

26 October 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 September 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

- **EPLAY and ELeague (white labelled Arcade X Mobi and Arcade X eSports platforms) launched with JSE-listed eMedia Holdings and showing strong user metrics**
- **Successful integration of airtime billing model gives Arcade X platform seamless ability to connect and bill millions of users across South Africa and six other African countries**
- **First revenue generative tournament conducted with major corporate Debonairs Pizza on the Arcade X gaming platform achieves high engagement**
- **Over half a million games played on Arcade X platforms since first campaign in early June 2018**
- **Anticipating revenue growth as the platform user base grows in emerging markets**

### First Tournament Services – Debonairs Pizza Arcade X campaign

In the June quarter, the Company announced a partnership with Detonator Media Group (“**Detonator**”) in South Africa (ASX: on 3 May 2018) and from this, 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 include: the 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 and these funds were banked during the current September quarter.

The first Debonairs campaign was launched in South Africa (ASX: 6 June 2018) and 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.

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# EMERGE GAMING

ASX:EM1 | ABN 31 004 766 376

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.

## **EPLAY and ELEAGUE Revenue share launch with eMedia Holdings Limited**

Emerge entered into a Memorandum of Understanding (**MOU**) with AfricaMob (Pty) Ltd ("**AfricaMob**") (ASX: 4 June 2018). 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 white labelled and rebranded Arcade X platforms.

AfricaMob is a subsidiary of South African 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.

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.

EPLAY, the the white label of Arcade X Mobi was launched on 1 August 2018. The Company reported strong engagement statistics for EPLAY (incorporating the first Arcade X Debonair's campaign) with 60,000 users joining prior to the commencement of significant marketing efforts.

ELeague, the white label of Arcade X eSports was launched in late August 2018. ELeague achieved an average 30 minutes user engagement time with a 3% bounce rate over the first 30 days from its launch. An average engagement time of 30 minutes represents a significant opportunity for brands to deliver their messaging to a captive audience. As brands will be paying a per impression rate in-platform, the engagement time represents a strong revenue opportunity for Emerge.

These results far exceeded expectations with strong engagement demonstrated in the initial userbase.

## **Launch with MTN Group**

Emerge continues to work with MTN Group on a launch of Arcade X Mobi to MTN Group's 31 million South African subscribers under the content distribution agreement signed on 6 February 2018 and will update the market as these efforts advance.

## **Company Financial Overview**

Cash at the end of the quarter was \$2.9M.

During the period, the Company settled its one-off pre-listing obligations to employees and suppliers during the period in the amount of ~\$180,000.

The Company is targeting a cash outflow 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. In this regard, the Company's cash outflow was ~\$176,000 in the current quarter as extra development work was required for the platform launches during the period.

The Company anticipates that revenue will build in future quarters as the platform's userbase builds.

## **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"). 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

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other claims) of TIL's 50% interest in the Abu Dabbab Tantalum-Tin-Feldspar project, located in southern Egypt. The Company retains an interest in a financial award that may arise out of the legal claim.

As reported on 12 March 2018, the Company and TIL have entered into an Arbitration Funding Agreement with a Guernsey-based subsidiary of the Calunius Litigation Risk Funds (the Funder), under which the Funder committed to fund the costs of the legal claims against the Arab Republic of Egypt (Egypt). The arbitration is being conducted through the International Centre for the Settlement of Investment Disputes (ICSID). The current stage of the ICSID arbitral process is the constitution of the arbitral tribunal panel. The Company will keep shareholders informed in due course.

The Company sought a Class Ruling from the Australian Tax Office (ATO) to confirm the taxation implications for Shareholders in respect of the availability of demerger tax relief under Division 125 of the Income Tax Assessment Act (Demerger Relief). Initial indications from the ATO were negative with respect to obtaining this relief and the Company does not intend to pursue the Class Ruling further. Shareholders should seek their own tax advice with respect to their individual circumstances.

## Strategy and outlook

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.

Emerge is executing well on rolling out its innovative revenue model. The Company has already banked its first revenues from corporate sponsored tournament services.

With the AfricaMob agreement, via Airtime Billing Integration partnerships, Emerge will be able to bill customers on subscription across all carriers in South Africa and six other African countries - Ghana, Kenya, Namibia, Nigeria, Zambia and Zimbabwe. 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 of the Arcade X platform builds, the Company will look to introduce advertising features to the Arcade X portal covering off on the third revenue stream source.

## For further information:

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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](http://www.emergegaming.com.au) and view the Arcade X platform at [www.ArcadeX.co](http://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 SEPTEMBER 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	103	103
1.2 Payments for		
(a) research and development	(241)	(241)
(b) product manufacturing and operating costs	(44)	(44)
(c) advertising and marketing	(113)	(113)
(d) leased assets	-	-
(e) staff costs	(108)	(108)
(f) administration and corporate costs	(38)	(38)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	16	16
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>(425)</b>	<b>(425)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(5)	(5)
(b) businesses (see item 10)	-	-
(c) investments	-	-

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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>
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(5)</b>	<b>(5)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares	-	-
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	(37)	(37)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(50)	(50)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material) *	(180)	(180)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(267)</b>	<b>(267)</b>

\* 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: payments to employees and consultants of GBG PL of ~\$180k for preceding 12 months to March 2018.

<b>4.</b>	<b>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	3,606	3,606
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(425)	(425)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5)	(5)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(267)	(267)

<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	-	-
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>2,909</b>	<b>2,909</b>

<b>5. 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	909	1,106
5.2 Call deposits	2,000	2,500
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>2,909</b>	<b>3,606</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**

55

-

Directors' fees and salaries paid to the executive director and the non-executive directors. All payments are on normal commercial terms.

**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**

357

-

Accounting and bookkeeping fees paid to a director related entity of ~\$38,000, IT development and maintenance services paid to a director related entity of ~\$154,000, technical consultancy and corporate advisory fees of ~\$165,000 related to the period prior to relisting paid to director related entities (reflected in item 3.9).

**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
8.1	-	-
8.2	-	-
8.3	-	-

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

9.1 Research and development

100

9.2 Product manufacturing and operating costs

100

9.3 Advertising and marketing

70

9.4 Leased assets

-

9.5 Staff costs

130

9.6 Administration and corporate costs

100

9.7 Other (provide details if material)

-

**9.8 Total estimated cash outflows****500****10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)****Acquisitions****Disposals**

10.1 Name of entity

-

-

10.2 Place of incorporation or registration

-

-

10.3 Consideration for acquisition or disposal

-

-

10.4 Total net assets

-

-

10.5 Nature of business

-

-

**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: 26 October 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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