

22 July 2021

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, is pleased to provide its report for the quarter ended on 30 June 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.

Emerge operates 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

- **A\$5.6M in cash receipts from customers for the quarter to 30 June 2021 (increase of 19% on previous quarter A\$4.7M)**
- **A\$18.9M in cash receipts from customers for the year ended 30 June 2021 (compared to the prior corresponding period receipt of A\$ NIL)**
- **Cash at bank as at 30 June 2021 of A\$15.8M (compared to 30 June 2020 cash at bank of A\$2M)**
- **Net cash inflow from operating activities for the year ended 30 June 2021 of A\$4.5M (compared to previous year net cash outflow of A\$1.2M)**
- **Options exercised raised A\$5.1M strengthening the Company’s balance sheet, including A\$0.8M from Board members**
- **Increase in subscribers across EmERGE-operated platforms of 1.1M due to commercial promotions**
- **Emerge currently has an active community of more than 1.6M subscribers in more than 160 countries**

During the quarter, EmERGE focused on scaling its subscriber community in line with its overall growth strategy and delivered increased revenue, operational cash flow growth and profitability.

Aggressive promotional campaigns enabled EmERGE to grow its subscriber community by 1.1M across its operated platforms. These initiatives accelerated the growth of the community building a critical userbase in a short period and contributed to EmERGE banking a further AUD\$5.6M in cash receipts from customers this quarter (increase of 19% on previous quarter A\$4.7M).

Despite trading off reduced revenue on a per subscription basis under its promotional strategy, EmERGE has delivered volume, scale and a vibrant, active community full of new and existing users playing and primed to renew their subscriptions in the next period. Importantly this tradeoff has not adversely impacted EmERGE in meeting its financial performance targets for the quarter.



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Performance from MIGGSTER remains positive. Current and upcoming promotions remain growth drivers. MIGGSTER now provides a proven case study for Emerge to present to other marketing channels. The performance of MTN Arena in South Africa continues to build towards potential launches with MTN Group in other jurisdictions where MTN is already active.

In the next quarter, Emerge will invest in R&D to develop new platform features, including game streaming of AAA games, strengthening the product's value proposition to new subscribers and existing subscribers on renewal.

Business Growth Strategy

In addition to building the subscriber value proposition, Emerge's R&D investments will create new products. Revenue growth will be achieved through enhanced and new gaming esports products being offered to the Emerge community. Scaling of revenue will be delivered through multiple go-to-market ("GTM") channels with global reach and the addition of new revenue streams.

Commenting on the results, CEO Greg Stevens noted:

"These financial results demonstrate that our subscription business model is cash flow generative. We now intend to expand our partnerships and revenue sources. Emerge's social gaming offering with competitive layers, social engagement, enticing prizes and brand engagement opportunities uniquely positions the Company to be a global player in this exciting sector. These are exciting times given we're well capitalised, are achieving growth, have increased scale and wider gamer reach, and are bringing key platform innovations to a growing global market."

Go-to-Market Strategies

Emerge has four GTM strategies for its products: -

- B2B2C partnerships with MNOs
- B2C business model leveraging direct selling by consumers
- B2B distribution partnerships within the Microsoft ecosystem to MNO's 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.

New GTM channel – B2B distribution Partnerships - Game Streaming

As part of its game streaming development process Emerge has partnered with Microsoft as an Independent Service Vendor ("ISV") to drive the development of its Game Streaming Product giving rapid scalable access to hardware in 61 countries, with 5 more African & Middle Eastern countries launching soon (ASX: 21 September 2020).

The Microsoft ISV partner ecosystem provides a network opportunity to promote Emerge Gaming's game streaming products through B2B2C partnerships.

Significant progress has been made in progressing this initiative and the Company will provide an update when appropriate.



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New GTM channel – OTT Broadcasting

Emerge is developing new GTM strategies that provide additional channels for subscriber acquisition.

On 27 May 2021, Emerge announced the launch of a new social gaming show “Social Gaming & Coconuts” by virtue of its agreement with **GINX Esports TV**, the largest esports TV network in the world. GINX Esports TV is available in more than 45 million homes, across more than 50 territories in 10 languages. The show offers an immersive experience in social, casual and hypercasual gaming with content centred around social gaming solutions, brand experiences, unboxing of prizes, product promotion, interviews with industry leaders, game streaming and community interaction.

The Company continues with its plans to launch and operate its new OTT Broadcasting channel. The OTT segment of the television market is currently valued at US\$58 billion with a strong growth trend driven by rapid user adoption of internet-based broadcasting to a gaming and esports audience.

Revenue Sources

Emerge’s customer receipts to the end of the quarter were derived from user subscription revenues.

In seeking to grow and diversify revenue, Emerge began developing solutions to offer marketing to corporate brands seeking exposure to the gaming and esports industries. This culminated in the launch of Emerge’s corporate advertising product onboarding its first client, listed global energy company **Sasol Limited**, as well as operationalising Emerge’s own Game Development Studio (ASX: 14 July 2021) post quarter end.

Emerge will continue to market its advertising solutions to other corporates and provide further updates in due course.

Emerge continues to explore opportunities to diversify its offerings and revenue streams.

MIGGSTER Social Gaming Tournament Platform “B2C” - Operational Overview

The MIGGSTER Social Gaming Platform was launched on the 14 November 2020 following significant development efforts which have continued throughout the period under review.

On 21 May 2021, the Company reported that MIGGSTER had registered 0.5M subscribers and subsequently on 9 June 2021 reported 1M subscriber registrations. The growth in subscribers was driven by discounted promotions which lowered the Company’s average revenue per subscriber but more than offset this with an increase in total number of new subscribers to 1.2M at quarter end.

MTN Arena Social Gaming Tournament Platform “B2B2C” - Operational Overview

Emerge operates its Competitive 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 end of the quarter saw the end of the first year of operation of MTN Arena in South Africa. The strong performance of the platform saw more than 0.4M subscribers registering and the generating ~AUD\$0.5M in gross platform revenue.

With approximately half of the 0.4M subscribers registering this quarter and more than A\$0.3M of the ~A\$0.5M MTN Arena gross platform revenue being earned in this quarter the platform is demonstrating accelerated growth.



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MTN's increased investment into marketing the platform is expected to drive continued strong subscriber growth. This is borne out by the growth in the platform post the quarter end. Given MTN has 29 million subscribers in South Africa alone, Emerge is of the view that the MTN Arena platform enhanced by the Company's increased R&D spend has significant growth potential.

The strong growth in revenue of the MTN Arena platform in South Africa provides the foundation for further expansion within the remaining 20 countries where MTN services more than 240 million subscribers and provides Emerge with a successful case study for marketing to other global MNOs.

Platform Operations and Performance

Emerge's competitive social gaming platforms have hosted more than 20 million games played in tournaments across more than 160 countries for the year ended 30 June 2021. The platforms are hosting tournaments with up to 16,000 entrants.

Emerge has built a thriving and active community of more than 1.6M platform subscribers in more than 160 countries in the year ended 30 June 2021.

COVID-19

Emerge reports that, consistent with our previous reports, the COVID-19 pandemic impact has not adversely impacted its business operations. To date, the Company has had no reported cases of infections amongst our staff, key services providers and suppliers.

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 the ideal opportunity for Emerge to launch its eSports and gaming products internationally.

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 30 June 2021 was AUD\$15.8M (30 June 2020: AUD\$2M).

Emerge banked A\$5.6M in cash receipts from customers this quarter, (increase of 19% on previous quarter A\$4.7M), in line with expectations at the end of the previous quarter and bringing the total receipts from customers to A\$18.9M year-to-date (30 June 2020: A\$ NIL).

Net cash inflow from operating activities for the year ended 30 June 2021 was A\$4.5M (30 June 2020: Net cash outflow of A\$1.2M). Business activities expenditure totalled \$4.78M for the quarter consisting of advertising and marketing (\$2.67M), operating costs (\$1.04M) and research and development (\$505k) with the balance being administration and staff costs (combined for \$555k).

Options exercised during the quarter raised A\$5.1M in cash, from option holders exercising their EM10 listed options, further strengthening the Company's balance sheet. A\$0.8M of the cash received from option exercise was raised from Board members demonstrating significant belief in the Company's strategy. Post the issuance of shares against the exercise of these options, the Company no longer has any listed options on issue.



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The aggregate amount of payments to related parties and their associates included in the current quarter totalled ~\$185,000. These payments consisted of Directors' fees and salaries paid to directors, accounting and bookkeeping fees, technical consultancy fees and corporate advisory fees. 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. The Company expects the next quarter to deliver higher receipts from customers than the current quarter, maintaining growth in subscriptions whilst continuing to scale the community size.

Commenting on the quarter, CEO Gregory Stevens noted:

"I am pleased with the performance of both platforms during the last quarter. The performance and execution of the Company's strategies lays the foundation for the delivery of growth and value to our shareholders. We are working hard to deliver on our growth strategy, including diversifying revenue and to improve the quality and transparency of shareholder communication."

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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



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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.



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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")

30 June 2021

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	5,858	18,884
1.2 Payments for		
(a) research and development	(505)	(1,200)
(b) product manufacturing and operating costs	(1,049)	(2,918)
(c) advertising and marketing	(2,669)	(8,915)
(d) leased assets	-	-
(e) staff costs	(152)	(553)
(f) administration and corporate costs	(403)	(975)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	13
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	199
1.8 Other (provide details if material)	-	(1)
1.9 Net cash from / (used in) operating activities	1,088	4,533
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(4)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	-	(4)

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	5,127	9,281
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(104)	(104)
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)	-	-
3.10	Net cash from / (used in) financing activities	5,023	9,177

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,747	1,992
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,088	4,533
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(4)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,023	9,177
4.5	Effect of movement in exchange rates on cash held	(12)	148
4.6	Cash and cash equivalents at end of period	15,846	15,846

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	15,846	9,747
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)	15,846	9,747

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	185
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>		

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7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
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		-
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)	1,088
8.2 Cash and cash equivalents at quarter end (item 4.6)	15,846
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	15,846
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	n/a
<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: 22 July 2021

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.