

31 January 2020

Emerge Gaming Quarterly Update and Appendix 4C

Emerge Gaming Limited (ASX: EM1) ("**Emerge**" or the "**Company**"), a leading provider of enhanced eSports capabilities, presents the following activities report for the quarter ended on 31 December 2019.

Emerge operates the eSports tournament platform and lifestyle hub "**ArcadeX**". ArcadeX is a cutting-edge online eSports and casual gaming tournament facilitation platform. ArcadeX consists of "**ArcadeX Mobi**" for mobile phone devices and "**ArcadeX eSports**" for console/PC.

HIGHLIGHTS

- **Emerge has launched the ArcadeX platform in South Africa**
- **Emerge expects to announce first revenues from the launch by the end of Q3 FY2020**
- **Emerge has concluded distribution agreements with WorldPlay, Mondia Media and Samsson**

ArcadeX Operational Overview

The December quarter was a formative one in the execution of Emerge's scalable, annuitized, monetisation model with the ArcadeX platform.

Emerge executed key agreements central to the launch of ArcadeX, specifically:

- Distribution Agreement with WorldPlay (ASX: 7 November 2019)
- Distribution Agreement with Mondia Media (ASX: 11 November 2019)
- Distribution Agreement into MTN Nigeria with Samsson Gulf FZE (ASX: 28 November 2019)

The execution of these agreements culminated in the launch of the ArcadeX platform (ASX: 19 December 2019) with substantial marketing support from Kagiso Media and Tiburon Media Group (Post quarter end ASX: 13 January 2020) having commenced during January 2020.

ArcadeX South Africa launch

ArcadeX was successfully launched in South Africa with a pilot feasibility being undertaken in partnership with WorldPlay and Kagiso Media.

WorldPlay is a direct carrier billing ("DCB") Aggregator and Content Distributor which provides mobile payment integration, subscription management, marketing services and content distribution into Mobile Network Operators Vodacom, MTN and Cell C in South Africa.

Expedite, a division of the Kagiso Media Radio Portfolio have agreed to invest a minimum of R2,400,000 (~A\$240,000) of marketing services to market ArcadeX in South Africa. Kagiso Media will provide an initial 15-week marketing campaign, comprising above the line marketing through various channels reaching millions of people through radio, and other channels. In return, Emerge and Kagiso Media share the revenue earned from the platform arising from Kagiso Media marketing campaigns (ASX: 13 January 2020).

Head Office Address:

Suite 1
437 Roberts Road,
Subiaco, WA, 6008
Australia

South African Office:

3rd Floor, Edge Building
22 Somerset Road, Green Point
Cape Town, 8005
South Africa

Contact us:

Mail: info@emergegaming.com.au
Call: + 618 6380 2555



emergegaming.com.au

EMERGE GAMING

ASX:EM1 | ABN 31 004 766 376

Kagiso Media is media conglomerate with interests in new media, content production, specialised publishing, radio broadcasting and television production. It has interests in substantial media assets through its subsidiaries, joint ventures and associates. Assets include Jacaranda FM, East Coast Radio, Mediamark, Urban Brew Studios, Juta and Company. Kagiso Media provides Emerge potential access to millions of South Africans.

Included in the Kagiso Media product stable, Narrative (formerly Effective Measure), ECR.co.za and jacarandafm.com together attract almost two million unique South African visitors per month — significantly outperforming its competitors.

In addition to website growth (driven predominantly by 70% mobile access), the stations have deployed successful apps and are now attracting audiences listening via streaming, with as many as 6,000 people listening concurrently at the peak of any given day and over 1 million streams per month.

Digital Marketing Amplification

Emerge has engaged digital marketing experts Tiburon Media Group (“Tiburon”) with the objective of generating paid leads to the ArcadeX site in South Africa. Limited marketing commenced in the South African market in the December/January holiday period with significant investment into the digital marketing campaign underway from late January 2020. Tiburon will use its experience and expertise in the South African digital market to generate revenue generating leads at targeted Cost per Acquisition (“CPA”). Its lead generation software and methodology has been developed in the competitive North American market over more than 15 years with the specific aim of driving high value, POPI compliant, Opt-in leads in real time and at a competitive CPA. This marketing is designed to deliver a CPA for each revenue paying subscriber.

Central to the retention of mobile gamers on the platform is the entertainment factor of competitive and mobile eSports. Emerge have designed and planned entertaining content calendars for ArcadeX for the launch period which is a key determinator in generating high Average Revenue Per User (“APRU”).



Tournaments include daily, weekly, weekend and monthly competitions with opportunities for gamers to enjoy mobile gaming whilst winning prizes and money. Grand prizes will encourage mobile gamers to engage for longer periods on the platform.

ArcadeX Global Commercial Execution Strategy - Market selection, partnerships, feasibility and scaling

The Company’s strategic focus is on the launch of ArcadeX in prioritised countries to refine the commercial feasibility before scaling the monetisation model.

Market selection

Markets are selected for feasibility refinement via pilot launch by analysing the APRU and CPA of users for gaming content specific to that market, to determine whether the market is a potentially feasible market supporting a positive Return on Investment (“ROI”). The APRU is influenced positively by platform retention and re-engagement techniques which prolong the Life Time Value (“LTV”) of the subscriber and therefore improve the ROI.

Partnerships

Other considerations for selection include billing partnerships and marketing partners to support the product launches. Billing partnerships provide access to high volumes of mobile subscribers and marketing partnerships drive the mobile gamers to the ArcadeX platform.

Feasibility and scaling

A market is tested through an 8 to 12-week pilot launch process and a fixed marketing investment budget, during which the feasibility is established prior to scaling. Once a market is proven to be feasible, then significant marketing investment is allocated to scaling that market.

With Mondia Media, development scaling benchmarks are being established to yield future economies of scale. Once established, Emerge plans to integrate and launch pilots in one new market every 2 to 4 weeks (complexity dependent).

ArcadeX Global Commercial Execution Plan

Emerge has prioritised the ArcadeX commercial execution plan with countries selected for expansion into Africa and MENA. Prioritisation is based on potential feasibility (ranked by ROI), partnerships, complexity of integration and other strategic criteria.

Current Prioritisation	Country	Mobile Billing Agent	Type of Mobile Billing Agent	Mobile Network Access	Estimated Mobile Subscriber Base	Estimated Quarter of Launch
1	South Africa	WorldPlay	DCB Aggregator	Vodacom, MTN, Cell C	~ 88.0 m	Launched
2	Nigeria	Sammson	DCB Aggregator	MTN	~ 60.0 m	Q3 - 2019/20
3	Egypt	Mondia	DCB Aggregator	Etisalat, Orange, Vodafone, Telecom Egypt	~ 110.0 m	Q4 - 2019/20
4	Algeria	Mondia	DCB Aggregator	Ooredoo	~ 13.9 m	Q4 - 2019/20
5	Tunisia	Mondia	DCB Aggregator	Orange	~ 4.0 m	Q5 - 2019/20
6	Kuwait	Mondia	DCB Aggregator	Ooredoo	~ 2.3 m	Q5 - 2019/20

The above table represents the current plan. The plan is dynamic and the prioritisation is continually modified based on partnership opportunities and pre-market feasibility assessments.

ArcadeX has achieved billing integration into each of the above markets.

Emerge expects to announce first revenues from these efforts by the end of Q3 2020 (i.e. the quarter ended 31 March 2020).

Monetisation Strategy

The most significant global reach in monetising eSports and Gaming content is to charge gamers through their mobile network operators (“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 to a 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 billed through their mobile devices.

The monetisation strategy is to earn revenue from the annuitized subscription access billing to mobile gamers for access to the ArcadeX platform, or white-labelled versions of the technology, through DCB integrations into MNOs or DCB Aggregators (e.g. WorldPlay). This monetisation strategy leverages the growing current global mobile connection and smartphone trends.

DCB Aggregators are companies which integrate DCB’s into multiple MNO’s in multiple countries and provide single point integration to content providers, such as Emerge. In addition, DCB Aggregators may provide country-specific distribution access and marketing services.

Emerge has undertaken extensive market research on the potential for its monetisation model, specifically benchmarking competitors which offer daily subscription based access to casual mobile gaming content.

Benchmarking of a casual mobile games content provider (standard casual mobile games with no competition or tournament functionality) in one country Tunisia, integrating through Mondia, demonstrated a negative weekly ROI for the first 8 weeks, after which positive weekly ROI has shown significant growth from week 9 to week 104 (2 years). In week 104 the weekly ROI on actual results has reached 996%. In absolute terms, this product achieved a weekly revenue of ~\$22,000, with a consistent \$2,250 per week marketing investment. This weekly revenue projects to ~\$1.16 million revenues on an annualised basis. The current pilot programs will demonstrate whether ArcadeX can match or improve on these benchmarks.

ArcadeX is differentiated from the standard subscription based casual gaming content offering. ArcadeX is a competition and tournament platform with a social element, which allows casual gamers to enter competitions, win prizes and earn raffles tickets whilst engaging in their favourite casual games. ArcadeX provides an “entertainment” factor with content that encourages re-engagement and longer life time values of subscribing gamers.

White-labelled versions of ArcadeX technology strategy

The Company continues to consider opportunities for partnerships which deliver strong brand enhancement, provide access to vast numbers of mobile subscribers, deliver gaming content that compliments competition and tournament structures and that have in-country marketing support. The feasibility of any partnership of this nature will be evaluated against the potential of launching ArcadeX directly into a particular market.

Other Agreements

Once ArcadeX is entrenched in a particular market, Emerge will seek to leverage these distribution channels to monetize AAA eSports gaming supported by cloud streaming technology.

The Company has outlined its strategic roadmap for accelerated distribution of GameCloud in 2020 and continues to be in discussions with potential partners.

Tantalum International Ltd Update

Shareholders of the Company of record on 3 November 2017 received shares in an unlisted, Australian public Company Tantalum International Limited (“TIL”). For the latest on TIL, shareholders can refer to: <https://tantalumint.wixsite.com/tantalumint>

Company Financial and Corporate Overview

Cash at the end of the quarter was ~\$2.5M.

The Company is targeting a cash outflow of ~\$140,000 per month to maintain its operations in the forthcoming quarter. This monthly cash burn does not include any projected revenue amounts to be received which will offset the expenditure. In comparison, the Company’s cash outflow from operating activities this quarter was ~\$115,000 per month. Marketing and other costs are anticipated to ramp up as launches are conducted.

The aggregate amount of payments to related parties and their associates included in the current quarter totalled ~\$228,000. These payments consisted of Directors’ fees and salaries paid to directors, accounting and bookkeeping fees, IT development and maintenance services, technical consultancy fees and corporate advisory fees. All payments were on normal commercial terms.

The current quarter is covered by the Use of Funds projection detailed in the Company's Prospectus of January 2018. Below is a high level comparison of anticipated versus actual expenditure for the Company.

Use of Funds per Prospectus	Anticipated	Actual to date	Variance	
Redesign and commercially expand the technology application	\$750,000	\$1,149,000	(\$399,000)	(53%)
Sales and marketing / Business Development	\$1,330,000	\$381,000	\$949,000	71%
Operations	\$1,950,000	\$1,356,000	\$594,000	30%
General Working Capital	\$500,000	\$667,000	(\$167,000)	(33%)
Expenses associated with the Offers and the Acquisition	\$590,000	\$538,000	\$52,000	9%
	\$5,120,000	\$4,091,000	\$1,029,000	

More funding has been applied to development of the platform that initially projected (cognisant that the use of funds is often dynamic, particularly with regard to ensuring that the technology platform is able to meet current user and partner needs in a fast evolving technology sector). This is more than offset by the reduction in marketing, business development and operations costs as the Company worked towards the launch of its respective products. With the launch of ArcadeX, the actual costs are expected to converge further with the historical anticipated use of funds.

Strategy and outlook

The Company has prioritized its opportunities and set its short term targets.

Emerge looks forward to an exciting FY2020 and looks forward to reporting on platform statistics and initial revenue in due course.

For further information:

Australia

Bert Mondello
Chairman
E: bmondello@illustrialcapital.com
P: +61 8 6380 2555

South Africa

Gregory Stevens
CEO
E: greg@emergegaming.com.au
P: +27 72 420 4811

About Emerge Gaming

Emerge Gaming Limited (ASX:EM1) is a leading eSports and casual gaming tournament company. Emerge Gaming operates the online eSports and casual gaming tournament platform and lifestyle hub "ArcadeX". Via this platform, casual, social and hardcore gamers can play hundreds of gaming titles against each other via their mobile, console or PC.

The platform uses its unique IP, advanced analytics tracking and proprietary algorithms to deliver an optimum tournament gaming experience for users while providing advertisers with the perfect vehicle for delivery of their messaging to a fully engaged audience.

More information: www.emergegaming.com.au and view the ArcadeX platform at www.ArcadeX.co

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

EMERGE GAMING LIMITED

ABN

31 004 766 376

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(114)	(229)
(b) product manufacturing and operating costs	(15)	(21)
(c) advertising and marketing	(15)	(56)
(d) leased assets	-	-
(e) staff costs	(145)	(274)
(f) administration and corporate costs	(59)	(140)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	10	22
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(338)	(698)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,822	3,182
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(338)	(698)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,484	2,484

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	484	822
5.2	Call deposits	2,000	2,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,484	2,822

**6. Payments to related parties of the entity and their
associates**

6.1 Aggregate amount of payments to related parties and their
associates included in item 1

6.2 Aggregate amount of payments to related parties and their
associates included in item 2

**Current quarter
\$A'000**

228

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(338)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	2,484
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	2,484
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	7

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: n/a

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: n/a

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

31 January 2020

Date:

By the Board

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.