

MIGHTY KINGDOM QUARTERLY ACTIVITIES UPDATE AND APPENDIX 4C

Quarter Ended 30 September 2021

Mighty Kingdom Limited (ASX: MKL) ("MK" or the "Company"), is pleased to provide its Quarterly Activities Update and Appendix 4C for the September 2021 Quarter ("Q1 FY22").

QUARTERLY HIGHLIGHTS

- Record unaudited revenue of \$1.2 million, representing 142% increase on previous comparable quarter and 25% increase quarter-on-quarter
- 147% increase in revenue derived from co-development and original IP games compared to Q1 FY21 and 8% quarter-on-quarter
- Ava's Manor* experienced significant uplift in life-time value of 43% vs Q4 FY21 and increased 40% in day-30 conversion rate vs Q4 FY21 post release of additional Mighty Kingdom content
- Significant investment into co-development and original IP titles to be released in Q2 and Q3 FY22

MK Managing Director and CEO, Mr Philip Mayes commented:

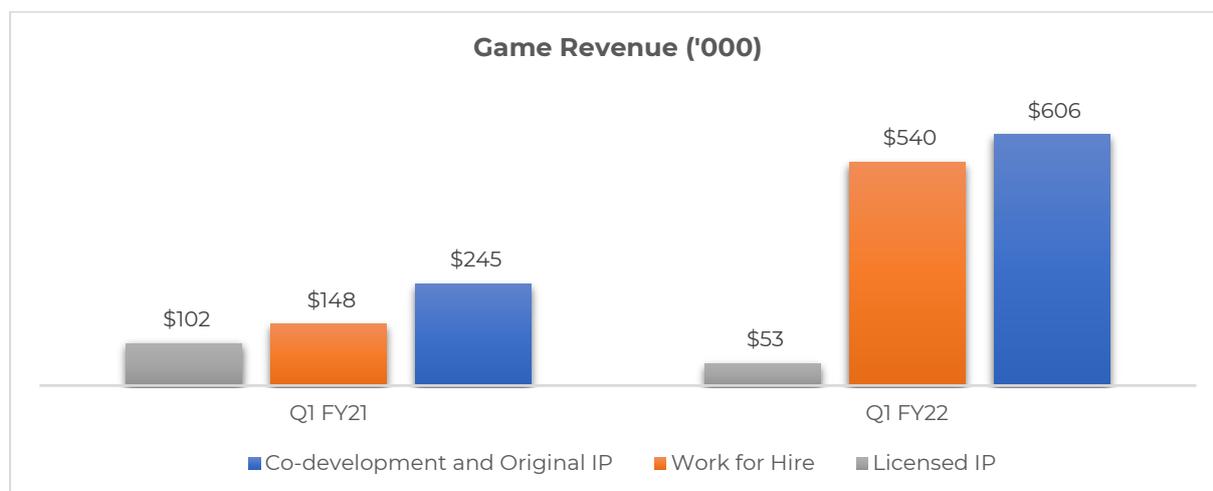
"The increase in revenue is primarily driven by enhanced contracts with work-for-hire partners. However, we have also experienced a significant enhancement in co-development projects that are currently in market. Ava's Manor is of particular note as we have seen a steady increase in its performance metrics since release and now expect it to represent a steady revenue stream post Q2 FY22.

In addition, we have made significant progress developing our co-development and original IP projects during the September quarter. This is exemplified by positive feedback on Conan Chop Chop and Ball Stars from market user testing, and we are excited to provide more information and release each title to market in the coming months."

OPERATIONAL SUMMARY

MK recorded unaudited revenue of \$1.2m for the quarter ended 30 September 2021, representing 142% growth on Q1 FY21. This growth was primarily driven by extending contracts with co-development and work for hire partners such as Spin Master (Gabby's Dollhouse) and Funcom (Conan Chop Chop).

The Company has continued its investment in high-quality co-development and original IP titles and has made significant progress on the development of its game with Canada based East Side Games, as well as original IP project, Ball Stars, which has had ongoing user and market testing yielding overwhelmingly positive sentiment.



PROJECT PIPELINE

Original IP

Project Ball Stars

Project Ball Stars has made strong progress including finalising multiplayer gameplay technology and cementing its branding and art style. Player testing continues to generate positive sentiment from players and industry. Final content for the game is being implemented at pace and the Company is on track to launch the game in FY22.

Project Broken Ridge

MK has entered into a licensing contract to develop a game tied to an Australian film currently in production. The Company has completed early development through to prototype phase and the project shows great promise. Development will continue throughout FY22 with release currently expected for FY23.

Wild Life

MK is currently enhancing the user experience to capitalise on its strong player engagement, with an update expected to be released in Q3 FY22.

Co-Development

Ava's Manor

MK has significantly enhanced the performance of *Ava's Manor* by developing extensive content and optimising the game's economy. These changes have resulted enormous improvements in retention rates compared to Q4 FY21. In addition, Average Revenue per Daily Active User ("ARPDau") increased 32%, day-30 life-time value ("LTV") increased 43% and day-30 conversion rate (the rate at which players convert to paying for content) increased 40% over the same period. These results indicate that there is likely to be significant upside from increased marketing spend from MK's co-development partner in future quarters.

Peter Rabbit Run

The Company expects to release a technical update in Q3 FY22 which will further improve gameplay performance and seek to increase advertising revenue through the introduction of more global advertising partners in game.

Conan Chop Chop

Conan Chop Chop is in the final stage of development and is on track to be released in FY22. Positive feedback from external mock reviewers has noted significant improvements to all aspects of the game and predicting an average review score of between 75-80.

East Side Games

The development of the game from a major science-fiction franchise, and the overall partnership with East Side Games is progressing well, with the major milestone of a technical release (where the game is put in market for load testing and generation of initial user data) of the title targeted for Q2 FY22. Initial feedback from East Side Games has been universally strong, with specific praise for the game's narrative and humour in line with the IP.

Work For Hire**Barbie Fashion Closet**

Since contracting with Mattel in Q3 FY21, MK has developed significant content for its *Barbie Fashion Closet* title by adding the Barbie Extra!™ and Barbie Fashionista!™ lines to the app. The Company and Mattel will be releasing these changes to the game in Q2 FY22. MK is currently working on additional updates to be released throughout the year and is confident of a successful relaunch.

Gabby's Dollhouse

User downloads for the game increased 33% quarter-on-quarter and have now surpassed 7 million year-to-date. The brand remains strong in market and the Company expects this to continue with season 3 of the Netflix series to be released in November 2021. In addition, in-game tie-ins to the Spin Master toy range are showing great results.

Shopkins

MK continues to support the Shopkins titles in market and the operational performance and revenue generation potential remain steady across all platforms.

OPERATING CASHFLOWS

During Q1 FY22, the Company received \$0.9m cash from customers, including additional cash received from Spin Master's extended contract.

In addition, approximately \$500k was billed during the quarter but not received by 30 September 2021, the cash benefit of which will be seen during Q2 FY22.

The Company reported \$3.7m in operating cash outflows, in line with post-IPO expectations around an increase in staffing levels prior to release of key new games into market.

MK has \$9.5 million cash at bank as of 30 September 2021.

IPO USE OF FUNDS RECONCILIATION

The Company raised \$18m in its IPO on 21st April 2021 and \$2.5m was utilised as below in Q1 FY22:

Use of Funds under Prospectus (000's)	Q1 FY22	Funds Invested since Listing	Total IPO Prospectus
Capital for game development - Original IP	\$1,858	\$3,169	\$7,300
Capital for game development - Licensed IP	\$574	\$2,541	\$5,572
Development of self-publishing capabilities	\$43	\$43	\$1,800
M&A	\$0	\$0	\$0
Expenses of the Offer	\$0	\$1,320	\$1,578
Total	\$2,475	\$7,073	18,000

OUTLOOK

In line with expectations post the Company's IPO in April 2021, there is an expectation that net cash burn will reduce significantly over the remainder of FY22.

Q2 FY22 net cash burn is anticipated to be less than \$3.5m.

RELATED PARTY TRANSACTIONS

As noted in Item 6 of the Company's Appendix 4C for Q1 FY22, payments to related parties and their associates represented cash benefits of \$56k for non-executive directors and \$122k for executive directors.

CHANGE OF BUSINESS ADDRESS

Mighty Kingdom Limited wishes to advise that its principal place of business has changed with immediate effect to:

Level 4
121 King William Street
Adelaide SA 5000

The Company's telephone number and registered office remains unchanged.

SUPPLEMENTARY ANNUAL REPORT DISCLOSURE

The Company has used the cash and assets in a form readily convertible to cash, that it had at the time of admission to the ASX, in a way consistent with its business objectives. This statement is made pursuant to ASX Listing Rule 4.10.19.

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

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. Mighty Kingdom is one of the largest independent game developers in Australia, working with top tier entertainment and gaming companies including Disney, LEGO, Sony, Funcom, Rogue, and Snapchat. A growing team of more than 140 employees 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 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	932	932
1.2 Payments for		
(a) research and development	0	0
(b) product manufacturing and operating costs	(748)	(748)
(c) advertising and marketing	(17)	(17)
(d) leased assets	0	0
(e) staff costs	(3,393)	(3,393)
(f) administration and corporate costs	(477)	(477)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(15)	(15)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other (provide details if material)	5	5
1.9 Net cash from / (used in) operating activities	(3,710)	(3,710)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	0	0
(b) businesses	0	0
(c) property, plant and equipment	(190)	(190)
(d) investments	0	0
(e) intellectual property	0	0

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 Net cash from / (used in) investing activities	(190)	(190)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
3.2 Proceeds from issue of convertible debt securities	0	0
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	0	0
3.6 Repayment of borrowings	(132)	(132)
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 Net cash from / (used in) financing activities	(132)	(132)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	13,553	13,553
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(3,710)	(3,710)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(190)	(190)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(132)	(132)
4.5	Effect of movement in exchange rates on cash held	23	23
4.6	Cash and cash equivalents at end of period	9,544	9,544

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	9,544	13,553
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,544	13,553

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	178
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	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities	99	0
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	150	0
7.4 Total financing facilities	249	0
7.5 Unused financing facilities available at quarter end		249
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 & 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 & 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)	(3,710)
8.2 Cash and cash equivalents at quarter end (item 4.6)	9,544
8.3 Unused finance facilities available at quarter end (item 7.5)	249
8.4 Total available funding (item 8.2 + item 8.3)	9,793
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.6
<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: **29 October 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.