

9 November 2020

Daniel Nicholson, Adviser, Listings Compliance (Perth)  
ASX Compliance Pty Ltd  
Level 40, Central Park,  
152-158 St Georges Terrace  
Perth WA 6000

Dear Daniel:

## EMERGE GAMING LIMITED ('EM1'): GENERAL – QUERY

In reference to your letter of 4 November 2020 entitled "Emerge Gaming Limited ('EM1'): General Query" which refers to EM1's response to the Query Letter dated 2 November 2020 (the 'Response'), the further response to your requests for information in number order is as follows:

1. *Commenting specifically on EM1's response to Question 5.1, please describe the enquiries EM1 made of TIM. In responding to this question, please specifically comment on:*

- 1.1. *what enquiries EM1 made;*

Question 5.1 of ASX's query letter dated 29 October requests that EM1 describe the relationship (if any) between TIM (EM1's counterparty), Impact Crowd Technology SL (ICT) and "Crowd1" (or its associated entities), including reference to any relevant underlying agreements.

Gregory Stevens, CEO of EM1, made enquiries of the CEO of TIM and the PR Representative of TIM about the nature of the relationship between TIM, ICT and Crowd1, and whether these parties were related or commonly owned by the same shareholders and whether any contractual relationship existed between them.

TIM has recently confirmed to EM1 that it is not owned directly, or indirectly, by Crowd1 and that TIM and Crowd1 do not have the same Board of Directors (See Annexure A).

- 1.2 *when EM1 made those enquiries; and*

EM1's representatives made these enquiries in the 3 weeks leading up to signing the agreement with TIM.

- 1.3 *how EM1 made the enquiries, including whether verbal, written or otherwise.*

The enquiries were conducted verbally. The enquiry was not made in writing and no written response was received.

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2. *Further to your response to Question 5.1, which states “EM1 further understands that the agreement between TIM and Crowd1 provides that Crowd1 will earn commissions from TIM on product sales generated directly from the recommendations made by its Crowd1 network members”, please provide all details of which EM1 is aware regarding such commissions, including whether “product sales” includes pre-registrations and/or just actual subscriptions to MIGGSTER.*

Based on EM1’s verbal enquiries it is our understanding that Crowd1 earns commission from TIM only once a subscriber actually subscribes and pays for use of the MIGGSTER product. It is further EM1’s understanding that such commission earned by Crowd1 is not based on pre-registrations and that any pre-registration of interest by prospective subscribers is only an active and interested audience to which subscriptions to the MIGGSTER product will be offered. We are not aware of the quantum or percentage of commission between Crowd1 and TIM.

3. *Commenting specifically on EM1’s response to Question 5.2, please respond to the following questions and requests for information:*

- 3.1. *Please provide details of any other orders or warnings, not specifically referenced in Question 5.2, that EM1 became aware of as a result of its due diligence in relation to TIM.*

EM1 also became aware of a warning issued by the South African Financial Sector Conduct Authority (FSCA) that Crowd1 is not authorised to render any financial services as contemplated in the Financial Advisory and Intermediary Services (FAIS) Act and that members of the public are warned to not conduct any financial services business with any individual or entity associated with Crowd 1. (Emphasis as underlined). EM1 verbally enquired of this warning of TIM, to which the response at the time was that:

1. It is their understanding that Crowd1 had been advised by their lawyers that its business activities are not “*financial services*” as implied by the warning and would oppose any official communication or legal proceedings issued against the company to that effect;
2. To the best of their knowledge Crowd1 has not received any official communication from FSCA and should any official communication be received Crowd1 would welcome such engagement; and
3. To the best of their knowledge Crowd1 has no formal legal proceedings pending against the company by FSCA or any other authority in South Africa.

EM1 was not aware of any further warnings in relation to Crowd1. EM1 is not aware of any warnings in relation to TIM.

- 3.2. *What further detail did EM1 seek when it directly raised the “warnings about Crowd1” (including the FMA NZ Warning, SEC Advisory, SEC CDO and any other warnings/orders of that nature which it became of as a result of its due diligence (‘Warnings’)) with TIM? If EM1’s request for information was in writing, please provide a copy (not for release to the market).*

EM1 verbally enquired of TIM about the “warnings about Crowd1”. EM1 specifically enquired:

1. about the nature of the warnings;
2. whether such warnings had any formal legal proceedings issued against Crowd1; and
3. whether Crowd1 had received any official written correspondence in respect of such warnings.

Annexure A is a confirmation from TIM that such verbal enquiries took place prior to the execution of the agreement between EM1 and TIM.

3.3. *What further detail or explanation did EM1 obtain from TIM when it directly raised the Warnings with TIM ('Further Information')?*

TIM responded that to the best of their knowledge these were cautionary warnings and there were no formal legal proceedings against Crowd1. TIM further stated at the time of enquiry that they were not aware of any official written correspondence being received by Crowd1 in respect of such warnings.

3.4. *When did EM1 obtain the Further Information?*

EM1 obtained the further information on the verbal enquiries as stated above, which were conducted within the 3 weeks prior to entering into the agreement with TIM.

3.5. *How did EM1 obtain the Further Information (whether verbal, in writing or otherwise)?*

Verbally as stated above.

3.6. *Please provide a copy of any written correspondence or documents received by EM1 from TIM regarding, or including, the Further Information (not for release to the market).*

Not applicable.

4. *With respect to EM1's response to Question 10, is EM1 aware of what the non-cash prizes available to pre-registrants are? If so, please provide details.*

Yes. EM1 has become aware that the non-cash prizes include, free MIGGSTER subscriptions, laptops, tablets and smartphones.

5. *Further to EM1's response to Question 6 (regarding the due diligence conducted) and its responses to Question 8 and 9, in which EM1 confirmed that of the pre-registrations to date, 3,090,170 are from Crowd1 members (approx. 41%) and 4,421,285 are from the public linked to a Crowd1 member (approx. 59%) (thereby totalling 7,511,455 pre-registrations), please confirm whether EM1 is aware of:*

5.1. *What percentage of these pre-registrations have been, or will be, incentivised? If so, please provide details.*

Pre-registrants that have registered their interest in MIGGSTER have been referred by existing registered pre-registrants. No cash incentive has been offered to pre-registrants to register their interest in MIGGSTER.

5.2. *What percentage of these pre-registrations are expected to subscribe to MIGGSTER?*

All pre-registrants have opted in for their personal information being provided to EM1 and to receive information and marketing material on MIGGSTER.

Whilst TIM and EM1 intend to proactively promote and market the MIGGSTER product to the pre-registrants with the purpose of converting such pre-registrants to paying subscribers, EM1 does not yet have sufficient information available to reliably forecast the rate of conversion from pre-registrations to paying subscribers.

6. *In light of EM1's confirmation that there is no obligation on those who have pre-registered for MIGGSTER to convert their pre-registrations into a subscription to MIGGSTER (as per its response to Question 11), and the suggestion that certain pre-registrations are incentivised, please confirm:*

6.1. *whether the pre-registrations are considered by EM1 to be information that a reasonable person would expect to have a material effect on the price or value of its securities; and*

Yes.

6.2. *the basis for EM1's answer to 6.1.*

As detailed, pre-registrations in and of themselves are not incentivised. The purpose of the pre-registration process is to generate interest and accumulate a captive audience for the promotion of the MIGGSTER product with the objective of converting such audience to paying subscribers.

As communicated in several EM1 ASX announcements the value proposition is that subscribers can enter into tournaments involving their favourite mobile social games, using their skills to earn rewards, and win prizes, and participate in a minimum aggregate prize pool of USD\$500,000 (~AUD\$700,000) by paying a subscription of USD\$8.50 (~AUD\$12.00) per month. This value proposition will incentivise pre-registrants to become paying subscribers of the MIGGSTER platform.

The number of pre-registrants to MIGGSTER announced was of such a magnitude that even a small percentage of pre-registrations converting into subscriptions would have a material effect on the revenue of EM1.

At present, EM1 cannot forecast the rate of conversion from registered pre-registrants to paying subscribers to a reasonable degree of accuracy as would be required by the ASX rules to announce such a forecast.

Automated subscription flows from pre-registrants to paying subscribers will positively impact conversion rates.

Although the rate of conversion from pre-registrants to paying subscribers is not determinable at this time, the significant interest in MIGGSTER, pre-launch is a strong indication that the agreement with TIM is likely to deliver on the minimum of 100,000 subscribers guaranteed to sign up to the platform within 6 months from launch date. Monthly revenue from 100,000 paying subscribers translates to a monthly revenue of \$US850,000 (~AUD\$1.2million) or a potential annual recurring revenue ("ARR") of \$US10.2million (~AUD\$14.4million). This would have a material effect on the revenue of EM1 and therefore would be material to EM1.

EM1 therefore did believe that the potential revenue generated from the MIGGSTER product through the conversion of pre-registrants to paying subscribers would have a material effect on the price of the value of its securities.

By the order of the Board.

# EMERGE GAMING

ASX:EM1 | ABN 31 004 766 376

## **About Emerge Gaming**

Emerge Gaming Limited (ASX:EM1) is a leading eSports and gaming technology company. Emerge Gaming owns and operates an online eSports and casual gaming tournament platform technology and lifestyle hub. Via this platform, casual, social and hardcore gamers can play hundreds of gaming titles against each other via their mobile, console or PC, earning rewards and winning prizes.

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: view [www.emergegaming.com.au](http://www.emergegaming.com.au)



4 November 2020

Reference: 26777

Mr Derek Hall  
Company Secretary  
Emerge Gaming Limited

By email

Dear Mr Hall

### **Emerge Gaming Limited ('EM1'): General – Query**

- A. ASX Limited ('ASX') refers to its query letter dated 29 October 2020 ('Query Letter') and EM1's response to the Query Letter dated 2 November 2020 (the 'Response'), released on the ASX Market Announcements Platform ('MAP') at 6.39 PM AEDT on 3 November 2020 and, in particular, EM1's responses to questions 5.1, 5.2, 6, 8, 9, 10 and 11 of the Query Letter, set out below.

#### **Question 5.1**

*EM1, despite having made enquiries with Tecnología de Impacto Múltiple SL (TIM), is unaware of the ownership of any of these entities other than that Impact Crowd Technology SL is "related" to TIM. This information is not publicly available.*

*However, EM1 understands that TIM has entered into a long term agreement with Crowd1 under which TIM is the sole provider of products of Crowd1 but there is no exclusivity clause included in the agreement between these parties. EM1 is unaware of any other terms of this agreement. Crowd1 has managed to build a very large network of members (currently more than 15 million). Promoters of products, such as TIM, seek to promote products into the Crowd1 member network. EM1 further understands that the agreement between TIM and Crowd1 provides that Crowd1 will earn commissions from TIM on product sales generated directly from the recommendations made by its Crowd1 network members.*

*The ICT Group referred to in the EM1 announcement of 10 September 2020 is merely a reference to a group of related companies of which TIM is a part.*

#### **Question 5.2**

*EM1 is aware of this information as a result of its due diligence in relation to TIM prior to entering into the Partnership Agreement. EM1 conducted due diligence in relation to TIM and its related entities prior to ultimately entering into the Partnership Agreement. EM1 became aware of the abovementioned warnings during this due diligence period through its initial investigations by conducting web searches and direct enquiries with management. The Company sought and obtained further detail by directly raising the warnings about Crowd1 with TIM.*

#### **Question 6**

*EM1 representatives met with TIM executives on a number of occasions. The company conducted due diligence procedures over an extended period on the ability of TIM to provide users to EM1's Migster platform and to otherwise satisfy its obligations under the Partnership Agreement, including:*

- regular engagement with, and enquiry of Johan Staël von Holstein during the due diligence period. Johan is TIM's CEO and is a respected Swedish entrepreneur, venture capitalist and author who co-founded dot-com companies such as Icon Medialab and LetsBuyIt during the early dot-com boom in Sweden. Johan has taken companies public on the NASDAQ & Stockholm stock exchange;*

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- review of the TIM and Crowd1's model for providing users to EM1's Miggster platform;
  - a detailed review of the Crowd1's marketing technology and members offering;
  - verbal queries in relation to any pending or actual legal proceedings against either Crowd1 and ICT.

#### **Question 8**

*Please see marked annexure A, a live snapshot of current pre-registrations to date (pre-registrations from Crowd1 members of 3,090,170 and 4,421,285 pre-registrations from the public linked to a Crowd 1 member thereby totalling 7,511,455 pre-registrations).*

#### **Question 9**

*As per the announcement of 13 October 2020, the pre-registration was offered initially to TIM's affiliate network with the process opening to the public from 15 October 2020.*

*Based on the latest information available from TIM, of the ~7.5 million pre-registrations, approximately ~41% are verified Crowd1 members and the remaining ~59% are member invited friends, family and other persons in the member network. This means that ~3 million of Crowd1's current 15 million members have pre-registered their interest in MIGGSTER.*

*The process of pre-registration only allows the public to pre-register if invited, and linked, to an existing Crowd1 Member.*

#### **Question 10**

*No incentive payments have been made or offered by EM1 and to the best of our knowledge no payments have been made or offered by TIM to pre-registrants to register their interest. However, as stated above, EM1 has no direct access to the relationship between TIM and the Crowd1 members.*

*EM1 understands that only once a pre-registrant has registered their interest, they have the opportunity to enter into a promotional competition to win non-cash prizes by referring, inviting and pre-registering family, friends and other persons in their personal network.*

*Further, EM1 understands that the pre-registration process is competitive and registrants are tiered "gold, silver" and are ranked on a leader board etc. for the purposes of determining promotional competition winners post launch.*

#### **Question 11**

EM1 responded 'No' to the following ASX question:

'Is there an obligation on those who have pre-registered for MIGGSTER to convert their Pre-Registrations into a subscription to MIGGSTER? Please provide details.'

- B. Unless otherwise defined, defined terms in this letter have the same meaning as in the Query Letter or the Response (as applicable).

#### **Further ASX Queries and Requests for Further Information**

1. Commenting specifically on EM1's response to Question 5.1, please describe the enquiries EM1 made of TIM. In responding to this question, please specifically comment on:
  - 1.1 what enquiries EM1 made;
  - 1.2 when EM1 made those enquiries; and

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1.3 how EM1 made the enquiries, including whether verbal, written or otherwise.

Please provide a copy of any written correspondence received by EM1 in response to the enquiries made with TIM (not for release to the market).

2. Further to your response to Question 5.1, which states “EM1 further understands that the agreement between TIM and Crowd1 provides that Crowd1 will earn commissions from TIM on product sales generated directly from the recommendations made by its Crowd1 network members”, please provide all details of which EM1 is aware regarding such commissions, including whether “product sales” includes pre-registrations and/or just actual subscriptions to MIGGSTER.
3. Commenting specifically on EM1’s response to Question 5.2, please respond to the following questions and requests for information:
  - 3.1 Please provide details of any other orders or warnings, not specifically referenced in Question 5.2, that EM1 became aware of as a result of its due diligence in relation to TIM.
  - 3.2 What further detail did EM1 seek when it directly raised the “warnings about Crowd1” (including the FMA NZ Warning, SEC Advisory, SEC CDO and any other warnings/orders of that nature which it became of as a result of its due diligence (‘Warnings’)) with TIM?

If EM1’s request for information was in writing, please provide a copy (not for release to the market).
  - 3.3 What further detail or explanation did EM1 obtain from TIM when it directly raised the Warnings with TIM (‘Further Information’)?
  - 3.4 When did EM1 obtain the Further Information?
  - 3.5 How did EM1 obtain the Further Information (whether verbal, in writing or otherwise)?
  - 3.6 Please provide a copy of any written correspondence or documents received by EM1 from TIM regarding, or including, the Further Information (not for release to the market).
4. With respect to EM1’s response to Question 10, is EM1 aware of what the non-cash prizes available to pre-registrants are? If so, please provide details.
5. Further to EM1’s response to Question 6 (regarding the due diligence conducted) and its responses to Question 8 and 9, in which EM1 confirmed that of the pre-registrations to date, 3,090,170 are from Crowd1 members (approx. 41%) and 4,421,285 are from the public linked to a Crowd1 member (approx. 59%) (thereby totalling 7,511,455 pre-registrations), please confirm whether EM1 is aware of:
  - 5.1 What percentage of these pre-registrations have been, or will be, incentivised? If so, please provide details.
  - 5.2 What percentage of these pre-registrations are expected to subscribe to MIGGSTER?
6. In light of EM1’s confirmation that there is no obligation on those who have pre-registered for MIGGSTER to convert their pre-registrations into a subscription to MIGGSTER (as per its response to Question 11), and the suggestion that certain pre-registrations are incentivised, please confirm:
  - 6.1 whether the pre-registrations are considered by EM1 to be information that a reasonable person would expect to have a material effect on the price or value of its securities; and
  - 6.2 the basis for EM1’s answer to 6.1.

It is noted that all the announcements made by EM1 regarding MIGGSTER pre-registrations (released on MAP on 15, 19 and 28 October 2020 respectively) were marked by EM1 as “price sensitive”.

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### **When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4:00 PM AWST Monday, 9 November 2020**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, EM1's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require EM1 to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to EM1's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that EM1's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Release of correspondence between ASX and entity**

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

### **Questions**

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours faithfully

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**Daniel Nicholson**  
Adviser, Listings Compliance (Perth)