

Appendix 4D

2 March 2022

Half-year reporting period ending 31 December 2021

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

1. Reporting period

Current Period: 6 months ended 31 December 2021

Prior Period: 6 months ended 31 December 2020

2. Results for announcement to the market

	Item	31 December 2021 \$	31 December 2020 \$	Change %
Revenue from ordinary activities*	2.1	9,459,940	1,364,748	593%
Revenue from ordinary activities removing Discontinued operations		192,278	68,296	182%
Profit/(Loss) after tax attributable to members	2.2	3,076,112	495,091	521%
Net Profit/(Loss) attributable to members	2.3	3,076,112	495,091	521%
Dividend	2.4	Emerge Limited did not declare a dividend during the current reporting or corresponding previous reporting period.		
The record date for determining entitlements to the dividend	2.5	Not applicable		
Explanatory information	2.6			



Overview

For the Half Year Ended 31 December 2021, Emerge Gaming Limited (“Emerge” or the ‘Company’) primary focus was the operation of iterations of its eSports Social Tournament Platform and lifestyle hub technology. This self developed and owned technology enables cutting-edge online casual gaming tournament and competition facilitation platforms where subscriber enter tournaments, play their favourite social games, and earn rewards and prizes, while engaging socially.

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

At the outset of the Half Year Ended 31 December 2021, Emerge set out to pursue aggressive promotional campaigns to enable the Company to rapidly grow its subscriber community. This pursuit was paused when Emerge appointed corporate advisors to guide the Company through a strategic review of its Company’s commercial relationships (ASX: 23 September 2021).

In this regard, Emerge is progressing a potential divestment transaction of the MIGGSTER business and has considered other options for divestment. On the 22 February 2022, Emerge announced that it remained in advanced negotiations surrounding the divestment of the MIGGSTER business and that it was working diligently to achieve a positive result for the Company and its shareholders.

The first half of the 2022 financial year saw Emerge deliver strong operational performance with the highlights being:

- Emerge is well funded with Cash at bank as at 31 December 2021 of A\$16.6M
- Company has generated revenue of A\$9.5M (of which \$9.3M is reflected as Discontinued operations) and net profit of A\$3.1M for the half year
- Community of subscribers across all platforms reached 3.1M
- MTN Arena platform increased its subscribers to 0.7M with an increase of 0.4M for the half year
- ~A\$200k in MTN Arena platform revenue (under the accounting standards) generated for the half year
- MTN Arena achieved 2.4% penetration of MTN South Africa’s 29 million mobile subscribers
- MTN committed ~A\$480k marketing spend to accelerate user acquisition for MTN Arena
- Emerge engaging MTN Group and other multinational MNO’s to expand
- MIGGSTER platform increased its subscribers to 2.4M with an increase of 1.2M for the half year
- Emerge continues to invest into R&D developing new platform features for its new generation platform
- During the half year Emerge banked its share of a settlement of A\$2.8m in cash receipts from a legacy legal dispute with Egypt

Business Growth Strategy

Emerge has demonstrated the ability to generate cash from the technology it has developed and owns. With A\$16.6M in the bank at the end of the Half Year, Emerge is well capitalised to accelerate growth in its user community and revenue, leveraging developed business models to grow internationally.

By the end of Half Year, the Company had acquired an active community of more than 3.1 million subscribers across its operated platforms with an increase in subscribers of 1.5 million during the period demonstrating strong subscriber growth.

In line with the business growth strategy communicated in the previous quarter revenue growth will be targeted through the scaling of to multiple go-to-market (“GTM”) channels, the addition of new revenue streams, enhancing features of the Company’s product offering and seeking new gaming esports products to offer Emerge’s community.

For personal use only

Go-to-Market Strategies

Emerge has four GTM strategies for its products and technology: -

- B2B2C partnerships with MNOs ("Telco Strategy")
- B2C business model leveraging direct selling by consumers
- B2B distribution partnerships within the Microsoft ecosystem to MNO's and PayTV providers
- B2C over the top ("OTT") broadcasting channel activations

Emerge has strongly established the B2B2C partnerships with MNOs (MTN Arena) and the B2C business Model / Direct Selling (MIGGSTER) GTM strategies in the previous financial year and positioned these models for global scaling in line with the Company's growth strategy.

The Company's strategy to develop multiple GTM channels has the objective of de-risking the reliance on any one channel to acquire paying customers in the long term, in addition to increasing EmERGE's presence across various market segments.

MTN Arena – South Africa "B2B2C" - Operational Overview

Emerge operates its Competitive Social Gaming technology under the MTN Arena brand in South Africa for a leading emerging market MNO, MTN.

MTN Arena is a competition and tournament platform with a social element, which allows casual gamers to enter competitions, win prizes and earn points whilst engaging in their favourite casual games.

The strong performance of the MTN Arena platform over the past 12 months saw ~700,000 subscribers registering on the platform, generating ~A\$950,000 in gross platform revenue over the same period. In the Half Year period reported, MTN Arena acquired ~300,000 new subscribers.

MTN has committed to funding marketing campaigns that began in late December 2021 promoting the MTN Arena platform. The platform recorded its single largest rise in new monthly subscribers since launch adding ~105,000 subscribers in the December 2021 month. As at 31 December 2021 there were ~240,000 active subscriptions (31 December 2022: ~240,000) and the platform revenue recognised during the Half Year was ~A\$200,000. EmERGE earns as revenue 40% of the shareable revenue derived from the MTN Arena platform.

Emerge are targeting accelerated growth in subscriber acquisitions on the MTN Arena platform in South Africa with further MTN marketing commitments continuing into the next quarter. MTN continues invest into the marketing the MTN Arena platform in South Africa beyond its agreement obligations.

MTN have made investments to accelerate the marketing of the MTN Arena platform with a further ±A\$480,000 commitment in marketing spend over the 3 months post 31 December 2021 that include sponsored prize pools, automated voice message ("AVM") re-engagement campaigns, short message service ("SMS") re-engagement campaigns, themed engagement campaigns, branded engagement campaigns, social marketing campaigns, MTN channel marketing, outdoor advertising and MTN in store marketing.

The objective of the MTN funded marketing campaigns is to accelerate growth of new subscribers and drive re-engagement of existing subscribers.

MTN Arena – South Africa "B2B2C" - Opportunity

MTN has 29 million subscribers in South Africa alone, and MTN Arena has accessed more than 0.7 million new subscribers, or 2.4%, of the MTN South Africa subscriber base. There is further opportunity to grow EmERGE revenues in this market.

For personal use only

During the Half Year ended 31 December 2021, Emerge has invested heavily into its product development and is ready to launch enhanced platform features including head-to-head competition, enhanced user profiles, improved social engagement, a shop for reward redemption and brand hosted tournament functionality. The opportunity exists for Emerge to launch an improved new feature rich version of the MTN Arena platform as well as seeking value through greater acquisitions and improved billing success rates.

In addition, Emerge's cloud game streaming tournament function with the ability to stream AAA quality game titles offers upside to the MTN Arena product. On 1 July 2020, Emerge partnering with MTN were the first in the Southern Hemisphere to demonstrate Emerge's game streaming technology over MTN's newly launched 5G network in South Africa (ASX: 1 July 2020). MTN South Africa has already grown its 5G subscriber base in South Africa and the opportunity exists to offer a cloud game streaming to a more affluent audience with the MTN subscriber base.

MNO Expansion Opportunities

Emerge has established itself as an experienced mobile gaming company with proven technology and demonstrated marketing and content production capabilities. Emerge's established prize distribution logistics, customer relations systems underpin its platform operations and it has successfully acquired more than 3.1 million subscriber community to its platforms.

The results of the MTN Arena platform in South Africa provided the foundation for further extrapolation of this commercial model with offerings to the remaining 20 countries where MTN services more than 240 million mobile subscribers.

Emerge's MNO expansion strategy is to target African countries in the MTN Group leveraging MTN Arena's performance in South Africa. Initial engagement and meetings between MTN country, MTN Group and Emerge have led to strong country interest by countries in launching both the MTN Arena platform and the game streaming technology.

The opportunity exists for Emerge and MTN to establish Africa's biggest competitive social mobile gaming platform and community and to be a first mover in launching AAA game streaming to mobile in Africa.

In addition, Emerge continues to target global multinational MNOs with large subscriber bases as expansion partners.

MIGGSTER Social Gaming Tournament Platform "B2C" - Operational Overview

The reduction in the promotional and marketing activity for the Miggster platform that resulted from the period of consideration of divestment from Miggster, resulted in a slow down of growth in user acquisition on the platform.

During the Half Year ended 31 December 2021, the Miggster platform acquired ~1,200,000 in newly registered users, the bulk of which were promotional users receiving discounted prices under the Company's promotional strategy. At the end of the Half Year, the Miggster platform had acquired a 2.4 million strong subscriber community since its launch in November 2020 with 2.3 million subscribers having active registrations on the platform.

Emerge's Core Technology

Emerge's developed and owned core technology of a gaming platform with competition, tournament, social engagement, profile, shop, messaging and all other core features is central to its intellectual property.

During the Half Year, the Company reported that it continued to invest into R&D to improve its core platform technology.

Emerge has invested into game streaming technology to stream AAA and premium games, new competition features (such as Head-to-Head competition), extended brand engagement features and new social engagement features.

For personal use only

Although these efforts are reflected as discontinued operations, the investment into R&D for new features and technologies are included in the release of Emerge's next generation social competition platform to be offered in partnership with existing and future commercial partners.

The Company is in final stages of product deployment and testing of its game streaming feature using Microsoft Azure. The Company also has a pipeline of potential commercial partners to launch the game streaming feature with, within existing products or as a separate product offering.

Emerge has made strong progress in its research and development activities and will leverage these new features in the continued execution of its GTM strategy.

Emerge Game Studio

The licenced third party html5 games that make up the bulk of Emerge's gaming libraries. Despite the relatively low costs of licensing these titles, many of the games are visually dated, not suitably designed for competition and tournament play, and are limited in terms of anti-cheat measures.

As previously reported, Emerge launched a game studio of game developers. These game developers have been working side by side with Emerge's core eSports tournament platform developers advancing our own libraries of popular game engines using development tools to deliver 3D gaming content to its tournament platforms using html5 and Unity.

Tantalum International Ltd Settlement

During the half year the Company announced (ASX: 31 August 2021) that it banked its share of a settlement receipt of A\$2.8m from Egypt from its share in an unlisted Australian company, Tantalum International Limited ("TIL"). The settlement receipt arose from a legal dispute against Egypt in respect of alleged expropriation (amongst other claims) of a 50% interest in Abu Dabbab Tantalum-Tin-Feldspar project, located in Southern Egypt.

For personal use only

Revenue

Increase in overall revenue from ordinary activities (\$9,459,940) when compared to the prior period (2020: (\$1,364,748) mainly as a result of the recognition of MIGGSTER product revenue from 12 month subscriptions sold in the period December 2021 to June 2021. The Company has reflected MIGGSTER as discontinued operations and on that basis, revenue increased 182% from \$68,296 to \$192,278, this increase reflects increased activity from the MTN Arena platform which has gained increased focus from the Company going forward.

Outlook

B2B2C Strategy – Outlook

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

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

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

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

B2C Strategy - Outlook

Emerge is in the process of divesting from the Miggster platform. After launching into 160 countries provides Emerge with international reach and acquiring 2.4 million subscribers, the operational foundation for the future deployment of other B2C strategies has been crafted.

Product Development - Outlook

In line with Emerge’s premium content to mobile strategy it seeks eSports and gaming technology through partnership or acquisition. Emerge is planning the launch of game cloud streaming features to its existing platform and game cloud streaming platforms leveraging its core competency of competitive tournament and prize content.

3. Net tangible assets per security

	31 December 2021	31 December 2020
Net tangible asset per share (cents per share)	1.37 cents	0.66 cents

For personal use only

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

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

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

Not applicable.

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

Not applicable.

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

Not applicable.

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

The Company is not a foreign entity.

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

The 31 December 2021 Half-Year report is based upon accounts that were reviewed by the Company's auditor are not subject to a modified opinion.

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

For personal use only

For personal use only



EMERGE GAMING LIMITED

and its Controlled Entity

ABN 31 004 766 376

Financial Report

**For the Half-Year Ended
31 December 2021**

Contents

CORPORATE DIRECTORY	1
DIRECTORS' REPORT	2
AUDITOR'S INDEPENDENCE DECLARATION	4
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
CONSOLIDATED STATEMENT OF CASH FLOWS	7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
NOTES TO THE FINANCIAL STATEMENTS	9
DIRECTORS' DECLARATION	16
INDEPENDENT AUDITOR'S REVIEW REPORT.....	17

For personal use only

EMERGE GAMING LIMITED
and its Controlled Entities
CORPORATE DIRECTORY

Emerge Gaming Limited (ABN 31 004 766 376)

Directors

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

Company Secretary

Mr Derek Hall

Registered Office

Level 5
126-130 Philip Street
Sydney NSW 2000

Securities Exchange Listing

Australian Securities Exchange (ASX)
ASX Code: EM1

Share Registry

Automic Registry Services
Level 5
191 St Georges Terrace
PERTH WA 6000
Phone: +61 8 9324 2099
Email: hello@automic.com.au

Auditor

Hall Chadwick WA Audit Pty Ltd
283 Rokeby Road
Subiaco WA 6008

Solicitors

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

EMERGE GAMING LIMITED and its Controlled Entities DIRECTORS' REPORT

The Directors of Emerge Gaming Limited ("Emerge" or "the Company") and its controlled entity ("the Group") present the Financial Report for the half-year ended 31 December 2021.

DIRECTORS

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

- Mr Gregory Stevens (CEO, Executive Director)
- Mr Umberto (Bert) Mondello (Non-executive Chairman)
- Mr Philip Re (Non-executive Director)
- Mr Jonathan Hart (Non-executive Director)
- Mr Firdhose Coovadia (Non-executive Director)
- Mr Robert Hersov (Non-executive Director) – resigned 31 January 2022

REVIEW OF OPERATIONS

The consolidated operating profit after tax for the half-year was \$3,076,112 (2020 \$495,091). During the period, the Company operated two eSports Social Tournament Platform and lifestyle platforms:

- **MTN Arena** for multinational telco company MTN as their sole competition gaming platform in South Africa
- **MIGGSTER** being promoted to an affiliate and marketing network

As a result of these operations, the Company was able to report:

- \$9.5M in half year revenue (of which \$9.3M is reflected as Discontinued operations)
- \$0.8M in cash from operating activities
- \$16.6M cash at bank at the end of the period
- \$3.0M in half year profits
- 1.6M in subscriber growth to a 3.1M subscriber community across all operated platforms

TOURNAMENT PLATFORM TECHNOLOGY

Emerge's developed and owned core technology of a social gaming and eSports platform with competitions, tournaments, social engagement, profiles, shop, messaging and all other core features is central to its intellectual property. The platform has been designed to deliver a unique experience with tournament and prize content for gamers across a multitude of game titles and a spectrum of skills.

The platform connects gamers to corporate advertisers and sponsors, while providing Emerge with immediate commercial revenue earning functionality, international reach and scale. The platform offers a hybrid environment that gives access to both eSports and casual game titles using proprietary coding and technological integrations. Social and casual gamers have the opportunity to play hundreds of game titles with the opportunity of applying their skill to win prizes using their smart phones, tablets or PCs.

Emerge has invested into game streaming technology to stream AAA and premium games, new competition features (such as Head-to-Head competition), extended brand engagement features and new social engagement features. These new features and technologies are included in the release of Emerge's next generation social competition platform to be offered in partnership with existing and future commercial partners.

TANTALUM INTERNATIONAL LTD SETTLEMENT

During the half year the Company announced (ASX: 31 August 2021) that it banked its share of a settlement receipt of A\$2.8m from Egypt from its share in an unlisted Australian company, Tantalum International Limited ("TIL"). The settlement receipt arose from a legal dispute against Egypt in respect of alleged expropriation (amongst other claims) of a 50% interest in Abu Dabbab Tantalum-Tin-Feldspar project, located in Southern Egypt.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Emerge is in advanced negotiations to sell the Miggster Business to a third party. The Company anticipates that this process will be finalised imminently. On finalisation, the details of the transaction will be communicated to the market. In anticipation of this, the Company has reflected the MIGGSTER business as Discontinued Options in the Financial Report for the half-year ended 31 December 2021.

Other than the above, no matters or circumstances have arisen since the 31 December 2021 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

**EMERGE GAMING LIMITED
and its Controlled Entities
DIRECTORS' REPORT**

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 for the half-year ended 31 December 2021.

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



**Greg Stevens
CEO**

Dated this 2nd day of March 2022.

For personal use only

To the Board of Directors


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

As lead audit director for the review of the financial statements of Emerge Gaming Limited for the period ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours Faithfully

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD


CHRIS NICOLOFF CA
Director

Dated 2nd day of March 2022
Perth, Western Australia

For personal use only

EMERGE GAMING LIMITED
and its Controlled Entity

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

	Notes	31 Dec 21 \$	31 Dec 20 \$
Continuing Operations			
Revenue	3	192,278	68,296
Cost of Goods sold		(214,474)	(44,468)
Gross profit		(22,196)	23,828
Other Income	4	2,896,406	1,290,434
Operating expenses		(42,045)	(22,371)
Foreign exchange gain/(losses)		(15,616)	(728)
Administration expenses		(57,934)	(182,832)
Consulting expenses		(59,495)	(72,678)
Depreciation and amortisation		(7,911)	(499)
Employee benefits expense		(653,697)	(199,662)
Finance costs		(1,139)	(949)
Research and development		-	(164,568)
Marketing expenses		(51,540)	(48,420)
Professional expenses		(12,447)	(64,010)
Public Relations		(9,312)	(69,568)
Share based payment expense		(192,625)	(8,444)
Total Expenses		1,765,645	455,705
Profit/(Loss) before income tax from continuing operations		1,743,449	479,533
Income tax expense		(271,430)	-
Profit/(Loss) after income tax from continuing operations		1,472,019	479,533
Profit/(Loss) after income tax from discontinued operations	5	1,604,093	15,558
Profit/(Loss) after income tax for the half-year		3,076,112	495,091
Items that may be reclassified subsequently to Profit or loss			
Other comprehensive income/ (loss), net of income tax		14,486	(2,209)
Total comprehensive profit/ (loss) for the year		3,090,598	492,882
Earnings per share			
Discontinued operations profit/(loss) per share for the year		0.144	0.002
Continuing operations profit/(loss) per share for the year		0.132	0.067
Overall basic profit/(loss) per share		0.276	0.069
Overall diluted profit/(loss) per share		0.276	0.069

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

EMERGE GAMING LIMITED
and its Controlled Entity

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	31 Dec 21 \$	30 Jun 21 \$
Current Assets			
Cash and cash equivalents		16,611,933	15,876,873
Trade and other receivables	6	1,449,182	2,198,611
Contract asset	7	587,559	5,089,685
Total Current Assets		18,648,674	23,165,169
Non-current Assets			
Property, plant and equipment	9	63,908	44,805
Intangible Assets		262,875	4,882
Deferred tax assets		1,154,192	1,738,368
Total Non-current Assets		1,480,975	1,788,055
Total Assets		20,129,649	24,953,224
Current Liabilities			
Trade and other payables		709,810	1,226,021
Contract liability	8	2,622,998	10,781,774
Provision of income tax payable		1,405,272	896,403
Lease Liabilities	10	31,547	-
Total Current Liabilities		4,769,627	12,904,026
Non-current Liabilities			
Lease Liabilities	10	27,773	-
Total Non-current Liabilities		27,773	-
Total Liabilities		4,797,400	12,904,198
Net Assets		15,332,249	12,049,026
Equity			
Issued capital	11	72,209,737	72,209,737
Reserves	12	648,470	441,359
Accumulated losses		(57,525,958)	(60,602,070)
Total equity		15,332,249	12,049,026

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

EMERGE GAMING LIMITED
and its Controlled Entity

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

Notes	31 Dec 21 \$	31 Dec 20 \$
Cash flows from operating activities		
Receipts from customers	1,848,578	7,486,255
Payments to suppliers and employees	(3,858,129)	(1,351,952)
Interest received / (paid)	39,379	948
Other receipts	2,808,732	-
Proceeds on sale	-	1,089,849
Net cash used in operating activities	<u>838,560</u>	<u>7,225,100</u>
Cash flows from investing activities		
Purchase of plant and equipment	(47,620)	(3,585)
Net cash used in investing activities	<u>(47,620)</u>	<u>(3,585)</u>
Cash flows from financing activities		
Proceeds from exercise of options	-	3,134,219
Repayment of lease liabilities	(13,150)	-
Proceeds from loan repayment	20,156	-
Net cash provided by financing activities	<u>7,006</u>	<u>3,134,219</u>
Net increase/(decrease) in cash and cash equivalents	797,946	10,355,734
Cash and cash equivalents at the beginning of the year	15,876,873	1,991,671
Effects of exchange rate changes	(62,886)	(1,423)
Cash and cash equivalents at the end of the year	<u>16,611,933</u>	<u>12,345,982</u>

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 HALF-YEAR ENDED 31 DECEMBER 2021

	Issued Capital \$	Accumulated Losses \$	Reserve \$	Revaluation Reserve \$	Total Equity \$
Balance at 1 July 2020	60,695,153	(61,118,486)	2,207,634	-	1,784,301
Profit for the period	-	495,091	-	-	495,091
Other comprehensive (loss) / Income	-	-	-	(2,209)	(2,209)
Total comprehensive loss for the period	-	495,091	-	(2,209)	492,882
Transactions with owners in their capacity as owners					
Issued share capital	3,134,221	-	-	-	3,134,221
Exercise of options	1,535,766	-	(1,535,766)	-	-
Issued option	-	-	120,000	-	120,000
Recognition of share-based payments	-	-	8,444	-	8,444
Balance at 31 December 2020	65,365,140	(60,623,395)	800,312	(2,209)	5,539,848
Balance at 1 July 2021	72,209,737	(60,602,070)	464,199	(22,840)	12,049,026
Profit for the period	-	3,076,112	-	-	3,076,112
Other comprehensive (loss) / Income	-	-	-	14,486	14,486
Total comprehensive income for the period	-	3,076,112	-	14,486	3,090,598
Transactions with owners in their capacity as owners					
Recognition of share-based payments	-	-	192,625	-	192,625
Balance at 31 December 2021	72,209,737	(57,525,958)	656,824	(8,354)	15,332,249

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

**EMERGE GAMING LIMITED
and its Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

1 BASIS OF PREPARATION

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

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2021 and any public announcements made by Emerge Gaming Limited and its controlled entity during the half-year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Reporting Basis and Conventions

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

Significant Accounting Policies

Revenue Recognition

Revenue from contracts with customers

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

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

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

Rendering of services

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

**EMERGE GAMING LIMITED
and its Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

Revenue Recognition (continued)

Interest

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

Sponsorship, marketing and advertising services revenue

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

Contract Assets

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

Contract liabilities

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

Intangible Assets

Digital Assets – Bitcoins

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

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

EMERGE GAMING LIMITED
and its Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

New Standards and Interpretations

In the half-year ended 31 December 2021, management has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2021. It has been determined that, there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to accounting policies. Management has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2021. It has been determined that, there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

Comparatives

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

2 OPERATING SEGMENT

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

3 REVENUES

	31 Dec 21 \$	31 Dec 20 \$
Revenue		
Sales – MTN	191,253	68,296
Other Revenue	1,025	-
Total Revenue	192,278	68,296

4 OTHER INCOME

	31 Dec 21 \$	31 Dec 20 \$
Other Income		
TIL settlement	2,828,888	-
Research and development tax credit	-	198,592
Gain on sale of digital currency	-	1,089,849
Interest received	40,518	1,993
Total Other Income	2,869,406	1,290,434

EMERGE GAMING LIMITED
and its Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

5 DISCONTINUED OPERATIONS

The Company is currently in negotiations to sell the Miggster Business. The following is an analysis of the results of the discontinued operations for the period.

	31 Dec 21	31 Dec 20
	\$	\$
Discontinued Operations		
Revenue	9,267,662	1,296,452
Cost of Goods sold	(4,998,057)	(735,796)
Gross profit	4,269,605	560,656
Operating expenses	(127,268)	(20,645)
Administration expense	(185,882)	(128,604)
Consulting expenses	(159,685)	(163,883)
Depreciation and amortisation	(23,948)	(476)
Employee benefits expense	(49,611)	(28,779)
Research and Development	(1,141,495)	(157,025)
Marketing	(156,008)	(45,686)
Total Expenses	(1,843,897)	(545,098)
Net Profit before income tax	2,425,708	15,558
Income Tax expenses	(821,615)	-
Net Profit after income tax	1,604,093	15,558
Cashflow		
Cashflow from discontinued operations	1,077,905	8,375,241
Cash flows used in Operating Activities	(2,628,951)	(4,365,235)
Cash flows from investing activities	(38,308)	(1,274)
Net increase / (decrease) in cash and cash equivalents	(1,589,354)	4,008,732

6 TRADE AND OTHER RECEIVABLES

	31 Dec 21	30 Jun 21
	\$	\$
Trade and Other Receivables		
Trade receivables	1,071,254	2,088,263
Other receivables	304,123	109,671
Prepayment	73,805	535
Accrued receivables	0	142
Total Trade and Other Receivables	1,449,182	2,198,611

EMERGE GAMING LIMITED
and its Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

7 CONTRACT ASSETS

	31 Dec 21	30 Jun 21
	\$	\$
Opening balance	5,089,685	0
Costs related to the generation of subscriptions	1,647	11,224,647
Transfer to trade payable	(4,503,773)	(6,134,962)
Closing balance	587,559	5,089,685

8 CONTRACT LIABILITIES

	31 Dec 21	30 Jun 21
	\$	\$
Opening balance	10,781,774	-
Payment received in advance	468,032	19,790,714
Accrued unearned revenue	197,654	592,961
Transfer to revenue	(8,824,462)	(9,601,901)
Closing balance	2,622,998	10,781,774

9 PROPERTY, PLANT AND EQUIPMENT

	31 Dec 21	30 Jun 21
	\$	\$
Property, Plant and Equipment		
Computer equipment at cost	72,993	44,274
Less accumulated depreciation	(25,043)	(10,654)
	47,950	33,620
Office equipment at cost	18,750	11,862
Less accumulated depreciation	(2,792)	(677)
	15,958	11,185
Total Property, Plant and Equipment	63,908	44,805

EMERGE GAMING LIMITED
and its Controlled Entities

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021

10 LEASE LIABILITIES

	31 Dec 21	30 Jun 21
	\$	\$
Lease Liabilities		
Office lease – Current	31,547	-
Office lease – Non Current	27,773	-

The Group leases land and buildings for its offices under agreements of between one to two years with, in some cases, with options to extend.

11 ISSUED CAPITAL

(a) Issued and paid up capital

	31 Dec 21	30 Jun 21
	\$	\$
Ordinary shares fully paid	72,209,737	72,209,737

(b) Movements in shares on issue

	6 months to		Year to	
	31 December 2021		30 June 2021	
	No.	\$	No.	\$
<i>Movements in ordinary shares on issue</i>				
Opening balance	1,121,184,780	72,209,737	657,095,552	60,695,153
Issue of shares in return on exercise of options	-	-	464,089,228	11,514,584
Closing Balance	1,121,184,780	72,209,737	1,121,184,780	72,209,737

12 RESERVES

(a) Reserves

	31 Dec 21	30 Jun 21
	\$	\$
Options & Share based payments reserves	656,824	464,199
Revaluation reserve	(8,354)	(22,840)
Total Reserves	648,470	441,359

(b) Movements

	31 Dec 21	30 Jun 21
	\$	\$
Opening balance	441,359	2,207,634
Recognition of share-based payments	192,625	-
Revaluation Reserve	14,486	(22,840)
Issue of options in return for service – corporate advisors	-	120,000
Issue of options in return for service – corporate advisors	-	264,713
Issue of performance rights	-	199,486
Exercise of options	-	(2,327,634)
Total Reserves	648,470	441,359

**EMERGE GAMING LIMITED
and its Controlled Entities**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2021**

13 COMMITMENTS AND CONTINGENCIES

Bank guarantee

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

Capital Commitments

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

Contingent Liability

There were no contingencies as at 31 December 2021.

14 FINANCIAL INSTRUMENTS

At 31 December 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.

15 SUBSEQUENT EVENTS

Emerge is in advanced negotiations to sell the Miggster Business to a third party. The Company anticipates that this process will be finalised imminently. On finalisation, the details of the transaction will be communicated to the market. In anticipation of this, the Company has reflected the MIGGSTER business as Discontinued Options in the Financial Report for the half-year ended 31 December 2021.

Other than the above, no matters or circumstances have arisen since the 31 December 2021 which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

DIRECTORS' DECLARATION

The directors of Emerge Gaming Limited declare that:

1. In the directors' opinion, the financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements and give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
2. In the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors dated this 2nd day of March 2022.



GREG STEVENS
CEO

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF EMERGE GAMING LIMITED**

Conclusion

We have reviewed the accompanying half-year financial report of Emerge Gaming Limited ("the Company") and Controlled Entities ("the Consolidated Entity") which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other selected explanatory notes, and the directors' declaration.

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

- a) Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134: *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

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

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

Responsibility of the Directors for the Financial Report

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

For personal use only

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Hall Chadwick
HALL CHADWICK WA AUDIT PTY LTD


CHRIS NICOLOFF CA
Director

Dated 2nd day of March 2022
Perth, Western Australia