

29 April 2019

## Emerge Gaming Quarterly Update and Appendix 4C

Emerge Gaming Limited (ASX: EM1) (“Emerge” or the “Company”), a leading provider of enhanced eSports capabilities, presents the following activities report for the quarter ended on 31 March 2019.

Emerge operates the eSports tournament platform and lifestyle hub “Arcade X”. Arcade X is a cutting-edge online eSports and casual gaming tournament facilitation platform. Arcade X consists of “Arcade X Mobi” for mobile phone devices and “Arcade X eSports” for console/PC.

### HIGHLIGHTS

- **ArcadeX launch plans to Australian and other tier 1 countries announced; Trade collateral released highlighting ArcadeX advertising opportunity to major Australian brands**
- **ArcadeX gains access to 350 million subscribers through distribution JV partnership with iCandy Interactive Limited**
- **National Roadshow completed; ArcadeX presented to major multinational brands, media buying agencies, creative agencies and media partners to support ArcadeX monetisation program**
- **ArcadeX adoption across Africa and the Middle East facilitated through Distribution Agreement with experienced mobile video content provider Netsport Media**
- **‘GameCloud’ Strategic Roadmap announced for distribution of the revolutionary cloud streaming digital distribution platform**
- **Placement of \$1.8M completed to the support the ArcadeX launch; rollout of the VAS model across Africa; and to accelerate the rollout of GameCloud**

### ArcadeX Launch

On 19 February 2019, the Company provided a substantive update on its plans to launch ArcadeX in Australia and other tier 1 countries. The South African pilot of ArcadeX demonstrated the platform’s potential with Key Performance Indicators being exceeded for each participating brand.

The UI/UX platform was further optimized to bring stronger results, ideal gaming experience and a perfect marketing opportunity for brands as the Company moves into Tier 1 markets such as Australia, United States of America , United Kingdom and Europe.

ArcadeX has been designed to integrate and engage the end user instead of disrupting them and has created an ideal two-way value between advertisers and users.

Emerge Gaming engaged leading multinational brand agency Meerkats to optimize the advertising environment within the ArcadeX gaming platform to provide gamers maximum impact with minimum gaming disruption.

Meerkats also provided first-class Australian brand access to Emerge Gaming for the national roadshow presenting the ArcadeX advertising opportunity. The Company aims to soon launch ArcadeX with a leading brand or brands (ASX: 27 March 2019).

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#### Head Office Address:

Suite 1  
437 Roberts Road,  
Subiaco, WA, 6008  
Australia

#### South African Office:

3rd Floor, Edge Building  
22 Somerset Road, Green Point  
Cape Town, 8005  
South Africa

#### Contact us:

Mail: [info@emergegaming.com.au](mailto:info@emergegaming.com.au)  
Call: + 618 6380 2555



## **iCandy Interactive Global Distribution Agreement**

On 21 March 2019, the Company announced that it had signed a Global distribution JV partnership agreement (“**Agreement**”) for ArcadeX with leading mobile games and entertainment group iCandy Interactive Limited (ASX:ICI) (“**iCandy**”).

Under the Agreement, Emerge Gaming and iCandy will customise a white-labelled Arcade X Platform branded **iLeague**. iLeague will have content including iCandy’s extensive mobile game portfolio of 300+ mobile casual games (“**iCandy Content**”) and be marketed to iCandy’s network of 350 Million mobile gamers<sup>1</sup>.

The iLeague platform will aim to increase the acquisition of users for both parties, re-engage dormant users, drive revenue, social engagement and create an online competitive environment where gamers can compete for prizes. The customisation process is due to commence shortly.

This sizeable user base will create an opportunity for brands to showcase themselves as millions of gamers engage with the iLeague platform. The Agreement gives Emerge Gaming access to the APAC regions where iCandy is primarily focused.

Both parties will receive 50% of revenue generated via the white label ArcadeX iLeague platform including subscription revenue, in-game purchases and advertising for all iCandy Content hosted on iLeague. Both iCandy and Emerge Gaming are set to benefit from the monetisation of iCandy content via the new retention and retargeting focused iLeague Platform<sup>2</sup>.

## **Cloudzen Global Distribution Agreement of GameCloud**

On 30 October 2018, the Company announced that it had entered into a Memorandum of Understanding (**MOU**) with Cloudzen Pte Ltd (“**Cloudzen**”), a next generation cloud gaming company registered in Singapore.

Cloudzen is a leading cloud gaming and mobile entertainment Platform as a Service provider which has revolutionised game streaming through its GameCloud technology platform (“**GameCloud**”).

GameCloud provides gamers with a one stop portal for instant access to hundreds of AAA rated 3D graphic games and live streaming on mobile devices without having to download the game or any further hardware requirements. GameCloud enables gamers to play at any time from handheld devices and smart TVs, with multiplayer gaming, video streaming and social networking.

Cloudzen offers significant synergies with Emerge’s Arcade X platform, which caters for different segments of the online gaming community. The platform targets 2 billion mobile gamers worldwide and has significant advantages over the PC and console game segment, which also represents a combined 255 million gamers (Source: Statista 2016).

Following on from the MOU, the Company executed an exclusive Global Distribution Agreement with Cloudzen to use its intellectual property for GameCloud (ASX: 4 December 2018).

The Global Distribution Agreement will see Emerge enter a number of first world markets to promote its Arcade X and GameCloud’s technology. This includes an initial rollout into South America, Africa, India, Australia, United States of America and the United Kingdom. During the two-year agreement, Emerge will have an exclusive licence to use its GameCloud intellectual property. Emerge will distribute GameCloud into select territories with users paying a monthly subscription fee.

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<sup>1</sup> 350 million Mobile Gamers is calculated based on data from third party analytical tools, i.e. Flurry and AppAnnie, using device UUIDs (Universal Unique Identifiers) that have installed iCandy’s mobile apps (2011 to current). The number of active users is indeterminable and individuals may be double counted if they downloaded iCandy’s games onto multiple devices. Refer to iCandy’s ASX presentation of 28 February 2019 for more information.

<sup>2</sup> The iLeague Platform has yet to be launched and as a result, the financial impact of the Agreement is not determinable at this time.

# EMERGE GAMING

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During the quarter, the Company outlined its strategic roadmap for accelerated distribution of Cloudzen's 'GameCloud' advanced technology in 2019.

South Africa, United States of America, United Kingdom, South America, Africa, India, and Australia are regions agreed for distribution by Emerge Gaming under its exclusive global distribution agreement. Roll out will be conducted in these regions during the periods allocated, aligned with Emerge Gaming's existing rollout strategy for its Arcade X technology.

Emerge Gaming's strategy is to establish relationships with telecommunication companies as potential partners to distribute the technologies to their network, providing access to potential subscribers to fast track rollouts and regional integration. The rollout will maximize exposure of the platforms to drive user acquisitions. The adoption of 5G cellular technology will greatly assist in the rollout of GameCloud, particularly on mobile (ASX: 11 February 2019).

The Company also announced that Cloudzen had successfully showcased the GameCloud streaming technology at 5G Garage, Singapore's only live 5G facility opened by Singtel, Ericsson and Singapore Polytechnic. Cloudzen's technology innovation showcase was a success, enabling a seamless, lag-free and high-quality game streaming experience, which affirms the robustness and capability of Cloudzen's technology. It also reflects the potential of 5G to transform the eSports and gaming world (ASX: 5 February 2019).

## **Other Agreements**

Subsequent to quarter end, the Company announced that it had appointed Netsport Media, an African based mobile video content provider, to distribute ArcadeX throughout key regions in Africa and the Middle East.

Netsport Media provides rich media content to mobile value-added services (VAS) markets in Africa and the Middle East. In addition to creating viral video content, they also partner with and secure exclusive distribution rights from, international content owners in the health, education, sports and entertainment categories.

Under the Agreement, Emerge Gaming grants Netsport Media an exclusive, non-transferable license to use its ArcadeX technology in regions not covered by existing distribution agreements, such as agreement with Petrimex (ASX: 26 November 2018).

The Agreement allows Emerge Gaming to leverage Netsport Media's established connections to expand the ArcadeX user base.

## **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"). The intention of the TIL spin-out was to provide long-term shareholders with exposure to a potentially successful legal claim, supported by third party funding, against the Arab Republic of Egypt ("Egypt"). The arbitration proceedings, under ICSID conventions, relate to the alleged expropriation (amongst other claims) of TIL's 50% interest in the Abu Dabbab Tantalum-Tin-Feldspar project, located in southern Egypt. The Company retains an interest in a financial award that may arise out of these legal claims.

The Directors of TIL are managing the arbitration process on behalf of the claimants and the following website was established to keep its shareholders updated:

<https://tantalumint.wixsite.com/tantalumint>

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## Company Financial and Corporate Overview

Cash at the end of the quarter was \$1.95M.

The Company is targeting a cash outflow of ~\$140,000 per month to maintain its operations. This cash burn value does not include any revenue amounts to be received which will offset the expenditure. In this regard, the Company's cash outflow was ~\$135,000 per month.

Subsequent to quarter end, Emerge Gaming has successfully completed a placement (“**Placement**”) raising \$1.8 million with the issuance of 60,000,000 shares at a price of 3.0 cents per share. Investors who subscribed under the Placement also received one (1) free attaching EM1O listed option for every two (2) Placement shares issued. The options are exercisable at \$0.02 on or before 18 April 2021.

Funds raised from the Placement will support Emerge Gaming's key offerings – the ArcadeX launch, rollout of the VAS model across Africa and accelerate the rollout of GameCloud.

## Strategy and outlook

With the successful Placement, the Company is bolstering its ArcadeX launch strategy to be more prominent and robust. The launch will incorporate the partnership with iCandy with extra resources allocated to fast track integration of high-end content and expand the marketing strategy spend across a larger number of regions to capitalise on cross promotion opportunities across iCandy's 350 million users. Launch focus has been broadened from concentrating primarily on Australia to a simultaneous Australia and Asia launch to capitalise on iCandy's footprint in Asia. The strategy will also lead and tie into the subsequent roll out of GameCloud streaming technology, laying a strong foundation for the success and mass adoption of that product.

The Company is also nearing completion of a significant rollout into Africa and the Middle East, with unique integrations and setups on the technical side of the business, giving Emerge Gaming access to a number of new regions.

## For further information:

### Australia

Bert Mondello  
Chairman  
E: [bmondello@regencycorporate.com.au](mailto:bmondello@regencycorporate.com.au)  
P: +61 8 6380 2555

### South Africa

Gregory Stevens  
CEO  
E: [greg@emergegaming.com.au](mailto:greg@emergegaming.com.au)  
P: +27 72 420 4811

## Media Enquiries

MMR Corporate Services  
[media@mmercporate.com](mailto:media@mmercporate.com)  
P: +61 2 9251 7177

## About Emerge Gaming

Emerge Gaming Limited (ASX:EM1) is a leading eSports and Casual gaming tournament company. Emerge Gaming operates the online eSports and casual gaming tournament platform and lifestyle hub “Arcade X”. Via this platform, casual, social and hardcore gamers can play hundreds of gaming titles against each other via their mobile, console or PC.

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: [www.emergegaming.com.au](http://www.emergegaming.com.au) and view the Arcade X platform at [www.ArcadeX.co](http://www.ArcadeX.co)

# EMERGE GAMING

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## About Cloudzen & GameCloud

Singapore-based **Cloudzen** is a leading cloud gaming and mobile entertainment Platform as a Service provider which offers various means of communications channels through digital entertainment via game stores, communities and social networks. It was founded in 2015 by veteran game developer Mr Robin Tan and has revolutionised game streaming through its **GameCloud** technology platform.

**GameCloud** provides gamers with a one stop portal for instant access to hundreds of AAA rated 3D graphic games and live streaming on mobile devices without having to download the game or any further hardware requirements. GameCloud enables gamers to play at any time from handheld devices and smart TVs, with multiplayer gaming, video streaming and social networking.

Cloudzen offers significant synergies with Emerge Gaming's Arcade X platform, which caters for different segments of the online gaming community. The platform targets 2 billion mobile gamers worldwide and has significant advantages over the PC and console game segment, which also represents a combined 255 million gamers.

## Appendix 4C

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

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

EMERGE GAMING LIMITED

**ABN**

31 004 766 376

**Quarter ended ("current quarter")**

31 March 2019

<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	-	103
1.2 Payments for		
(a) research and development	(140)	(563)
(b) product manufacturing and operating costs	(30)	(123)
(c) advertising and marketing	(49)	(243)
(d) leased assets	-	-
(e) staff costs	(121)	(368)
(f) administration and corporate costs	(74)	(229)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	44
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(402)</b>	<b>(1,379)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(3)	(8)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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 Net cash from / (used in) investing activities</b>	<b>(3)</b>	<b>(8)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(37)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(50)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	(180)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>-</b>	<b>(267)</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,357	3,606
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(402)	(1,379)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(3)	(8)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	(267)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>1,952</b>	<b>1,952</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	452	457
5.2	Call deposits	1,500	1,900
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>1,952</b>	<b>2,357</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
88
-

Directors' fees and salaries paid to the directors. All payments are on normal commercial terms.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
134
-

Accounting and bookkeeping fees paid to a director related entity of ~\$22,000, IT development and maintenance services paid to a director related entity of ~\$92,000, technical consultancy fees paid to a director related entity of ~\$11,000, corporate advisory fees paid to a director related entity of \$9,000.



8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	170
9.2 Product manufacturing and operating costs	60
9.3 Advertising and marketing	330
9.4 Leased assets	-
9.5 Staff costs	130
9.6 Administration and corporate costs	110
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>800</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

### Compliance statement

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Sign here:  .....  
(Company Secretary)

Date: 29 April 2019

Print name: Derek Hall

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.