



ASX Release

31 January 2020

## Animoca Brands 4Q19 Update

Animoca Brands Corporation Limited (ASX:AB1) (“the **Company**”) today released its Appendix 4C for the three-month period from 1 October 2019 to 31 December 2019 (**4Q19** or “the **Quarter**”). *Please note: all dollar amounts indicate Australian dollars unless otherwise indicated.*

The Company reported cash receipts from customers of \$10.1 million for the quarter and \$25.1 million for the year with net cash from operating activities of -\$5.4 million. The cash receipts from customers include a reclassification of receipts related to the reported unearned income, totalling \$5.6 million, previously offset against corporate costs. Excluding this amount, the Company recorded record receipts from customers of \$19.5 million.

As part of the acquisition of nWay, the Company announced unsecured loan agreements of \$2.5 million with attached 12-month options, of which \$2 million are not yet collected.

The Company has been focused on improving its financial disclosure and corporate governance. As part of this process, the Company has been working to address from an accounting perspective the relatively large number of acquisitions and investments made over the past 18 months, and this is reflected in the Q4 2019 Appendix 4C.

During the Quarter, the Company had several significant one-off expenses related to investments and acquisitions that were not considered expenses during the ordinary course of business. These one-off items included legal expenses for the year 2019 and investments that, due to the consolidation of accounts post-acquisition, were moved from balance sheet items to operational expenses requiring reclassification upon completion of the related acquisitions:

- In the case of Stryking, funds previously recorded as investment post-consolidation have now been recorded as operating cashflow expenses including acquisition support costs for the Stryking business and its integration into the Company totalled \$1.397 million
- Professional consultants’ fees, primarily legal fees and accounting costs across the Company, accounted for approx. \$1.5 million for the year (of which approx. \$868,000 was for Q4)
- After consultation with the Company’s auditor, \$5.6 million in unearned revenue related to SAND and other prepaid revenue were transferred to receipts from customers; consequently, the related expenditure is now recorded as corporate costs
- Other costs across the Company (including currency adjustments arising from movements both favourable and unfavourable in Australia dollar against US dollar and Euro and adjustments to the translation of Argentine peso against US dollar) of approx. \$881,000 for the Quarter



- TSB Gaming Ltd. (the holding company for *The Sandbox*, which is expected to launch in the first half of 2020) had a total of \$3.8 million in costs for the year due to increased staff costs in 2019 of which \$2.2 million was capitalised as deferred expenditures, which was financed through the sale of SAND tokens (the in-game currency for *The Sandbox*) and SAFE notes

The Company has prepared the following table to explain the impact of the one-off expenses described above:

<b>ANIMOCA BRANDS CORPORATION LIMITED</b>	
<b>Operating Cashflows</b>	
<b>October to December 2019</b>	
	<b>\$A '000</b>
<b>Operating cash flows for the year</b>	<b>-5,368</b>
Acquisition support costs for Stryking business and its integration into the Company	1,397
Increase in staff costs associated with business growth, particularly at the Pixowl subsidiary where staff costs associated with <i>The Sandbox</i> development were not capitalised as they involved both corporate and servicing the existing games developed by Pixowl	1,380
Consulting charges and particularly legal and other advisory costs paid since suspension (9 months consulting charges were \$645,000 and in the last three months charges totalled \$868,000)	868
Other costs across the Company (including currency adjustments arising from movements both favourable and unfavourable in Australia dollar against US dollar and Euro, and adjustments to the translation of Argentine peso against US dollar)	881
<b>Normalised operating cash flows</b>	<b>-841</b>

A further \$3.06 million of the SAND token and SAFE issue is recorded under cashflow from financing activities for the entire year 2019.

The Company wishes to advise, as previously disclosed in the Q3 Appendix 4C, that it raised further capital in SAFE and SAND tokens post the 23 May 2019 announcement, which became the subject of lengthy discussions with ASX, and consequently the Company was unable to



announce the capital raise to the market. The Company has not issued further SAFE and SAND tokens in Q4 or since. Discussions with ASX remain on-going (refer to ASX announcement of 24 December 2019).

### Investment in Sky Mavis

During the Quarter, the Company announced that it is acquiring US\$420,000 (approx. A\$610,000) worth of shares of Sky Mavis in a cash and scrip deal consisting of US\$125,000 (approx. A\$182,000) in cash and US\$295,000 (approx. A\$429,000) in AB1 shares issued at \$0.18 per share. The Company led Hashed, Pangea Blockchain Fund, ConsenSys, and 500 Startups in an investment round totalling US\$1.465m (approx. A\$2.13m) into Sky Mavis, the maker of the highly-rated blockchain game *Axie Infinity*. The Company signed an Advisory Agreement with Sky Mavis to receive advisory and consultation services in the areas of scarcity models and non-fungible tokens (NFTs). The Company also signed a memorandum of understanding to explore further collaboration with Sky Mavis. *Axie Infinity* is among the highest-grossing blockchain games, with sales of over US\$1.1m (approximately A\$1.6m), and partners that include Samsung, Klaytn (Kakao), MakerDAO, and Loom Network.

### Investment in nWay

During the Quarter, Animoca Brands announced that it intends to acquire nWay, Inc. ("nWay") for US\$7.69 million (approx. A\$11.4 million) of which US\$1.94 million (approx. A\$2.9 million) is in cash and US\$5.75 million (approx. A\$8.5 million) in shares. The share consideration will be based on a price per share of the higher of A\$0.18 or the 30-day VWAP as of the effective date. The cash consideration includes US\$250,000 (approx. A\$369,000) to the Sellers and a US\$1.69 million (approx. A\$2.5 million) cash investment into nWay for operating purposes.

nWay is a game developer and publisher of high-quality AAA games on console, PC, and mobile platforms, with revenue (unaudited) in the first 8 months of 2019 of US\$6.98 million (approx. A\$10.2 million), and EBITDA loss of US\$1.3m (approx. A\$1.88m). nWay has a global license granted by Lionsgate and Hasbro to make use of the Power Rangers brand, including in *POWER RANGERS: Legacy Wars*, nWay's award-winning mobile game with over 50 million downloads. The nWayPlay platform (in development) will provide developers with complete backend and fully managed live-ops services to quickly develop and operate competitive multiplayer cross-platform games (the service is currently available to alpha partners).

nWay developers and executives have worked at major technology companies including Google, Tencent, Sony, Electronic Arts, Nintendo, LucasArts, Blizzard, Kabam, Nexon, and NCSoft; the current management will continue to operate nWay. This acquisition brings to Animoca Brands nWay's portfolio of games, experienced team, a powerful suite of technologies, and a platform to enter the rapidly growing competitive multiplayer gaming space.

*This announcement has been authorised for release by the Board.*

*If you have any queries in relation to this announcement, please contact John Madden, co-company secretary, at [johnm@animocabrands.com](mailto:johnm@animocabrands.com).*



**-ENDS**

**About Animoca Brands**

Animoca Brands (ASX: AB1) leverages gamification, blockchain, and artificial intelligence technologies to develop and publish a broad portfolio of mobile products including games such as *The Sandbox*, *Crazy Kings*, and *Crazy Defense Heroes* as well as products based on popular intellectual properties such as Formula 1®, Garfield, Snoopy, Thomas & Friends™, Ever After High and Doraemon. Animoca Brands' portfolio of blockchain investments and partnerships includes Lucid Sight, Dapper Labs (creators of *CryptoKitties*), WAX, Harmony, and Decentraland. The Company is based in Hong Kong, Canada, Finland, and Argentina. For more information visit [www.animocabrands.com](http://www.animocabrands.com) or get updates by following Animoca Brands on [Facebook](#) or [Twitter](#).

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Animoca Brands Corporation Limited

**ABN**

29 122 921 813

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

31 December 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers (see Note 1)	10,107	25,104
1.2 Payments for		
(a) research and development (see Note 1)	2,202	(1,363)
(b) product manufacturing and operating costs		
(c) advertising and marketing	(2,295)	(5,444)
(d) leased assets	(316)	(934)
(e) staff costs	(2,768)	(6,658)
(f) administration and corporate costs (see Note 1)	(11,714)	(15,772)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	5
1.5 Interest and other costs of finance paid	(27)	(27)
1.6 Income taxes paid	(212)	(279)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(5,021)</b>	<b>(5,368)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment		(345)
(b) businesses (see item 10)		516
(c) investments	(1,991)	(14,748)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property	(2,385)	(2,385)
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(4,376)</b>	<b>(16,962)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	3,331	16,362
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	94	(493)
3.5 Proceeds from borrowings	2,364	2,364
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (SAFE)		5,431
<b>3.10 Net cash from / (used in) financing activities</b>	<b>5,790</b>	<b>23,664</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	12,210	7,662
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(5,021)	(5,368)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(4,376)	(16,962)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	5,790	23,664

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	(41)	(434)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>8,562</b>	<b>8,562</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	8,562	8,562
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>8,562</b>	<b>8,562</b>

The Company held A\$1,798,000 in digital assets as at 31 December 2019.

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	Nil
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	Nil
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

**Note 1**

Receipts from customers includes the reclassification of unearned revenue proceeds from the Token Purchase & Safe Agreements for TSB Gaming (relating to *The Sandbox*) and other prepaid revenues of A\$5,628,000 previously recorded as a reduction in corporate costs

R&D expenditure of A\$2,202,000 classified as intellectual property and recorded under investing activities as this amount relates to development of *The Sandbox*

Corporate costs include the impact of the reclassifications of A\$5,628,000 transferred to receipts from customers

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

With the acquisition of Stryking, the Company consolidated approximately A\$1,143,000 during the fourth quarter.

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	1,400
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	1,000
9.4 Leased assets	400
9.5 Staff costs (includes new business acquisitions)	2,000
9.6 Administration and corporate costs	2,500
9.7 Other (SANDBOX development cost capitalised)	500
<b>9.8 Total estimated cash outflows</b>	<b>7,800</b>

The Company is an operating business that generates cash inflows each quarter and predominantly comprises receipts from customers. Based on the 2019 unaudited "normalised receipts from customers" (i.e., receipts from customers excluding unearned revenue) of A\$19,476,000, the Company expects to continue generate receipts from customers in the first quarter of 2020 and, accordingly, reduce the estimated cash outflows set out above assuming the Company undertakes no investment activities.

As part of the acquisition of nWay, the Company announced unsecured loan agreements of \$2.5 million with attached 12-month options, of which \$2 million were not yet collected as at the end of the Quarter.



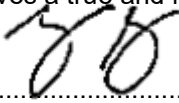
10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Leade.rs Inc	
10.2 Place of incorporation or registration	Delaware, USA	
10.3 Consideration for acquisition or disposal	US\$500,000 (partly paid by issue of shares)	
10.4 Total net assets	US\$455,971	
10.5 Nature of business	Professional speakers platform	

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Stryking Entertainment GmbH	
10.2 Place of incorporation or registration	Germany	
10.3 Consideration for acquisition or disposal	Euro 1,000,000 (issue of shares)	
10.4 Total net assets	Euro 621,759 (negative)	
10.5 Nature of business	Developer of fantasy sports game	

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	Gamma Innovations Inc	
10.2 Place of incorporation or registration	Delaware, USA	
10.3 Consideration for acquisition or disposal	US\$ 350,000 (to be completed)	
10.4 Total net assets	US\$ 1,993,104 (negative)	
10.5 Nature of business	Leverage users idle processing power	

**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.

Sign here:  .....  
(Director/Company secretary)

Date: ...31 January 2020.....

Print name: .....Yat Siu.....

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.