



ASX Release

30 July 2019

Animoca Brands 2Q19 Update: Positive Operating Cash Flow with Record Cash Receipts and Revenues

Animoca Brands Corporation Limited (ASX:AB1) ("the **Company**") today released its Appendix 4C for the three-month period from 1 April 2019 to 30 June 2019 (**2Q19** or "the **Quarter**").

Key points

- Positive operating cash flow of \$2.9 million received during the Quarter
- The Company recognised record cash receipts of \$9.1 million for the Quarter and \$13.2 million for the first half of 2019
- Record unaudited revenues of approximately \$8.7 million for the Quarter and \$13.0 million for the first half of 2019

Positive operating cash flow and record cash receipts

During the Quarter, receipts from customers grew 117% quarter on quarter from \$4.2 million to a record \$9.1 million.

Operating cash outflows during the Quarter included \$4.1 million in administrative and corporate costs, of which \$1.2 million was for one-time cash payments, including cash payments of \$0.8 million for Earn-Out Payments to the founders of TicBits Oy which was acquired by the Company in 2016. Therefore administrative and corporate costs for the Quarter were \$2.9 million, not including the one-time payments.

The Company ended the Quarter with \$10.2 million in cash and \$3.2 million in digital assets, which represents a net increase of 93% and 206% on the cash and digital assets, respectively, from the end of Q1 2019.

Record quarterly revenues

Animoca Brands received record unaudited revenues of approximately \$8.7 million in the Quarter, the highest such quarterly result in the Company's history. The Company estimates that its unaudited revenues for the first half of 2019 totalled \$13 million, the strongest in the Company's history.



Milestones during the Quarter

During the Quarter, the Company announced a partnership and investment into Lucid Sight, the Los Angeles based developer with a games portfolio that includes the blockchain game *MLB Champions™*, an officially licensed product of Major League Baseball and the Major League Baseball Players Association, as well as *Crypto Space Commander (CSC)*, the PSVR game *Herocade*, *Polyrunner*, *Star Drive*, *Z-Strike*, and *405 Road Rage*. The Company also became Lucid Sight's partner to promote, market, and distribute Lucid Sight games in Asia.

The Company also announced the acquisition of Stryking Entertainment, a leading Germany-based company and the operator of the popular fantasy sports game *Football-Stars*. Stryking holds an official license from the Bundesliga, the top-tier German football league, for the right to use all club logos and player pictures. Stryking also has a license from renowned German football club Bayern Munich, one of the most followed football teams globally with more than 60 million social media followers. *Football-Stars* will add blockchain gaming elements, starting with the integration of a collectible game using non-fungible tokens (NFTs) centered around real football players and clubs.

The Company completed a heavily oversubscribed strategic capital raise of A\$4.6 million at a 4.2% premium to the 30-day VWAP from international blockchain investors, Australian institutional investors, and existing shareholders. Animoca Brands received considerable support from top tier fund managers and institutions including Perennial Value Management, SG Hiscock, and existing shareholders Sun Hung Kai, Katherine Yip-Ribeiro (founder of Pacific Alliance Group and co-founder and partner of Vina Capital), and Moses Tsang (founder of Goldman Sachs Asia Pacific).

Animoca Brands announced that it acquired a 75% stake in Hong Kong-based mobile games developer Skytree Digital Limited, whose management team includes accomplished entrepreneurs and executives, as well as one of the world's top eSports players of *Hearthstone®* (the most popular digital trading card game with over 100 million players). The acquisition will significantly and cost-effectively increase the Company's development capabilities relevant to its recent licencing arrangements for major international sports brands (F1®, Major League Baseball, Bundesliga, Bayern Munich). Skytree is a multiple award-winning game development studio with a portfolio of successful titles including *Hachi Hachi* and *Trillionia*, which have 5 million downloads.

Animoca Brands announced that it has participated in the seed round of funding for Experimental Group Ltd., the Argentinian blockchain gaming studio behind *CryptoWars*, the first fully decentralized game. *CryptoWars* is a popular blockchain-based strategy game and the first of its kind to run entirely on smart contracts (all in-game items are fungible and non-fungible tokens)

Animoca Brands further announced that the Company and Brinc Limited entered into a mutual investment for US\$750,000 in shares. The Company led a pre-seed investment round into Brinc's subsidiary Brinc AOA with an investment of US\$750,000 (~A\$1.06 million), and Artesian - Australia's largest and most active early stage venture capital firm - also



invested US\$750,000 (~A\$1.06m) in Brinc AOA. Animoca Brands and Brinc will collaborate on the establishment of an esports and gaming accelerator.

The Company announced the acquisition of 100% of the equity in Leade.rs, Inc, co-founded by Loic Le Meur, one of Silicon Valley's most high-profile angel investors and tech entrepreneurs. Mr Le Meur has had substantial exits and investments in companies such as LinkedIn, Slack, Evernote, Lending Club, Teads, and Fair. Leade.rs is a networking and event matching platform for high-profile technology event speakers, and facilitates the generation of business and investment opportunities.

During the Quarter, Animoca Brands also auctioned the first ever officially-licensed F1[®] car collectible NFT, called "1-1-1," for use in its upcoming game *F1[®] Delta Time*; this was followed by an auction for a second collectible F1[®] car, called "Monaco Edition," in honour of the Monaco Grand Prix. The auction of the 1-1-1 generated 415.9 ether (approximately \$160,000 at time of sale) and the auction of the Monaco Edition generated 108 ether (approximately \$43,000 at time of sale) for the Company.

Animoca Brands received approx \$3.6 million (US\$2.5 million) in cash and digital assets via the issue, by its wholly owned subsidiary TSB Gaming Ltd., of SAFE convertible securities and SAND utility tokens to fund development of the upcoming blockchain version of *The Sandbox*, the highly anticipated blockchain title being developed by the Company's subsidiary Pixowl. The investment was led by Hashed, the largest crypto assets fund and accelerator in South Korea, which has operations based in San Francisco and Seoul.

Animoca Brands also announced that it is acquiring 100% of Gamma Innovations Inc. ("Gamma") to access new audiences and leverage distributed idle computing power. Gamma's GammaNow computing engine is a desktop application that leverages users' idle processing power. Gamma has a Software License and Development Agreement with Razer (HKSE: 1337), a leading global lifestyle brand for gamers. Gamma whitelabeled GammaNow to develop 'Razer SoftMiner', software that utilises users' idle processing power to mine for ethereum (Gamma collects 50% of the value of tokens mined). In return, users receive Razer's loyalty credits called Razer Silver.

Key Hires

Animoca Brands appointed Michael Ephraim as head of partnerships for Australia and New Zealand. Mr Ephraim has extensive gaming industry experience, having been previously MD of Sony Computer Entertainment (SCE) ANZ and VP SCE Europe for 22 years. At Sony he positioned PlayStation as a total digital home entertainment package by onboarding local services including Stan, Foxtel Play, ABC iView, and SBS OnDemand among others. Mr Ephraim was vice chairman of the Video Game Committee within AVSDA, leading to the establishment of the standalone games association IEAA, now known as IGEA, and he was also chairman of Showdown, a producer of esport tournaments and the exclusive distributor for Twitch media in Australia and New Zealand.

The Company appointed John Madden as financial advisor. Mr Madden has over 30 years' experience with large and small listed entities, as well as multiple public unlisted companies.



He is an expert in corporate governance and accounting standards, a Fellow of the CPA Institute, and a Member of the Institute of Company Directors. The majority of Mr Madden's career has been spent with Rio Tinto in Australia and companies operating in the Asia-Pacific region.

The Company appointed Kevin Abosch as creative director. Mr Abosch is an internationally acclaimed artist based in New York City with works that have sold for over \$1 million each. His art has been exhibited globally, including in Russia, Ireland, Colombia, and Switzerland, among others. Mr Abosch has worked extensively with digital tokens and the blockchain; his work entitled 'Forever Rose' (an ERC-20 token based on a photo) sold for US\$1 million.

Appendix 4C attachments

For comparative purposes, the Company has attached the Appendix 4C for the Second Quarter, the three-month period ending 30 June 2019, and the First Quarter, the three-month period ending 31 March 2019. The First Quarter Appendix 4C is entitled "Historic Annexed Q1 Appendix 4C". The Company had previously been given a waiver to preparation of the Appendix 4C by the Australian Securities Exchange and therefore, the inclusion of the Appendix 4C for the first quarter will enable the reader to review quarter by quarter performance.

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About Animoca Brands

Animoca Brands (ASX: AB1) leverages gamification, blockchain, and artificial intelligence technologies to develop and publish a broad portfolio of mobile products including games such as *The Sandbox*, *Crazy Kings*, and *Crazy Defense Heroes* as well as products based on popular intellectual properties such as Formula 1®, Garfield, Snoopy, Thomas & Friends™, Ever After High and Doraemon. Animoca Brands' portfolio of blockchain investments and partnerships includes Lucid Sight, Dapper Labs (creators of CryptoKitties), WAX, Harmony, and Decentraland. The Company is based in Hong Kong, Canada, Finland, and Argentina. For more information visit www.animocabrands.com or get updates by following Animoca Brands on [Facebook](#) or [Twitter](#).

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

Animoca Brands Corporation Limited

ABN

29 122 921 813

Quarter ended ("current quarter")

30 June 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities			
1.1 Receipts from customers		9,068	13,252
1.2 Payments for			
(a) research and development		(841)	(2,096)
(b) product manufacturing and operating costs			
(c) advertising and marketing		(188)	(1,610)
(d) leased assets		(142)	(395)
(e) staff costs		(808)	(1,281)
(f) administration and corporate costs		(4,132)	(4,933)
1.3 Dividends received (see note 3)			
1.4 Interest received		3	3
1.5 Interest and other costs of finance paid			
1.6 Income taxes paid		(42)	(82)
1.7 Government grants and tax incentives			
1.8 Other (provide details if material)			
1.9 Net cash from / (used in) operating activities		2,918	2,858

2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		(88)	(94)
(b) businesses (see item 10)			
(c) investments		(3,601)	(7,157)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	(878)	(1,203)
	(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	(4,567)	(8,454)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	5,045	6,033
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	(203)	(203)
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 (SAFE financing)	1,964	2,618
3.10	Net cash from / (used in) financing activities	6,806	8,448

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	5,268	7,662
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,918	2,858
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,567)	(8,454)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,806	8,448

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(271)	(360)
4.6	Cash and cash equivalents at end of quarter	10,154	10,154

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	10,154	5,268
5.2	Call deposits		
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)	10,154	5,268

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
-
-

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
-
-

8. Financing facilities available

Add notes as necessary for an understanding of the position

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.

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9. Estimated cash outflows for next quarter

\$A'000

9.1	Research and development	1,200
9.2	Product manufacturing and operating costs	
9.3	Advertising and marketing	1,000
9.4	Leased assets	400
9.5	Staff costs	2,000
9.6	Administration and corporate costs	2,500
9.7	Other (provide details if material)	
9.8	Total estimated cash outflows	7,100

* Animoca Brands Corporation Limited (and its' subsidiaries) are an operating business that generates cash inflows each quarter, including receipts from customers. The above summary of anticipated cash outflows does not fully reflect the anticipated net cash flows for the following quarter, as it excludes cash inflows (such as receipts from customers).

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

Acquisitions

Disposals

10.1	Name of entity	Leade.rs Inc	
10.2	Place of incorporation or registration	Delaware, USA	
10.3	Consideration for acquisition or disposal	US\$1,000,000	
10.4	Total net assets	US\$440,000	
10.5	Nature of business	Professional Speakers platform	

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:
(Director/Company secretary)

Date:30 July 2019.....

Print name:Yat Siu.....

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.

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

Animoca Brands Corporation Limited

ABN

29 122 921 813

Quarter ended ("current quarter")

31 March 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		4,184	4,184
1.2 Payments for			
(a) research and development		(1,255)	(1,255)
(b) product manufacturing and operating costs			
(c) advertising and marketing		(1,422)	(1,422)
(d) leased assets		(253)	(253)
(e) staff costs		(473)	(473)
(f) administration and corporate costs		(801)	(801)
1.3 Dividends received (see note 3)			
1.4 Interest received			
1.5 Interest and other costs of finance paid			
1.6 Income taxes paid		(40)	(40)
1.7 Government grants and tax incentives			
1.8 Other (provide details if material)			
1.9 Net cash from / (used in) operating activities		(60)	(60)

2. Cash flows from investing activities			
2.1 Payments to acquire:			
(a) property, plant and equipment		(6)	(6)
(b) businesses (see item 10)			
(c) investments		(3,556)	(3,556)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) intellectual property	(325)	(325)
	(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	(3,887)	(3,887)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	988	988
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 (SAFE financing)	654	654
3.10	Net cash from / (used in) financing activities	1,642	1,642

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	7,662	7,662
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(60)	(60)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,887)	(3,887)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,642	1,642

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	(89)	(89)
4.6	Cash and cash equivalents at end of quarter	5,268	5,268

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	5,268	5,268
5.2	Call deposits		
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)	5,268	5,268

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
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Current quarter \$A'000
29
-

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

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Current quarter \$A'000
-
-

8. Financing facilities available

Add notes as necessary for an understanding of the position

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.

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9. Estimated cash outflows for next quarter

\$A'000

9.1	Research and development	1,500
9.2	Product manufacturing and operating costs	
9.3	Advertising and marketing	1,600
9.4	Leased assets	400
9.5	Staff costs	1,300
9.6	Administration and corporate costs	2,000
9.7	Other (provide details if material)	
9.8	Total estimated cash outflows	6,800

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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.
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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.