



ASX Release

30 April 2018

## Animoca Brands 1Q18 Update

Animoca Brands Corporation Limited (ASX:AB1) (“the **Company**”) today released its Appendix 4C for the three-month period from 1 January 2018 to 31 March 2018 (**1Q18** or “the **Quarter**”), and is pleased to provide an update on the activity of the Company.

### Key points and milestones

- Positive operating cash flow of \$0.5 million received during the Quarter, compared with a net operating cash outflow of \$0.8 million in 4Q17
- The Company recognised unaudited revenues of \$3.4 million and cash receipts of \$3.4 million for the Quarter
- Completed oversubscribed \$3.3 million placement of approximately 54.2 million new shares to fund acquisitions and operations
- Completed acquisition of 60% stake in Fuel Powered, accelerating capabilities in blockchain and AI
- Completed acquisition of 100% stake in Tribeflame and its subsidiary Benji Bananas, significantly increasing the Company’s development capabilities and product portfolio
- Investment in and co-location with artificial intelligence accelerator Zeroth.ai
- *Crazy Defense Heroes* launched in January 2018 for iOS and rolled out worldwide (ex-Middle East) in phases over the Quarter; Android version in development
- *Crazy Kings* franchise generated \$2.8 million in the three months since the launch of the sequel *Crazy Defense Heroes* (8 January to 8 April 2018), or \$2.6 million in the Quarter
- Exclusive licensing and distribution agreement with Axiom Zen to publish *CryptoKitties* in Greater China
- Beta launch of *CryptoKitties* in China with famous artist and Tuzki creator Momo Wang as brand ambassador
- Set up new subsidiary OliveX to develop AI-based mobile products for the health and fitness markets, leveraging the capabilities acquired from strategic investment in Zeroth.ai and Fuel Powered
- Signed agreement with Coolabi to leverage *Crazy Defense Heroes* for the highly popular children’s fantasy novels franchise *Beast Quest*

### Positive operating cash flow

During the Quarter, receipts from customers grew markedly to \$3.4 million and the Company recognised a positive operating cash inflow of \$0.5 million, the first positive quarterly operating cash flow result since the Company was listed on the ASX in 2015.

The Company’s unaudited revenues in 1Q18 grew to \$3.4 million, an increase of 54.5% over the corresponding period last year. The increase was driven largely by the successful launch



of *Crazy Defense Heroes*, the sequel to *Crazy Kings*, which led to the game franchise generating \$2.6 million during the Quarter, and \$2.8 million in its first three months of operation (8 January to 8 April 2018).

Operating cash outflows during the quarter reflected, among other things, the launch of *Crazy Defense Heroes* (**CDH**), with advertising and marketing cash outflow increasing from \$0.2 million in 4Q17 to \$0.6 million in 1Q18. This increased advertising and marketing spend is directly supporting continued monthly revenue growth for the *Crazy Kings* franchise.

### Investing activity

The Company acquired 60% of Fuel Powered, a US-based developer of blockchain based gaming services. This acquisition accelerates Animoca Brands' capabilities in blockchain and artificial intelligence.

The Company also acquired 100% of Finland-based mobile game developer Tribeflame Oy and its subsidiary Benji Bananas Oy, publisher of Benji Bananas. The acquisition significantly increases the product portfolio and the development capabilities of Animoca Brands.

The Company paid \$330,000 to the founders of Ticbits Oy pursuant to the share purchase agreement of 4 July 2016 as part of their earn-out payments. Ticbits Oy, the Company's Finnish subsidiary, is the developer of *Crazy Kings* and *Crazy Defense Heroes* and was acquired by Animoca Brands in 2016.

Together these investments contributed to a net cash outflow due to investing activities of \$1.9 million during the Quarter.

During the Quarter, the Company also paid \$0.48 million to Zeroth.ai as part of its commitment to invest in the artificial intelligence accelerator (as disclosed on 18 December 2018), and Zeroth.ai has relocated to the Company's headquarters. This amount which was expensed, as per the Company's accounting policy. The investment grants the Company in-house access to industry-leading AI expertise, and provides equity exposure to Zeroth.ai's investment portfolio.

### Sale to iCandy

The Company expects the closing of the sale of its casual game portfolio to iCandy Interactive (ASX:ICI) announced on 15 November 2017 to occur 30 days after the ICI Annual General Meeting (**AGM**). ICI has confirmed it will be holding its AGM on 22 May 2018, after which the Company will receive a payment of \$0.75 million plus about 25 million ICI ordinary shares as part of the consideration.

### Placement

On 25 January 2018, the Company announced the completion of an oversubscribed \$3.3 million placement of approximately 54.2 million new shares. The new capital provides the Company with funding for acquisitions, investments and operations.

At the end of the Quarter, the Company had a cash equivalent balance of \$2.2 million.

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## Milestones

In January 2018, the Company launched the mobile game *Crazy Defense Heroes*, which performed strongly and also helped to boost the performance of its prequel *Crazy Kings*. In the first three months since the launch of *Crazy Defense Heroes* (8 January to 8 April 2018), the two games in the franchise together generated about \$2.8 million in revenue, or \$2.6 million during the Quarter. Both games are developed by the Company's Finland-based subsidiary TicBits, acquired in 2016, and are owned by Animoca Brands.

During the Quarter, the Company completed the acquisition of 100% of the shares of Finland-based mobile game developer Tribeflame Oy (**Tribeflame**) and its subsidiary Benji Bananas Oy, publisher of Benji Bananas, a well known casual game franchise that has been downloaded over 107 million times and earned an estimated €2.3 million in gross revenues since launch in 2013.

The Tribeflame acquisition significantly increases the product portfolio and the development capabilities of Animoca Brands. The Tribeflame team has been assigned to collaborate with iCandy Interactive and Nitro Interactive to co-develop the *Masterchef* licensed mobile game, enabled by a license agreement signed last year between Animoca Brands and Endemol Shine North America; additionally, Tribeflame is working on the development of *Crazy Defense Heroes* for Android devices.

The Company announced a partnership with Vancouver-based Axiom Zen to publish *CryptoKitties* in Greater China. *CryptoKitties* is a crypto-collectible game operating on the Ethereum network, and is one of the world's first and most successful consumer products built on blockchain. Animoca Brands is entitled to a share of revenue generated by the game in Greater China.

Subsequently, the Company beta-launched *CryptoKitties* for iPhone and iPad in China and secured internationally recognised illustrator Momo Wang as brand ambassador for the game. Momo Wang, a Beijing-based artist and the creator of the highly popular character Tuzki, is collaborating with Axiom Zen and Animoca Brands to design limited edition cats for *CryptoKitties*. Animoca Brands is entitled to worldwide royalties from Momo Wang's designs and associated transactions. The Company is continuing to work on the game's commercial release in Greater China.

During the Quarter, Animoca Brands launched its new subsidiary OliveX (HK) Limited (**OliveX**), formerly known as Family Fit, which targets the lucrative health and fitness apps, wearable technology, and Internet of Things (IoT) market segments. Animoca Brands holds an 85% stake in OliveX, with the subsidiary's board and management holding the remaining 15%. Keith Rumjahn, founder and former CEO of Coachbase, a top-ranked paid app for iOS, Android, and Mac that was acquired by Animoca Brands in 2017, serves as CEO of OliveX. Sonny Vu, founder of MisFit, a wearable tech company acquired by Fossil Group for US\$260 million in November 2015, has invested in the new company and joined its board. OliveX is creating new products that leverage the Company's experience in gaming and gamification as well as the industry-leading capabilities in artificial intelligence and blockchain conferred by the Company's recent acquisitions and investments.

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Finally, the Company recently signed an agreement with Coolabi Licensing Limited to develop a mobile game based on *Beast Quest*, a highly popular series of children's fantasy novels with 120 published titles and over 18 million copies sold. Coolabi will make payments to Animoca Brands to partially fund the production and distribution of the game, which will leverage technology and game play adapted from the Company's own *Crazy Kings* and *Crazy Defense Heroes* titles. The Company continues to pursue licensing opportunities to maximise the value of its existing products and technology.

**-ENDS**

**About Animoca Brands**

Animoca Brands (ASX: AB1) publishes globally a broad portfolio of mobile games and subscription products including several games and e-books based on popular intellectual properties such as Garfield, Thomas & Friends™, Ever After High and Doraemon. The Company is based in Hong Kong and Finland. For more information visit [www.animocabrands.com](http://www.animocabrands.com) or get updates by following Animoca Brands on [Facebook](#), [Twitter](#) or [Google +](#).

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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**

Animoca Brands Corporation Limited

**ABN**

29 122 921 813

**Quarter ended ("current quarter")**

31 March 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (...3...months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,370	3,370
1.2 Payments for		
(a) research and development	(281)	(281)
(b) product manufacturing and operating costs	(346)	(346)
(c) advertising and marketing	(588)	(588)
(d) leased assets	-	-
(e) staff costs	(945)	(945)
(f) administration and corporate costs	(756)	(756)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
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)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>456</b>	<b>456</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(116)	(116)
(b) businesses (see item 10)	(1,248)	(1,248)
(c) investments	(477)	(477)

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (...3...months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	(21)	(21)
<b>2.2 Proceeds from disposal of:</b>	-	-
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Other (provide details if material)</b>	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(1,862)</b>	<b>(1,862)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	3,252	3,252
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	(230)	(230)
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)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>3,022</b>	<b>3,022</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	688	688
4.2 Net cash from / (used in) operating activities (item 1.9 above)	456	456
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,862)	(1,862)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	3,022	3,022

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<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (...3...months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(105)	(105)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>2,199</b>	<b>2,199</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	2,199	535
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (Share investments)	-	153
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,199</b>	<b>688</b>

**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**

38

-

Director fees

**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**

77

-

Marketing Fee

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**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

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

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.

n/a

**9. Estimated cash outflows for next quarter**

**\$A'000**

9.1	Research and development	(284)
9.2	Product manufacturing and operating costs	(300)
9.3	Advertising and marketing	(753)
9.4	Leased assets	-
9.5	Staff costs	(1,116)
9.6	Administration and corporate costs	(633)
9.7	Other (provide details if material)	-
<b>9.8</b>	<b>Total estimated cash outflows</b>	<b>(3,086)</b>

**10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**

**Acquisitions**

**Disposals**

10.1	Name of entity	1. Tribeflame Oy 2. Fuel Powered Inc 3. Ticbits Oy	-
10.2	Place of incorporation or registration	1. Finland 2. USA 3. Finland	-
10.3	Consideration for acquisition or disposal (\$A'000)	1. 166 2. 752 3. 330	-
10.4	Total net assets (\$A'000)	1. (556) 2. (659) 3. NA	-
10.5	Nature of business	Mobile app game maker	-

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**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: .....  
(Director/Company secretary)

Date: ....30 April 2018.....

Print name: .....DR NIGEL FINCH.....

**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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