



ASX Release

31 July 2018

Animoca Brands 2Q18 Update: Positive Operating Cash Flow Continues with Record Cash Receipts

Animoca Brands Corporation Limited (ASX:AB1) (“the **Company**”) today released its Appendix 4C for the three-month period from 1 April 2018 to 30 June 2018 (**2Q18** or “the **Quarter**”).

Key points

- The Company recognised record cash receipts of \$3.6 million for the quarter
- Record unaudited revenues of approximately \$8.2 million for the quarter, including one-off items
- Positive operating cash flow of \$0.26 million received during the quarter
- The Board of Directors is strengthened by the addition of Holly Liu and Chris Whiteman, as well as Wilhelm Taht joining as a strategic advisor
- The Company announces a global licensing deal with the Coolabi Group to develop a mobile game based upon the hit children’s fantasy novel franchise *Beast Quest*
- Animoca Brands partners with Red Robot KK to develop, market, and operate a gamified cryptocurrency wallet app
- Proposal by the Company is awarded a grant by a Hong Kong government fund to develop an AI-based exercise app
- Post the quarter, Animoca Brands raised \$4.5 million in a heavily oversubscribed placement to strategic investors and signed a landmark deal with HTC Corporation, a global leader in the innovation and design of smartphones, connected devices, and virtual reality

Positive operating cash flow and record cash receipts

During the Quarter, receipts from customers grew 7% quarter-on-quarter and 92% year-on-year to a record \$3.6 million. The Company recognised a second consecutive quarter of positive operating cash inflow (\$0.26 million), continuing the strong performance of Q1 2018.

Operating cash outflows during the quarter included an increase in staff costs on Q1 2018 as a result of certain annual bonus payments and salary increases, while cost of sales (reflected as “product manufacturing” in 1.2(b) on the 4C) rose as a result of the increased revenues recognised. Advertising and marketing expenditure continued in line with Q1 2018, with spending geared towards key product lines such as the *Crazy Kings* franchise and *CryptoKitties*.

The Company ended the quarter with \$2.4 million in cash, which represents a net increase of approximately \$218,000 on the cash at the end of Q1 2018.

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Post the quarter, Animoca Brands raised \$4.5 million in a heavily oversubscribed placement to strategic investors, including directors Yat Siu and Holly Liu, strategic advisor Wilhelm Taht, and strategic blockchain partners.

Record quarterly revenues

Animoca Brands received record unaudited revenues during the quarter of approximately \$8.2 million, including a one-off gain of \$5 million on the sale of assets to iCandy Interactive Limited ("ICI"). Excluding the one-off gain from the sale to ICI (the majority of which was received in shares), the pro forma unaudited revenues of Q2 2018 are still the second-highest unaudited quarterly revenues recorded by the Company since its IPO (after the unaudited \$3.4 million recorded in Q1 2018). The unaudited revenues of approximately \$8.2 million represent an increase of more than 355% on the same period last year, during which the Company recorded Q2 2017 unaudited revenues of \$1.8 million.

Update on asset sale to iCandy

As disclosed on 24 May 2018, the Company will receive a payment of \$0.75 million in five monthly instalments beginning in July 2018, plus 25 million ordinary shares in iCandy Interactive Limited (ICI) as part of the consideration. The Company received the 25,000,000 shares in ICI prior to the end of the quarter. In addition, as announced on 25 June 2018, the Company will also receive a migration and maintenance fee of approximately \$500,000, in cash or shares, within three months of the completion of the sale.

Milestones during the Quarter

The Company announced a global licensing deal with Coolabi Group to develop a mobile game based upon the hit children's fantasy novel franchise *Beast Quest*. This new game will leverage technology and game play from the highly successful *Crazy Kings* and *Crazy Defense Heroes* mobile games.

The Company entered a joint venture with Red Robot KK to develop, market, and operate a gamified cryptocurrency wallet app. This app will contain features and tutorials to educate everyday consumers and represents a significant opportunity to gain market share in the rapidly growing cryptocurrency and blockchain wallet market.

The Animoca Brands subsidiary Olive X partnered with the North Point Kai Fong Welfare Advancement Association to produce an AI-based mobile app for Android and iOS to teach Baduanjin qigong, a form of Chinese exercise with documented health benefits. The project was awarded a grant of approximately \$770,000 by the Hong Kong Government's Innovation and Technology Fund for Better Living.

Mr. Chris Whiteman and Ms. Holly Liu were appointed as Non-Executive Directors to the Company's board of directors. Mr. Whiteman is currently senior advisor to one of Australia's leading energy companies and was formerly with Taylor Collison, Santos Limited, TXU Australia, and Credit Suisse First Boston. Ms. Liu is the co-Founder of the mobile gaming company Kabam, whose assets sold to Netmarble in February 2017 for approximately A\$1 billion.



Mr. Wilhelm Taht was appointed as a strategic advisor to the Company. Mr. Taht is a former executive vice president of Rovio, the developer and publisher of Angry Birds, one of the most influential and successful video games in history.

Post the quarter, the Company signed an MOU with HTC Corporation, a global leader in the innovation and design of smartphones, connected devices, and virtual reality, to develop opportunities for collaboration. The first outcome is an agreement with HTC and Dapper Labs, a subsidiary of Axiom Zen, to distribute *CryptoKitties* on mobile. This agreement grants HTC a limited, non-transferable right and license to publish, distribute, commercialise and promote *CryptoKitties* on HTC phones, including HTC's U12+ flagship mobile device.

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About Animoca Brands

Animoca Brands (ASX: AB1) publishes and develops a broad portfolio of mobile games and subscription products including games such as *Crazy Kings*, *Crazy Defense Heroes* as well as products based on popular intellectual properties such as Garfield, Thomas & Friends™, Ever After High and Doraemon; in addition, Animoca Brands is the exclusive China distributor of *CryptoKitties*. The Company is based in Hong Kong and Finland. For more information visit 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")

30 June 2018

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	3,595	6,965
1.2 Payments for		
(a) research and development	(261)	(542)
(b) product manufacturing and operating costs	(821)	(1,167)
(c) advertising and marketing	(523)	(1,111)
(d) leased assets	-	-
(e) staff costs	(1,204)	(2,149)
(f) administration and corporate costs	(534)	(1,290)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	7
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)	-	-
1.9 Net cash from / (used in) operating activities	257	714

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(15)	(131)
(b) businesses (see item 10)	(659)	(1,907)
(c) investments	(232)	(709)

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	(2)	(23)
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)	-	-
2.6 Net cash from / (used in) investing activities	(908)	(2,770)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	250	3,502
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	22	(208)
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	272	3,293

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	2,199	688
4.2 Net cash from / (used in) operating activities (item 1.9 above)	257	714
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(908)	(2,770)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	272	3,293

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	596	491
4.6	Cash and cash equivalents at end of quarter	2,417	2,417

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	2,417	2,199
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)	2,417	2,199

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**

51

-

Director fees and Payment in Lieu

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**

50

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Marketing Fee

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	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	(1,184)
9.2 Product manufacturing and operating costs	(583)
9.3 Advertising and marketing	(962)
9.4 Leased assets	-
9.5 Staff costs	(1,094)
9.6 Administration and corporate costs	(645)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(4,468)

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	-
10.2 Place of incorporation or registration	1. Finland 2. USA	-
10.3 Consideration for acquisition or disposal	1. A\$166k 2. A\$752k	-
10.4 Total net assets	1. (A\$556k) 2. (A\$659k)	-
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:  Date: 31 July 2018
Director

Print name: David Kim

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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