

29 October 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 provide its report for the quarter ended on 30 September 2021 (the “Quarter”).

Emerge owns and operates online “Competitive Social Gaming Platform” technology and lifestyle hubs. This technology enables cutting-edge online casual gaming tournament and competition facilitation platforms where subscribers enter tournaments, play their favourite social games, and earn rewards and prizes, while engaging socially.

Emerge operates the platforms 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

- **Cash at bank as at 30 September 2021 of A\$18.2M (compared to 30 June 2021 cash at bank of A\$15.8M)**
- **Total cash receipts for the Quarter were \$4.6M with \$1.7M from operations**
- **Increase in subscribers across EmERGE-operated platforms of 1M due to commercial promotions**
- **Emerge currently has an active community of more than 2.6M subscribers in more than 160 countries, with Monthly Active Users of ~320,000 on the MIGGSTER platform as at 30 September 2021**
- **Emerge banked its share of a settlement of \$2.8M achieved by the Company’s spin out Tantalum International Limited**
- **Leading advisor RSM Australia engaged to undertake a strategic review of the Company including options in relation to the MIGGSTER platform**

During the Quarter, operationally, EmERGE continued its focus on scaling its subscriber community in line with its overall growth strategy. Strategically and in its development activities, the Company was focused on readying its cloud streaming product for roll out in order to accelerate the potential of the MTN Arena product and maximise the value of the MIGGSTER platform pending its strategic review by the Company.

Aggressive promotional campaigns enabled EmERGE to grow its subscriber community by a further ~1M (previous quarter growth 1.1M) across the platforms it operates. These initiatives accelerated the growth of the community and resulted in EmERGE banking a further AUD\$1.7M in cash receipts from customers and settling almost all its commission obligations under its agreement with ICT.

Performance from MIGGSTER remains positive. Current and upcoming promotions are expected to continue to drive growth. The timing and scale of the promotional initiatives will be finalised following the outcome of the Company’s strategic review of MIGGSTER. MIGGSTER provides strong execution credentials at scale and a proven case study for EmERGE to present to other marketing channels in the months and years ahead.



The performance of MTN Arena in South Africa continues to build towards potential launches with MTN Group in other jurisdictions where MTN is already active.

During the quarter, Emerge invested into R&D to develop new platform features, including game streaming of AAA games, new competition features, extended brand engagement features and new social engagement features strengthening the product's value proposition to subscribers. Emerge expects to launch completed features across all current and future commercial iterations of its platforms during the next quarter.

## Go-to-Market Strategies

Emerge continues with four GTM strategies for its products: -

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

Emerge has strongly established the B2B2C partnerships with MNOs (**MTN Arena**) and the B2C business Model / Direct Selling (**MIGGSTER**) GTM strategies in the last half 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 and jurisdictions.

On 23 September 2021 the Company announced that it had appointed a leading corporate advisor, RSM Australia, to undertake a strategic review its assets that specifically included the potential of divestment, spin off or sale of the MIGGSTER white label platform. This review is progressing and Emerge will look to update the market in the coming weeks.

## Revenue Sources

Emerge's customer receipts to the end of the quarter were derived from user subscription revenues.

During the Quarter, Emerge offered marketing solutions to corporate brands seeking exposure to the gaming and esports industries. Last quarter, Emerge announced its first client in this regard, listed global energy company Sasol Limited. The promotional activity with Sasol Limited is progressing well and Emerge will continue to market its advertising solutions to other corporates and will provide further updates in due course.

Emerge continues to explore organic growth opportunities and strategic acquisitions to diversify its offerings and revenue streams

## 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 under review.

MIGGSTER has achieved ~2.1M subscribers since its launch in November 2020.

The Company will continue to meet its obligations in servicing the MIGGSTER subscriber base to protect and possibly further enhance the value of the platform which is currently under strategic review.



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

Emerge operates its Competitive Social Gaming technology under the MTN Arena brand in South Africa 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.

The Quarter saw the end of the first year of operations of MTN Arena in South Africa. The strong performance of the platform is demonstrated by more than ~0.5M subscribers registering and generating ~A\$0.8M in gross platform revenue in the last 12 months.

MTN has increased investment into marketing the MTN Arena platform in South Africa which is expected to drive continued strong subscriber growth and re-engagement of existing subscribers.

Given MTN has 29 million subscribers in South Africa alone, and its current business has accessed 0.5 million new subscribers, or 1.7% of the South African market size, there is further opportunity to grow the business in this single market.

MTN South Africa provides the benchmark for expansion of Emerge’s platform into other MTN Countries. The strong growth in revenue of the MTN Arena platform in South Africa provides the foundation for further extrapolation of this commercial model to the remaining 20 countries where MTN services more than 240 million subscribers.

MTN South Africa has further provided Emerge with a successful case study for marketing to other global MNOs. Emerge is of the view that the MTN Arena platform, once enhanced through new and improved features stemming from the Company’s R&D activities, has significant growth potential.

## **Platform Operations and Performance**

Emerge’s competitive social gaming platforms have hosted more than 34 million games played in tournaments across more than 160 countries from launch to 30 September 2021 (30 June 2021: 30 million games played since launch), with a thriving and active community of more than 2.6M platform subscribers (30 June 2021: 1.6M).

## **COVID-19**

Emerge reports that, consistent with our previous reports, the COVID-19 pandemic impact has 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 Settlement**

During the Quarter, the Company announced (ASX: 31 August 2021) that it banked a A\$2.8M as its gross share of a settlement receipt from the Company’s spin-out, unlisted Australian company,



Tantalum International Limited (“TIL”) agreeing a legal settlement. The settlement receipt arose from a legal dispute against the Arab Republic of Egypt in respect of alleged expropriation (amongst other claims) of a 50% interest in Abu Dabbab Tantalum-Tin-Feldspar project, located in Southern Egypt.

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 i.e. 30 September 2021 was A\$18.2M (30 June 2021: \$15.8M)

Emerge banked \$1.7M in cash receipts from customers this Quarter and \$2.8M for its share of the TIL settlement, bringing the total cash receipts for the Quarter to A\$4.6M.

Net cash inflow from operating activities for the Quarter was \$2.4M (previous quarter net cash outflow of A\$1.1M). Business activities expenditure totalled A\$2.2M for the Quarter (decrease of 54% from the previous quarter of \$4.78M), consisting of advertising and marketing of \$152k (previous quarter \$2.67M), operating costs of \$733k (previous quarter \$1.05M) and research and development of \$695k (previous quarter \$505k) with the balance being administration and staff costs of \$616k (previous quarter \$555k).

The management team continue to incur costs with financial and commercial discipline to maximise the Company’s benefit from the spend whilst striving to enhance the value of each of its platforms. 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.

During the Quarter the aggregate amount of payments to related parties and their associates totalled ~\$178,000. These payments consisted of Directors’ fees and salaries, accounting and bookkeeping fees, technical consultancy fees and corporate advisory fees. All payments were on normal commercial terms.

## Strategy and outlook

Emerge looks to continue implementing its growth and GTM strategies. A strategic review of the Company’s assets is in progress as EmERGE strives to generate maximum value from its assets and business lines for its shareholders.

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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")**

30 September 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,717	1,717
1.2 Payments for		
(a) research and development	(695)	(695)
(b) product manufacturing and operating costs	(733)	(733)
(c) advertising and marketing	(152)	(152)
(d) leased assets	-	-
(e) staff costs	(191)	(191)
(f) administration and corporate costs	(425)	(425)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	18	18
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – TIL settlement	2,866	2,866
<b>1.9 Net cash from / (used in) operating activities</b>	<b>2,405</b>	<b>2,405</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(1)	(1)
(c) property, plant and equipment	(67)	(67)
(d) investments	-	-
(e) intellectual property	(5)	(5)
(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(73)</b>	<b>(73)</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	-	-
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)	20	20
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>20</b>	<b>20</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	15,877	15,877
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,405	2,405
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(73)	(73)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	20	20
4.5	Effect of movement in exchange rates on cash held	2	2
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>18,231</b>	<b>18,231</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	18,231	15,877
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>18,231</b>	<b>15,877</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	178
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>		



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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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	-	-
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. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	2,405
8.2 Cash and cash equivalents at quarter end (item 4.6)	18,231
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	18,231
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: 29 October 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.