

30 July 2018

Emerge Gaming Quarterly Update and Appendix 4C

Emerge Gaming Limited (ASX: EM1) (“Emerge” or the “Company”), a leading provider of enhanced eSports capabilities, presents the following report of its achievements for the quarter ended on 30 June 2018.

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

HIGHLIGHTS

- **Fully integration into the MTN Group’s network and interface ready for rollout**
- **Emerge partnered with leading gaming marketing agency Detonator Media Group**
- **First revenue generation tournament conducted with major corporate Debonairs Pizza on the Arcade X gaming platform**
- **Arcade X launch with eMedia Holdings Limited imminent**
- **Memorandum of Understanding to license and revenue share with Arcade X technology signed with subsidiary of JSE Listed eMedia Holdings Limited**

Emerge lists on ASX

Emerge commenced trading on the ASX on 18 April 2018 following completion of a heavily oversubscribed public offer of \$5 million.

Development of Arcade X and Integration with MTN Group

During the quarter, the Company completed the development of Arcade X, positioning Emmerge with an internationally scalable commercial platform to provide eSports tournament marketing services to large corporates.

Emerge also finalised the complex integration of Arcade X into MTN Group; Africa’s largest mobile network, ahead of the first dual eSports and casual games online tournament platform rollout ever seen in Africa.

This integration allows the rollout of the signed content distribution agreement with MTN South Africa (ASX: 6 February 2018) to jointly market Arcade X Mobi to MTN Group’s 31 million South African subscribers, inviting gamers to subscribe to eSports and casual game tournaments and win prizes on an advanced eSports platform never experienced before in Africa.

Emerge continues to work with MTN Group on this launch and will update the market as it develops. In tandem with these efforts, the Company announced a partnership with Detonator Media Group (“**Detonator**”) in South Africa (ASX: on 3 May 2018).

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Detonator is a media and marketing agency with offices in Cape Town and Johannesburg; and has partnerships in Lagos, Nairobi, New York and London. The partnership between Detonator and Emerge will help facilitate the launch of Arcade X's Corporate Tournament and Sponsorship Revenue Model into South Africa.

First Tournament Services – Debonairs Pizza Arcade X campaign

The partnership with Detonator had an almost immediate return when the two companies signed an agreement under which media services were delivered for the leading pizza fast-food brand in Southern Africa, Debonairs Pizza (“**Debonairs**”) (ASX: 17 May 2018).

The media services provided by Emerge are as follows:

- Arcade X Gaming Tournament Platform;
- Prizes for targeted gamers;
- eSports Team Sponsorship;
- Public relations and content generation; and
- Digital and social media amplification.

These media services drove user acquisition for Arcade X, with gamers required to register with Arcade X to enter Debonairs sponsored online gaming tournaments. Detonator are using Arcade X's platform widget feature to drive traceable Debonair's application downloads and online pizza orders.

The total expenditure committed by Debonairs to this eSports sponsorship and marketing initiative was ~AUD\$100,000 (R1,100,000) to be spent within the next 12 months. This expenditure will in part result in gamers registering on the Arcade X platform.

The Company has already banked ~\$100,000 from corporate online tournament services (post quarter).

Emerge announced that the first Debonairs campaign had been launched in South Africa (ASX: 6 June 2018). The campaign consisted of corporate tournament services i.e. operating 4 Debonairs branded tournaments on Arcade X integrating 4 mobile games, over a period of 4 weeks.

Post quarter, the Company announced that this first Debonairs campaign had achieved high engagement levels with over 5,500 players registering and over 31,000 gaming sessions on Arcade X within just 3 weeks (ASX: 3 July 2018,).

More performance marketing strategies are planned in conjunction with five further promotions with Debonairs.

Revenue share and licensing MoU for Arcade X – eMedia Holdings Limited

Emerge entered into a Memorandum of Understanding (**MOU**) with AfricaMob (Pty) Ltd (“**AfricaMob**”) (ASX: 4 June 2018). The two companies entered this MOU with a view to formalising a licencing agreement for Arcade X technology. Under the proposed licencing agreement, Emerge would be entitled a share of net carrier billing revenue after mobile network and carrier costs (net revenue) generated from the white labelled and rebranded Arcade X platform.

AfricaMob is a subsidiary of a South Africa media conglomerate eMedia Holdings Limited (“**eMedia Holdings**”) which is listed on the Johannesburg Stock Exchange (JSE). The eMedia Holdings group operates a variety of broadcasting, content and production businesses including South Africa's first private commercial free-to-air broadcaster, e.TV.

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AfricaMob, via its eMedia Holdings parent, has access to massive reach which can be leveraged to drive user acquisition. Emerge will benefit from this user acquisition at no cost, while gaining subscription fees from the users. The Company expects to execute a licensing agreement imminently with launch of the white labelled platform to follow.

Innovative revenue model

Emerge offers a different revenue model to its competitors with three main streams:

- 1) Subscription fees that can be linked to the gamers' telecommunications provider bill;
- 2) Revenue from companies from management of corporate online tournament services, and sponsorships and advertising powered by advanced data analytics and targeting capability;
- 3) Advertising revenue from companies engaging users of the lifestyle portal.

In this first quarter, the Company successfully executed its revenue model.

With the AfricaMob agreement, via Airtime Billing Integration partnerships, Emerge will be able to bill customers across all carriers in South Africa. This capability, in tandem with the existing agreement with MTN, effectively enables Arcade X to be seamlessly bill millions of end users should they choose to use the Arcade X platform.

As the user base builds, the Company will look to introduce advertising features to the Arcade X portal covering off on the third revenue stream source.

Company Financial Overview

Cash at the end of the quarter was \$3.6M.

Emerge's innovative business model contributed to an extended ASX listing timeline. From the first announcement of the Company's intention to enter the eSports market in June 2017, management worked with the regulators and its advisors culminating in the successful listing in April 2018. From this process, the Company incurred capital raising fees of ~\$501,000 which included all ASX, share registry, legal and broking commission fees.

The Company also maintained the operations of the unlisted Emerge operations during this extended period. The Board acknowledges the efforts of the team in keeping their costs low, accruing their respective salaries and payments while continuing to progress the Arcade X platform. In this regard, the Company settled its one-off pre-listing obligations to employees and suppliers during the period in the amount of ~\$431,000.

Moving forward, the Company is projecting cash expenditure of ~\$140,000 per month to maintain its operations. This cash burn value does not include any revenue amounts to be received which will offset the expenditure.

Tantalum International Ltd Update

Historical shareholders of the Company received shares of an unlisted, Australian public Company Tantalum International Limited ("TIL"). The intention of the TIL spin-out was to provide long-term shareholders with exposure to a potentially successful legal claim against the Arab Republic of Egypt ("Egypt") in proceedings which relate to the alleged expropriation (amongst other claims) of TIL's 50% interest in the Abu Dabbab Tantalum-Tin-Feldspar project, located in southern Egypt.

In this regard, TIL and the Company confirm the registration on 28 June 2018 of their Request for Arbitration of their investment dispute with Egypt at the International Centre for the Settlement of Investment Disputes (ICSID) in Washington DC.

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The ICSID arbitration against Egypt is funded by a Guernsey-based subsidiary of Calunius Litigation Risk Funds, pursuant to an arbitration funding agreement, which was concluded after a thorough due diligence process.

Under the funding agreement, the funder will recoup an agreed risk fee together with its costs if the claim is successful. TIL and the Company are represented by international law firm Clifford Chance.

The next stage of the ICSID arbitral process is the constitution of the arbitral tribunal. TIL and the Company have proposed a procedure to Egypt for doing so, and now await Egypt's response. The Company will keep shareholders informed as this progresses.

Strategy and outlook

Emerge is executing well on rolling out its innovative revenue model. The Company has already banked its first revenues from corporate sponsored tournament services and imminent launches with significant partners are set to deliver strong user uptake for Arcade X.

Greg Stevens, CEO and Executive Director noted:

"It has been a very busy quarter for EmERGE Gaming. We have made some significant steps forward both technically on the platform and corporately. We are very excited by the progress of Arcade X so far and we are very confident that this progress will soon translate into value and revenue for our shareholders."

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About EmERGE Gaming

Emerge Gaming Limited (ASX: EM1) is a leading eSports and Casual gaming tournament company. EmERGE Gaming operates the online eSports and casual gaming tournament platform and lifestyle hub "Arcade X". Via this platform, casual, social and hardcore gamers can play more than 300 gaming titles against each other via their mobile, console or PC.

The platform uses its unique IP, advanced analytics tracking and proprietary algorithms to deliver an optimum tournament gaming experience for users while providing advertisers with the perfect vehicle for delivery of their messaging to a fully engaged audience.

More information: www.emergegaming.com.au and view the Arcade X platform at www.ArcadeX.co

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

EMERGE GAMING LIMITED

ABN

31 004 766 376

Quarter ended ("current quarter")

30 JUNE 2018

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*	-	-
1.2 Payments for		
(a) research and development	(140)	(140)
(b) product manufacturing and operating costs	(54)	(52)
(c) advertising and marketing	(43)	(43)
(d) leased assets	(10)	(10)
(e) staff costs	(149)	(149)
(f) administration and corporate costs	(114)	(371)
1.3 Dividends received (see note 3)		
1.4 Interest received	3	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	16	46
1.9 Net cash from / (used in) operating activities	(491)	(713)

* Post quarter end, the Company banked ~\$103,000 from its first corporate branded campaign for Debonairs Pizza.

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

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	(237)
2.6	Net cash from / (used in) investing activities	-	(237)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	5,000	5,250
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(501)	(518)
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) *	(431)	(616)
3.10	Net cash from / (used in) financing activities	4,068	4,116

* These one-off payments relate to the unlisted operations of Emerge Gaming (i.e. development and maintenance of the gaming platform) during the extended period prior to listing including: repayment of short term loans from third parties to Gaming Battle Ground Pty Ltd (GBG PL) of ~\$115k and payments to employees and consultants of GBG PL of ~\$316k for preceding 12 months to March 2018.

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	29	440
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(491)	(713)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(237)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,068	4,116

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	3,606	3,606

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	1,106	29
5.2 Call deposits	2,500	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,606	29

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

89

-

Director fees of ~\$89,000 of which ~\$46,000 related to directors who stepped down during the period and ~\$33,000 related to the new directors appointed at listing.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

57

-

Payment of ~\$57,000 was made to Technobrave Pty Ltd for IT development and maintenance services related to the Company's gaming platform. Mr Bert Mondello is a director of the parent entity of this service provider.

8. Financing facilities available

Add notes as necessary for an understanding of the position

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

9. Estimated cash outflows for next quarter**\$A'000**

9.1 Research and development

50

9.2 Product manufacturing and operating costs

50

9.3 Advertising and marketing

150

9.4 Leased assets

-

9.5 Staff costs

200

9.6 Administration and corporate costs

100

9.7 Other (provide details if material)

50

9.8 Total estimated cash outflows**600****10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)****Acquisitions****Disposals**

10.1 Name of entity

Gaming Battleground Pty Ltd

-

10.2 Place of incorporation or registration

Australia

-

10.3 Consideration for acquisition or disposal*

469,000,000 Securities

-

10.4 Total net assets**

(184,518)

-

10.5 Nature of business

Online gaming eSports platform provider

-

* See prospectus dated 8 January 2018. Securities above consist of 184,500,000 fully paid ordinary shares, 184,500,000 options and 100,000,000 performance shares.

** Per GBG PL Accounts and Updated pro forma statement of financial position (ASX: 16 April 2018)

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.

Sign here: 
(Company Secretary)

Date: 30 July 2018

Print name: Derek Hall

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Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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