

9 March 2022

Emerge divests from Miggster Business for A\$5 million

Highlights:

- **Emerge executes a binding agreement to sell the Miggster Business for A\$5 million whilst retaining its core IP and technology**
- **Emerge expects to receive the A\$5 million sale consideration with A\$1.75 million upfront and the remainder over 12 months**
- **Company is well funded with A\$16.6 million before receipt of A\$5 million sale consideration**
- **Emerge to terminate agreements with ICT and Crowd1**
- **Focus on business growth and GTM strategies by pursuing B2B2C expansion and further B2C opportunities**
- **MTN Arena's community of more than 800,000 subscribers continues to grow, targeting further potential with new and enhanced platform features**
- **Emerge to target 8 MTN Group countries with a combined subscriber base of ~175 million**

Emerge Gaming Limited (ASX: EM1) ("Emerge" or the "Company"), is pleased to advise that it has executed a binding agreement to sell the Miggster Business (Defined Below) for A\$5,000,000.

On 23 September 2021, the Company engaged professional advisors to undertake a strategic review of Emerge's assets and advise on realising value from the Miggster business through divestment. Pursuant to this review, Emerge actively pursued divestment opportunities for Miggster which successfully culminated in Emerge creating value for its shareholders by selling its intellectual property relating to the Miggster Business for A\$5,000,000 whilst retaining its core IP and technology.

Key commercial terms of Miggster Sale Agreement

Emerge has executed a binding agreement to sell the Miggster Business to NIBIRU e-gaming AB, ("Nibiru" or the "Purchaser"), for a sale consideration of A\$5,000,000 payable over 12 months.

The Miggster Business is defined as:

- The IP relating to the Miggster platform including a copy of the technology source code for the Miggster Platform (but not the Company's core IP);
- Employees and contractors dedicated to servicing the Miggster Business;
- Transfer of technology service and operational contracts dedicated to servicing the Miggster Business; and
- all other assets in connection with or associated with the operation of the Miggster Business including online stores, intellectual property, Miggster subscriber databases, office equipment and prize inventory.



Emerge's Continuing Operations

In July 2020 EmERGE launched its competitive social gaming platform using its developed technology under the "MTN Arena" brand in South Africa under a content provider agreement with MTN South Africa. MTN is a multinational mobile network operator ("MNO") servicing more than 272 million¹ subscribers in countries across Africa and the Middle East.

This launch marked the Company's first execution under its "Telco Strategy" and has seen EmERGE successfully deliver a product to a MNO with the objective of gaining access to distribution to millions of mobile subscribers internationally.

Since launch, the EmERGE operated MTN Arena platform has acquired more than 800,000 paying subscribers and continues to grow month on month, currently adding more than 100,00 new monthly paying subscribers each month. Given MTN has approximately 29 million subscribers in South Africa alone (and MTN Arena has accessed more than 0.8 million new subscribers, or 2.7%, of the MTN South Africa subscriber base), there is significant opportunity to grow. The results of the MTN Arena platform in South Africa have provided the foundation for further extrapolation of this commercial model to the other countries across the MTN Group. In addition, EmERGE continues to target other multinational MNOs and distribution partners with millions of subscribers as the company seeks to accelerate the geographical expansion of its core technology.

EmERGE has increased its investment into R&D to develop innovative esports and gaming technologies. EmERGE has previously announced the development of its 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.

The opportunity exists for EmERGE to launch an improved feature rich version of its competitive social gaming platform under MTN Arena, ArcadeX, and new future platform offerings with the objective of accelerating subscriber acquisition performance.

EmERGE continues to pursue its business growth and Go-To-Market ("GTM") strategies.

Business Growth Strategy

EmERGE has demonstrated its ability to scale its platform in multiple geographies, generate cash and acquire users from the technology it has developed and owns.

With A\$16.6m² in the bank, prior to the receipt of the A\$5,000,000 from the Miggster divestment over the next 12 months, EmERGE is well capitalised and primed to accelerate the growth of its user community, leveraging developed and proven business models to expand internationally.

EmERGE will use its cash in bank and the cash received from the Miggster divestment to:

- invest into the implementation of growth and GTM strategies of EmERGE and in particular the MTN Arena product;
- marketing and engagement with MNOs other than MTN to open up further channels;
- fund existing operational costs;
- invest into R&D to develop further innovative gaming and eSports technologies; and
- investigate potential acquisitions of complementary technologies in the gaming eSports sector.

¹ <https://www.mtn.com/investors/financial-reporting/quarterly-trading-update> (30 September 2021)

² Cash Balance as at 31 December 2021



In line with the business growth strategy communicated in the previous quarter, revenue growth will be targeted through the scaling of multiple GTM channels, the addition of new revenue streams, launching Emerge's game streaming and head-to-head competition features, enhancing the Company's product offerings and the discerning development of new gaming eSports products to offer Emerge's subscriber communities.

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 broadcasting channel activations

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 and customer relation management systems underpin its platform operations.

The Company has a strongly established B2B2C partnership with MTN (**MTN Arena**). The results of the MTN Arena platform in South Africa has provided the foundation for the imminent further expansion of this commercial model through offerings to countries outside South Africa, where MTN services more than 272 million subscribers³.

Upon completion of the new features, Emerge will have the opportunity to use its newly developed technology platform enhancements in its MTN Arena platform that has now grown to in excess of 800,000 subscribers since launch.

The Company will continue to grow its MNO expansion strategy and initially will target 8 countries (Nigeria, Ghana, Cameroon, Zambia, Sudan, Ivory Coast, Rwanda and Congo Brazzaville) in the MTN Group with a total addressable market of ~175 million mobile subscribers 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 in launching both the MTN Arena platform and the game streaming technology.

Emerge continues to market to other multinational MNO's and to prospective partners across its various GTM strategies.

Strategic opportunities are being evaluated to re-launch the B2C business model globally, leveraging its newly developed and improved social competition platform and its established operations.

The Company's strategy to continue 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.

The divestment of Miggster will result in a reduction of the turnover associated with this platform (~A\$9.3M revenue and ~A\$1.6M NPAT in the half year ended 31 December 2021). However, the Company will realise the sale proceeds from Miggster along with a renewed focus and additional investment into the Company's GTM strategies, in particular MTN Arena.

³ <https://www.mtn.com/investors/financial-reporting/quarterly-trading-update> (30 September 2021)



Counterparty and Material Terms and Conditions of Miggster Sale Agreement

The counterparty to the sale agreement is NIBIRU e-gaming AB which is a private company registered in Sweden, formed by a private consortium of shareholders. NIBIRU e-gaming AB has advised the Company that it does not intend to list on any exchange.

Due diligence undertaken indicates that the representatives of NIBIRU e-gaming AB are capable C-suite professionals that have the ability to operate the Miggster Business and that the company will have the necessary financial capacity to fulfil its financial obligations on the date of settlement of the agreement. Gregory Stevens, the CEO of Emerge, travelled abroad and met the key representatives of NIBIRU e-gaming AB.

The material terms of the sale agreement include:

- The Purchaser has the option to elect either of the following payment terms of the transaction (Miggster sale) consideration before settlement (date the agreement becomes unconditional) of the agreement:
 - Initial payment of A\$1,750,000 on settlement of the agreement and a deferred consideration of A\$3,250,000, the payment of which will be determined quarterly over 12 months and calculated as 10% of the difference between Nibiru's revenue derived from the Miggster platforms less an amount of fixed operational, technological and staff costs, with these costs being limited to average actual costs incurred by Emerge for the Miggster Business between the dates of execution and settlement of the agreement. Nibiru will make an additional payment to Emerge after 12 months for the amount of the A\$3,250,000 deferred consideration that remains unpaid; or
 - 12 equal monthly instalments of A\$416,666.67 payable monthly in advance with the first payment due on the date of settlement of the agreement.
- Settlement of the agreement is subject to the following conditions:
 - Transfer of employees and contractors; technological and operational service agreements; intellectual property; subscriber databases; office equipment and prize inventory;
 - Obtaining all required third party consents from operating lease providers, technology service providers and games content providers. The process for obtaining these consents is to communicate with the relevant parties and request the relevant consent in writing;
 - Verification of the source code to be transferred to Nibiru;
 - Obtaining all necessary regulatory and shareholder approvals of the parties;
 - Satisfactory completion of Nibiru's thirty-day material deficiency due diligence period;
 - Marketing agreements between Emerge and Influence Crowd Technologies S.L. ("ICT") [formerly Tecnología de Impacto Múltiple S.L. ("TIM")] (original and amended written agreements) and Crowd1 (promotional agreement) are terminated on the following termination terms:
 - Emerge has no obligation to pay the cost of prizes or historical prize commitments for the Miggster Business from the settlement date;
 - Emerge has no further obligation to service subscribers or operate the Miggster platform of the Miggster Business;
 - Emerge has no obligation to pay termination penalties to ICT; and

- the payment to the Company of any outstanding funds payable under marketing agreements in relation to the Miggster Business.
- Nibiru will not sell, licence, lease, assign, transfer or in any other way dispose of any of its right, title and interest to, or in, the Miggster Business or parts thereof until the A\$5million is paid in full; and
- Emerge has a Call Option to buy back the Miggster source code, intellectual property, customer base and associated data for A\$1.00 if payments of the A\$5,000,000 consideration are not made when due under the elected payment terms defined in the agreement, on the following terms:
 - the option exercise period shall begin 13 months after settlement date and expire 15 months after settlement date; and
 - if the call option is exercised, Nibiru shall deliver the Miggster source code, intellectual property, customer base and associated data by assignment, provision of documents, transfers or other obligations giving effect to such delivery.

The parties to the sale agreement do not anticipate any regulatory or shareholder approvals for the settlement of the agreement but have agreed that should any such approvals be required, that those approvals will be a condition to this agreement.

The sale agreement does not result in any board or senior management changes in Emerge.

Timetable for divestment

Under the terms of the sale agreement, the parties have until on or before 5.00pm (WST) on 30 April 2022 to satisfy the conditions for Settlement for the divestment. Emerge is working diligently on the process of satisfying such conditions.

Further information:

E: info@emergegaming.com.au

P: + 61 2 9680 8777

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

