

# MIGHTY KINGDOM QUARTERLY ACTIVITIES UPDATE AND APPENDIX 4C

Quarter Ended 30 June 2021

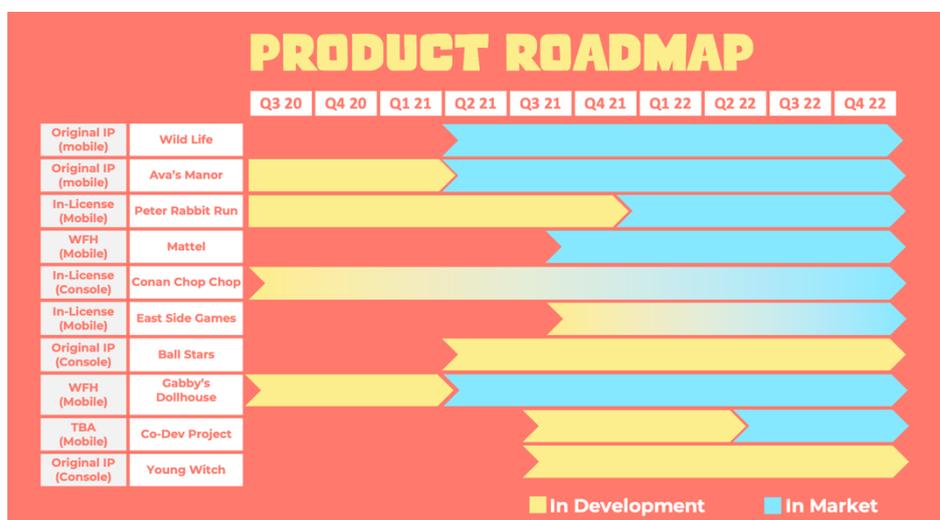
Mighty Kingdom Limited (“The Company” or “MK”) (ASX: MKL), is pleased to provide its Quarterly Activities Update and Appendix 4C for the June 2021 Quarter (“Q4 FY21”).

## QUARTERLY HIGHLIGHTS

- 👑 Commenced trading on ASX on 21 April 2021 and raised \$18.0m to fund the development of original IP and co-development games to be released in FY22
- 👑 Revenue generated from original IP and co-development projects increased to \$0.6m in Q4 FY21, an increase of 73% on pcp and YoY increase of 94%
- 👑 Peter Rabbit Run! was released globally during the quarter and has surpassed 50k downloads
- 👑 Ava's Manor surpassed 2.3m downloads, growing 111% since Q3 FY21
- 👑 MK's 100% owned 'Ballstars' nearing development completion and receiving excellent market feedback in user testing
- 👑 Major mobile platform game contracts signed with Moose Toys, Mattel Inc, and East Side Games to enhance existing IP and co-develop new content

## OPERATIONS AND PROJECT PIPELINE

MK continued to roll out its strategy around a measured transition from **Work for hire** (“WFH”) to **Licensing, Co-Development, and Original IP**. A quarterly summary of significant game development within each business stream follows.



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**WORK FOR HIRE – Q4 REPORT**

GAME DETAIL	COMMENTARY
<p><b>Name:</b> (TBA)</p> <p><b>Partner:</b> Mattel</p> <p><b>Team Size:</b> 5-10</p> <p><b>Deal type:</b> WFH/Rev Share Mobile</p> 	<p>MK was engaged by Mattel this quarter to take over development activity on a Work for Hire (“WFH”) contract for a game that is currently on market. While the contract is WFH, MK also receives revenue share once hitting agreed revenue hurdles.</p> <p>MK has focused on optimisation and content delivery pipeline for the game and is excited about the opportunities this is providing for future content. Since taking on the development of this game there have been 1.3M new downloads and we are working closely with Mattel to take advantage of the improvements made to see an increase in both downloads and revenue.</p>
<p><b>Name:</b> Gabby’s Dollhouse: Create and Play</p> <p><b>Partner:</b> Spinmaster</p> <p><b>Team Size:</b> 5-10</p> <p><b>Deal Type:</b> Work for Hire</p> 	<p>Mighty Kingdom has been contracted by Spinmaster, one of the world's largest toy companies, to develop the ‘Gabby’s Dollhouse’ game based on the Dreamworks/Netflix television series. The show was released in January and to date the game has more than 5.5M downloads.</p> <p>MK’s contract with Spinmaster was extended during the quarter and MK will continue developing content for the game in line with the series and associated toy lines, with additional content and features to be added.</p> <p>The game's content is in line with an integrated strategy that includes tie-ins to both the series and toy releases. Gabby’s Dollhouse has been extended for a second season and will be released in August 2021.</p>

**LICENSING – Q4 REPORT**

GAME DETAIL	COMMENTARY
<p><b>Name:</b> Peter Rabbit Run!</p>	<p>Peter Rabbit Run! is a licensed IP product via Sony Entertainment relating to the cinematic release of Peter Rabbit 2.</p>

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<p><b>Partner:</b> Sony Entertainment</p> <p><b>Team Size:</b> 1-5</p> <p><b>Deal Type:</b> Licenced IP / Mobile App</p> 	<p>Peter Rabbit 2: The Runaway had its theatrical release staggered throughout the last quarter of FY21, with its US release in mid-June 2021. While the game was largely completed in 2020, we continue to seek to optimise the game in the market. To date, the metrics are strong, with Cost Per Install (CPI) peaking at \$1, and the game being Return on Advertising Spend (ROAS) positive.</p> <p>There is a strong upside to be gained in 'live ops' (ongoing game changes without the need for app updates) for Peter Rabbit, and this is where MK's focus will be over the coming months.</p>
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### CO-DEVELOPMENT / REVENUE SHARING – Q4 REPORT

GAME DETAIL	COMMENTARY
<p><b>Name:</b> Ava's Manor</p> <p><b>Partner:</b> Uken Games</p> <p><b>Team Size:</b> 20-30</p> <p><b>Deal Type:</b> Co-Development /Revenue Share Mobile App</p> 	<p>A Solitaire based narrative game, Ava's Manor has been in the global market since November 2020, and its underlying metrics remain strong. Over the past 3 months, our partner, Uken Games, has responded to market data to make some changes to the game economy to improve monetisation. These changes have increased player Lifetime Value (LTV) and Average Revenue Per Daily Active User (ARPDau).</p> <p>MK funded a minority share of the original development phase of Ava's Manor during 2020 plus additional development costs and in turn, receives a percentage of revenue (ex user acquisition and platform costs) with current modeling indicating net cash inflows from game revenue expected by the end of Q2FY22.</p> <p>While User Acquisition (UA) spend has decreased as the games economy changes are being bedded down, Return on Advertising Spend (ROAS) has become positive. Performance to date has been in line with modeled changes to the game economy and decreased UA spend. This bodes well as UA spend is increased to capitalise on the new monetisation economy which will see the returns to Mighty Kingdom as anticipated in late Q2 FY22.</p>

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<p><b>Name:</b> Conan Chop Chop</p> <p><b>Partner:</b> Funcom</p> <p><b>Team Size:</b> 10-20</p> <p><b>Deal Type:</b> Co-Development /Revenue Share Console</p> 	<p>Conan Chop Chop, developed by Mighty Kingdom and published by Funcom, is a key plank in MK's expansion strategy around diversification into Console gaming. MK has contributed to funding the initial development phase of the game and receives a percentage of revenue (ex user acquisition and platform costs).</p> <p>After receiving very detailed market feedback, the decision was taken by Funcom to invest further in new features and refining the existing gameplay to capitalise on the potential of the game.</p> <p>An opportunity with significant upside for MK, the game has gone through several changes. MK and Funcom have been working collaboratively over the last few months to refine the user experience.</p> <p>MK has been working on delivering these improvements for a release in FY22. The decision by Funcom to delay the release was driven by financial modeling and we expect that the changes and improvements will have a significant impact on expected revenues.</p> <p>The game is nearing the feature-complete stage and is on track to be submitted for certification from platforms in the coming months.</p>
<p><b>Name:</b> (tba, major Sci-Fi franchise)</p> <p><b>Partner:</b> Eastside Games</p> <p><b>Team Size:</b> 10-15</p> <p><b>Deal Type:</b> Co-Development/ Revenue Share Mobile App</p> 	<p>During the quarter, MK entered into a Co-Dev/Revenue sharing contract with Vancouver-based East Side Games (ESG) for the development and launch of a mobile-based game licensed from a major science-fiction franchise, and utilising ESG's IdleKit technology.</p> <p>Our partnerships with both ESG and the IP Owner have been very productive to date. MK has established the art style of the game, the overall narrative concept, and the narrative and progression mechanics.</p> <p>Overall, work is progressing on time, and we'll seek to soft launch the game in Q2 in limited jurisdictions, with the aim to release globally in the second half of FY22.</p>

## ORIGINAL IP – Q4 REPORT

GAME DETAIL	COMMENTARY
<p> <b>Name:</b> BallStars  <b>Partner:</b> MK Original IP  <b>Team Size:</b> 15-20  <b>Deal Type:</b> Original IP            Console / PC         </p> 	<p>           BallStars is MK’s flagship 100% owned original IP game being developed primarily for console and PC. It is a multiplayer racing game for a family demographic, which is a demographic that we have had previous success in. <b>BallStars has all the elements of being a ‘blockbuster’ breakout game for MK.</b> </p> <p>           The BallStars prototype has been progressed substantially to the extent that it has undergone external user testing to determine if the concept meets its promise to players. Results from user testing have been extremely positive, with players not wanting to stop playing.         </p> <p>           Technically, MK has built real-time multiplayer technology that underpins the game, and over the quarter testing took place to determine the optimum number of concurrent players with the current iteration having 10 players simultaneously in a single game.         </p> <p>           MK has built out the technology to handle more than 50 concurrent players should this be appropriate.         </p> <p>           Work has also continued on developing the visual and brand identity of the game and has had positive feedback on this work to date. The art style has been established and we’re currently building additional game content ahead of further testing, which is planned for the current quarter.         </p>

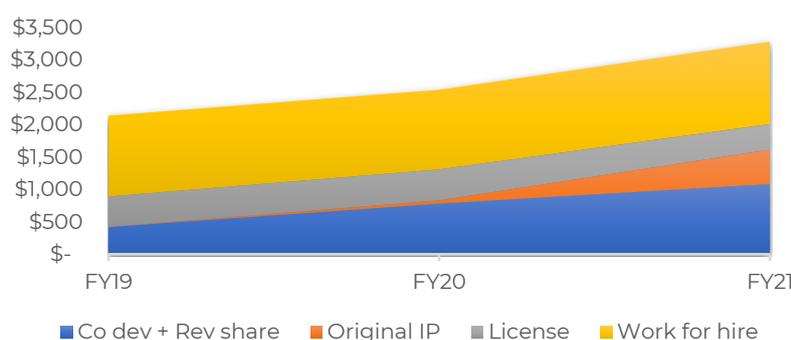
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## OPERATIONAL / MANAGEMENT COMMENTARY

Mighty Kingdom has enjoyed strong revenue growth throughout FY2021 with overall YoY growth of 29% in total unaudited customer revenue of \$3.3m. The Company has successfully executed its business strategies on the following matters:

- Continuous investment in original IP development while maintaining the quality of WFH contracts.
- Effective management across the project pipeline with a well-balanced future release schedule.
- Developing Mighty Kingdom leadership in creative talent acquisition and retention, with less than 3% in HR turnover rate.
- Enhanced board and senior management team with the key hire of Amy Guan in the role of CFO.

Customer Revenue (000's)



## OPERATING CASHFLOWS

During Q4 FY21, the Company received \$0.9m cash from customers.

During Q4 FY21, the Company received \$0.13m from Government JobKeeper, EMDG, and Workskill support.

Several 'one-off' costs were incurred in Q4 FY21 associated with the Company's IPO.

The Company reported \$5.62m in operating cash outflows which included the following items:

- Direct costs in game development: \$3.3m
- Expenses paid for Initial Public Offer: \$1.3m (*'one off' cost*)
- Board, Consultancy, and ASX fees: \$0.48m
- Bank Guarantee and supplier deposits: \$0.3m (*'one off' cost*)

## IPO USE OF FUNDS RECONCILIATION - FINANCING CASHFLOWS

The Company raised \$18m in its IPO on 21<sup>st</sup> April 2021 and \$4.60m was utilised as below in Q4 FY21:

Use of Funds under Prospectus (000's)	Q4 FY21	Total IPO Prospectus
Capital for game development - Original IP	\$1,311	\$7,300
Capital for game development - Licensed IP	\$1,967	\$5,572
Development of self-publishing capabilities	\$0	\$1,800
M&A	\$0	\$0
Expenses of the Offer	\$1,320	\$1,578
<b>Total</b>	<b>\$4,598</b>	<b>\$18,000</b>

## CASHFLOW MANAGEMENT AND BUDGETING

As part of the changes made during the listing process and post the appointment of the company's CFO, MK has maintained several initiatives to broaden company-wide awareness in financial governance, streamline financial control & reporting processes, and strengthen the Cashflow & Treasury management.

This has led to significant cost savings and performance improvement in key business areas within the finance team and will also lead to many efficiency gains within the broader development group.

MK notes the \$4.6m net cashflows from operating activities in Q4 FY21 represent a number that is not representative of anticipated future spend (includes the impact of \$1.3m spending on direct IPO costs).

## RELATED PARTY TRANSACTIONS

As noted in Item 6 of the Company's Appendix 4C for Q4FY21, payments to related parties and their associates represented cash salaries of \$78k for non-executive directors and \$87k for executive directors.

This announcement has been authorised for release by the Board of Mighty Kingdom Limited.

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For further information, please contact

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**ABOUT MIGHTY KINGDOM LIMITED**

Since its formation in 2010, Mighty Kingdom has released over 50 games that have been downloaded more than 50 million times. These games include the popular *Shopkins*, *LEGO Friends: Heartlake Rush*, *Gabby's Dollhouse*, *Wild Life* and *Ava's Manor*. Mighty Kingdom is one of the largest independent game developers in Australia, working with significant international companies, including Disney, LEGO, Sony, Funcom, Rogue, and Snapchat. A growing team of more than 110 staff with significant experience across mobile and console platforms supports its clients to develop high-quality, successful games whilst driving Mighty Kingdom's internal IP development.

**APPENDIX 4C**
**Quarterly cash flow report for entities  
subject to Listing Rule 4.7B**
**Name of entity**

Mighty Kingdom Limited

**ABN**

39 627 145 260

**Quarter ended ("current quarter")**

30 June 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	879	2,746
1.2	Payments for		
	(a) research and development	0	0
	(b) product manufacturing and operating costs	(572)	(2,391)
	(c) advertising and marketing	(23)	(35)
	(d) leased assets	0	0
	(e) staff costs	(2,983)	(7,095)
	(f) administration and corporate costs	(2,031)	(3,487)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	0	0
1.5	Interest and other costs of finance paid	(11)	(33)
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	129	2,353
1.8	Other (provide details if material)	2	2
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(4,610)</b>	<b>(7,940)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	(95)	(241)
	(d) investments	0	0
	(e) intellectual property	0	0

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12months) \$A'000
	(f) other non-current assets	0	0
2.2	Proceeds from disposal of:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	0	0
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(95)</b>	<b>(241)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	18,000	18,000
3.2	Proceeds from issue of convertible debt securities	0	4,000
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	0
3.5	Proceeds from borrowings	112	112
3.6	Repayment of borrowings	(23)	(450)
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
3.10	<b>Net cash from / (used in) financing activities</b>	<b>18,089</b>	<b>21,662</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	156	82
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,610)	(7,940)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(95)	(241)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	18,089	21,662
4.5	Effect of movement in exchange rates on cash held	13	(10)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>13,553</b>	<b>13,553</b>

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	13,553	2,995
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>13,553</b>	<b>2,995</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	165
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

*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 <i>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.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	112	112
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	150	0
7.4 <b>Total financing facilities</b>	262	112
7.5 <b>Unused financing facilities available at quarter end</b>		150
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.		
<p>Item 7.1: Commonwealth Bank Business Loan: Interest rate: Variable Base Rate minus a margin of 0.96% p.a.; Maturity date: 4 July 2023; General Security interest by MIGHTY KINGDOM GAMES PTY LTD ACN 149 485 165 comprising: First ranking charge over All Present &amp; After Acquired Property. Guarantee limited to \$400,000 by Philip James Mayes and Michelle ChoiYi Lee.</p> <p>Item 7.3: Commonwealth Bank Overdraft: Interest rate: 8.43% p.a.; General Security interest by MIGHTY KINGDOM GAMES PTY LTD ACN 149 485 165 comprising: First ranking charge over All Present &amp; After Acquired Property. Guarantee limited to \$400,000 by Philip James Mayes and Michelle ChoiYi Lee.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(4,610)
8.2 Cash and cash equivalents at quarter end (item 4.6)	13,553
8.3 Unused finance facilities available at quarter end (item 7.5)	150
8.4 Total available funding (item 8.2 + item 8.3)	13,703
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	3.0
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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	
8.6.2 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	

8.6.3 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

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## 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.

Date: **30 July 2021**

Authorised by: **By the board**  
(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.