

Appendix 4D

28 February 2021

Half-year reporting period ending 31 December 2020

The following information is provided to ASX under listing rule 4.2A.3.

1. Reporting period

Current Period: 6 months ended 31 December 2020

Prior Period: 6 months ended 31 December 2019

2. Results for announcement to the market

	Item	31 December 2020 \$	31 December 2019 \$	Change %
Revenue from ordinary activities	2.1	1,364,748	\$nil	100%
Profit/(Loss) after tax attributable to members	2.2	495,091	(\$802,942)	162%
Net Profit/(Loss) attributable to members	2.3	495,091	(\$802,942)	162%
Dividend	2.4	Emerge Limited did not declare a dividend during the current reporting or corresponding previous reporting period.		
The record date for determining entitlements to the dividend	2.5	Not applicable		
Explanatory information	2.6			

Overview

For the Half Year Ended 31 December 2020, Emerge Gaming Limited (“Emerge” or the ‘Company’) was focused on the commercialisation of its eSports Social Tournament Platform and lifestyle.

Emerge embarked on its global annuitized scalable monetisation model and strategy that saw it’s owned and self-developed Social Gaming Tournament Platform being launched under the MTN Arena and MIGGSTER brands in line with Emerge’s planned B2B2C and B2C global roll-out strategies.

The first half of the 2021 financial year saw Emerge deliver strong operational and financial performance with the highlights being: -

- MTN Arena Social Gaming Tournament Platform went live in July 2020 in South Africa
- Emerge and MTN commenced MTN Arena Marketing Campaign in August 2020
- MTN Arena registered ~95,000 new subscribers on the platform by December 2020
- Emerge entered into an agreement to launch it’s Social Gaming Tournament Platform under the MIGGSTER brand in September 2020
- MIGGSTER was launched in November 2020 and achieved 50,000 paying subscribers within one month
- Emerge banked AUD\$8.4M in cash receipts from customers
- Subscribers in over 160 countries signed up to MIGGSTER with ~76% of these opting for annual subscriptions
- Emerge was first in the southern hemisphere to demonstrate the Game Cloud Streaming Platform on MTN’s newly launched 5G network in South Africa in July 2020
- Emerge became a Microsoft ISV Partner in September 2020 to support the Game Cloud Streaming Platform distribution
- Emerge continues to develop it’s Game Cloud Streaming Product planning the launch of its Game Cloud Streaming Product with the view of launching in 2021

B2B2C Strategy - Overview

Central to Emerge’s B2B2C Strategy is to partner with global Mobile Network Operators (“MNOs”) to distribute and marketing it’s Social Gaming Tournament Platform internationally.

Emerge’s Social Gaming Tournament Platform is a competition and tournament platform with a social element, which allows casual gamers to enter competitions, win prizes and earn points whilst engaging in their favourite casual mobile and desktop games. Tournaments include daily, weekly, weekend and monthly competitions with opportunities for gamers to enjoy mobile gaming whilst winning prizes and money. The competition element and prize content are the cornerstones of the ‘entertainment’ factor being content that encourages re-engagement and longer lifetime values of subscribing gamers.

Content provider agreements are standard MNO industry commercial engagements. Emerge’s seeks to negotiate terms of agreement in line with industry and country specific norms while partnering with MNO’s that seek to offering distribution and marketing support for our product.

In line with this strategy, Emerge launched its Social Gaming Tournament technology under the MTN Arena brand with MTN South Africa in July 2020.

MTN is a South Africa-based multinational MNO listed on the Johannesburg Stock Exchange with a market capitalisation of ~AUD\$8.4 billion with ~19,000 employees. As a leading emerging market mobile operator, MTN servers 250 million+ subscribers in 22 countries across Africa and the Middle East, making it the 9th largest MNO globally and the largest MNO in Africa. MTN has access to broad-scale distribution via mobile devices and this is aligned to Emerge’s planned strategy for growth.

MTN is promoted through a series of targeted digital campaigns across multiple digital channels and bulk SMSs to promote MTN Arena targeting potential subscribers across its 29 million mobile subscribers in South Africa. In addition MTN Arena continues to be marketed by MTN funded paid media campaigns dedicated to driving user adoption of the platform. The success of the MTN funded campaigns is demonstrated by the strong new subscriber adoption.

After launching MTN Arena in early July 2020, the half year saw the acceleration of marketing efforts with promotions of tournaments, competitions and prizes through key messaging, video and other digital content in the distribution channels. From launch to the end of this half year ~95,000 new subscribers have subscribed to MTN Arena and have agreed to pay the daily fee; and have an active subscription.

MTN Arena's ability to attract this significant level of interest demonstrates the platform's strong value proposition and offering as an appealing consumer product and. The 6 months product performance lays the foundation for an international global roll out in partnership with MNO's.

Emerge's is in discussions with MNO's and Microsoft to partner for the planned launch of the Game Cloud Streaming Product in 2021.

B2C Strategy - Overview

In the B2C Strategy Emurge seeks to launch it's own product direct to consumer whilst engaging the services of marketing and distribution specialists. In this strategy Emurge seeks. as a priority, marketing and distribution services providers and partners that deliver a Cost per Acquisition ("CPA") of subscribers that is fixed and transfers the risk of any loss from marketing campaigns to it's service provider and partners.

Emurge launched the MIGGSTER Social Gaming Tournament Platform on the 14 November 2020 following 3 months of development to incorporate new features, upgrade and integrate new games content, develop tournament plans, ideate prize content, re-design the front end in line with the MIGGSTER brand and integrate the platform into multiple global payment providers.

Emurge achieved early success reaching 50,000 paying subscribers to the MIGGSTER platform within one month of the platform's launch date. An encouraging statistic is that 76% of MIGGSTER subscriptions sold are annual subscriptions.

Emurge has signed up, and received payment for, subscriptions in more than 160 countries for the platform. MIGGSTER platform metrics are very encouraging and demonstrate strong subscriber engagement.

Emurge is seeking to partner with other marketing and distribution partners to promote the MIGGSTER platform through additional marketing channels, leveraging the established international billing infrastructure and service offering.

Game Cloud Streaming – Product Development Overview

In the eSports and gaming markets, services that stream high quality immersive games have been slow to commercialise being previously hampered by restrictions of bandwidth resulting in connection latency challenges and expensive hardware solutions. Today, most games are downloaded to a device—a smartphone, gaming console, or PC, by gamers.

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Cloud gaming moves content execution off the consumer's device and into the cloud. Similar to how video streaming services deliver content (Netflix, Showmax, YouTube, Twitch, etc.), the game is streamed to the player's device via content delivery networks (CDNs) with regional points of presence near densely populated cities. In addition to streaming the game's video, the gamers commands to control the gameplay are rapidly sent back to the Cloud. Essentially the "Console" is in the cloud.

Emerge's Game Cloud Streaming Product will offer an all-in-one gaming and entertainment platform for mobile smart devices and smart TV's including cloud gaming, live streaming, video, comics, esports and ecommerce. Offering download free cloud-based multiplayer AAA games with graphic interface overlays ("on screen soft buttons as a controller") seamlessly to mobile devices is a key differentiator of the technology.

Emerge is the first in the southern hemisphere to demonstrate GameCloud AAA game streaming technology on a 5G network, showcasing the technology alongside MTN's launch of its 5G network (ASX: 1 July 2020). This demonstration seamlessly streamed AAA games over a 5G network to a mobile device. Cloud gaming is poised to do to gaming what video-on-demand has done to TV; a complete game-changer delivered via 5G and fibre.

During the Quarter, Emerge began working closely with potential partners to establish a scalable, variable-cost infrastructure solution to deliver AAA game streaming to mobile devices using the Game Cloud technology, concentrating on the areas of software, hardware, technology, distribution and games content production.

Emerge views the 5G introduction as a revolution in ultra-reliable, high-speed, low-latency, power-efficient, high-density wireless connectivity. Globally, the rapid deployment of 5G and fibre will provide billions of people with unprecedented access to high bandwidth connectivity at an increasingly affordable cost.

Emerge has partnered with Microsoft as an Independent Service Vendor ("ISV") to drive the development of its Game Cloud Streaming Product giving rapid scalable access to hardware in 61 countries, with 5 more African & Middle Eastern countries launching soon (ASX: 21 September 2020).

As a Microsoft ISV Partner, Emerge designed and successfully tested a unique scalable hardware infrastructure solution that seamlessly operates its game cloud streaming technology solution on the Azure servers integrating the Azure PlayFab software. Emerge is leveraging Microsoft's new edge zone computing capabilities to efficiently stream high quality immersive gaming experiences to mobile devices, smart TVs and PCs, with no downloads required.

By partnering with Microsoft, Emerge eliminates the need for significant upfront investment into expensive server and GPU infrastructure required for streaming immersive high quality games and content. Microsoft will offer its infrastructure solution on a pay-as-you-use basis, meaning Emerge and its distribution partners can offer commercially feasible game cloud streaming services to the end user accelerating business development by overcoming the major infrastructure entry barrier in the industry.

Emerge's new generation Game Cloud Streaming Technology delivered with Microsoft, combined with 5G and fibre, will unlock the full capabilities of hardware free next-generation services such as virtual and augmented reality, ultra-high-definition game and video streaming, to mobile devices and smart TVs.

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Revenue

Increase in overall revenue from ordinary activities (\$1,364,748) when compared to the prior period (2019: \$nil) mainly as a result the success launch of the MIGGSTER product under Emerge's planned B2C strategy.

Outlook

B2B2C Strategy – Outlook

The MTN Arena Platform continues to acquire new registered subscribers on a daily basis to grow its active billable subscribers and generates revenue daily.

A pillar of the Company's go-to-market strategy is to continue the expansion of its B2B2C commercial model in which it partners with MNOs like MTN, to deliver to the consumer the Social Gaming Tournament Platform technology as a branded product, like MTN Arena. The Company's strategy is to enter into partnerships in which MNOs provide product marketing support and offer mobile subscription billing integration services. Emerge is in discussions with other multinational MNOs to expand the reach of its Social Gaming Tournament Platform.

This significant global trend in monetising eSports and Gaming content is to charge gamers through their MNOs. The negotiation, integration, testing and setup of payment gateways with MNOs globally is a corporate sales cycle and is traditionally slower than a normal sale directly to the consumer. Once integrated into multiple global MNOs, a distribution and payment gateway network is established through which gaming content can be provided directly to gamers and charged through their mobile devices.

Emerge is engaging in opportunities for international partnerships with MNOs which deliver strong brand establishment, provide access to vast numbers of mobile subscribers, deliver gaming content that compliments competition and tournament structures and that have in-country marketing support.

B2C Strategy - Outlook

The MIGGSTER Social Gaming Platform achieved 100,000 paying subscribers soon after the end of the half year and continues to grow its subscriber numbers. MIGGSTER platform metrics continue to be very encouraging and demonstrate strong subscriber engagement.

Launching into 160 countries provides Emerge with international reach and is the foundation for future growth of the MIGGSTER platform.

A strategy of B2C is to build an international eSports and gaming community of critical mass and reach with the long term view of delivering entertaining eSports and gaming content to its customers.

Product Development - Outlook

In line with Emerge's premium content to mobile strategy it seeks eSports and gaming technology through partnership or acquisition.

Emerge is planning the launch of a Game Cloud Streaming Platform in 2021.

3. Net tangible assets per security

	31 December 2020	31 December 2019
Net tangible asset per share (cents per share)	0.66 cents	0.35 cents

4. Details of entities over which control has been gained or lost during the period

There were no entities over which control has been gained or lost during the period.

5. Details of individual and total dividends or distributions and dividends or distribution payments

Not applicable.

6. Details of any dividend or distribution reinvestment plans in operation and the last date for the receipt of an election notice for participation in any dividend or distribution reinvestment plan

Not applicable.

7. Details of associates and joint venture entities including the name of the associate or joint venture entity and details of the reporting entity's percentage holding in each of these entities

Not applicable.

8. For foreign entities, which set of accounting standards is used in compiling the report

The Company is not a foreign entity.

9. For all entities, if the accounts contain an independent audit report or review that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.

The 31 December 2020 Half-Year report is based upon accounts that were reviewed by the Company's auditor are not subject to a modified opinion.

ASX release authorised by the Board of Directors of Emerge Gaming Limited.

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EMERGE GAMING LIMITED

and its Controlled Entity

ABN 31 004 766 376

Financial Report

**For the Half-Year Ended
31 December 2020**

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EMERGE GAMING LIMITED
and its Controlled Entities
CORPORATE DIRECTORY

Emerge Gaming Limited (ABN 31 004 766 376)

Directors

Mr Gregory Stevens – CEO, Executive Director
Mr Umberto (Bert) Mondello - Non-Executive Chairman
Mr Philip Re - Non-Executive Director
Mr Jonathan Hart - Non-Executive Director
Mr Firdhose Coovadia - Non-Executive Director
Mr Robert Hersov - Non-Executive Director

Company Secretary

Mr Derek Hall

Registered Office

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Leederville WA 6007

Principal Place of Business

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Website: www.emergegaming.com.au

Securities Exchange Listing

Australian Securities Exchange (ASX)
ASX Code: EM1
EM10

Share Registry

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PERTH WA 6000
Phone: +61 8 9324 2099
Email: hello@automic.com.au

Auditor

Criterion Audit Pty Ltd
PO Box 233
Leederville WA 6902

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

EMERGE GAMING LIMITED
and its Controlled Entities
DIRECTORS' REPORT

The Directors of Emerge Gaming Limited ("Emerge" or "the Company") and its controlled entity ("the Group") present the Financial Report for the half-year ended 31 December 2020.

DIRECTORS

The names of the Company's Directors who held office during or since the end of the half-year:

- Mr Gregory Stevens (CEO, Executive Director)
- Mr Umberto (Bert) Mondello (Non-executive Chairman)
- Mr Philip Re (Non-executive Director)
- Mr Jonathan Hart (Non-executive Director)
- Mr Firdhose Coovadia (Non-executive Director)
- Mr Robert Hersov (Non-executive Director) – appointed 8 February 2021

REVIEW OF OPERATIONS

The consolidated operating profit after tax for the half-year was \$495,091 (2019 \$802,942 loss). During the period, the Company launched two eSports Social Tournament Platform and lifestyle platforms:

- **MTN Arena** for multinational telco company MTN as their sole competition gaming platform in South Africa
- **MIGGSTER** for Influence Crowd Technologies to their affiliate and marketing network

As a result of these launches, the Company was able to report impressive results by any measure:

- \$8M in cash receipts from platform users
- \$12M cash at bank at the end of the period
- \$495k maiden half year profit
- \$1.4M in platform revenue with another \$10.5M to be recognised over the next year
- ~180,000 subscribers to its platforms in over 160 countries across the world

Due to its share price, the Company anticipates that it will collect a further \$6M in option exercises before the end of April 2021. This extra funding will be helpful to the Company as it executes its overall objectives and strategy:

- Innovation: ensuring the current platforms' feature set is constantly evolving and engaging
- Cloud gaming: bring this new, exciting platform which moves content execution off the consumer's device and into the cloud, to market; and
- Opening new channels: having built out and effectively scaled the business model for marketing affiliate networks with ICT, Emerge will look to engage with the hundreds of other marketing networks globally and build higher margin customer channels

Subsequent to period end, the Board was bolstered by the addition of Leading Entrepreneur and Investor Mr Robert Hersov. Robert brings a wealth of contacts and experience to Emerge and is an amazing endorsement of results achieved to date.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No matters or circumstances have arisen since the 31 December 2020 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3 for the half-year ended 31 December 2020.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.



Greg Stevens
CEO

Dated this 28th day of February 2021.

Criterion Audit Pty Ltd

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LEEDERVILLE WA 6007

Phone: 9466 9009

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Emerge Gaming Limited and its controlled entity for the half year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

Criterion Audit Pty Ltd

CRITERION AUDIT PTY LTD
Chartered Accountants

Elizabeth Louwrens

ELIZABETH LOUWRENS CA
Director

DATED at PERTH this 28th day of February 2021



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EMERGE GAMING LIMITED
and its Controlled Entity

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

	Notes	31 Dec 20 \$	31 Dec 19 \$
Continuing Operations			
Revenue	3	1,364,748	-
Cost of Goods sold		(780,264)	-
Gross profit		584,484	-
Other Income	4	1,290,434	18,524
Operating expenses		(43,016)	(23,633)
Foreign exchange gain/(losses)		(1,423)	22
Administration expenses		(310,742)	(81,580)
Consulting expenses		(119,125)	(140,527)
Depreciation and amortisation		(975)	(1,092)
Employee benefits expense		(228,441)	(243,875)
Finance costs		(949)	(8)
Impairment of other financial assets		-	(121,400)
Research and development		(321,592)	(141,000)
Marketing expenses		(94,107)	(5,748)
Professional expenses		(115,067)	(20,125)
Public Relations		(135,946)	-
Share based payment expense	6	(8,444)	(42,500)
Total Expenses		(89,393)	(821,466)
Profit/(Loss) before income tax		495,091	(802,942)
Income tax expense		-	-
Profit/(Loss) after income tax for the year		495,091	(802,942)
Items that may be reclassified subsequently to Profit or loss			
Other comprehensive income, net of income tax		(2,209)	-
Total comprehensive profit/ (loss) for the year		492,882	-
Profit/ (Loss) attributable to:			
Members of the parent		492,882	(802,942)
Non-controlling interest		-	-
		492,882	(802,942)
Total comprehensive income/(loss) attributable to:			
Members of the parent		492,882	(802,942)
Non-controlling interest		-	-
		492,882	(802,942)
Earnings per share			
Basic profit/ (loss) per share attributable to the ordinary equity holders of the Company (cents per share)		0.07	(0.12)
Diluted profit/ (loss) per share attributable to the ordinary equity holders of the Company (cents per share)		0.05	(0.12)

The accompanying notes form part of this Consolidated Statement of Profit or Loss and Other Comprehensive Income.

EMERGE GAMING LIMITED
and its Controlled Entity

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	31 Dec 20 \$	30 Jun 20 \$
Current Assets			
Cash and cash equivalents		12,345,982	1,991,671
Trade and other receivables		4,694,612	46,362
Contract asset		6,991,297	-
Total Current Assets		24,031,891	2,038,033
Non-current Assets			
Property, plant and equipment		5,546	2,936
Intangible Assets		151,114	-
Total Non-current Assets		156,660	2,936
Total Assets		24,188,551	2,040,969
Current Liabilities			
Trade and other payables		8,077,633	256,668
Contract liability		10,571,070	-
Total Current Liabilities		18,648,703	256,668
Total Liabilities		18,648,703	256,668
Net Assets		5,539,848	1,784,301
Equity			
Issued capital	5	65,365,140	60,695,153
Reserves	6	798,103	2,207,634
Accumulated losses		(60,623,395)	(61,118,486)
Total equity		5,539,848	1,784,301

The accompanying notes form part of this Consolidated Statement of Financial Position.

EMERGE GAMING LIMITED
and its Controlled Entity

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Notes	31 Dec 20 \$	31 Dec 19 \$
Cash flows from operating activities		
Receipts from customers	7,486,255	-
Payments to suppliers and employees	(1,351,952)	(711,185)
Interest received / (paid)	948	13,755
Proceeds on sale	1,089,849	-
Net cash used in operating activities	<u>7,225,100</u>	<u>(697,430)</u>
Cash flows from investing activities		
Purchase of plant and equipment	(3,585)	-
Net cash used in investing activities	<u>(3,585)</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issues of fully paid shares	3,134,219	-
Net cash provided by financing activities	<u>3,134,219</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	10,355,734	(697,430)
Cash and cash equivalents at the beginning of the year	1,991,671	3,181,896
Effects of exchange rate changes	(1,423)	22
Cash and cash equivalents at the end of the year	<u>12,345,982</u>	<u>2,484,488</u>

The accompanying notes form part of this Consolidated Statement of Cash Flows.

EMERGE GAMING LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Issued Capital \$	Accumulated Losses \$	Reserve \$	Revaluation Reserve \$	Total Equity \$
Balance at 1 July 2019	60,672,633	(59,826,765)	2,187,634	-	3,033,502
Loss for the period	-	(802,942)	-	-	(802,942)
Total comprehensive loss for the period		(802,942)			(802,942)
Transactions with owners in their capacity as owners					
Recognition of share-based payments	22,500	-	20,000	-	42,500
Balance at 31 December 2019	60,695,133	(60,629,707)	2,207,634	-	2,273,060
Balance at 1 July 2020	60,695,153	(61,118,486)	2,207,634	-	1,784,301
Profit for the period	-	495,091	-	-	495,091
Other comprehensive (loss) / Income	-	-	-	(2,209)	(2,209)
Total comprehensive loss for the period	-	495,091	-	(2,209)	492,882
Transactions with owners in their capacity as owners					
Issued share capital	3,134,221	-	-	-	3,134,221
Exercise of options	1,535,766	-	(1,535,766)	-	-
Issued option	-	-	120,000	-	120,000
Recognition of share-based payments	-	-	8,444	-	8,444
Balance at 31 December 2020	65,365,140	(60,623,395)	800,312	(2,209)	5,539,848

The accompanying notes form part of this Consolidated Statement of Changes in Equity.

**EMERGE GAMING LIMITED
and its Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

1 BASIS OF PREPARATION

This half-year consolidated financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2020 and any public announcements made by Emerge Gaming Limited and its controlled entity during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Reporting Basis and Conventions

The half-year report has been prepared on an accrual basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Significant Accounting Policies

Revenue Recognition

Revenue from contracts with customers

The Group recognises revenue when it transfers control of a product or service to a customer and the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the group identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date.

**EMERGE GAMING LIMITED
and its Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

Revenue Recognition (continued)

Interest

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Sponsorship, marketing and advertising services revenue

Sponsorship, marketing and advertising services revenue is recognised at a point in time which the services have been provided and where the amount can be reliably estimated and is considered recoverable.

Contract Assets

Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes. The Company recognises the direct costs related to the generation of subscriptions (e.g. commissions) in line with the service period. The Company sells subscriptions to the MIGGSTER platform with monthly, six-monthly and annual terms and costs incurred are aligned with this.

Contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer. Contract liabilities relate to advance consideration received from subscription packages. The Company offers monthly, bi-annual and annual subscription packages to customers. As the subscription is used up on a monthly basis, the Company adjusted the yet to be earned revenue to contract liabilities until the performance obligation is satisfied.

Intangible Assets

Digital Assets – Bitcoins

The Group measures digital assets such as Bitcoins at its fair value less costs to sell in accordance with the revaluation model. Digital assets are indefinite life intangible assets initially recognised at cost, and subsequently measured at fair value by reference to the quoted price in an active market. Increases in the carrying amount of digital assets on revaluation are credited to a revaluation surplus in equity. Decreases that offset previous increases are recognised against the revaluation surplus in equity; all other decreases are recognised in profit and loss. On disposal of digital assets, the cumulative revaluation surplus associated with those assets is transferred directly to retained earnings.

New Standards and Interpretations

In the half-year ended 31 December 2020, management has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2020. It has been determined that, there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to accounting policies. Management has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2020. It has been determined that, there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year. Earnings per share comparatives have been adjusted to reflect the consolidation completed during the half year.

EMERGE GAMING LIMITED
and its Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

2 OPERATING SEGMENT

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 half year the Company only operated in one segment and that was the development of online gaming platform.

3 REVENUES

	31 Dec 20 \$	31 Dec 19 \$
Revenue		
Sales – Miggster	1,296,452	-
Sales – MTN	68,296	-
Total Revenue	1,364,748	-

4 OTHER INCOME

	31 Dec 20 \$	31 Dec 19 \$
Other Income		
Research and development tax credit	198,592	-
Gain on sale of digital currency	1,089,849	-
Interest received	1,993	18,524
Total Other Income	1,290,434	18,524

5 ISSUED CAPITAL

(a) Issued and paid up capital

	31 Dec 20 \$	30 Jun 20 \$
Ordinary shares fully paid	65,365,140	60,695,153

(b) Movements in shares on issue

	6 months to 31 December 2020		Year to 30 June 2020	
	No.	\$	No.	\$
<i>Movements in ordinary shares on issue</i>				
Opening balance	657,095,552	60,695,153	655,594,532	60,672,633
Issue of shares in return for service – consultants and advisors	-	-	1,500,000	22,500
Issue of shares in return on exercise of options	156,710,854	4,669,987	1,020	20
Closing Balance	813,806,406	65,365,140	657,095,552	60,695,153

EMERGE GAMING LIMITED
and its Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

6 RESERVES

(a) Reserves

	31 Dec 20	30 Jun 20
	\$	\$
Options & Share based payments reserves	800,312	2,207,634
Digital currency revaluation surplus	149,663	-
Foreign currency translation reserve	(151,872)	-
Total Reserves	798,103	2,207,634

(b) Movements

	31 Dec 20	30 Jun 20
	\$	\$
Opening balance	2,207,634	2,187,634
Issue of options in return for service – corporate advisors (i)	120,000	20,000
Issue of performance rights (ii)	8,444	-
Exercise of options	(1,535,766)	-
Revaluation Reserve	(2,209)	-
Total Reserves	798,103	2,207,634

(i) During the period, 15,000,000 options were granted to pay for Corporate advisory and investor relation services. This expense was recognised at a price of \$0.008 as at grant date.

(ii) During the period, the Company issued 27,261,905 performance rights to directors with the following terms:

Tranche 1 performance rights :

7,500,000 performance rights each converting into shares on a one for one basis will vest on the date that the Company's 14 day volume weighted average share price is equal to or exceeds a market capitalisation of AUD\$135,000,000 subject to the relevant person being a director at this time.

Tranche 2 performance rights:

7,500,000 performance rights each converting into shares on a one for one basis will vest on the date that the Company's 14 day volume weighted average share price is equal to or exceeds a market capitalisation of AUD\$150,000,000 subject to the relevant person being a director at this time.

Tranche 3 performance rights:

7,500,000 performance rights each converting into shares on a one for one basis will vest on the date that the Company's 14 day volume weighted average share price is equal to or exceeds a market capitalisation of AUD\$165,000,000 subject to the relevant person being a director at this time.

Tranche 4 performance rights:

The number of Tranche 4 performance rights is equal to \$100,000 divided by the volume weighted average price of the Company shares traded on ASX immediately preceding 14 days prior to the Company achieving \$1,200,000 in platform revenue excluding any grants issued by any government body.

Tranche 5 performance rights:

The number of Tranche 5 performance rights is equal to \$150,000 divided by the volume weighted average price of the Company shares traded on ASX immediately preceding 14 days prior to the Company achieving \$5,000,000 in platform revenue excluding any grants issued by any government body.

**EMERGE GAMING LIMITED
and its Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020**

6 RESERVES (CONTINUED)

Tranche 6 performance rights:

The number of Tranche 6 performance rights is equal to \$250,000 divided by the volume weighted average price of the Company shares traded on ASX immediately preceding 14 days prior to the Company achieving \$10,000,000 in platform revenue excluding any grants issued by any government body.

Assuming a share price of \$0.105 (closing share price on 28 October 2020) when Tranche 4, Tranche 5 and Tranche 6 milestone is reached, a total number of 4,761,905 Performance Rights will be issued.

All Tranches of Performance Rights have an expiry date of 3 years from the date of issue.

7 COMMITMENTS AND CONTINGENCIES

Lease expenditure commitments

The Company's office lease is contracted on a month-to-month basis i.e. no set contract term and has no significant make-good or other obligations

Bank guarantee

There are no bank guarantees of the Group as at Balance Date.

Capital Commitments

The Group did not have any capital commitments as at Balance Date.

Contingent Liability

There were no contingencies as at 31 December 2020.

8 FINANCIAL INSTRUMENTS

At 31 December 2020, the carry value of all financial assets and liabilities is considered to approximate their fair values. The held for trading assets are recognised at fair value and have been classified as level 1 financial assets based on quoted prices in active markets.

9 SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

The directors of Emerge Gaming Limited declare that:

1. In the directors' opinion, the financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements and give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
2. In the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors dated this 28th day of February 2021.



BERT MONDELLO
Chairman

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Independent Auditor's Review Report

To the Members of Emerge Gaming Limited

Conclusion

We have reviewed the half-year financial report of Emerge Gaming Limited ("the Company") and Controlled Entity ("the Group"), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Emerge Gaming Limited and its Controlled Entity does not comply with the *Corporations Act 2001* including:

- a. Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Responsibility of the Directors for the Half-Year Financial Report

The Directors are responsible for the preparation of the half-year financial report that gives us a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Criterion Audit Pty Ltd

CRITERION AUDIT PTY LTD

ELIZABETH LOUWRENS

ELIZABETH LOUWRENS CA
Director

DATED at PERTH this 28th day of February 2021

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