

Appendix 4E Preliminary Final Report

Rule 4.3A

Name of entity:	EMERGE GAMING LIMITED
ABN or equivalent company reference:	31 004 766 376

1. Reporting period

Preliminary report for the financial year ended	30 June 2019
Previous corresponding period is the financial year ended	30 June 2018

2. Results for announcement to the market

				\$'000
Revenues from ordinary activities (<i>item 2.1</i>)	Up	850%	to	155
Profit from ordinary activities after tax attributable to members (<i>item 2.2</i>)	Down	54%	to	(2,953)

Net profit for the period attributable to members (<i>item 2.3</i>)	Down	54%	to	(2,953)
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Dividends (<i>item 2.4</i>)	Amount per security	Franked amount per security
Interim dividend	Nil	Nil
Final dividend	Nil	Nil
Record date for determining entitlements to the dividend (<i>item 2.5</i>)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood (*item 2.6*): Refer to item 12.

3. Statement of profit or loss and other comprehensive income

Refer to attached unaudited Preliminary Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019.

4. Statement of financial position

Refer to attached unaudited Preliminary Consolidated Statement of Financial Position as at 30 June 2019.

5. Statement of Cash flows

Refer to attached unaudited Preliminary Consolidated Statement of Cash flows for the year ended 30 June 2019.

6. Statement of changes in equity

Refer to attached unaudited Preliminary Consolidated Statement of Cash flows for the year ended 30 June 2019.

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7. Dividends

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2019	N/A	N/A
Final dividend – year ended 30 June 2019	N/A	N/A

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend: Current year	N/A	N/A	N/A
Previous year	N/A	N/A	N/A

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities <i>(each class separately)</i>	N/A	N/A
Preference securities <i>(each class separately)</i>	N/A	N/A
Other equity instruments <i>(each class separately)</i>	N/A	N/A
Total	N/A	N/A

8. Details of dividend or distribution reinvestment plans in operation are described below:

N/A	
The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	N/A

9. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.005	\$0.006

10. Details of entities over which control has been gained or lost during the period:

Control gained over entities

Name of entities (*item 10.1*)

N/A

Date(s) of gain of control (*item 10.2*)

N/A

Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (*item 10.3*)

N/A

Loss of control of entities

Name of entities (*item 10.4*)

N/A

Date(s) of loss of control (*item 10.5*)

N/A

Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (*item 10.6*).

N/A

Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (*item 10.7*)

N/A

11. Details of associates and joint venture entities

Name of associate or joint venture entity (*item 11.1*)

% Securities held (*item 11.2*)

N/A

N/A

Aggregate share of profits (losses) of associates and joint venture entities (*item 11.3*)

Group's share of associates' and joint venture entities':

2019

2018

\$

\$

Profit (loss) from ordinary activities before tax

N/A

N/A

Income tax on ordinary activities

Net profit (loss) from ordinary activities after tax

N/A

N/A

Adjustments

Share of net profit (loss) of associates and JV entities

N/A

N/A

12. Significant information relating to the entity's financial performance and financial position.

Overview

Emerge Gaming Limited (ASX: EM1) ("**Emerge**" or the "**Company**"), is a leading provider of enhanced eSports capabilities.

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.

In the current year, Emurge has:

- Generated first revenues from the ArcadeX Platform via corporate sponsorships;
- Executed an agreement to distribute the revolutionary cloud streaming digital distribution platform 'GameCloud';
- Executed multiple distribution agreements with key partners across multiple jurisdictions;
- Signed multiple agreements to develop and customise white-labelled ArcadeX Platforms for corporates with content and large userbases.

On the development side Emurge has:

- Integrated billing solutions into the ArcadeX platform, allowing it to accept daily payments seamlessly from subscribers across multiple African countries;
- Hosted more than Half a Million games on whitelabelled ArcadeX platforms for clients;
- Completed a 'soft launch' of ArcadeX Mobi on both the iOS and Android Mobile Appstores with the App live in selected regions.

Revenue

In the 2019 financial year, the Company generated revenue from operating activities of \$155,050 (2018: \$16,345) of which \$102,579 was generated by ArcadeX platform activities, with the balance being interest income. In addition, the Company received \$139,983 under the research and development tax incentive scheme.

Explanation of Loss

The Company's loss for the year of \$2,953,610 (2018: loss of \$6,455,507) is largely attributable to an accounting impairment loss of \$898,443. This one-off, non-cash expense is recognised as a result of the ASX listing transaction.

During the period, the Company also expended funds on research and development with respect to the ArcadeX platform with a view to launching the platform in Australia and other regions where it does not currently operate.

Cash Position

Cash at the end of the year was \$3.18M.

The Company has maintained a lean cost structure throughout the period.

On 2 April 2019, Emurge 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.

Outlook

The Board and management are working closely with its various stakeholders to prioritise and progress its opportunities. In the short term, the Company anticipates that its ArcadeX and VAS models that integrate direct carrier billing, will be launched and will update as these opportunities progress.

13. The financial information provided in the Appendix 4E is based on the preliminary financial report (attached), which has been prepared in accordance with Australian accounting standards.

14. Commentary on the results for the period.

Refer to explanation item 12.

15. Information on Audit.

This Appendix 4E and Preliminary Final Report is based on financial statements which are in the process of being audited.

16. Audit Opinion.

This report is based on accounts that are in the process of being audited, and are unlikely to be subject to dispute or qualification.

EMERGE GAMING

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Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Continuing Operations			
Revenue from operating activities		102,579	-
Other income	2	192,454	16,345
Total income - continuing operations		295,033	16,345
Operating expenses		(28,925)	-
Foreign exchange losses		(5,038)	-
Administration expenses		(264,579)	(189,156)
Consulting expenses	3(a)	(374,342)	(257,949)
Depreciation and amortisation		(2,642)	(2,210)
Employee benefits expense	3(b)	(416,235)	(288,072)
Finance costs		(123,796)	(10,000)
Impairment	3(c)	(898,443)	(5,449,862)
Research and development		(590,349)	(136,790)
Marketing expenses		(475,670)	(17,720)
Professional expenses	3(d)	(68,624)	(111,079)
Total Expenses		(3,248,643)	(6,462,838)
Loss before income tax		(2,953,610)	(6,446,493)
Income tax expense		-	-
Loss after income tax for the year		(2,953,610)	(6,446,493)
Other comprehensive income		-	-
Total comprehensive loss for the year		(2,953,610)	(6,446,493)
Loss attributable to owners of the Company		(2,953,610)	(6,446,493)
Total comprehensive loss attributable to owners of the Company		(2,953,610)	(6,446,493)
Loss per share for the year attributable to the members of Emerge Gaming Limited (cents per share)		(0.49)	(2.47)

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Consolidated Statement of Financial Position As at 30 June 2019

		2019	2018
	Notes	\$	\$
Current Assets			
Cash and cash equivalents	5	3,181,897	3,606,158
Trade and other receivables		63,985	123,158
Other assets		-	9,664
Total Current Assets		3,245,882	3,738,980
Non-current Assets			
Property, plant and equipment		5,109	-
Intangible assets	4(b)	-	898,443
Total Non-current Assets		5,109	898,443
Total Assets		3,250,991	4,637,423
Current Liabilities			
Trade and other payables		217,489	658,297
Borrowings		-	50,000
Total Current Liabilities		217,489	708,297
Total Liabilities		217,489	708,297
Net Assets		3,033,502	3,929,126
Equity			
Issued capital	6	60,672,633	58,880,614
Reserves	7	2,187,634	1,921,667
Accumulated losses		(59,826,765)	(56,873,155)
Total equity		3,033,502	3,929,126

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Consolidated Statement of Changes in Equity As at 30 June 2019

		Attributable to Owners of the Company			
		Issued Capital	Accumulated Losses	Option Reserve	Total Equity
Notes		\$	\$	\$	\$
	Balance at 30 June 2017	51,584,487	(51,790,901)	534,662	328,248
	Loss for the year	-	(6,446,493)	-	(6,446,493)
	Total comprehensive loss for the year	-	(6,446,493)	-	(6,446,493)
	Transactions with owners in their capacity as owners				
	Contribution of equity, net of transaction costs	6 8,125,704	-	-	8,125,704
	Transfer of expired options value	-	534,662	(534,662)	-
	In-specie distribution of TIPL shares	(829,577)	829,577	-	-
	Recognition of share-based payments	-	-	1,921,667	1,921,667
	Balance at 30 June 2018	58,880,614	(56,873,155)	1,921,667	3,929,126
	Loss for the year	-	(2,953,610)	-	(2,953,610)
	Total comprehensive loss for the year	-	(2,953,610)	-	(2,953,610)
	Transactions with owners in their capacity as owners				
	Contribution of equity, net of transaction costs	6 1,552,019	-	-	1,552,019
	Recognition of share-based payments	6,7 240,000	-	265,967	505,967
	Balance at 30 June 2019	60,672,633	(59,826,765)	2,187,634	3,033,502

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Consolidated Statement of Cash Flows As at 30 June 2019

	2019	2018
Notes	\$	\$
Cash flows from operating activities		
Receipts from customers	102,579	-
Payments to suppliers and employees	(2,404,869)	(1,396,215)
Interest received / (paid)	41,123	900
Finance costs	-	-
Other receipts	207,676	-
Net cash used in operating activities	8 (2,053,491)	(1,395,315)
Cash flows from investing activities		
Purchase of plant and equipment	(7,751)	-
Purchase of subsidiary, net cash acquired	4(b) -	5,157
Net cash used in investing activities	(7,751)	5,157
Cash flows from financing activities		
Proceeds from issue of fully paid shares	1,800,019	5,250,000
Payment of transaction costs	(108,000)	(744,212)
Proceeds from / (repayment of) borrowing	(50,000)	50,000
Net cash provided by financing activities	1,642,019	4,555,788
Net increase/(decrease) in cash and cash equivalents	(419,223)	3,165,630
Cash and cash equivalents at the beginning of the year	3,606,158	440,528
Effects of exchange rate changes	(5,038)	-
Cash and cash equivalents at the end of the year	5 3,181,897	3,606,158

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NOTE 1: BASIS OF PREPARATION OF THE FINAL REPORT

BASIS OF PREPARATION

This preliminary final report for the year ended 30 June 2019 relates to the consolidated entity consisting of Emerge Gaming Limited ("Emerge" or "the Group") and its controlled entities.

The preliminary final report has been prepared on an accruals basis and a historical cost basis except for certain current and non-current assets and financial instruments which are measured at fair value or where otherwise stated. Cost is based on the fair value of consideration given in exchange for assets.

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial report of the year ended 30 June 2018 and any public announcements made by Emerge during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The amounts contained in this preliminary final report are presented in Australian dollars, the functional currency of the consolidated entity.

STATEMENT OF COMPLIANCE

The preliminary final report is a general-purpose financial report and has been prepared in accordance with applicable Australian Accounting Standards, other pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The preliminary final report is also in compliance with ASX listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. Australian Accounting Standards include Australian equivalents of International Reporting Standards ("AIFRS").

NOTE 2 : OTHER INCOME

	2019	2018
	\$	\$
Other income		
Interest received	52,471	16,345
Research and development tax credit	139,983	-
Total Other income	192,454	16,345

NOTE 3 : EXPENSES

	2019	2018
	\$	\$
(a) Consulting		
Company secretarial and accounting	(102,240)	(120,750)
General consultancy	(272,102)	(137,199)
Total Consulting expenses	(374,342)	(257,949)
(b) Employee benefits expense		
Payroll cost	(416,235)	(288,072)
Total Employee benefits expense	(416,235)	(288,072)
(c) Impairment expenses		
Impairment of goodwill from acquisition of Emerge Gaming Solutions (Note 4(b))	(898,443)	(5,437,823)
Other impairment expenses	-	(12,039)
Total Impairment expenses	(898,443)	(5,449,862)

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NOTE 3 : EXPENSES (continued)

(d) Professional expenses

Audit fees	(26,000)	(29,500)
Legal fees	(18,877)	(49,967)
Tax accounting fees	(23,747)	(31,612)
Total professional expenses	(68,624)	(111,079)

NOTE 4 : ACQUISITION OF EMERGE GAMING SOLUTIONS PTY LTD

On 16 April 2018, the Group has completed an acquisition of 100% issued capital and voting rights in Gaming Battle Ground Pty Ltd renamed Emerge Gaming Solutions Pty Ltd ("EGS").

(a) Acquisition Consideration

The consideration for the acquisition comprised the issue to the EGS shareholders of:

- 184.5 million fully paid ordinary shares and options to EGS shareholders
- 100 million performance shares to EGS shareholders
- 16.5 million fully paid ordinary shares and options to corporate advisor and directors

Under the principles of AASB 3, the assets and liabilities of EGS are measured at fair value on the date of acquisition.

(b) Goodwill

Goodwill is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of EGS. Details of the transaction are as follows:

	Fair Value
	\$
Consideration	
184.5 million fully paid ordinary shares and options to EGS shareholders	3,690,000
184.5 million options to EGS shareholders	1,808,916
100 million performance shares to EGS shareholders	-
Total consideration	5,498,916
Fair value of assets and liabilities held at acquisition date:	
Cash	5,157
Trade and other receivables	47,247
Trade and other payables	(724,754)
Loans	(165,000)
Intellectual property	898,443
Fair value of identifiable assets and liabilities assumed	61,093
Consideration paid	5,498,916
Less fair value of identifiable assets and liabilities assumed	(61,093)
Less provision of impairment ¹ (recognised in the prior financial year)	(5,437,823)
	-
Current year impairment assessment – Intangible asset as acquired	898,443
Less provision of impairment ¹ (recognised in the prior financial year)	(898,443)
	-

¹ Management conducted an impairment assessment of the intangible assets resulting from the acquisition of Emerge Gaming Solutions Pty Ltd. Based on impairment indicators and relevant information such as the Company's market capitalisation, the above impairment expense was recognised.

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NOTE 5 : CASH AND CASH EQUIVALENTS

	2019	2018
	\$	\$
Cash and cash equivalents		
Cash at bank and in hand	3,181,897	3,606,158
Total cash and cash equivalents	3,181,897	3,606,158

NOTE 6 : ISSUED CAPITAL

	2019		2018	
	Number of shares	\$	Number of shares	\$
Fully paid ordinary shares	655,594,532	60,672,633	587,593,577	58,880,614

2019

FULLY PAID ORDINARY SHARES

	Number of shares	\$
Balance at 1 July 2018	587,593,577	58,880,614
Issue of shares under placement – sophisticated and professional investors (i)	60,000,000	1,800,000
Issue of shares in return for service – consultants and advisors (ii)	8,000,000	240,000
Issue of shares in return on exercise of options	955	19
Capital raising costs	-	(248,000)
Balance at 30 June 2019	655,594,532	60,672,633

- i. The Company completed a placement of 60,000,000 fully paid ordinary shares at a price of \$0.03 to raise \$1,800,000 before costs together with one (1) free attaching option for every two (2) shares subscribed for.
- ii. 8,000,000 fully paid ordinary shares were issued to consultants and advisors. This expense was recognised at a price of \$0.03 as at grant date.

2018

FULLY PAID ORDINARY SHARES

	Number of shares	\$
Balance at 1 July 2017	223,368,146	51,778,299
Issue of shares to raise capital	22,500,000	250,000
Consolidation of shares (1.8:1) (iii)	(109,274,569)	-
Issue of shares under Emerge Gaming Limited Public Offer (iv)	250,000,000	5,000,000
Issue of shares to the vendors of Emerge Gaming Solutions Pty Ltd (v)	184,500,000	3,690,000
Issue of shares in return for service – corporate advisors (vi)	11,500,000	230,000
Issue of shares in return for service – Director related entities (vii)	5,000,000	100,000
In-specie distribution of TIPL shares (viii)	-	(829,577)
Capital raising costs	-	(1,338,108)
Balance at 30 June 2018	587,593,577	58,880,614

- iii. The Company's share on issue were consolidated on a 1.8:1 basis as approved by shareholders at the General Meeting held on 9 October 2017.
- iv. Under the Emerge Gaming Limited public offer 250,000,000 fully paid ordinary shares were issued at a price of \$0.02 to raise \$5,000,000 before costs together with one (1) free attaching option for every four (4) shares subscribed for.
- v. Refer to Note 10 for further details of the acquisition of Emerge Gaming Solutions Pty Ltd.
- vi. As part of the Emerge Gaming Limited public offer, advisors to the issue were offered 11,500,000 fully paid ordinary shares and 11,500,000 free attaching options.
- vii. As part of the Emerge Gaming Limited public offer, former directors were granted 5,000,000 shares in lieu of additional fees in consideration for services beyond their normal duties as directors.
- viii. Tantalum International Pty Ltd (TIPL) was previously a wholly owned subsidiary of the Company. As part of its change in direction, the Company distributed and transferred the majority of its interest in this entity to Shareholders on a pro rata basis, prior to completion of the acquisition of Emerge Gaming Solutions Pty Ltd. This in-specie distribution spin out of TIPL is reflect as a reduction in the equity of the Company.

NOTE 6 : ISSUED CAPITAL (continued)

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one (1) vote, and upon a poll each share is entitled to one (1) vote, in proportion to the number of and amounts paid on the shares held.

NOTE 7 : RESERVES

	2019	2018
	\$	\$
Reserves		
Option reserve	2,187,634	1,921,667
Total Option reserve	2,187,634	1,921,667

Movements in Option reserve

	2019	2018
	\$	\$
Movement in reserves were as follows:		
Balance 1 July	1,921,667	534,662
Issue of shares in return for service – corporate advisors (i)	265,967	-
Expired options value transferred to accumulated losses	-	(534,662)
Issue of options to the vendors of Emerge Gaming Solutions (ii)	-	1,808,916
Issue of shares in return for service – corporate advisors (iii)	-	112,751
Balance 30 June 2019	2,187,634	1,921,667

- i. 18,977,618 Options were issued to consultants and advisors. This expense was recognised at a price of \$0.014 as at grant date.
- ii. A total of 184,500,000 Consideration Options were issued to the shareholders of Emerge Gaming Solutions Pty Ltd in connection with the acquisition exercisable at \$0.02 each on or before 18 April 2021. Using the Black & Scholes option pricing model, these options are valued at \$0.0098 resulting in a share-based payment being recognised in the option reserve of \$1,808,916.
- iii. A total of 11,500,000 Options were issued to corporate advisors. The Options were exercisable at \$0.02 on or before 18 April 2021. Using the Black & Scholes option pricing model, these options are valued at \$0.0098 resulting in a share-based payment being recognised in the option reserve of \$112,751.

The option issue reserve is used to record items recognised as expenses on the grant of share options.

The fair value of the equity-settled share Options granted is estimated as at the date of grant using the Black Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

Expected volatility (%)	81.83%
Risk-free interest rate (%)	2.10%
Expected life of Options	Three years from grant date
Exercise price (cents)	2 cents
Grant date share price	2 cents
Fair value per option	\$0.0098

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

NOTE 8 : RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2019	2018
	\$	\$
Operating loss after income tax	(2,953,610)	(6,446,493)
NON CASH ITEMS		
Depreciation and amortisation	2,642	2,210
Impairment	898,443	5,449,862
Share based payments	240,000	-
(Increase)/decrease in trade and other receivables	59,174	(10,445)
(Increase)/decrease in other assets	9,664	(879,072)
(Decrease)/increase in provisions	-	(5,935)
(Decrease)/increase in trade and other payables	(309,804)	494,558
Net cash used in operating activities	(2,053,491)	(1,395,315)

NOTE 9 : SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors. During the year the Company only operated in one segment and that was the development of the Arcade X online gaming platform.

NOTE 10 : CONTINGENCIES

There were no contingencies as at 30 June 2019.

NOTE 11 : SUBSEQUENT EVENTS

There were no matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2019.