

31 July 2019

Emerge Gaming Quarterly Update and Appendix 4C

Emerge Gaming Limited (ASX: EM1) ("**Emerge**" or the "**Company**"), a leading provider of enhanced eSports and casual gaming capabilities, presents the following activities report for the quarter ended on 30 June 2019.

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

HIGHLIGHTS

- **Emerge signs agreement to develop Nickelodeon eSports Gaming Platform**
- **Emerge appoints experienced mobile video content provider Netsport Media as ArcadeX distribution agent in select markets in Africa and the Middle East**
- **Emerge partners with Digital Circus to target the U.S gaming market**
- **Development of ArcadeX progressed with the ArcadeX Mobi (mobile app) approved on both the iOS and Android Mobile Appstores and live in selected regions**
- **Placement of \$1.8M completed to the support the ArcadeX launch; rollout of the VAS model through direct carrier billing across Africa; and to accelerate the rollout of GameCloud**

Agreement to develop Nickelodeon eSports Gaming Platform

The Company advised that it will develop a competitive gaming eSports platform based on its ArcadeX technology with Viacom International Media Networks Africa (Pty) Ltd ("**VIMN Africa**"). The roll out of the eSports product, which will be called "**NickX**", will be operated and maintained by Emmerge Gaming. NickX will be freely accessible through the Nickelodeon website, Android and iOS apps, featuring unique mobile games content on all devices (ASX: 13 June 2019).

ArcadeX Development and Launch Update

Subsequent to quarter end, the Company provided a substantive update on its progress in developing and launching the ArcadeX platform and its white label capabilities. A key technical milestone was met with the ArcadeX Mobile App approved by both the iOS and Android Mobile App stores.

Following the approvals, Emmerge completed the 'soft' launch of the native mobile versions of the App in both South Africa and India. In addition to the native (iOS and Android) App versions, the ArcadeX web-based app which is not bound by App store restrictions have also been launched in both South Africa and India.

Emerge will use the soft launch to demonstrate the value proposition of ArcadeX to brands in a live environment, as opposed to being just a compelling concept. The Company anticipates that this will greatly assist in onboarding brands onto the ArcadeX platform

The ability to gather data on user behaviour and other analytics will allow Emmerge Gaming to refine its strategic plan for supported launches.

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The AppStore approvals give certainty to brands, that the ArcadeX Mobile App and its white labels (such as iLeague with iCandy) will not be held up by the AppStores.

The Emerge team worked closely with respected international legal advisors to implement terms and conditions which cover off on current rules and regulations as well as emerging trends in the mobile gaming space.

Netsport Media to distribute ArcadeX

Emerge appointed Netsport Media, an African based mobile video content provider, to distribute ArcadeX throughout key regions in Africa and the Middle East (ASX: 1 April 2019).

Netsport Media provides rich media content to mobile value-added services (VAS) markets in Africa and the Middle East, earning revenue through direct carrier billing. 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 with Netsport Media, Emerge granted Netsport Media an exclusive, non-transferable license to use its ArcadeX technology in regions not covered by existing distribution agreements, such as the Company's agreement with Petrimex (ASX: 26 November 2018).

The agreement with Netsport Media allows Emerge to leverage Netsport Media's established partners and network to expand the ArcadeX user base.

Digital Circus MOU to target U.S. Gaming Market

On 30 May 2019 the Company announced that it had entered into a Memorandum of Understanding (MOU) with U.S. based Digital Circus Media LLC ("Digital Circus") to launch its products, in particular the GameCloud game streaming technology, throughout North America.

Led by award winning media executive David Wheeler, Digital Circus Media is a creative hive and catalyst for Game Development and Interactive Storytelling.

Focused on developing original IP with transmedia in their DNA, Digital Circus Media offers expertise in media development and production, game development, consulting, branding, design and strategic digital planning.

Emerge has embarked on the planning phase of a North American program with Cloudzen ("GameCloud") and strategic partners in the U.S. and Canada. David Wheeler will be assisting in an advisory capacity in developing gaming content and introducing content relationships for the introduction of GameCloud into the U.S. market.

Emerge will further look to assist Digital Circus with global eSports game development for its underlying content assets.

Other Agreements

In the previous quarter, the Company announced that it 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 and be marketed to iCandy's significant network of mobile gamers.

The customisation process is well advanced and with the approval of ArcadeX mobile app, a supported launch is planned in the short term.

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.

On 4 December 2018, the Company announced that it had executed a Global Distribution Agreement with Cloudzen to use its intellectual property for GameCloud (ASX: 4 December 2018).

The agreement will see Emerge enter a number of first world markets to promote its Arcade X and GameCloud technology. This includes an initial rollout into South America, Africa, India, Australia, United States of America and the United Kingdom. During the 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.

The Company has outlined its strategic roadmap for accelerated distribution of GameCloud in 2019. The Digital Circus MOU detailed above is a further element to this roadmap.

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 \$3.18M.

Emerge is targeting a cash outflow of ~\$140,000 per month to maintain its operations. This cash utilisation rate does not include any revenue to be received which will offset the expenditure. In this regard, the Company's cash outflow from operating activities this quarter was ~\$150,000 per month.

During the quarter, 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 EM10 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

The Company is working through a significant number of opportunities across its suite of products and through its developing partnerships. Whilst the number of opportunities the Company has in hand is encouraging, the Company concedes that as a developing business it does not have the resources to exploit all of its opportunities at a rate acceptable to all of its stakeholders. Working with other companies also means that Emerge must be flexible to the requirements of its partners. However, resource allocation and prioritisation of certain partnerships will be the core focus of the Company's management in following two quarters.

While the Company continues to move closer to supported launches of its products, the global games and eSports markets continue to forecast strong growth. The mobile gaming market (smartphone and tablet combined) is forecast to produce revenues of US\$95.4 billion in 2022, growing with a CAGR of +11.3% and is expected to account for almost half (49%) of the entire games market globally.

Global eSports revenues are also forecast to grow to US\$1.1 billion in calendar 2019, a year-on-year growth of +26.7%. In 2019, US\$897.2 million in revenues, or 82% of the total market, is forecast to come from brand investments (media rights, advertising, and sponsorship). This is forecast to increase to US\$1.5 billion by 2022, making up 87% of total eSports revenues¹. Emerge's strategy continues to align with strong global market trends in gaming and eSports.

¹ Source: all market statistics from Newzoo 2019 Global Games Market Report

EMERGE GAMING

ASX:EM1 | ABN 31 004 766 376

The Board and management are working closely with various stakeholders and product partners to prioritise and progress its many promising opportunities in what is a dynamic and high growth market. In the short term, the Company anticipates that its ArcadeX and VAS models that integrate direct carrier billing, will be launched and the Company will provide updates as these opportunities progress.

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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 June 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	103
1.2 Payments for		
(a) research and development	(216)	(780)
(b) product manufacturing and operating costs	(21)	(144)
(c) advertising and marketing	(39)	(282)
(d) leased assets	-	-
(e) staff costs	(140)	(508)
(f) administration and corporate costs	(185)	(413)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	54
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	140	140
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(451)	(1,830)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	-	(8)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,800	1,800
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	(119)	(156)
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)
3.10	Net cash from / (used in) financing activities	1,681	1,414

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	1,952	3,606
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(451)	(1,830)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(8)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,681	1,414

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	3,182	3,182

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	1,182	452
5.2	Call deposits	2,000	1,500
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)	3,182	1,952

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**

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

**Current quarter
\$A'000**

226

-

Accounting and bookkeeping fees paid to a director related entity of ~\$58,000, IT development and maintenance services paid to a director related entity of ~\$137,000, technical consultancy fees and corporate advisory fees paid to a director related entities of ~\$31,000.

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	200
9.2 Product manufacturing and operating costs	30
9.3 Advertising and marketing	330
9.4 Leased assets	-
9.5 Staff costs	120
9.6 Administration and corporate costs	100
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	780

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

- 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: 31 July 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.