

28 January 2022

Emerge Gaming Quarterly Update and Appendix 4C

Emerge Gaming Limited, (ASX: EM1) (“**Emerge**” or the “**Company**”) a leading provider of competitive casual gaming and eSports technology and products, provides its report for the quarter ended on 31 December 2021 (the “**Quarter**”).

Emerge owns and operates online “Competitive Social Gaming Platform” technology and lifestyle hubs. This technology enables cutting-edge online casual gaming tournament and competition facilitation platforms where subscribers enter tournaments, play their favourite social games, and earn rewards and prizes, while engaging socially.

During the Quarter Emerge operated the platforms through a B2C business model under the **MIGGSTER** brand and through a B2B2C business model partnering with multinational mobile network operators (“**MNOs**”), the first instance of which is operated as **MTN Arena**.

HIGHLIGHTS

- **Cash at bank as at 31 December 2021 of A\$16.6M (previous quarter A\$18.2M)**
- **Emerge continued to progress a potential divestment transaction for the MIGGSTER platform**
- **~A\$1.0M in receipts due to be received from customers at 31 December 2021, \$0.15M cash receipts banked in the Quarter**
- **With minimal promotional activity conducted since the announcement of its potential divestment in late September 2021, the MIGGSTER platform community reached 2.4 million subscribers**
- **Operational focus shifted to MTN Arena. MTN Arena platforms attracts ~700,000 new subscribers and ±A\$950,000 in gross platform revenue in the past 12 months in South Africa**
- **Emerge targets MTN’s operations in a further 8 African countries with ± 175 million mobile subscribers**
- **R&D activities focussing on game streaming, head-to-head competition, extended brand engagement features and new social engagement features**

During the Quarter, the Emerge management team focused on divestment of the MIGGSTER business.

The strategy of pursuing aggressive promotional campaigns to enable Emerge to grow its subscriber community was paused when Emerge appointed corporate advisors to guide the Company through a strategic review of its Company’s commercial relationships (ASX: 23 September 2021).

In this regard, the Company has progressed a potential divestment transaction of the MIGGSTER business and is considering other options for divestment in the event that the envisaged transaction is not successfully consummated. Emerge will update the market on the potential divestment transaction (or its alternatives) once the outcome is known.

Business Growth Strategy

With A\$16.6m in the bank, Emerge is well capitalised and primed to accelerate the growth of its user community and resulting revenue leveraging proven business models to grow internationally.



In line with the business growth strategy communicated in the previous quarter, revenue growth will be targeted through the scaling of multiple go-to-market (“GTM”) channels, the addition of new revenue streams, enhancing features of the Company’s product offering and seeking new gaming esports products to offer to Emerge’s user community.

Go-to-Market Strategies

Emerge has four GTM strategies for its products and technology: -

- B2B2C partnerships with MNOs (“Telco Strategy”)
- B2C business model leveraging direct selling by consumers
- B2B distribution partnerships within the Microsoft ecosystem to MNOs and PayTV providers
- B2C over the top (“OTT”) broadcasting channel activations

Emerge has strongly established the B2B2C partnerships with MNOs (**MTN Arena**) and the B2C business Model / Direct Selling (**MIGGSTER**) GTM strategies in the last quarter and positioned these models for global scaling in line with the Company’s growth strategy.

The Company’s strategy to develop multiple GTM channels has the objective of de-risking the reliance on any one channel to acquire paying customers in the long term, in addition to increasing Emerge’s presence across various market segments.

Revenue Sources

Emerge’s customer receipts to the end of the Quarter continue to be derived from user subscription revenues.

The Company continues to seek to grow and diversify revenue. In this regard Emerge began developing solutions to offer marketing to corporate brands seeking exposure to the gaming and esports industries.

Emerge continues to explore opportunities to diversify its offerings and revenue streams both organically and through acquisitions or joint ventures.

MIGGSTER Social Gaming Tournament Platform “B2C” - Operational Overview

During the Quarter the Miggster platform acquired ~335,000 newly registered users, ~2,500 of which were “standard package” paid users generating ~A\$230,000 in subscription sales and ~332,000 were promotional users subscribing under discounted package prices offered under the Company’s existing MIGGSTER Offer generating ~A\$130,000 in subscription sales.

At the end of the Quarter the Miggster platform had acquired a subscriber community of 2.4 million since its launch about 12 months ago with 2.3 million subscribers having active registrations on the platform.

MTN Arena – South Africa “B2B2C” - Operational Overview

Emerge operates its Competitive B2B2C Social Gaming technology under the MTN Arena brand in South Africa for a leading emerging market MNO, MTN.

MTN Arena is a competition and tournament platform with a social element, which allows casual gamers to enter competitions, win prizes and earn points whilst engaging in their favourite casual games.

The strong performance of the MTN Arena platform over the past 12 months saw ~700,000 subscribers registering on the platform, generating ~A\$950,000 in gross platform revenue over the same period.



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As marketing partner, MTN has committed to funding marketing campaigns that began in late December 2021 promoting the MTN Arena platform. The platform recorded its single largest rise in new monthly subscribers since launch adding ~105,000 subscribers in December 2021. As at 31 December 2021 there were ~240,000 active subscriptions and the gross platform revenue generated during the quarter was ~A\$230,000. Emerge recognises 40% of the shareable revenue derived from the MTN Arena platform as its revenue from the platform (For details on this agreement refer ASX: 23 June 2020 & 16 December 2020).

Emerge and MTN are targeting accelerated growth in subscribers on the MTN Arena platform in South Africa with further MTN marketing commitments continuing into the next quarter. MTN continues invest into the marketing the MTN Arena platform in South Africa beyond its contractual obligations demonstrating its confidence in the Emerge product offering.

MTN has made investments to accelerate the marketing of the MTN Arena platform with a further ±A\$480,000 commitment in marketing spend over the following 3 months that include sponsored prize pools, automated voice message (“AVM”) re-engagement campaigns, short message service (“SMS”) re-engagement campaigns, themed engagement campaigns, branded engagement campaigns, social marketing campaigns, MTN channel marketing, outdoor advertising and MTN in store marketing.

The objective of the MTN funded marketing campaigns is to accelerate the growth in new subscribers and drive re-engagement of existing subscribers.

MTN Arena – South Africa “B2B2C” - Opportunity

MTN has 29 million subscribers in South Africa alone, and MTN Arena has accessed more than 0.7 million new subscribers, or 2.4%, of the MTN South Africa subscriber base. There is further opportunity to grow Emerge revenues in this market.

During the 2020/2021 year Emerge has invested heavily into its product development and is ready to launch enhanced platform features including head-to-head competition, enhanced user profiles, improved social engagement, a shop for reward redemption and brand hosted tournament functionality. The opportunity exists for Emerge to launch an improved new feature rich version of the MTN Arena platform and creating value through faster subscriber acquisition growth and improved billing success rates.

In addition, Emerge’s cloud game streaming tournament function with the ability to stream AAA quality game titles was in the final stages of product development. On 1 July 2020, Emerge partnering with MTN were the first in the Southern Hemisphere to demonstrate Emerge’s game streaming technology over MTN’s newly launched 5G network in South Africa. MTN South Africa has already grown its 5G subscriber base in South Africa and the opportunity exists to offer a cloud game streaming to a more affluent audience within the MTN subscriber base.

MNO Expansion Opportunities

Emerge has established itself as an experienced mobile gaming company with proven technology and demonstrated marketing and content production capabilities. Emerge’s established prize distribution logistics and customer relations systems underpin its platform operations.

The results of the MTN Arena platform in South Africa is the foundation for further scaling of this commercial model with offerings to the remaining 20 countries in which MTN serves more than 240 million subscribers.



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Emerge's immediate MNO expansion strategy is to target 8 African countries in the MTN Group with a total addressable market of ~175 million mobile subscribers leveraging MTN Arena's performance in South Africa.

Initial engagement and meetings between MTN country teams, MTN Group and EmERGE have led to strong interest by MTN Group countries in launching both the MTN Arena platform and the enhanced game streaming technology features.

The opportunity exists for EmERGE and MTN to establish Africa's largest competitive social mobile gaming platform and community and to be a first mover in launching AAA game streaming to mobile users in Africa. In addition, EmERGE continues to target other global multinational MNOs with large subscriber bases as potential expansion partners.

EmERGE's Core Technology

EmERGE owns significant intellectual property relating to its development of core technology central to a gaming platform with competition, tournament, social engagement, profile, shop, messaging and all other core features.

As per last quarter, the Company continued to invest into R&D to improve its core platform technology.

EmERGE has invested into game streaming technology to stream AAA and premium games, new competition features (such as Head-to-Head competition), extended brand engagement features and new social engagement features. The investment into R&D for the quarter was A\$570k (previous quarter: A\$695k). These new features and technologies are included in the planned release of EmERGE's next generation social competition platform to be offered in partnership with existing and future commercial partners.

The Company is in final stages of product deployment and testing of its game streaming feature using Microsoft Azure. EmERGE is in negotiations with numerous potential commercial partners to launch the game streaming feature within existing products or as a separate product offering.

EmERGE has made strong progress in its research and development activities and will leverage these new features in the continued execution of its GTM strategy.

EmERGE Game Studio

As reported in the previous quarter, EmERGE launched a game studio of game developers. These game developers have been working side by side with EmERGE's core eSports tournament platform developers advancing proprietary libraries of popular game engines using development tools to deliver 3D gaming content to its tournament platforms. Ultimately, this function will add content to EmERGE's operated gaming platforms.

COVID-19

As social distancing, lockdowns and semi-voluntary quarantines gradually became a global reality the gaming industry has seen a significant increase in time spent by gamers playing online games. This change in gaming culture has led to growing gamer engagement globally and provided a strong opportunity for EmERGE to launch its eSports and gaming products internationally.



Company Financial and Corporate Overview

Cash at the end of the Quarter (i.e. 31 December 2021) was A\$16.6M (30 September 2021: A\$18.2M).

Emerge banked A\$0.15M in cash receipts from customers this quarter. Amounts due to EmERGE not yet received at the end of the quarter totalled A\$1.0M at the end of the quarter and had these amounts been received, cash receipts for the quarter would have been A\$1.15M.

The decrease in the cash receipts resulted from the divestment considerations of the Miggster business which resulted in reduced promotional activities related to Miggster. This adversely impacted MIGGSTER subscriptions sold and received in the Quarter.

Business expenditure totalled \$1.84M for the Quarter, 12.4% lower than the \$2.2M spent in the previous quarter. Expenditure in the Quarter comprises advertising and marketing (\$95k), operating costs (\$483k) and research and development (\$570k) with the balance being administration and staff costs (combined for \$695k).

The aggregate amount of payments to related parties and their associates included in the current quarter totalled \$350k. These payments consisted of Directors' fees and salaries paid to directors, accounting and bookkeeping fees, technical consultancy fees and corporate advisory fees with a one-off settlement of historical balances accrued for these payments in the Quarter. All payments were on normal commercial terms.

The management team continue to incur costs with financial and commercial discipline to maximise the Company's benefit from the spend. The Company has maintained a strong flexibility in its costs through low impact termination clauses allowing for swift supplier changes in a rapidly evolving industry.

Strategy and outlook

Emerge looks forward to implementing its growth and GTM strategies to realise value from the strong growth in the gaming and esports industries. In addition, the Company will look to complete the divestment of the MIGGSTER business.

For further information:

Investor relations:

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About EmERGE Gaming

EmerGE Gaming Limited (ASX:EM1) is a leading competitive social gaming and eSports technology company. EmERGE Gaming owns and operates an online casual gaming tournament platform technology and lifestyle hub. EmERGE has built a competition layer for casual mobile gaming and 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, winning prizes and experiences.

Our products create unique gaming platform experiences for customers and marketing opportunities for businesses. 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.

As a global B2B and B2C technology provider, we distribute our products internationally through proven go-to-market strategies. More information: view www.emergegaming.com.au



Forward-looking Statements

This Announcement has been made by the authority of the Board of the Company and may contain forward-looking statements. Any forward-looking statements contained in this document are not guarantees of future performance. Such statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company. Readers should not place undue reliance upon any forward-looking statements and the Company disclaims any responsibility for any reader who does so. All numbers presented in this Announcement are unaudited.



Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

EMERGE GAMING LIMITED

ABN

31 004 766 376

Quarter ended ("current quarter")

31 December 2021

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	147	1,864
1.2 Payments for		
(a) research and development	(570)	(1,265)
(b) product manufacturing and operating costs	(483)	(1,216)
(c) advertising and marketing	(95)	(247)
(d) leased assets	-	-
(e) staff costs	(601)	(792)
(f) administration and corporate costs	(94)	(519)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	22	40
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other – TIL settlement	-	2,866
1.9 Net cash from / (used in) operating activities	(1,674)	731
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	(1)
(c) property, plant and equipment	(8)	(75)
(d) investments	-	-
(e) intellectual property	-	(5)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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)	(81)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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)	-	20
3.10	Net cash from / (used in) financing activities	-	20

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	18,231	15,877
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,674)	731
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8)	(81)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	20
4.5	Effect of movement in exchange rates on cash held	15	16
4.6	Cash and cash equivalents at end of period	16,564	16,564

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	16,564	18,231
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)	16,564	18,231

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	350
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div>		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,674)
8.2	Cash and cash equivalents at quarter end (item 4.6)	16,564
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	16,564
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1) <div style="border: 1px solid black; height: 20px; width: 100%; margin-top: 5px;"></div>	9.9
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: n/a	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: n/a	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	Answer: n/a	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>		

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.

Date: 28 January 2022

Authorised by: By the board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.