
- "Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact*

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*disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”*

### **Request for information**

Having regard to the above, ASX asks EM1 to respond separately to each of the following questions and requests for information:

1. When did EM1 become aware of the Miggster Offer?
2. Did EM1 approve the changed subscription fees paid by Crowd1 under the Miggster Offer? If so, please provide a copy of any correspondence (not for release to market).
3. Please provide a breakdown comparing the total number of paid Miggster subscriptions to the free subscriptions provided under the Miggster Offer.
4. How many paid subscriptions have been received since Crowd1 launched the Miggster Offer (not including those paid for by Crowd1)?
5. What price does Crowd1 pay per subscription to EM1 to provide the Miggster Offer to its customers? Are these subscriptions monthly, bi-annually or annually charged?
6. How much, per subscription, does EM1 remit back to Crowd1, either in the form of ‘marketing commission cost’ and/or revenue sharing arrangements if the subscription originated from the Miggster Offer?
7. Does EM1 anticipate a material difference to EM1’s financial results due to the different pricing under the Miggster Offer?
8. If the answer to question 7 is:
  - (a) “yes”, please explain why EM1 has not disclosed this to the market in accordance with listing rule 3.1; or
  - (b) “no”, please explain the basis for that view.
9. Please confirm that EM1 is complying with the listing rules and, in particular, listing rule 3.1.
10. Please confirm that EM1’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of EM1 with delegated authority from the board to respond to ASX on disclosure matters.

### **When and where to send your response**

This request is made under listing rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **3 PM AWST Friday, 9 July 2021**. You should note that if the information requested by this letter is information required to be given to ASX under listing rule 3.1 and it does not fall within the exceptions mentioned in listing rule 3.1A, EM1’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require EM1 to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Trading halt**

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If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in EM1's securities under listing rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

### **Suspension**

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in EM1's securities under listing rule 17.3.

### **Listing rules 3.1 and 3.1A**

In responding to this letter, you should have regard to EM1's obligations under listing rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that EM1's obligation to disclose information under listing rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Release of correspondence between ASX and entity**

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

### **Questions**

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

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**Laura Gomme**  
Adviser, Listings Compliance (Perth)