

30 April 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 March 2020.

Emerge owns and operates the eSports tournament platform and lifestyle hub "**ArcadeX**". ArcadeX is a cutting-edge online eSports and casual gaming tournament and competition facilitation platform.

HIGHLIGHTS

- **ArcadeX pilot launch successfully completed. Platform set to earn first revenues in Q4 FY2020**
- **Emerge has to date had no adverse effect from COVID-19 on the operations**
- **Emerge has concluded the Arcade X feasibility phase in South Africa with its attention now focused on direct MNO partnerships. Groundwork complete for the first such direct MNO partnership**
- **Cash outflow reduced by 50% from the previous quarter to ~\$70,000 per month**

ArcadeX Operational Overview

The March quarter saw the commencement of feasibility testing with the pilot launch of the ArcadeX platform.

Emerge also executed the Kagiso Media Marketing Agreement (ASX: 13 January 2020).

COVID-19

Emerge reports that the COVID-19 pandemic impact has to the date not adversely impacted its business operations. To date, we have no reported cases of infections amongst our staff, key services providers and suppliers.

The Company's operations seamlessly migrated to a "work from home" environment and business continuity has been maintained. The Company's existing corporate sales and business development activity continues albeit over digital interaction with key and target customers..

A positive from this situation is that mobile usage and gaming demand have strengthened along with the mobile users demanding more entertaining content. This has resulted in greater emphasis and interest in the ArcadeX technology from mobile network operators ("MNOs").

ArcadeX South Africa pilot launch

Emerge's tournament and competition facilitation platform was successfully launched in South Africa. The platform launched in partnership with WorldPlay, a direct carrier billing ("DCB") Aggregator and Content Distributor, which provided mobile payment integration, subscription management, marketing services and content distribution into Mobile Network Operators Vodacom, MTN and Cell C in South Africa.

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The objective of this launch was to test the feasibility of Arcade X in the South African market by understanding subscription metrics, digital marketing analytics and analysing the results to better develop the commercial model and the platform's ability to scale.

The launch of platform under the ArcadeX brand attracted the interest of a global mobile network operator based out of South Africa. The Company reported at the end of the previous quarter, the dynamic nature of its commercial execution plans (ASX: 2 February 2020) and specifically further that:

"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."

After assessment of the feasibility phase of the ArcadeX launch in South Africa, it was determined that scaling the technology in partnership with an MNO directly, whilst obtaining access to large scale distribution and marketing support, is a significantly stronger value proposition for Emerge.

Digital Marketing Amplification

Emerge has invested in the development of a digital marketing strategy and marketing approach with experts Tiburon Media Group. The objective was to establish the cost of generating paid leads to the ArcadeX site in South Africa, with the view of targeting a Cost per Acquisition ("CPA") for users acquired via digital marketing channels. Emerge is continually working on optimising these campaigns for return on investment ("ROI").

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

Consistent with our previous quarterly report, the Company's strategy remains focussed on the launch of the ArcadeX technology in prioritised countries and refining the platform's performance prior to scaling the monetisation model.

Market selection

Markets are selected for feasibility refinement via pilot launch by analysing the average revenue per user ("ARPU") and CPA of users for gaming content specific to that market, to determine whether the market is a potentially feasible market supporting a positive ROI. The ARPU is influenced positively by platform retention and re-engagement techniques which prolong the life time value of the subscriber and therefore improve the ROI.

Direct MNO partnerships provide access to large subscriber bases and marketing support.

Feasibility and scaling

A market is tested over an 8 to 12-week pilot launch process and a fixed marketing investment budget, during which the feasibility is established prior to scaling, (such as the ArcadeX South Africa launch). Once a market is proven to be feasible, then marketing investment is allocated to scaling that market.

Direct partnerships with MNOs will potentially allow access to multiple countries/markets through a single integration point and under one agreement. This approach facilitates a more rapid scaling of the technology and revenue earning capability.

Monetisation Strategy

The most significant global reach in monetising eSports and Gaming content is to charge gamers through their MNOs. The negotiation, integration, testing and setup of payment gateways with MNOs globally is a corporate sales cycle, and is traditionally slower than a normal sale 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.

Future Development and Content

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 ARPU.

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 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 lifetime values of subscribing gamers.

Competitions involving type and nature of gaming content will evolve. Users seeking entertainment will be looking to compete in games with greater complexity and higher quality content. ArcadeX currently has the capability of offering competitions on standard games (html5), (requiring no download and are easily streamed to mobile devices which is important in emerging markets), and premium games which are downloadable from application stores or native application distribution websites.

The future of competitive gaming will involve the streaming of premium games, (without download), involving multiple players and being broadcast to spectators across various digital platforms. This is called AAA eSports gaming. Once ArcadeX is entrenched in a particular market, Emerge will seek to leverage these established distribution channels to monetise 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 to invest in software development and hardware infrastructure.

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 ~\$2.3M.

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 ~\$70,000 per month. Marketing and other costs are anticipated to ramp up as the feasible pilot projects are scaled into full market launches.

The aggregate amount of payments to related parties and their associates included in the current quarter totalled ~\$142,000. 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	\$1,221,000	(\$471,000)	(63%)
Sales and marketing / Business Development	\$1,330,000	\$387,000	\$943,000	71%
Operations	\$1,950,000	\$1,356,000	\$594,000	30%
General Working Capital	\$500,000	\$797,000	(\$297,000)	(59%)
Expenses associated with the Offers and the Acquisition	\$590,000	\$538,000	\$52,000	9%
	\$5,120,000	\$4,299,000	\$821,000	

More funding has been applied to the 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 prioritised its opportunities and set several key short term targets over the next two quarters. Emerge is progressing opportunities with a number of MNOs directly and expects to update the market in this regard in due course.

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

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About Emerge Gaming

Emerge Gaming Limited (ASX:EM1) is a leading eSports and casual gaming tournament company. Emerge Gaming operates the online eSports and casual gaming tournament platform and lifestyle hub “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 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	(72)	(301)
(b) product manufacturing and operating costs	(4)	(25)
(c) advertising and marketing	(6)	(62)
(d) leased assets	-	-
(e) staff costs	(64)	(338)
(f) administration and corporate costs	(91)	(231)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	30
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)	22	22
1.9 Net cash from / (used in) operating activities	(207)	(905)
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 (9 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	2,484	3,182
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(207)	(905)
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 (9 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	2,277	2,277

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	277	484
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)	2,277	2,484

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**

142

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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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

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)

(207)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

2,277

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

2,277

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

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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.

30 April 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.