

31 August 2021

Emerge 2021 Full Year Results – Appendix 4E

Emerge Gaming Limited (ASX: EM1) (“Emerge” or the “Company”), the operator of eSports and gaming technology, is pleased to announce its Preliminary Final Report for the financial year ended 30 June 2021.

The Company posted record revenues, cash receipts and cash balance to end the year, along with an unaudited maiden profit. \$5.2M of gross profit has been deferred to the next period under the accounting standards.

Highlights:

- FY21 revenue of \$10.8M, with a further \$10.2M deferred for notional total revenue of \$21.0M¹;
- FY21 cash receipts of \$18.9M;
- Cash balance as at 30 June 2021 of \$15.9M - bolstered after year end with \$2.8M from the TIL settlement;
- Gross profit of \$4.2M from operations, with an additional \$5.2M of GP deferred to FY22;
- Net profit of \$267k – adding back non-cash share-based payment expenses, finance costs and depreciation of \$972k returns an underlying EBITDA of \$1.2M¹.

These results demonstrate the strength of the Company’s financial performance during the year.

Operationally, the Company hosted more than 20M competitive games for its 1.6M subscribers across its platforms in 160 countries.

In Emerge’s next phase of growth, game streaming products will play a key role as further partners such as MNOs are targeted along with corporates looking to gain marketing exposure to the online gaming industry.

For further information:

E: info@emergegaming.com.au

P: + 61 2 9680 8777

Media:

Ophelia Phu

E: ophelia@bluechipcommunication.com.au

P: +61 431 567 985

About Emerge Gaming

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

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: view www.emergegaming.com.au

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

¹ Both the notional total revenue and EBITDA calculated above are non-AIFRS financial measures which are not prescribed by Australian Accounting Standards



Appendix 4E Preliminary Final Report*Rule 4.3A*

Name of entity:	EMERGE GAMING LIMITED
ABN or equivalent company reference:	31 004 766 376

1. Reporting period

Preliminary report for the financial year ended	30 June 2021
Previous corresponding period is the financial year ended	30 June 2020

2. Results for announcement to the market

				\$'000
Revenues from ordinary activities (<i>item 2.1</i>)	Up	100%	to	10,859
Profit from ordinary activities after tax attributable to members (<i>item 2.2</i>)	Up	121%	to	267

Net profit for the period attributable to members (<i>item 2.3</i>)	Up	121%	to	267
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Dividends <i>(item 2.4)</i>	Amount per security	Franked amount per security
Interim dividend	Nil	Nil
Final dividend	Nil	Nil
Record date for determining entitlements to the dividend <i>(item 2.5)</i>	Not Applicable	
Brief explanation of any of the figures reported above necessary to enable the figures to be understood <i>(item 2.6)</i> : Refer to item 12.		

3. Statement of profit or loss and other comprehensive income

Refer to attached Financial Report for the year ended 30 June 2021.

4. Statement of financial position

Refer to attached Financial Report for the year ended 30 June 2021.

5. Statement of Cash flows

Refer to attached Financial Report for the year ended 30 June 2021.

6. Statement of changes in equity

Refer to attached Financial Report for the year ended 30 June 2021.

7. Dividends

	Date of payment	Total amount of dividend
Interim dividend – year ended 30 June 2022	N/A	N/A
Final dividend – year ended 30 June 2021	N/A	N/A

Amount per security

	Amount per security	Franked amount per security at % tax	Amount per security of foreign sourced dividend
Total dividend: Current year	N/A	N/A	N/A
Previous year	N/A	N/A	N/A

Total dividend on all securities

	Current period \$A'000	Previous corresponding Period - \$A'000
Ordinary securities (<i>each class separately</i>)	N/A	N/A
Preference securities (<i>each class separately</i>)	N/A	N/A
Other equity instruments (<i>each class separately</i>)	N/A	N/A
Total	N/A	N/A

8. Details of dividend or distribution reinvestment plans in operation are described below:

N/A	
The last date(s) for receipt of election notices for participation in the dividend or distribution reinvestment plan	N/A

9. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	\$0.011	\$0.003

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

Control gained over entities

Name of entities (<i>item 10.1</i>)	N/A
Date(s) of gain of control (<i>item 10.2</i>)	N/A
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (<i>item 10.3</i>)	N/A

Loss of control of entities

Name of entities (item 10.4)	N/A
Date(s) of loss of control (item 10.5)	N/A
Contribution to consolidated profit (loss) from ordinary activities after tax by the controlled entities to the date(s) in the current period when control was lost (item 10.6).	N/A
Profit (loss) from ordinary activities after tax of the controlled entities for the whole of the previous corresponding period (item 10.7)	N/A

11. Details of associates and joint venture entities

Name of associate or joint venture entity (item 11.1) **% Securities held (item 11.2)**

N/A	N/A
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Aggregate share of profits (losses) of associates and joint venture entities (item 11.3)

Group's share of associates' and joint venture entities':

Profit (loss) from ordinary activities before tax

Income tax on ordinary activities

Net profit (loss) from ordinary activities after tax

Adjustments

Share of net profit (loss) of associates and JV entities

2021 \$	2020 \$
N/A	N/A
N/A	N/A
N/A	N/A

12. Significant information relating to the entity's financial performance and financial position.

Overview

Emerge Gaming Limited (ASX: EM1) ("**Emerge**" or the "**Company**"), is a leading provider of competitive casual gaming and eSports technology and products

Emerge owns and operates online "Competitive Social Gaming Platform" technology and lifestyle hubs. This technology enables cutting-edge online casual gaming tournament and competition facilitation platforms where subscribers enter tournaments, play their favourite social games, and earn rewards and prizes, while engaging socially.

Emerge operates the platforms through a B2C business model under the **MIGGSTER** brand and through a B2B2C business model partnering with multinational mobile network operators ("MNOs"), the first instance of which is operated as **MTN Arena**.

In the current year, Emerge has:

- Launched both the MTN Arena and MIGGSTER gaming platforms;
- Built an active community on these platforms of more than 1.6M subscribers across more than 160 countries;
- Generated \$10.8M in revenue from 18.9M in cash receipts;
- Banked \$8.9M from optionholders exercising their EM1O options (expired April 2021);
- Finished the year with \$15.8M cash at bank after starting the year with \$1.9M;
- Become a Microsoft Independent Software Vendor with a view to launching game streaming products;
- Subsequent to year end, provided guidance that it will launch game streaming products in November and December 2021.

Revenue

In the 2021 financial year, the Company generated revenue from operating activities of \$11,156,307 (2020: \$31,095) of which \$10,858,975 was generated from the operated platforms, with the balance being interest income, digital currency gains and credits under the research and development tax incentive scheme.

Explanation of Result

The Company recorded a profit after tax of \$267,413 (2020: loss after tax of \$1,291,721) from total expenses of \$10.6M. Of these expenses, direct cost of sales including prizes and commissions payable to partners was \$6.6M, resulting in a Gross Profit figure of \$4.2M.

Reducing the gross profit figure were corporate expenses including research and development on the Company's platforms of \$1.1M (2020: \$287k), consulting expenses of \$916k (2020: \$782k) and non-cash share based payment expenses of \$964k (2020: nil).

As an indication of the underlying strength of the Company's performance in the period, \$10.2M of revenue (recognised as a Contract Liability on the Statement of Financial Position) and \$5.0M of direct cost of sales (Contract Asset) which will be reflected in the next reporting period, largely relating to the portion of annual subscriptions falling outside of the current reporting period.

Cash Position

Cash at the end of the year was \$15,876,873. Subsequent to year end, this balance was further bolstered by \$2.8M received in settlement of a long standing dispute with the Arab Republic of Egypt, which Emerge retained an interest in, as part of its reverse takeover of Arrowhead Resources in 2018.

Outlook

The Company is in a very strong financial position and poised for the next phase of its growth strategy i.e. the launch of its game streaming products. With \$10.2M of revenue and effectively \$5.2M of gross profit (i.e. net of \$5.0M of costs) to bring to account, FY2022 promises to be a transformational year for Emerge Gaming.

The Company will look to broaden its revenue sources with further MNOs targeted as partners to launch gaming platforms as well as large corporates looking to gain marketing exposure to the online gaming industry – as evidenced by an agreement with global energy company Sasol Limited announced post year end.

13. The financial information provided in the Appendix 4E is based on the preliminary financial report (attached), which has been prepared in accordance with Australian accounting standards.

14. Commentary on the results for the period.

Refer to explanation item 12.

15. Information on Audit.

This report is based on accounts that are in the process of being audited, and are unlikely to be subject to dispute or qualification.

EMERGE GAMING LIMITED
and its Controlled Entity

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	30 Jun 21 \$	30 Jun 20 \$
Continuing Operations			
Revenue	2	10,858,975	-
Cost of Goods sold		(6,621,490)	-
Gross profit		4,237,485	-
Other income	3	297,333	31,095
Operating expenses		(195,754)	(26,987)
Foreign exchange gain/(losses)		147,576	1,240
Administration expenses		(598,329)	(145,518)
Consulting expenses		(916,092)	(782,445)
Depreciation and amortisation		(6,516)	(2,173)
Finance costs		(1,136)	(263)
Impairment expenses		-	100
Research and Development		(1,132,818)	(287,353)
Marketing		(240,364)	(26,318)
Professional Expenses		(186,327)	(53,099)
Public Relations		(173,446)	-
Share based payment expense		(964,199)	-
Total Operating Expenses		(3,970,072)	(1,291,721)
Profit/(Loss) before income tax		267,413	(1,291,721)
Income tax expense		-	-
Profit/(Loss) after income tax for the year		267,413	(1,291,721)
Items that may be reclassified subsequently to Profit or loss			
Other comprehensive income, net of income tax		(22,840)	-
Total comprehensive profit/ (loss) for the year		244,573	(1,291,721)
Earnings per share			
Basic profit/ (loss) per share attributable to the ordinary equity holders of the Company (cents per share)		0.03	(0.20)
Diluted profit/ (loss) per share attributable to the ordinary equity holders of the Company (cents per share)		0.03	(0.20)

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

EMERGE GAMING LIMITED
and its Controlled Entity

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Notes	30 Jun 21 \$	30 Jun 20 \$
Current Assets			
Cash and cash equivalents		15,876,873	1,991,671
Trade and other receivables		2,198,611	46,362
Contract asset		5,089,685	-
Total Current Assets		23,165,169	2,038,033
Non-current Assets			
Property, plant and equipment		44,805	2,936
Intangible Assets		4,882	-
Total Non-current Assets		49,687	2,936
Total Assets		23,214,856	2,040,969
Current Liabilities			
Trade and other payables		1,226,021	256,668
Contract liability		10,188,812	-
Total Current Liabilities		11,414,833	256,668
Total Liabilities		11,414,833	256,668
Net Assets		11,800,023	1,784,301
Equity			
Issued capital	4	72,209,737	60,695,153
Reserves	5	441,359	2,207,634
Accumulated losses		(60,851,073)	(61,118,486)
Total equity		11,800,023	1,784,301

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

EMERGE GAMING LIMITED
and its Controlled Entity

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Notes	30 Jun 21 \$	30 Jun 20 \$
Cash flows from operating activities			
Receipts from customers		18,895,538	-
Payments to suppliers and employees		(14,212,676)	(1,240,043)
Interest received / (paid)		9,428	29,384
Proceeds on sale		88,177	-
Other receipts		198,592	19,173
Net cash used in operating activities		4,979,059	(1,191,486)
Cash flows from investing activities			
Purchase of plant and equipment		(48,384)	-
Net cash used in investing activities		(48,384)	-
Cash flows from financing activities			
Proceeds from issues of fully paid shares		-	20
Proceeds from exercise of options		8,901,787	-
Payment of transaction costs		(94,836)	-
Net cash provided by financing activities		8,806,951	20
Net increase/(decrease) in cash and cash equivalents		13,737,626	(1,191,466)
Cash and cash equivalents at the beginning of the year		1,991,671	3,181,897
Effects of exchange rate changes		147,576	1,240
Cash and cash equivalents at the end of the year		15,876,873	1,991,671

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

EMERGE GAMING LIMITED
and its Controlled Entity

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	Issued Capital \$	Accumulated Losses \$	Reserve \$	Revaluation Reserve \$	Total Equity \$
Balance at 1 July 2019	60,672,633	(59,826,765)	2,187,634	-	3,033,502
Loss for the period	-	(1,291,721)	-	-	(1,291,721)
Other comprehensive (loss) / Income	-	-	-	-	-
Total comprehensive loss for the period	-	(1,291,721)	-	-	(1,291,721)
Transactions with owners in their capacity as owners					
Contribution of equity, net of transaction costs	20	-	-	-	20
Recognition of share-based payments	22,500	-	20,000	-	42,500
Balance at 30 June 2020	60,695,153	(61,118,486)	2,207,634	-	1,784,301
Balance at 1 July 2020	60,695,153	(61,118,486)	2,207,634	-	1,784,301
Profit for the period	-	267,413			267,413
Other comprehensive (loss) / Income	-	-		(22,840)	(22,840)
Total comprehensive loss for the period	-	267,413		(22,840)	244,573
Transactions with owners in their capacity as owners					
Exercise of options	11,514,584	-	-2,327,634	-	9,186,950
Issued option	-	-	384,713	-	384,713
Recognition of share-based payments	-	-	199,486	-	199,486
Balance at 30 June 2021	72,209,737	(60,851,073)	464,199	(22,840)	11,800,023

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

EMERGE GAMING LIMITED
and its Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

This preliminary final report for the year ended 30 June 2021 relates to the consolidated entity consisting of Emerge Gaming Limited ("Emerge" or "the Group") and its controlled entities.

The preliminary final report has been prepared on an accruals basis and a historical cost basis except for certain current and non-current assets and financial instruments which are measured at fair value or where otherwise stated. Cost is based on the fair value of consideration given in exchange for assets.

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual financial report of the year ended 30 June 2021 and any public announcements made by Emerge during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The amounts contained in this preliminary final report are presented in Australian dollars, the functional currency of the consolidated entity.

STATEMENT OF COMPLIANCE

The preliminary final report is a general-purpose financial report and has been prepared in accordance with applicable Australian Accounting Standards, other pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The preliminary final report is also in compliance with ASX listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E. Australian Accounting Standards include Australian equivalents of International Reporting Standards ("AIFRS").

2. REVENUES

	30 Jun 21	30 Jun 20
	\$	\$
Revenue		
Sales – MIGGSTER	10,607,142	-
Sales – MTN	251,833	-
Total Revenue	10,858,975	-

3. OTHER INCOME

	30 Jun 21	30 Jun 20
	\$	\$
Other Income		
Research and development tax credit	198,592	-
Gain on sale of digital currency	88,177	-
Interest received	10,564	31,095
Total Other Income	297,333	31,095

EMERGE GAMING LIMITED
and its Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

4. ISSUED CAPITAL

a) Issued and paid up capital	30 Jun 21	30 Jun 20
	\$	\$
Ordinary shares fully paid	72,209,737	60,695,153

b) Movements in shares on issue	30 Jun 21		30 Jun 20	
	No.	\$	No.	\$
<i>Movements in ordinary shares on issue</i>				
Opening balance	657,095,552	60,695,153	655,594,532	60,672,633
Issue of shares in return for service – consultants and advisors	-	-	1,500,000	22,500
Issue of shares in return on exercise of options	464,089,228	11,514,584	1,020	20
Closing Balance	1,121,184,780	72,209,737	657,095,552	60,695,153

5 RESERVES

a) Reserves	30 Jun 21	30 Jun 20
	\$	\$
Options & Share based payments reserves	464,199	2,207,634
Foreign currency translation reserve	(22,840)	-
Total Reserves	441,359	2,207,634

b) Movements	30 Jun 21	30 Jun 20
	\$	\$
Opening balance	2,207,634	2,187,634
Issue of options in return for service – corporate advisors (i)	120,000	20,000
Issue of options in return for service – corporate advisors (ii)	264,713	-
Issue of performance rights (iii)	199,486	-
Exercise of options	(2,327,634)	-
Revaluation Reserve	(22,840)	-
Total Reserves	441,359	2,207,634

- (i) During the period, 15,000,000 options were granted to pay for Corporate advisory and investor relation services. This expense was recognised at a price of \$0.008 as at grant date.
- (ii) During the period, the following options were granted to pay for underwriting services.
- 6,000,000 unlisted options exercisable at \$0.07 per options expiring 4 years from date of issue;
 - 6,000,000 unlisted options exercisable at \$0.09 per options expiring 4 years from date of issue;
 - 6,000,000 unlisted options exercisable at \$0.12 per options expiring 4 years from date of issue.
- This expense was recognised at an average price of \$0.015 as at grant date.
- (iii) During the period, the Company issued 27,261,905 performance rights to directors with the following terms:

Tranche 1 performance rights :

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

EMERGE GAMING LIMITED
and its Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Tranche 2 performance rights:

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

Tranche 3 performance rights:

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

Tranche 4 performance rights:

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

Tranche 5 performance rights:

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

Tranche 6 performance rights:

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

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

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

6 COMMITMENTS AND CONTINGENCIES

Lease expenditure commitments

The Company's office lease is contracted on month by month basis. No significant make-good or other obligations.

Bank guarantee

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

Capital Commitments

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

Contingent Liability

There were no contingencies as at 30 June 2021.

EMERGE GAMING LIMITED
and its Controlled Entity

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

7 FINANCIAL INSTRUMENTS

At 30 June 2021, the carry value of all financial assets and liabilities is considered to approximate their fair values. The held for trading assets are recognised at fair value and have been classified as level 1 financial assets based on quoted prices in active markets.

8 SEGMENT INFORMATION

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors. During the year the Company only operated in one segment and that was the development and commercialisation of online gaming platforms.

9 SUBSEQUENT EVENTS

On 30 August 2021, the Company announced that it had banked \$2.8M from settlement of an investment dispute / legal claim with the Arab Republic of Egypt (Egypt). Emerge negotiated to retain an interest in any financial award arising out of the legal claim which was obtained as part of the Company's reverse takeover of Arrowhead Resources in 2018.