Mighty Kingdom Limited (ASX: MKL) ABN: 39 627 145 260

ASX APPENDIX 4E

Year Ended 30 June 2022

CONTENTS

Company Details

Name of entity:	Mighty Kingdom Limited ("Mighty Kingdom" or "the Company")
ABN:	39 627 145 260
Reporting period:	For the year ended 30 June 2022 ("FY22")
Previous period	For the year ended 30 June 2021 ("FY21")

Results for announcement to the market

				$'000
Revenue from ordinary activities	up	49%	to	4,897
Loss from ordinary activities after tax attributable to the owners of Mighty Kingdom Limited	up	51%	to	(10,862)
Loss for the year attributable to the owners of Mighty Kingdom Limited	up	51%	to	(10,862)

Dividends (distributions)	**Amount per share**	**Franked amount per share**
Final Dividend Interim Dividend	Nil ¢	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢
Record date for determining entitlements to the dividends	N/A	N/A

Highlights

- 49% increase in revenue to $4.897m over the previous corresponding year, represented a 39% Compound annual growth rate ("CAGR") since FY20.
- 26% increase in game downloads to 17 million as of 30 June 2022 across six in market games developed by Mighty Kingdom.
- Work for hire agreement with Google LLC.
- Partnership with Lion Studio for ongoing project.
- Multi Game agreement signed with East Side Games Group (ESGG).
- Global release of Mighty Kingdom's first console title Conan Chop Chop.
- Acquired licence for Australian film 'Carnifex' to develop game.
- Contract Extension with Mattel and Spin Master through to FY23.

Net tangible assets

	June 2022	**June 2021**
Net tangible assets per ordinary security	2.90 ¢	7.85 ¢

The net tangible asset per ordinary security is calculated based on 182,345,189 ordinary shares on issue at 30 June 2022 and 151,682,493 shares in existence at 30 June 2021.

Review and results of operations

Capital raise
On 23 December 2021, the Company issued 22,752,373 fully paid ordinary shares at an issue price of $0.145 per share to professional and sophisticated investors under the first tranche of an institutional placement.

On 7 February 2022, the Company issued 2,737,909 fully paid ordinary shares at an issue price of $0.145 per share under the share purchase plan.

On 9 May 2022, the Company issued 5,172,414 fully paid ordinary shares at an issue price of $0.145 per share to Michelle Guthrie under the second tranche of the placement approved at an Extraordinary General Meeting.

Foster Stockbroking Pty Limited acted as Lead Manager to the Capital Raise.

Review of results
The Company and its controlled entities (the "Group") present its preliminary results for FY22. The results reflect the Group's continuing capital investment in building scalable technologies and operational capability and expenditure associated with developing a strong pipeline of games to be brought to market in FY23.

During FY22, the Group reported a 49% increase in game revenue to $4,896,569 (FY21: $3,278,029) and continued year on year total income growth of 33% to $8,123,652, including a $1.5m increase from the R&D tax incentive. This reflected the Group's continuing investment in IP development, technology innovation while maintaining the quality of Work for Hire contracts. By winning multiple development contracts with new partners and existing partners, Mighty Kingdom was able to prove the effectiveness of its business strategy and the efficiency of the Group's production team.

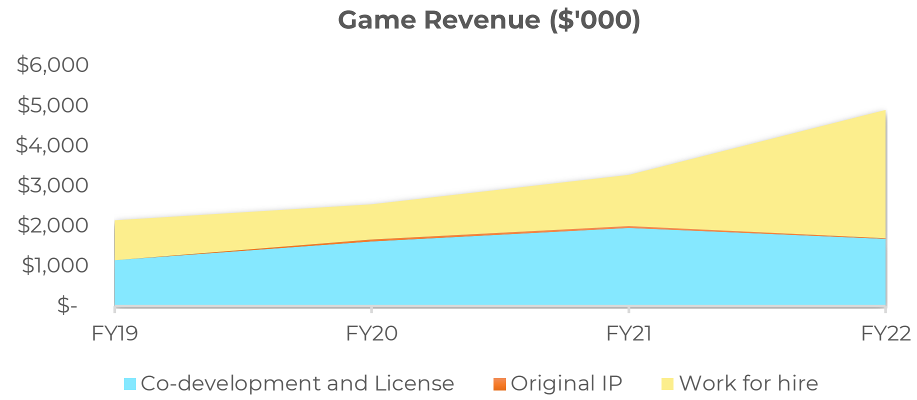
The Company presented its normalised loss after tax as below:

	2022 $'000	2021 $'000
Revenue from ordinary activities	4,897	3,278
Loss after income tax	(10,862)	(7,146)
Addback of non-recurring items		
NetSuite Implementation	80	-
Costs associated with IPO Capital raising	-	178
Finance costs on convertible notes	-	117
Share-based payment with issuance of options	-	1,524
Normalised loss after income tax (Non statutory disclosure)	**(10,782)**	**(5,327)**

Game Revenue ($)
4.9M
2021: 3.3M (+49%)

Total Income ($)
8.1M
2021: 6.1M (+33%)

Mighty Kingdom reported strong YoY revenue growth during the reporting period and achieved a historical revenue quarter in Q4 FY22 with a 72% increase over the previous corresponding year. Since the third quarter of the year, the Company has secured several contract extensions with existing partners as well as significant partnerships with new clients, such as Google LLC and Lion Studio for ongoing Work for Hire development agreements. The new partnerships have largely boosted the revenue from Work for Hire contract since Q3 FY22. As the graph below shows, Work for Hire revenue generated 65% of the total revenue in FY22 and more than doubled to $3.2m from $1.3m in FY21. 34% of the annual total revenue was from Co-development and licensed projects, a 14% decline from previous year to $1.7m in FY22.



Forward strategy and outlook

After close analysis and review, Mighty Kingdom began to recapitalise and restructure in Q4 FY22, with an immediate focus on increasing utilisation, maximising revenues and reducing cash burn to deliver cash-flow break even from Q3 FY23. Restructuring included changes to the Board and the appointment of the Company's first Chief Technology Officer.

Mighty Kingdom is refocusing its resources and expertise towards Work for Hire projects, which will deliver a sustainable revenue stream in a streamlined and commercial fashion. The Company's pipeline of Original IP remains in a strong position to secure deals, with several titles currently the subject of partnership discussions with global publishers.

In FY23, the Company in conjunction with its partners will release new games while also continuing to enhance products already in the market.

Audit of accounts

This report is based on the Consolidated Financial Statements and Notes of Mighty Kingdom Limited which are in the process of being audited by Grant Thornton Audit Pty Ltd.

Other information requiring disclosure to comply with ASX listing rule 4.3A is contained in and should be read in conjunction with the Financial Statements, the notes to the Financial Statements and the Directors' Report for the year ended 30 June 2022 attached to this report.

This release is approved by the Board of Mighty Kingdom Limited.

Signed on behalf of the Board of Mighty Kingdom Limited

Michelle Guthrie
Chair
31 August 2022

MIGHTY KINGDOM LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $	2021 $
Revenue	3	4,896,569	3,278,029
Other income	4	3,227,083	2,847,605
Employee benefits expenses	5	(14,501,823)	(8,930,751)
Share-based payment expenses		-	(1,523,864)
Product development support service fees		(1,231,039)	(1,079,538)
Selling costs		(106,525)	(119,856)
Capital raising and IPO expenses		-	(178,260)
Administrative expenses		(1,665,462)	(719,157)
Professional and consultancy fees		(241,256)	(420,975)
Depreciation and amortisation		(609,138)	(204,045)
Other expenses		(74,545)	(35,712)
Loss from operations		**(10,306,136)**	**(7,086,524)**
Finance expenses		(74,485)	(171,074)
Finance income		6,524	52,468
Loss before income tax		**(10,374,097)**	**(7,205,130)**
Income tax (expense) / benefit	6	(487,891)	59,529
Loss after income tax		**(10,861,988)**	**(7,145,601)**
Other comprehensive income / (loss) for the year, net of income tax		-	-
Total comprehensive loss for the year		**(10,861,988)**	**(7,145,601)**
Loss per share - basic and diluted	17	**(0.07)**	**(0.10)**

This statement should be read in conjunction with the notes to the financial statements.

MIGHTY KINGDOM LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Notes	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	**7**	3,754,467	13,553,042
Trade and other receivables	**8**	3,244,561	1,485,875
Prepayments		590,641	372,513
Contract assets	**13**	994,101	516,481
Other current assets		376,860	316,677
Total current assets		8,960,630	16,244,588
Non-current assets			
Deferred tax asset		146,972	567,672
Property, plant and equipment	**9**	840,335	345,822
Right-of-use assets	**10**	631,160	1,315,850
Total non-current assets		1,618,467	2,229,344
Total assets		**10,579,097**	**18,473,932**
Liabilities			
Current liabilities			
Trade and other payables	**12**	2,350,127	2,191,245
Contract liabilities	**13**	165,387	5,275
Provision for income tax		-	144,637
Employee benefits	**14**	1,296,483	1,379,137
Loans and borrowings	**15**	-	53,664
Lease liabilities	**10**	459,700	348,391
Total current liabilities		4,271,697	4,122,349
Non-current liabilities			
Trade and other payables	**12**	626,539	1,269,564
Employee benefits	**14**	161,937	99,172
Deferred tax liabilities		-	-
Loans and borrowings	**15**	-	58,304
Lease liabilities	**10**	233,537	1,021,687
Total non-current liabilities		1,022,013	2,448,727
Total liabilities		**5,293,710**	**6,571,076**
Net assets		**5,285,387**	**11,902,856**
Equity			
Share capital	**16**	28,462,886	24,218,367
Share-based payment reserves	**19**	1,523,864	1,523,864
Retained losses		(24,701,363)	(13,839,375)
Total equity		**5,285,387**	**11,902,856**

This statement should be read in conjunction with the notes to the financial statements.

MIGHTY KINGDOM LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Share capital $	Share-based payment reserve $	Retained losses $	Total $
Balance at 30 June 2020	**3,501,000**	**-**	**(6,693,774)**	**(3,192,774)**
Loss for the year	-	-	(7,145,601)	(7,145,601)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(7,145,601)**	**(7,145,601)**
Transactions with owners in their capacity as owners:				
Proceeds from issue of ordinary shares - IPO	18,000,000	-	-	18,000,000
Shares issued to IPO brokers and corporate advisors	892,249	-	-	892,249
IPO costs	(1,907,513)	-	-	(1,907,514)
Share-based payments (Note 19)	-	1,523,864	-	1,523,864
Conversion of convertible notes net of transaction costs	3,732,631	-	-	3,732,631
Balance at 30 June 2021	**24,218,367**	**1,523,864**	**(13,839,375)**	**11,902,856**
Loss for the year	-	-	(10,861,988)	(10,861,988)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**(10,861,988)**	**(10,861,988)**
Transactions with owners in their capacity as owners:				
Proceeds from issue of ordinary shares	4,446,094	-	-	4,446,094
Transaction costs, net of tax	(201,575)	-	-	(201,575)
Balance at 30 June 2022	**28,462,886**	**1,523,864**	**(24,701,363)**	**5,285,387**

This statement should be read in conjunction with the notes to the financial statements.

MIGHTY KINGDOM LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2022 $	2021 $
Operating activities			
Receipts from customers		4,917,402	3,105,666
Payments to suppliers and employees		(19,109,117)	(11,321,234)
Research and development incentive		1,072,328	560,937
Other government grant income		321,641	1,532,215
Other income		242,302	10,673
Interest received		6,524	52,468
Interest paid		(16,754)	(11,062)
Tax paid		(144,637)	-
Net cash (used in) operating activities	**21**	**(12,710,402)**	**(6,070,337)**
Investing activities			
Purchase of property, plant and equipment		(716,562)	(214,088)
Net cash (used in) investing activities	**9**	**(716,562)**	**(214,088)**
Financing activities			
Proceeds from issue of convertible notes		-	4,000,000
Transaction costs related to issuance of convertible notes		-	(384,210)
Proceeds from issue of shares		4,446,094	18,000,000
Transaction costs related to the shares issued		(268,765)	(1,371,979)
Loan repayment made during the year		(111,968)	(241,265)
Principal elements of lease payments		(436,972)	(121,327)
Net cash provided by financing activities		**3,628,389**	**19,881,219**
Net change in cash and cash equivalents held		**(9,798,575)**	**13,596,794**
Cash and cash equivalents at beginning of the year		13,553,042	(43,752)
Cash and cash equivalents at end of year	**7 (a)**	**3,754,467**	**13,553,042**

This statement should be read in conjunction with the notes to the financial statements.

MIGHTY KINGDOM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1 General Information

Mighty Kingdom Limited is a company limited by shares that is incorporated and domiciled in Australia.

The Group's principal activities are developing a broad portfolio of video games for console, PC and mobile platforms. Mobile games and apps developed and/or published by the Group are made available for customers on different App's stores, including Apple's App Store, Google's Google Play and Valve's Steam Store. In addition to receiving fees for development work from clients, The Group monetizes its games and apps through In-App purchases and advertising offered to the consumers within games and apps for smartphones and tablets.

2.1 Summary of significant accounting policies

(a) Basis of preparation of the financial report

The financial report includes the unaudited consolidated financial statements and notes of Mighty Kingdom Limited and Controlled Entities (Consolidated Group or Group).

These financial statements are consolidated financial statements that have been prepared in accordance with Australian Accounting Standards. Mighty Kingdom Limited is a for-profit entity for the purpose of preparing the financial statements. The Group's financial statements have been prepared on an accruals basis and under the historical cost conventions.

(b) Basis of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Mighty Kingdom Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 11.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit and loss and other comprehensive income.

Consolidated financial statement presentation
The consolidation financial statements (post combination) incorporate the acquired entity's results as if both entities (acquirer and acquire) had always been combined with incorporate the acquired entity's results as if both entities (acquirer and acquire) had always been combined for the year and the comparative financial year.

(c) Income tax
The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income). Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority. Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss. Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the entity in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled, and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists, and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Tax consolidation

Mighty Kingdom Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Mighty Kingdom Limited and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Mighty Kingdom Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Mighty Kingdom Limited for any current tax payable assumed and are compensated by Mighty Kingdom Limited or any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Mighty Kingdom Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements. The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(e) Fair value of assets and liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e., unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(f) Property, plant and equipment
Each class of property, plant and equipment is carried at cost or fair value, as indicated, less, where applicable, any accumulated depreciation and impairment losses.

(i) Plant and equipment
Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 2.1(i) for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

(ii) Depreciation
The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Asset category	Useful life	Depreciation rate
Office equipment	5 Years	20%
Motor Vehicle	4 Years	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(g) Lease
At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:
- fixed lease payments less any lease incentives;

- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Subsequently, the lease liability is measured by a reduction to the carrying amount of any payments made and an increase to reflect any interest on the lease liability.

The right-of-use assets is an initial measurement of the corresponding lease liability less any incentives and initial direct costs. Subsequently, the measurement is the cost less accumulated depreciation (and impairment if applicable). Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates exercising a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

(h) Financial instruments

(i) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is the date that the Group commits itself to either the purchase or sale of the asset (i.e., trade date accounting is adopted). Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15. A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(ii) Classification and subsequent measurement

Financial liabilities

Financial instruments are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Financial assets
Financial assets are subsequently measured at:
- amortised cost.

Measurement is on the basis of two primary criteria:
- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:
- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Derecognition
Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities
A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets
A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All of the following criteria need to be satisfied for derecognition of financial asset:
- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Group no longer controls the asset (i.e. the Group has no practical ability to make a unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(i) Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on:
- financial assets that are measured at amortised cost; or
- contract assets.

(j) Impairment of non-financial assets
At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or joint ventures deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use to the

asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually of intangible assets with indefinite lives.

(k) Employee benefits

Short-term employee benefits

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage assumptions for other long term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense in the periods in which the changes occur.

The Company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown as borrowings in current liabilities on the statement of financial position.

(n) Revenue

Revenue arises mainly from the development of the interactive entertainment software products, online game services, online advertising services, and licensing services. The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services.

Revenue is recognised by applying a five-step model as follows:

1. Identifying the contract with customer.
2. Identifying the performance obligation.
3. Determining the transaction price.
4. Allocating the transaction price to the performance obligation.
5. Recognising revenue when / as performance(s) obligations are met.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at point in time or over time. When (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group reports revenue on a gross or net basis depending on whether the Group is acting as a principal or an agent in a transaction. The Group is a principal if it controls the specified product or service before that product or service is transferred to a customer or it has a right to direct others to provide the product or service to the customer on the Group's behalf. Indicators that the Group is a principal include but not limited to whether the Group (i) is the primary obligor in the arrangement; (ii) has latitude in establishing the selling price; (iii) has discretion in supplier selection; (iv) changes the product or performs part of the service, and (v) has involvement in the determination of product or service specifications.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than passage of time required before the consideration is due.

(i) Work for hire revenue

Work for hire contract is assessed separately using the five-step method above, with the fair value of revenue allocated against the performance obligations in the contract. Variable consideration is considered for each contract and constraint is applied where appropriate. A custom-built game does not have any alternative use with provides us an enforceable right to payments. The works in these game development projects are usually constant or nearly constant throughout the lifetime of a project. Revenue related to development is recognised in accordance with an input method and the straight-line method.

(ii) Co-development revenue

The Group shares the development costs with game publishers and other game developers in Co-development projects. Co-development revenue is contracted revenue. In the contract, the estimated transaction price for the performance obligation includes both fixed ("development revenue") and variable revenue (such as "royalties") and recognised over the term of each contract.

(iii) Original IP revenue

Original IP is concepts and IP originated and owned by the Group. The Group may transfer certain rights to such IP, originated by the Group, to the client for a finite period or in perpetuity, typically earning a combination of fixed consideration in the form of development revenue and variable consideration such as royalties or similar income. Both development revenue and variable revenue are reassessed at each reporting date (with changes in the estimate recognised in the income statement) and recognised over the term of each contract.

Where the Group fully funds the development of its Original-IP and retains legal title to such IP, it will earn game revenues or similar income. The Group may, at times, license such IP to clients with a view to maximising game revenues. The license revenue is recognised on a straight-line method over the license period.

(iv) License revenue
License revenue is revenue that is generated from obtaining a license from licensor with a right to access the client's intellectual property, and includes revenue generated from In-app purchase, advertising or other monetisation methods. The license revenue is recognised over the term of each monetisation process.

(o) Other income

(i) Other income
Other income is recognised when it is received or when the right to receive payment is established.

(ii) Government grant income
Government grants, including non-monetary grants at fair value, are only recognised when there is reasonable assurance that:
- all conditions attaching to the Government grant will be complied with;
- the value of the grant can be determined with reasonable certainty; and
- the grant will be received.

Government grants are recognised in the profit or loss over the periods in which the Group recognises related expenses. Where government grants relate to costs which have been capitalised as non-current assets these are recognised as a reduction to the related non-current asset in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(p) Foreign currency
Transactions in foreign currencies are translated to the respective functional currencies of the entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currencies at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates on the dates of the transactions. Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve, in equity. If the foreign operation is not a wholly owned controlled entity, then the relevant proportion of the translation difference is allocated to non-controlling interests. Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(q) Trade and other receivables
Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 2.1(i) for further discussion on the determination of impairment losses.

(r) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Company that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(s) Share Capital

Ordinary shares, and preference shares which do not result in the Group having a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavourable to the Group, are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Share-based payments

Equity-settled share-based compensation benefits are provided to employees and directors. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees and directors in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. Judgements are also applied in relation to estimations of the number of options which are expected to vest, by reference to historic attrition rates and expected outcomes under relevant performance conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods. Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

(u) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from financing and investing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(v) Segmental reporting

The Group reports its business activities in one area: video games development, which is reported in a manner consistent with the internal reporting to the Board of Directors, which has been identified as the chief operating decision maker. The Board of Directors consists of the Executive Directors and the Non-Executive Directors.

(w) Comparative figures
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement of items in the financial statements or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

(x) Critical accounting estimates and judgements
The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

(i) Impairment - general
The Group assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations, which incorporate various key assumptions.

(ii) Employee benefits
For the purpose of measurement, AASB 119: Employee Benefits defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. As the Group expects that all its employees would use all their annual leave entitlements earned during a reporting period before 12 months after the end of the reporting period, the Directors consider that obligations for annual leave entitlements satisfy the definition of short-term employee benefits and, therefore, can be measured at the (undiscounted) amounts expected to be paid to employees when the obligations are settled.

(iii) Research and development incentive
Research and development incentive is recognised at fair value when there is reasonable assurance that the income will be received. The expected future R&D tax incentive, for qualifying R&D expenditure for the current financial year, has been accrued and is also recognised as other income in the statement of profit and loss. It has been established that the conditions of this future R&D incentive have been met and that the expected amount of the incentive can be reliably measured.

(iv) The Novel Coronavirus ('COVID-19')

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

2.2 New accounting standards and interpretations adopted during the year

The new and amended accounting standards, and Interpretations which came into effect on 1 July 2021 do not have impact to the Group's financial statements.

The 30 June 2022 financial statements, and respective notes to the financial statements have been prepared in accordance with the new and amended accounting standards. The accounting policies in the notes below have also been updated to reflect the new and amended accounting standards in effect during the period.

2.3 Standards issued but not yet effective

There are a number of new accounting standards and amendments issued, but not yet effective, none of which have been early adopted by the Group in this Financial Report. The new standards and amendments (noted below), when applied in future periods, are not expected to have a material impact on the financial position of the Group.

3 Revenue

	2022 $	2021 $
Original IP – Royalty Income	27,321	50,929
External IP – Contract Income	4,609,330	2,834,536
External IP – Royalty Income	259,918	392,564
	4,896,569	**3,278,029**
Recognised over time	4,896,569	3,278,029
Point in time	-	-

	2022 $	2021 $
Co-development and License	1,673,443	1,955,588
Original IP	27,321	50,929
Work for hire	3,195,805	1,271,512
	4,896,569	**3,278,029**

4 Other income

Government grant income		
- Jobkeeper subsidy[i]	-	1,518,858
- SA video game development grant[ii]	532,178	350,000
- Other grants	-	13,357
Research and development tax incentive[iii]	2,447,683	954,717
Other income	247,222	10,673
	3,227,083	**2,847,605**

[i] The Jobkeeper subsidy is a government subsidy for businesses significantly affected by COVID-19, the Jobkeeper payment finished on 28 March 2021.
[ii] SA video game development grant enables video games studios to claim a percentage of costs incurred to develop a video game in South Australia. This rebate is administered by the South Australian Film Corporation and will be paid by the South Australian Government during the next financial year.
[iii] The Research and development tax Incentive is a government program that aims to stimulate Australian investment in Research and development ("R&D"). The tax incentive reduces company R&D costs by offering tax offsets or tax refund for eligible R&D expenditure.

5 Employee benefit expenses

Wages and salaries	12,390,912	7,493,917
Contributions to defined contribution superannuation funds	1,240,123	805,708
Annual and long service leave expense	(19,889)	270,884
Covid-19 leave expense	-	77,846
Payroll tax expense	619,783	35,456
Other employee benefits	270,894	246,940
	14,501,823	**8,930,751**

6 Income tax (benefit) / expense

The components of income tax expense comprise:	**2022 $**	**2021 $**
Current tax expense	-	144,637
Deferred tax expense / (benefit)	487,891	(204,166)
	487,891	**(59,529)**

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:

Loss before income tax expense	**(10,374,097)**	**(7,205,130)**
Tax at the statutory tax rate of 25% (2021: 26%)	(2,593,524)	(1,873,334)
Income not subject to taxation	(611,921)	(248,226)
Expenses not deductible for taxation	1,434,574	1,267,655
Tax losses and deductible temporary differences not recognised	2,169,456	649,369
Change in the tax rate	21,833	370
Under-provision from prior year	67,473	144,637
Utilisation of unrecognised tax losses	-	-
Income tax (benefit) / expense	**487,891**	**(59,529)**

The Group did not recognise deferred income tax assets in respect of unrecognised tax losses of $15,789,016 as at 30 June 2022 (2021: $7,111,192) that can be carried forward against future taxable income.

Mighty Kingdom Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation from 1 July 2020. The head entity, Mighty Kingdom Limited and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Mighty Kingdom Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

7 Cash and cash equivalents

	2022 $	2021 $
Cash and cash equivalents consist of the following		
Cash at bank and in hand:		
- Held in Australian Dollars	911,180	13,063,857
- Held in United States Dollars	2,843,287	489,185
	3,754,467	**13,553,042**

7 (a) For the purposes of the consolidated statement of cash flow, the consolidated cash and cash equivalents comprise the following:

Cash and bank balances	3,754,467	13,553,042
Cash and cash equivalents per consolidated statement of cash flow	**3,754,467**	**13,553,042**

8 Trade and other receivables

	2022 $	2021 $
Trade receivables	350,226	152,729
Less: provision for expected credit losses	-	-
Other receivables	564,263	353,726
Research and development incentive receivable	2,330,072	954,717
Related party receivables		
- Amount receivable from director / shareholder	-	24,703
	3,244,561	**1,485,875**

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

9 Property, plant and equipment

	Motor Vehicle $	Office Equipment $	Leasehold Improvements $	Total $
Gross carrying amount				
Balance at 1 July 2021	31,709	509,878	-	541,587
Additions during the year	-	437,130	279,432	716,562
Disposals during the year	-	-	-	-
Balance at 30 June 2022	**31,709**	**947,008**	**279,432**	**1,258,149**
Depreciation and impairment				
Balance at 1 July 2021	(31,709)	(164,056)	-	(195,765)
Depreciation during the year	-	(149,110)	(72,939)	(222,049)

Disposals during the year	-	-	-	-
Balance at 30 June 2022	**(31,709)**	**(313,166)**	**(72,939)**	**(417,814)**
Carrying amount at 30 June 2022	**-**	**633,842**	**206,493**	**840,335**
Gross carrying amount				
Balance at 1 July 2020	31,709	295,790	-	327,499
Additions during the year	-	214,088	-	214,088
Disposals during the year	-	-	-	-
Balance at 30 June 2021	**31,709**	**509,878**	**-**	**541,587**
Depreciation and impairment				
Balance at 1 July 2020	(31,709)	(94,203)	-	(125,912)
Depreciation during the year	-	(69,853)	-	(69,853)
Disposals during the year	-	-	-	-
Balance at 30 June 2021	**(31,709)**	**(164,056)**	**-**	**(195,765)**
Carrying amount at 30 June 2021	**-**	**345,822**	**-**	**345,822**

10 Right of use assets / Lease liabilities

	Property $	Total $
Right-of-use assets		
Balance at 1 July 2021	1,315,850	1,315,850
Additions during the year	-	-
Disposals and transfers during the year	(239,133)	(239,133)
Total right-of-use-assets	**1,076,717**	**1,076,717**
Depreciation during the year	(445,557)	(445,557)
Net carrying value at the end of the year	**631,160**	**631,160**

	Property $	Total $
Right-of-use assets		
Balance at 1 July 2020	468,782	468,782
Additions during the year	981,257	981,257
Disposals and transfers during the year	-	-
Total right-of-use-assets	**1,450,039**	**1,450,039**
Depreciation during the year	(134,189)	(134,189)
Net carrying value at the end of the year	**1,315,850**	**1,315,850**

	2022 $	2021 $
Lease liabilities (current)	459,700	348,391
Lease liabilities (non-current)	233,537	1,021,687
	693,237	**1,370,078**

The Group has leases for office buildings. Each lease is reflected in the consolidated statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 9).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. For leases over office buildings the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure right-of-use assets and incur maintenance fees on such items in accordance with the lease contracts.

The Group entered into a new lease agreement for an office building during the year. The lease has term of 34 months starting from June 2021. The lease rental is subject to annual fixed rate review and doesn't have options to purchase or extension.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised in the consolidated statement of financial position.

Right-of use asset	No of right-of use asset leased	Range of remaining term	No of leases with extension options	No of leases with options to purchase	No of leases with variable payments linked to an index	No of leases with termination options	Average remaining lease term
Office building	2	1-2 years	1	Nil	Nil	Nil	2 years

On 28 June 2022, the management has decided to discontinue the Pirie Street office lease. The lease expires on 15 January 2023. The management also received a discounted rental payment arrangement from 1 July 2022 for the Pirie Street office lease.

11 Shares in controlled entities

	Equity Interest Held	
	2022 %	2021 %
Name and interest in controlled entity		
Mighty Kingdom Games Pty Ltd	100	100
Mighty Kingdom Services Pty Ltd	100	100
Mighty Kingdom IP Pty Ltd	100	100
Rise Games Pty Ltd	100	100

(a) The subsidiaries listed above have share capital consisting solely of ordinary shares, which are held directly by the Group.

(b) Each subsidiary's principal place of business is Australia which is also its country of incorporation or registration.

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12 Trade and other payables

	2022 $	2021 $
Current		
Trade payables	769,333	501,893
Accrued expenses	7,499	300,364
GST / PAYG payable (i)	600,000	600,000
Payroll liabilities	865,723	741,445
Other payables	107,572	42,623
Amounts payable to related entities		
- Amount payable to director / shareholder	-	4,920
	2,350,127	**2,191,245**
Non-current		
GST / PAYG payable (i)	**629,539**	**1,269,564**

(i) On 20 November 2020, Mighty Kingdom Services Pty Ltd has arranged an interest-free payment plan with the Australian Taxation Office (ATO) to repay the outstanding tax liabilities over the next four years, which related to its outstanding GST and PAYG withholding obligations. ("Payment Plan").

Conditions of the Payment Plan:

- Make payments on due dates stipulated on the arrangement. The dates are regular instalments until August 2024; and
- Lodge and pay all ongoing tax obligations by their due dates.

The breach of any conditions above results payment of the full amount and any accrued general interest charge (GIC).

The Group reported one delayed payment in February 2022 and has confirmed with ATO that the payment plan is still in effect as of 30 June 2022.

13 Contract assets and liabilities

Contract assets

	2022 $	2021 $
Contract assets(i)	**994,101**	**516,481**

(i) Contract assets relates to work that has been undertaken in relation to ongoing projects where the revenue is recognised over time but had not been billed as at the reporting date. The amount disclosed above does not include variable consideration which is constrained.

Contract liabilities

Current		
Deferred service income (ii)	**165,387**	**5,275**

(ii) Deferred service income represents customer payments received in advance of performance that are expected to be recognised as revenue in the next financial periods.

Reconciliation of the contract liabilities at the beginning and end of the current and previous financial year are set out below:

	2022 $	2021 $
Balance at beginning of the year	5,275	452,015
Payments received in advance	165,387	219,674
Transfer to revenue - performance obligations satisfied during the year	(5,275)	(666,414)
Balance at end of the year	**165,387**	**5,275**

Unsatisfied performance obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $165,387 as at 30 June 2022 ($5,275 as at 30 June 2021) and is expected to be recognised as revenue in future periods as follows:

Within 6 months	-	5,275
6 to 12 months	165,387	-
	165,387	**5,275**

14 Employee benefits

Current		
Provision for annual leave	972,687	727,942
Provision for Covid-19 leave	-	345,433
Provision for long service leave	323,796	305,762
	1,296,483	**1,379,137**
Non-current		
Provision for long service leave	**161,937**	**99,172**

15 Loans and borrowings

	2022 $	2021 $
Current		
Unsecured loan from South Australian Film Corporation (SAFC) (i)	-	-
Secured bank loan (ii)	-	53,664
	-	**53,664**
Non-current		
Secured bank loan (ii)	-	58,304
	-	**58,304**

Summary of secured bank loans		
Commonwealth Bank of Australia	-	111,968
Commonwealth Bank of Australia		
Secured loans at beginning of the year	111,968	151,412
Loan repayments made during year	(111,968)	(39,444)
New borrowings during the year	-	-
Secured loans at end of the year	**-**	**111,968**

(i) South Australian Film Corporation (SAFC) facility
The SAFC has agreed to lend the Group $200,000 loan amount for working capital cashflow purposes.

The loan was originally repayable on or before 30 September 2020. However, on request the SAFC board has approved an extension to the repayment until 31 March 2021 and fully settled on the same date.

(ii) Commonwealth Bank of Australia facility
Mighty Kingdom Limited and its controlled entities, negotiated with the Commonwealth Bank of Australia to provide a finance facility to the Mighty Kingdom Limited amounting to $250,000 at a variable rate of 6.85% p.a. As at 30 June 2022 carrying amount of the loan amounted to $nil (2021: $111,968).

The facilities are secured by Mighty Kingdom Games Pty Ltd comprising: first ranking charge over all present and subsequently acquired property. Director's guarantees were released by the Commonwealth Bank of Australia in December 2021.

16 Share capital

	Notes	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	(a)	182,345,189	151,682,493	28,462,886	24,218,367

(a) Movements in ordinary share capital

	Number of Shares	Total $
Balance at beginning of the year	151,682,493	24,218,367
Shares issued, net of transaction costs and tax (i)	30,662,696	4,244,519
Balance at end of the year	**182,345,189**	**28,462,886**

(i) On 23 December 2021, the Company issued 22,752,373 fully paid ordinary shares at an issue price of $0.145 per share to professional and sophisticated investors under the first tranche of institutional placement. On 7 February 2022, the Company issued 2,737,909 fully paid ordinary shares at an issue price of $0.145 per share under the share purchase plan. On 9 May 2022, the Company issued 5,172,414 fully paid ordinary shares at an issue price of $0.145 per share to Michelle Guthrie under the second tranche of the placement approved at Extraordinary General Meeting.

17 Loss per share

Both the basic and diluted loss per ordinary share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year. Accordance with AASB 133, there are not considered to be any dilutive securities on issue.

	2022	2021
Net loss attributable to equity holders of the Company ($)	(10,861,988)	(7,145,601)
Weighted average number of ordinary shares	165,310,749	71,793,033
Basic loss per share ($)	(0.07)	(0.10)

18 Share-based payment reserves

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

19 Share-based payments

There were no share options issued to directors and employees during the year.

Employee share options
During 2021 the Company issued 12,488,859 options to employees under "The Employee Share Option Plan ("ESOP"). Under this scheme each employee share option entitles the holder to one share on the exercise of the employee share option. Employee share options has vested automatically on the listing date and the option expiry date is the fifth anniversary of the grant date.

Non-Executive Director share options
During 2021 the Company issued 1,623,130 share options to Non-Executive Directors, by way of an initial equity-based sign-on incentive. Each Option issued entitles the holder to one ordinary share in the Company on exercise and is exercisable within 3 years of the grant date.

The summary of share options are as follows.

	Number granted	Grant date	Vesting date	Expiry Date	Value per option at grant date ($)	Exercise price ($)
Employees via ESOP	12,488,859	20 Nov 2020	21 Apr 2021	20 Nov 2025	0.10	0.15
Non-Executive Directors	649,252	16 Dec 2020	16 Dec 2020	15 Dec 2023	0.15	0.30
Non-Executive Directors	486,939	3 Mar 2021	3 Mar 2021	2 Mar 2024	0.15	0.30
Non-Executive Directors	486,939	10 Mar 2021	10 Mar 2021	9 Mar 2024	0.15	0.30

	Number of options	2022 $	Number of options	2021 $
Employees via ESOP	12,488,859	1,273,864	12,488,859	1,273,864
Non-Executive Directors	1,623,130	250,000	1,623,130	250,000
Total share-based payment reserves	**14,111,989**	**1,523,864**	**14,111,989**	**1,523,864**

The Company has applied the Black-Scholes Valuation Model to determine the fair value of the options granted which considers the exercise price, the term of the options, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Valuation input - Black Scholes	ESOP	Non-Executive Directors
Strick price (nominal value)	$0.15	$0.30
Current price	$0.14	$0.24
Time to expiration (years)	5	3
Risk free rate	0.12%	0.12%
Dividend yield	0%	0%
Volatility (assumed)	106.38%	106.38%
Number of units	12,488,859	1,623,130
Black-Scholes valuation (per option)	$0.102	$0.154
Total Valuation	$1,273,864	$250,000

The table below shows the number and movement in, share options during the period:

Employees via ESOP		**Number of options**
	2022	**2021**
Balance at beginning of the year	12,488,859	-
Granted during the period	-	12,488,859
Exercised during the period	-	-
Balance at end of the year	**12,488,859**	**12,488,859**

Non-Executive Directors		**Number of options**
	2022	**2021**
Balance at beginning of the year	1,623,130	-
Granted during the period	-	1,623,130
Exercised during the period	-	-
Balance at end of the year	**1,623,130**	**1,623,130**

Performance rights
At a general meeting of the Company held on 2 December 2021, shareholders resolved to adopt an employee incentive plan and issue of performance rights to Executive Directors Philip Mayes and Tony Lawrence.

- The grant of the performance rights to Mr Mayes and Mr Lawrence was to be subject to the Board determining that revenue growth percentage milestone with respect to the Company revenues for the financial year ending 30 June 2022, set by the Company's remuneration Committee had been achieved.
- The number of performance rights to be granted was to be determined at the time of grant, depending on the Company's share price at the date of grant.

There were no performance rights issued during the year as revenue milestones were not met.

20 Related party transactions

The Company's related parties are as follows:

(a) Key management personnel of the Company
Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise) of the entity, is considered key management personnel.

(b) Other related parties of the Company
Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions and outstanding balances with related parties
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties (i.e., at arm's length) unless the terms and conditions disclosed below state otherwise. The following transactions occurred with related parties:

	2022 $	2021 $
Key management personnel		
Key management personnel compensation:		
Short-term employee benefits	1,261,434	869,971
Post-employment benefits	123,383	65,755
Long-term employment benefits	17,377	121,449
Share-based payments	-	1,295,898
	1,402,194	**2,353,073**
Other related parties – director-related entities		
Amount due from – Managing Director & close family member	-	24,703
Amount due to – Managing Director & close family member	-	4,920
Receipts from - Managing Director & close family member	24,703	-
Payment to – Managing Director & close family member	4,920	-
Bank guarantees provided by – Close family member of the Managing Director (Note 15)	-	400,000
Bank guarantees provided by – Managing Director (Note 15)	-	400,000

21 Cash flow information

Reconciliation of cash flow from operations with loss after income tax

	2022 $	2021 $
Loss after income tax	(10,861,988)	(7,145,601)
Non-cash flows in profit or loss:		
Depreciation expense	609,138	204,045
Interest expense	57,731	27,381
Non-cash share-based payments	-	1,523,864
Non-cash interest payments on convertible notes	-	116,841
Deferred tax (income) / expense	487,891	(204,166)
Changes in assets and liabilities:		
Decrease / (increase) in trade and other receivables	(1,758,686)	47,079
(Increase) in contract assets	(477,620)	(516,481)
(Increase) in prepayments and other current assets	(278,311)	(645,109)
Increase in trade and other payables	(484,143)	619,821
Increase in employee benefits	(19,889)	348,729
(Decrease) / increase in contract liabilities	160,112	(446,740)
(Decrease) / increase in provision for income tax	(144,637)	-
Net cash (used in) operating activities	**(12,710,402)**	**(6,070,337)**

Signed in accordance with a resolution of the Directors

Michele Guthrie

Michelle Guthrie
Chair
31 August 2022