

31 October 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 30 September 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 “**ArcadeX Mobi**” for mobile phone devices and “**ArcadeX eSports**” for console/PC.

HIGHLIGHTS

- **Emerge moves closer to realising its annuitized scalable monetisation model and strategy**
- **ArcadeX integrated into Mobile Billing Partners providing access to 48 Mobile Network Operators in 25 countries across Africa and the Middle East**
- **Timing flagged for VAS model launches in pilot countries**

Strategy and VAS Model

The strength of mobile gaming is driven primarily by growing global smartphone penetration, access to gaming content and the ability of mobile game providers to charge for the content through direct carrier billing (“DCB”). Mobile Network Operators (“MNOs”) seek to differentiate themselves to attract subscribers to their networks and encourage data usage. Central to this is the content offered on the network, called Value Added Services (“VAS”). The core content categories on mobile devices are Music, Video and Gaming, with Gaming demonstrating strong growth. The Arcade X technology is an appealing Gaming content offering to the MNOs as a VAS.

Emerge’s strategic direction is to prioritise the launch of “ArcadeX Mobi” and use this launch to establish content distribution and mobile payment gateway channels to facilitate monetisation.

On establishment of the channels, Emmerge seeks to leverage these channels to monetize AAA eSports gaming supported by cloud streaming technology.

Content is critical to casual gamer appeal and demand. Emmerge has access to a saturated market of casual gaming content with thousands of standard and premium casual mobile games available, at affordable prices. Casual gaming content developers and publishers are continually seeking channels to monetise their content, and Arcade X, in combination with DCB integration, is an ideal solution. In terms of AAA eSports gaming, which is typically limited to PC and console, (Xbox, PlayStation, Nintendo) Emmerge’s strategic direction is to capture this market via AAA eSports Game Streaming.

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Integration into Mobile Billing Partners

The focus was to develop the business through partnerships with gaming content, content distribution and billing partners. The corporate sales cycles nature of this business development meant that this was a slow process, however Emerge is now ready to conduct supported launches of its platforms in FY2020.

DCB Aggregators are companies which integrate DCB's into multiple MNO's in multiple countries and provide single point integration to content providers, such as Emerge.

Emerge has completed integrations of ArcadeX with DCB Aggregators who provide mobile payment integration, subscription management, marketing services and content distribution into certain countries. These Aggregators: -

- Operate in 25 countries, with access to 48 MNOs focused in Africa and the Middle East
- Deliver 60 million monthly pieces of content
- Channel 90 million visits per month, of which 27 million are unique
- Access over 1,000 content and merchant partners
- Process 570 million payments per month

Monetisation Strategy

This most significant global reach in monetising eSports and Gaming content is to charge gamers through their MNOs. Once integrated into multiple global MNOs, a distribution and payment gateway network is established through which gaming content can be provided directly to gamers and charged through their mobile devices.

Emerge's monetisation strategy is to earn revenue from annuitized subscription billing of mobile gamers for access to the Arcade X platform, or white-labelled versions of the technology (such as iLeague), through DCB integrations into MNO's or DCB Aggregators.

Following DCB integrations in this quarter, the next steps are MNO content integration and country-specific development before a pilot and launch of ArcadeX in a selected country. Each market and MNO combination has a language, currency, testing, MNO content approvals and payment integration requirements which determine the complexity of integration.

The Emerge integration of Arcade X into DCB Aggregators, MNO content integration and country-specific development will be the core focus of immediate revenue generation. Management anticipates the following timeframes for commercialisation:

1HY 2020 – to December 2019

- ArcadeX pilot countries integration and testing completion
- Selected country launches – Revenue generation focus

FY2020 – to June 2020

- Integration and testing for prioritised countries with the focus on Africa, MENA and APAC regions
- Scaling of Arcade X in feasible countries - Revenue scaling of annuitized subscription model

Emerge expects to launch in at least 3 countries before the end of calendar 2019.

EMERGE GAMING

ASX:EM1 | ABN 31 004 766 376

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 \$2.82M.

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 from operating activities this quarter was ~\$120,000 per month. Marketing and other costs will be minimal until launch of products are complete.

Strategy and outlook

The Company has prioritised its opportunities and set its short-term targets.

Emerge looks forward to an exciting FY2020, building on the foundation that has been laid in place during the past 6 months in order to realise a scalable, annuitized, monetisation model.

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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 and view the Arcade X platform at www.ArcadeX.co

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")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(115)	(115)
(b) product manufacturing and operating costs	(6)	(6)
(c) advertising and marketing	(41)	(41)
(d) leased assets	-	-
(e) staff costs	(128)	(128)
(f) administration and corporate costs	(82)	(82)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	12
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)	-	-
1.9 Net cash from / (used in) operating activities	(360)	(360)

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

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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)	-	-
2.6 Net cash from / (used in) investing activities	-	-

3. Cash flows from financing activities		
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	-	-
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)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,182	3,182
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(360)	(360)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	2,822	2,822

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	822	1,182
5.2	Call deposits	2,000	2,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,822	3,182

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

Current quarter \$A'000
85
-

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

Current quarter \$A'000
144
-

Accounting and bookkeeping fees, IT development and maintenance services, technical consultancy fees and corporate advisory fees.

8. Financing facilities available <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. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	120
9.2 Product manufacturing and operating costs	20
9.3 Advertising and marketing	60
9.4 Leased assets	-
9.5 Staff costs	130
9.6 Administration and corporate costs	90
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	420

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	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

- 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.

Sign here: 

 (Company Secretary)

Date: 31 October 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.