

## Appendix 4E Preliminary Final Report

Rule 4.3A

Name of entity:	EMERGE GAMING LIMITED
ABN or equivalent company reference:	31 004 766 376

### 1. Reporting period

Preliminary report for the financial year ended	30 June 2018
Previous corresponding period is the financial year ended	30 June 2017

### 2. Results for announcement to the market

				\$'000
Revenues from ordinary activities ( <i>item 2.1</i> )	Up	18%	to	16
Profit from ordinary activities after tax attributable to members ( <i>item 2.2</i> )	Down	1,025%	to	(6,471)

Net profit for the period attributable to members ( <i>item 2.3</i> )	Down	1,025%	to	(6,471)
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Dividends ( <i>item 2.4</i> )	Amount per security	Franked amount per security
Interim dividend	Nil	Nil
Final dividend	Nil	Nil
Record date for determining entitlements to the dividend ( <i>item 2.5</i> )	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood (*item 2.6*): Refer to item 12.

### 3. Statement of profit or loss and other comprehensive income

Refer to attached unaudited Preliminary Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018.

### 4. Statement of financial position

Refer to attached unaudited Preliminary Consolidated Statement of Financial Position as at 30 June 2018.

### 5. Statement of Cash flows

Refer to attached unaudited Preliminary Consolidated Statement of Cash flows for the year ended 30 June 2018.

### 6. Statement of changes in equity

Refer to attached unaudited Preliminary Consolidated Statement of Cash flows for the year ended 30 June 2018.

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## 7. Dividends

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2018	N/A	N/A
Final dividend – year ended 30 June 2018	N/A	N/A

## Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
<b>Total dividend:</b> Current year	N/A	N/A	N/A
Previous year	N/A	N/A	N/A

## Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities <i>(each class separately)</i>	N/A	N/A
Preference securities <i>(each class separately)</i>	N/A	N/A
Other equity instruments <i>(each class separately)</i>	N/A	N/A
<b>Total</b>	N/A	N/A

## 8. Details of dividend or distribution reinvestment plans in operation are described below:

N/A	
The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	N/A

## 9. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.005	\$0.003

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## 10. Details of entities over which control has been gained or lost during the period:

### Control gained over entities

Name of entities ( <i>item 10.1</i> )	Gaming Battle Ground Pty Ltd (GBG)
Date(s) of gain of control ( <i>item 10.2</i> )	16 April 2018
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period ( <i>item 10.3</i> )	In FY2017, GBG posted a loss of \$9,932.

### Loss of control of entities

Name of entities ( <i>item 10.4</i> )	Tantalum International Pty Ltd (TIPL)
Date(s) of loss of control ( <i>item 10.5</i> )	16 April 2018
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost ( <i>item 10.6</i> ).	TIPL was a dormant entity in the current period. TIPL was spun out of the Company as part of the Emerge Gaming Public Offer.
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period ( <i>item 10.7</i> )	TIPL was a dormant entity in FY2017 posting a loss of \$249.

## 11. Details of associates and joint venture entities

Name of associate or joint venture entity ( <i>item 11.1</i> )	% Securities held ( <i>item 11.2</i> )
N/A	N/A

### Aggregate share of profits (losses) of associates and joint venture entities (*item 11.3*)

	2018 \$	2017 \$
<b>Group's share of associates' and joint venture entities':</b>		
Profit (loss) from ordinary activities before tax	N/A	N/A
Income tax on ordinary activities		
<b>Net profit (loss) from ordinary activities after tax</b>	N/A	N/A
Adjustments		
<b>Share of net profit (loss) of associates and JV entities</b>	N/A	N/A

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## 12. Significant information relating to the entity's financial performance and financial position.

### *Overview*

Emerge Gaming Limited (ASX: EM1) ("**Emerge**" or the "**Company**"), a leading provider of enhanced eSports capabilities, commenced trading on the ASX on 18 April 2018 following completion of a heavily oversubscribed public offer of AUD\$5 million.

Since listing, **Emerge** has focused on:

- Developing and operating the eSports tournament platform and lifestyle hub "**Arcade X**";
- Progressing an agreement with MTN Group Ltd, Africa's biggest mobile network operator by sales - initially targeting MTN's 31 million South Africa subscribers;
- Developing its Arcade X technology to integrate into MTN Group's network ready for rollout;
- Partnered with Detonator Media Group, a leading media and marketing agency to drive corporate sponsorship opportunities;
- Executed first revenue generative tournament services agreement on Arcade X with the leading pizza fast-food brand in Southern Africa, Debonairs Pizza;
- Memorandum of Understanding signed with a subsidiary of eMedia Holdings Limited to license and revenue share the Arcade X technology.

### *Revenue*

In 2018 financial year, the Company total revenue was \$16,345 (FY2017: \$13,791). Post year end, the Company banked ~\$100,000 from corporate online tournament services.

### *Explanation of Loss*

The Company's loss for the year of \$6,455,507 (2017: loss of \$573,493) is largely attributable to an accounting impairment loss of \$5,437,823. This one-off, non-cash expense is recognised as a result of the ASX listing transaction. Management will routinely review its assets for impairment and should the Arcade X platform prove to be very successful, this impairment will be reversed.

During the period, the Company also expended funds on research and development with respect to the Arcade X platform.

### *Cash Position*

Cash at the end of the year 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.

## *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.

**13. The financial information provided in the Appendix 4E is based on the preliminary financial report (attached), which has been prepared in accordance with Australian accounting standards.**

**14. Commentary on the results for the period.**

Refer to explanation item 12.

**15. Information on Audit.**

This Appendix 4E and Preliminary Final Report is based on financial statements which are in the process of being audited.

**16. Audit Opinion.**

This report is based on accounts that are in the process of being audited, and are unlikely to be subject to dispute or qualification.

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Continuing Operations</b>			
Finance revenue	2	16,345	13,791
<b>Total income - continuing operations</b>		<b>16,345</b>	<b>13,791</b>
Administration		(198,468)	(61,233)
Consulting	3(a)	(215,843)	(27,610)
Depreciation and amortisation		(2,210)	(9,708)
Employee benefits expense	3(b)	(288,072)	(221,228)
Finance costs		(10,000)	(1,039)
Foreign exchange gain/(losses)		300	-
Impairment	3(c)	(5,449,862)	-
Research and development		(136,790)	-
Marketing		(45,958)	-
Professional expenses	3(d)	(124,949)	(119,648)
Project evaluation expenses		-	(146,818)
<b>Total Expenses</b>		<b>(6,471,852)</b>	<b>(587,284)</b>
<b>Loss before income tax</b>		<b>(6,455,507)</b>	<b>(573,493)</b>
Income tax expense		-	-
<b>Loss after income tax for the year</b>		<b>(6,455,507)</b>	<b>(573,493)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(6,455,507)</b>	<b>(573,493)</b>
Loss attributable to owners of the Company		(6,455,507)	(573,493)
<b>Total comprehensive loss attributable to owners of the Company</b>		<b>(6,455,507)</b>	<b>(573,493)</b>
Loss per share for the year attributable to the members of Emerge Gaming Limited (cents per share)		(2.47)	(0.26)

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## Consolidated Statement of Financial Position As at 30 June 2018

	Notes	2018 \$	2017 \$
<b>Current Assets</b>			
Cash and cash equivalents	5	3,606,158	440,528
Trade and other receivables		123,809	16,963
Other assets		-	3,882
<b>Total Current Assets</b>		<b>3,729,967</b>	<b>461,373</b>
<b>Non-current Assets</b>			
Property, plant and equipment		-	19,371
Intangible assets	4(b)	898,443	-
<b>Total Non-current Assets</b>		<b>898,443</b>	<b>19,371</b>
<b>Total Assets</b>		<b>4,628,410</b>	<b>480,744</b>
<b>Current Liabilities</b>			
Trade and other payables		658,297	146,561
Provisions		-	5,935
Borrowings		50,000	-
<b>Total Current Liabilities</b>		<b>708,297</b>	<b>152,496</b>
<b>Total Liabilities</b>		<b>708,297</b>	<b>152,496</b>
<b>Net Assets</b>		<b>3,920,113</b>	<b>328,248</b>
<b>Equity</b>			
Issued capital	6	58,880,614	51,584,487
Reserves		1,921,667	534,662
Accumulated losses		(56,882,168)	(51,790,901)
<b>Total equity</b>		<b>3,920,113</b>	<b>328,248</b>

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## Consolidated Statement of Changes in Equity As at 30 June 2018

	Attributable to Owners of the Company			
	Issued Capital	Accumulated Losses	Option Reserve	Total Equity
Notes	\$	\$	\$	\$
<b>Balance at 30 June 2016</b>	<b>51,584,487</b>	<b>(51,217,408)</b>	<b>534,662</b>	<b>901,741</b>
Loss for the year	-	(573,493)	-	(573,493)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(573,493)</b>	<b>-</b>	<b>(573,493)</b>
<b>Transactions with owners in their capacity as owners</b>				
Contribution of equity, net of transaction costs	-	-	-	-
<b>Balance at 30 June 2017</b>	<b>51,584,487</b>	<b>(51,790,901)</b>	<b>534,662</b>	<b>328,248</b>
Loss for the year	-	(6,455,507)	-	(6,455,507)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(6,455,507)</b>	<b>-</b>	<b>(6,455,507)</b>
<b>Transactions with owners in their capacity as owners</b>				
Contribution of equity, net of transaction costs	6 8,125,705	-	-	8,125,705
Transfer of expired options value	-	534,662	(534,662)	-
In-specie distribution of TIPL shares	(829,578)	829,578	-	-
Recognition of share-based payments	-	-	1,921,667	1,921,667
<b>Balance at 30 June 2018</b>	<b>58,880,614</b>	<b>(56,882,168)</b>	<b>1,921,667</b>	<b>3,920,113</b>

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## Consolidated Statement of Cash Flows As at 30 June 2018

	2018	2017
Notes	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees	(1,413,676)	(535,469)
Interest received / (paid)	900	13,791
Finance costs	-	(1,039)
Net cash used in operating activities	7 (1,412,776)	(522,717)
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	17,161	-
Purchase of subsidiary, net cash acquired	4(b) 5,157	-
Net cash used in investing activities	22,318	-
<b>Cash flows from financing activities</b>		
Proceeds from issue of fully paid shares	5,250,000	-
Payment of transaction costs	(744,212)	-
Proceeds from borrowing	50,000	-
Net cash provided by financing activities	4,555,788	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	3,165,330	(522,717)
Cash and cash equivalents at the beginning of the year	440,528	963,245
Effects of exchange rate changes	300	-
Cash and cash equivalents at the end of the year	5 3,606,158	440,528

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## NOTE 1: BASIS OF PREPARATION OF THE FINAL REPORT

### BASIS OF PREPARATION

This preliminary final report for the year ended 30 June 2018 relates to the consolidated entity consisting of Emerge Gaming Limited ("Emerge" or "the Group") and its controlled entities.

The preliminary final report has been prepared on an accruals basis and a historical cost basis except for certain current and non-current assets and financial instruments which are measured at fair value or where otherwise stated. Cost is based on the fair value of consideration given in exchange for assets.

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial report of the year ended 30 June 2018 and any public announcements made by Emerge during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The amounts contained in this preliminary final report are presented in Australian dollars, the functional currency of the consolidated entity.

### STATEMENT OF COMPLIANCE

The preliminary final report is a general-purpose financial report and has been prepared in accordance with applicable Australian Accounting Standards, other pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The preliminary final report is also in compliance with ASX listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. Australian Accounting Standards include Australian equivalents of International Reporting Standards ("AIFRS").

### NOTE 2 : REVENUE

	2018	2017
	\$	\$
<b>Finance revenue</b>		
Interest received	16,345	13,791
<b>Total finance revenue</b>	<b>16,345</b>	<b>13,791</b>

### NOTE 3 : EXPENSES

	2018	2017
	\$	\$
<b>(a) Consulting</b>		
Company secretarial	(120,750)	-
General consultancy	(95,093)	(27,610)
<b>Total Consulting expenses</b>	<b>(215,843)</b>	<b>(27,610)</b>
<b>(b) Employee benefits expense</b>		
Payroll cost	(288,072)	(221,228)
<b>Total Employee benefits expense</b>	<b>(288,072)</b>	<b>(221,228)</b>
<b>(c) Impairment expenses</b>		
Impairment of goodwill from acquisition of Gaming Battle Ground Pty Ltd (Note 4(b))	(5,437,823)	-
Other impairment expenses	(12,039)	-
<b>Total Impairment expenses</b>	<b>(5,449,862)</b>	<b>-</b>

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## NOTE 3 : EXPENSES (continued)

### (d) Professional expenses

Audit fees	(29,500)	(21,500)
Legal fees	(49,967)	(89,908)
Tax and accounting fess	(45,482)	(8,240)
<b>Total professional expenses</b>	<b>(124,949)</b>	<b>(119,648)</b>

## NOTE 4 : ACQUISITION OF GAMING BATTLE GROUND PTY LTD

On 16 April 2018, the Group has completed an acquisition of 100% issued capital and voting rights in Gaming Battle Ground Pty Ltd ("GBG").

### (a) Acquisition Consideration

The consideration for the acquisition comprised the issue to Gaming Battle Ground's shareholders of:

- 184.5 million fully paid ordinary shares and options to GBG shareholders
- 100 million performance shares to GBG shareholders
- 16.5 million fully paid ordinary shares and options to corporate advisor and directors

Under the principles of AASB 3, the assets and liabilities of GBG are measured at fair value on the date of acquisition.

### (b) Goodwill

Goodwill is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of GBG. Details of the transaction are as follows:

	<b>Fair Value</b>
	<b>\$</b>
<b>Consideration</b>	
184.5 million fully paid ordinary shares and options to GBG shareholders	3,690,000
184.5 million options to GBG shareholders	1,808,916
100 million performance shares to GBG shareholders	-
<b>Total consideration</b>	<b>5,498,916</b>
Fair value of assets and liabilities held at acquisition date:	
Cash	5,157
Trade and other receivables	47,247
Trade and other payables	(724,754)
Loans	(165,000)
Fair value of identifiable assets and liabilities assumed	<u>(837,350)</u>
Goodwill	6,336,266
Less impairment of goodwill <sup>1</sup>	<u>(5,437,823)</u>
<b>Intangible assets</b>	<b>898,443</b>

<sup>1</sup> Management conducted an impairment assessment of the intangible assets resulting from the acquisition of Gaming Battle Ground Pty Ltd. Based on impairment indicators and relevant information such as the Company's market capitalisation, the above impairment expense was recognised. Management will conduct impairment assessments of intangible assets on a regular basis.

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## NOTE 5 : CASH AND CASH EQUIVALENTS

	2018	2017
	\$	\$
<b>Cash and cash equivalents</b>		
Cash at bank and in hand	3,606,158	440,528
<b>Total cash and cash equivalents</b>	<b>3,606,158</b>	<b>440,528</b>

## NOTE 6 : ISSUED CAPITAL

	2018		2017	
	Number of shares	\$	Number of shares	\$
Fully paid ordinary shares	587,593,577	58,880,614	223,368,146	51,584,487

	Number of shares	\$
<b>2018</b>		
<b>FULLY PAID ORDINARY SHARES</b>		
Balance at 1 July 2017	223,368,146	51,584,487
Issue of shares to raise capital	22,500,000	250,000
Consolidation of shares	(109,274,569)	
Issue of shares under Emerge Gaming Limited Public Offer	250,000,000	5,000,000
Issue of shares to the vendors of Gaming Battle Ground Pty Ltd	184,500,000	3,690,000
Issue of shares in return for service – corporate advisors	11,500,000	230,000
Issue of shares in return for service – Director related entities	5,000,000	100,000
In-specie distribution of TIPL shares	-	(829,578)
Capital raising costs	-	(1,144,295)
Balance at 30 June 2018	587,593,577	58,880,614

	Number of shares	\$
<b>2017</b>		
<b>FULLY PAID ORDINARY SHARES</b>		
Balance at 1 July 2016	223,368,146	51,584,487
Balance at 30 June 2017	223,368,146	51,584,487

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one (1) vote, and upon a poll each share is entitled to one (1) vote, in proportion to the number of and amounts paid on the shares held.

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**NOTE 7 : RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Operating loss after income tax	(6,455,507)	(573,493)
<b>NON CASH ITEMS</b>		
Depreciation and amortisation	2,210	9,708
Impairment	5,449,862	-
(Increase)/decrease in trade and other receivables	(106,846)	(6,830)
(Increase)/decrease in other assets	(6,334,056)	(3,882)
(Decrease)/increase in provisions	5,431,888	-
(Decrease)/increase in trade and other payables	599,673	51,780
<b>Net cash used in operating activities</b>	<b>(1,412,776)</b>	<b>(522,717)</b>

**NOTE 8 : SEGMENT REPORTING**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors. During the year the Company only operated in one segment and that was the development of the Arcade X online gaming platform.

**NOTE 9 : CONTINGENCIES**

There were no contingencies as at 30 June 2018.

**NOTE 10 : SUBSEQUENT EVENTS**

There were no matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2018.

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