23 July 2019

ASX Market Announcements
ASX Limited
Level 4, Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam,

Animoca Brands Corporation Limited (ASX Code: AB1) refers to certain shares that were issued on 25 January 2019 and 16 April 2019 under LR 7.1A.

The following is additional information is provided pursuant to LR 7.1A3.

25 January 2019

The Company, among other securities, issued 33,394,930 fully paid ordinary shares at $0.098 per share under its placement capacity under Listing Rule 7.1A.

The Company provides the following information as required under ASX Listing Rule 3.10.5A in respect of the shares issued under the Company's 10% Placement Capacity under Listing Rule 7.1A:

a) The dilutive effect of the LR 7.1A Placement Shares is described below.

	Percentage
Dilution as a result of issue under LR 7.1A of 33,394,930 shares	4.64%

b) The 33,394,930 shares issued under Listing Rule 7.1A were issued to a sophisticated and professional investor rather than a pro rata or other issue, as the Directors considered this placement to be in the best interest of the Company.

c) There were no underwriting arrangements entered into.

d) There were no placement fees paid.

16 April 2019

The Company provides the following information as required under ASX Listing Rule 3.10.5A in respect of the 14,353,202 shares at $0.0959 per share issued under the Company's 10% Placement Capacity under Listing Rule 7.1A:

a) The dilutive effect of the LR 7.1A Placement Shares is described below.

	Percentage
Dilution as a result of issue under LR 7.1A of 14,353,202 shares	1.86%

b) The 14,353,202 shares issued under Listing Rule 7.1A were issued to the vendors of TicBits as earn-out and bonus payments in accordance with a share purchase agreement between the Company and the vendors of TicBits Limited. Directors considered this issue as a contractual obligation and in the best interest of the Company.

c) There were no underwriting arrangements entered into.

d) There were no placement fees paid.

e) Supporting the valuation of the non-cash consideration is an attached Valuation Report prepared by management and the Board in accordance with LR 7.1A3.

Yours sincerely

Julian Rocket
Company Secretary
Animoca Brands Corporation Limited

Valuation Report

1.0 Overview and background

1.1 The Company advised the market (*see* ASX Announcement, date 4 July 2016) that it had acquired all the shares on issue in TicBits for:

1.1.1 an upfront cash payment of Euros 2,350,000 (A$3,500,000) to the shareholders of TicBits at the date of acquisition; and

1.1.2 deferred consideration of Euros 1,000,000 (A$1,500,000) payable within 14 days of the release by the Company of its 2018 annual report in either cash or shares with the shares valued at 30-day VWAP for the 30 consecutive days of trading 2 days prior to the release of the annual report for the financial year ended 31 December 2018 (the 29 March 2019).

1.2 The deferred consideration comprised Earn-out Payments (*see* ASX Announcement, dated 4 July 2016):

1.2.1 equal to Euros 330,000 if the net income of TicBits is no less than Euros 600,000 for the financial year ended 31 December 2016;

1.2.2 equal to Euros 330,000 if the net income of TicBits is no less than Euros 700,000 for the financial year ended 31 December 2017;

1.2.3 equal to Euros 340,000 if the net income of TicBits is no less than Euros 800,000 for the financial year ended 31 December 2018; and

1.2.4 if the net income achieved in any financial year ended December 2016, 2017 and 2018 is no less than Euros 3,000,000 a payment of Euros 500,000 in addition to the amounts set out in paragraphs 1.2.1 to 1.2.3.

1.3 The agreement also provided capacity for any shortfall in net income performance in the financial years ended 31 December 2016 and 2017 set out in paragraphs 1.2.1 and 1.2.2 to be carried forward to the financial year ended 31 December 2018 and if the net income for the financial year ended 31 December 2018 exceeded the aggregate of the shortfall for the financial years 31 December 2016 and 2017 and the net income for the financial year 31 December 2018, the shareholders of TicBits at the date of acquisition would be entitled to the Earn-Out Payment for the shortfall financial years as well as the financial year ended 31 December 2018.

1.4 No Earn-Out Payment would be payable if TicBits failed to achieve the net income target and the shortfall if net income for the financial years 31 December 2016 and 2017 were not achieved and the shareholders of TicBits at the date of acquisition ceased to be employees of TicBits at any time prior to 31 December 2018. The success of *Crazy Kings* (see ASX Announcements, dated 15 February 2018, on its success following its first-month launch) resulted in the Company paying an adjusted Earn-Out Payment for the financial year ended 31 December 2018.

The adjusted Earn-Out Payment incorporated a revised net income calculation as the sale of a large part of the TicBits games portfolio in the previous year (see ASX Announcement, dated 28 August 2017) reduced both the threshold for net income and the absolute value of the Earn-out Payment.

1.5 The Earn-out Payments were payable within 14-days of the later of;

1.5.1 the Company and the shareholders of TicBits at the date of acquisition agreeing on the net income for each financial year as set out in the Earn-Out Statement;

1.5.2 the date the annual report for the Company was released to the ASX for the financial year ended 31 December 2018.

1.6 If the Company elected to extinguish the Earn-Out Payment by way of the issue of fully paid ordinary shares in the Company, the number of shares to be issued to the shareholders of TicBits would be determined by the 30-day VWAP for the 30 consecutive days of trading 2 days prior to the release of the annual report for the financial year ended 31 December 2018 (the 29 March 2019).

1.7 Under Australian Securities exchange (ASX) Listing Rule 7.1A3 where equity securities are issued for non-cash consideration (ie., the acquisition of an asset), the eligible entity must provide for release to the market a valuation of the non-cash consideration that demonstrates that the issue price of the securities complies with the above-mentioned Listing Rule.

1.8 Listing Rule 7.1A3 requires that an eligible entity must demonstrate that the deemed issue price of the securities issued in consideration for the acquisition of the asset is no lower than 75% of the volume-weighted average share price (“VWAP”) of the securities over the 15 days during which trades in the securities were recorded immediately before the securities are issued.

2.0 <u>Internal assessment</u>

2.1 The Company believes its management and board of directors are appropriately skilled to confirm that the deemed issue price for the 14,353,202 fully paid shares or alternatively A$1,376,472 with the deemed share price of 9.59 cents per share.

Messrs Yat Siu and Robby Yung have worked extensively in digital industries. Mr Yat Siu has over 20 years’ experience in digital industries (and specifically the gaming industry) and Mr Robby Yung has over 22 years’ experience in digital industries (including 7 years in the gaming industry).

Mr Chris Whiteman has over 20 years’ experience in commercial management, investment and finance, including investment bank. Mr Whiteman has a Bachelor of Economics from the University of Adelaide, a graduate diploma in Applied Finance and Investment from FINSIA, and Chartered Financial Analyst Level I qualification from the CFA Institute.

2.2 ASX Listing Rule 7.1A3 provides for a valuation by either an independent expert or by directors of the Company, provided that in the case of a valuation by the directors that the directors have appropriate expertise to value the relevant kind of non-cash consideration.

3.0 Valuation

3.1 Based on studies undertaken by Clairfield International Limited (*see* Gaming Trends – facts, figures and trends, January 2018), a study which assessed gaming industry merger and acquisitions in Europe at the time of the acquisition of TicBits Oy the median acquisition multiplies were 3.6 times revenue of the target and 11.9 times pre-tax cash flows.

3.2 Using the revenue multiples for similar transactions, TicBits would at that time be valued at between Euros 3,598,200 and 3,709,300 (based 2015 revenue and therefore, excluding any growth potential).

3.3 The non-cash consideration represented part of the consideration paid for the acquisition of TicBits Oy. The Company paid a cash consideration of A$3,614,960 on completion of the transaction and cash consideration on 1 October 2017 of Euros 200,000 and a further cash consideration on 12 April 2019 of Euros 469,000 to extinguish all its obligations. (The Australian dollar equivalent of the Euro amounts set out above was A$1,041,567.)

3.4 In economic terms, the Company secured 100% of TicBits for Euros 3,890,000 or alternatively A$6,032,989 with the non-cash consideration representing 23% of the cost of acquisition.

Table 3.2
Acquisition Costs (in Economic terms)

	Euros	**A$**
Transaction completion payment	2,350,000	3,614,960
Earn-Out Payments 12 April 2019 (cash settlement)	340,000	537,311
	2,690.000	4,152,271
Milestone Payments 12 April 2019 (cash settlement) 16 April 2019 (share settlement)	129,000 871,000	203,856 1,376,472
	3,690,000	5,732,599
Variation of arrangements 1 October 2017 (cash settlement)	200,000	300,390
	3,890,000	6,032,989

The Earn-Out Payments and Milestone Payments of Euros 340,000 and Euros 1,000,000 set out in the above table and totalling A$2,117,639 were extinguished by the non-cash consideration of A$1,376,472 referred to in Paragraph 2.1 and a cash consideration of A$741,167 comprising $537,311 and $203,856.

3.5 Under AASB 3 *Business combinations*, the Company recorded A$3,614,960 as the fair value at the date of acquisition with the difference between the economic outlays over time and the fair value at acquisition as charges to the statement of comprehensive income. The Company considered the Earn-Out Payments and Milestone Payments, at the date of acquisition uncertain, and accordingly, classified these amounts as contingent liabilities.

3.6 The board of directors accrued in each financial year following the date of acquisition an amount expected to be paid on the expiry date for Earn-out Payments and Milestone Payments.

3.7 The transaction was completed on 4 July 2016 with the Company obligated to make cash and/or non-cash consideration for Earn-out Payment sand Milestone Payments as set out in Paragraph 1 above no later than 14 days after the release of the annual report for the financial year ended 31 December 2018 (or alternatively, 2¾ years after the completion of the transaction). The non-cash consideration satisfied by way of the issue of shares on 16 April 2019 represented 65% of the amount due to the shareholders of TicBits as at balance date 31 December 2018 and recorded in the accounts for the financial year ended on that date

3.8 As stated in paragraph 1, the VWAP applied to the calculation of the number of shares issued to the shareholders of TicBits was the VWAP of 9.59 cents per share. This VWAP represented the 30-day VWAP for the 30 consecutive days of trading 2 days prior to the release of the annual report for the financial year ended 31 December 2018 (the 29 March 2019). If the VWAP presented in the Appendix 3B had had exactly represented the 15-day VWAP for the 15 consecutive days of trading 2 days prior to the release of the annual report for the financial year ended 31 December 2018, the VWAP would have 9.83 cents per share and 75% of the VWAP 7.37 cents per share.

3.9 The Appendix 3B stated the VWAP for the 15 consecutive days immediately prior to the release of the Appendix 3B, which was 12.12 cents per share and 75% of the VWAP was 9.09 cents per share. The VWAP used for the issue of the shares 5.5% above the minimum VWAP set out in Listing rule 7.1A3.

3.10 The number of shares issued under the appendix 3B to the shareholders of TicBits represented 1.8% of the total number of shares on issue immediately after the issue of the 14,353,202 fully paid shares which clearly demonstrates the market impact of the issue of the shares was minimal. Moreover, the cumulative trading volume over the 15-day period immediately prior to the issue of the Append 3B was 9.3% of the total number of shares on issue, demonstrating liquidity.

4.0 Conclusion

4.1 The board of directors believed that the Company has compiled with the conditions set out in ASX Listing Rules in relation to the issue of shares.

4.2 This valuation paper is in accordance with those regulatory guidelines for an expert opinion.