



**Animoca Brands Corporation Limited**

**ACN 122 921 813  
(Formerly Black Fire Minerals Ltd)**

**ANNUAL  
FINANCIAL  
REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2014**

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## HIGHLIGHTS

### Activity

- Successful acquisition of Animoca Brands and re-listing completed
- Completion of \$2.4 million equity raise to accelerate growth
- Business repositioned and re-focused on expansion in an increasingly popular mobile gaming market
- New Board and management appointed to lead the business in its new growth phase

### Animoca Brands in 2014

- Average number of Daily Active Users increased by 17% in 2014 to 503,407
- Total installations of apps saw an increase of 65.3%, bringing the total cumulative number of app downloads to 113.4 million by the end of 2014.
- Successfully launched 92 new games in 2014
- Strengthened position as a leading designer and developer of world class gaming products



## CHAIRMAN'S REPORT



Dear Shareholders,

Welcome to Animoca Brands Annual Report for the year ending 31 December 2014. This has been both an eventful and rewarding year for the Company. I am delighted to report that on 24 December 2014 Black Fire Minerals successfully completed the acquisition of Animoca Brands and the Company moved into an exciting new phase of its development. On 23 January 2015 the Company recommenced trading on the Australian Stock Exchange as 'Animoca Brands Corporation Limited' with the new ticker symbol of 'AB1.'

### **Animoca Brands – Key Achievements**

Animoca Brands has a proven track record of designing and developing world-class games for smartphones and tablets, and this year and we've worked hard to strengthen our leading position, primarily in the US and the Pacific Rim. We are focused on marrying globally-recognised brands with compelling game designs for audiences around the world. As of the end of February 2015, our games achieved 125 million downloads, with nearly 10 million monthly active users. Our ability to create successful games stems from our understanding of content creation and game mechanics, as well as our prolific licensing relationships with well-known global brands like Garfield, Doraemon, Ultraman and Chibi Maruko-Chan. I am also pleased to report that in February 2015 we acquired the rights to license the name and image of global celebrity Paris Hilton for use in the Company's mobile apps worldwide.

Following the successful re-listing and equity raise, we will continue to invest in the ongoing design and development of our world-class products as we look to retain our position as a leading global game developer, and we are confident that we are well placed to take advantage of the growth opportunities in the mobile games industry.

### **A Market Positioned for Growth**

The mobile gaming market has continued to grow globally at >30% each year. In 2014 it accounted for US\$21.7B in revenues and this number is forecast to reach US\$35B by 2017. Asia Pacific doubled its mobile gaming revenues from 2013 to 2014 to an estimated US\$12.2B, making it the biggest mobile games regional market in the world, greater even than North America; nonetheless, this region is still in its infancy and has significant room for growth in the coming years.

The increasing penetration of smartphones is also a contributing factor to the success of our products. Smartphone penetration only recently passed 50% of all mobile devices in most European countries, but it is estimated to be below 45% in China, and only 27% in India. Our products have already achieved tens of millions of downloads across all of Asia on both

Android and iOS mobile operating systems; given the lower smartphone penetration in many Asian markets, we see a valuable opportunity to continue to grow our business alongside the market – or even ahead of it.

In addition to the strongly encouraging growth forecasts in gaming and smartphone markets, we also see a significant opportunity to develop more games based on licensed characters, as these types of games have a powerful appeal yet make up only a small percentage of available apps.

As the number of independent studios continues to grow, we believe that more and more of them will be seeking experienced publishers like Animoca Brands to help them create and market successful games; our pipeline of games will expand further as we provide game publishing services for third party developers.

### Looking Ahead

In January 2015, the Company completed a successful equity raising of \$2.4 million; these funds are being used to accelerate the growth of the business through additional sales and marketing activities as well as continuing the development of our products and services.

We continue to identify new brands to license in order to expand both our branded games and our publishing portfolios. Some of these upcoming licensed titles will be created by us, while other titles will be acquired as we identify third party game developers who share our vision and values.

Based on these prospects and the positive track record of Animoca Brands, the Board remains confident for the Company's continued growth and success. We are optimistic for future prospects and believe we have the right team and strategy to drive the business. We have already accomplished significant achievements and we look forward to increasing shareholder value by producing even more new and exciting games for our customers.

*Mr. David Kim*  
*Chairman*



## CHIEF EXECUTIVE OFFICER'S REPORT



Dear Shareholders,

### Financial Overview

I am pleased to report that the successful acquisition of Animoca Brands Corporation on 24 December 2014 saw that entity combined with Black Fire Minerals to become a publicly traded company in January 2015. Owing to the nature of the reverse acquisition, the 2014 accounts of the Company only reflect the results of the app portfolio of Animoca Brands starting from 1 August 2014, when those apps were transferred into the Group (then known as Black Fire Minerals). During this period, and therefore the financial year of 2014, Animoca Brands achieved ongoing revenues of US\$933,485 and incurred a loss of US\$6,355,034.

The loss was primarily driven by the costs incurred during the acquisition of Animoca Brands Corporation, which totaled US\$5,446,669 of which US\$4,709,931, were non-cash in nature and affected by the accounting treatment of the acquisitions. Subsequent to the listing, the Company changed its financial year-end to 31 December, to align with our operating subsidiaries in Hong Kong.

### Operational Highlights

Our mobile games this year have met performance expectations and I am pleased to report that 2014 saw a significant increase in the average number of Daily Active Users of Animoca Brands games. Daily Active Users grew from 430,950 at the end of 2013 to 503,407 at the end of 2014, an increase of 17%. Installations of Animoca Brands apps grew by 65.3%, bringing the cumulative number of downloads to 113.4 million at the end of 2014.

The Company successfully launched a number of new games under the licensing agreements in the last quarter of the year and to date these apps have achieved over 660,000 downloads combined.

In February 2015 we launched *Doraemon Gadget Rush*, which went on to dominate download charts across Asia with 1.8 million downloads in less than two weeks. The enormous success of this game has set the bar high for what we aim to achieve in the rest of 2015.

*Doraemon Gadget Rush* became the number one downloaded iPad® game in China, Japan, Taiwan, Indonesia, Hong Kong, Vietnam, Brunei and Macau, based on daily rankings. This most recent success in our gaming portfolio provides more evidence for the growing demand for branded mobile apps, and demonstrates yet again our ability to successfully produce and market these games.

The Company has also continued on its strategy to acquire additional intellectual property rights to expand our portfolio of branded games. In March 2015 we acquired the right to license the name and image of global celebrity Paris Hilton, one of the world's most recognised names and among the most followed celebrities on social media. Our Company's licensing and branding strategy has been effective and we will continue to pursue new licensing agreements as we expand our product portfolio.

The Company was recognised at the 2015 Hong Kong ICT Awards for its game "Armies of Dragons," which was named "Best Digital Entertainment (Entertainment Software) Special Mention (Mobile Game)" by the Hong Kong Digital Entertainment Association.

### **Management**

Following the successful acquisition of Animoca Brands Corporation the board structure of Black Fire Minerals has undergone significant changes to align the Board's focus and experience with the core operations of the business. I am confident that the management team and the Board now in place have the right skills and passion to drive the growth of Animoca Brands and increase shareholder value.

I want to take this opportunity to sincerely thank both the Board and the rest of the Animoca Brands team, which now includes over 70 staff based throughout Asia.

### **Strategy**

We have pursued a strategy of licensing world famous brands like Garfield, Doraemon, and Ultraman, and partnering with leading industry players to market and distribute our products; this has proved a successful avenue for the business and we will continue to act upon the high demand for these branded apps. Another component of our strategy is to diversify our games offering, which removes the pressure – faced by other game publishers – to create individual "hit" games. This approach has maximised our success and our returns, and has reduced the impact of failure by any individual app.

This branded diversification is therefore a strategy we will continue to build on as we expand our license and product portfolios in order to offer an ever broader range of games and brands to our customers.

The Company's modular development methodology, which utilises as many "off-the shelf" software components as possible, has enabled us to enact the strategies described above in a quick and effective manner. It is a method that has allowed us to be flexible when mixing and matching various gameplay styles and characters in order to create multiple different games based on a modest number of brands in 2014. We remain deeply committed to this strategy.



## Outlook

This is our first year since taking over this publicly traded company; we are therefore focused on the growth of the business and our goal is to deliver maximum shareholder value. We expect further revenue growth as we ramp up our production efforts and create a more diverse portfolio of games to appeal to an even wider set of demographics.

Our mobile gaming portfolio performed well in 2014 and we've experienced high levels of demand, particularly from Asian markets like Greater China, Japan, and Korea. For this reason we will continue to focus our efforts on the Asia Pacific market in addition to our core strength in Western markets, and we are confident that demand will continue to grow as we gear up our sales and marketing activities in the region.

This has been an eventful year for the Company and I am very much looking forward to a prosperous 2015 and our first year as a publicly traded business.



*Mr. Robert Yung*

*Chief Executive Officer*



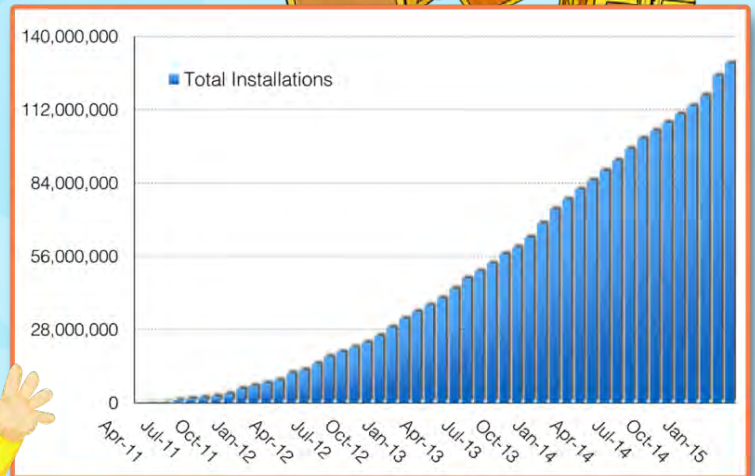
## ANIMOCA BRANDS USAGE HIGHLIGHTS



### App Installations

In all of 2014: **44.8 million**

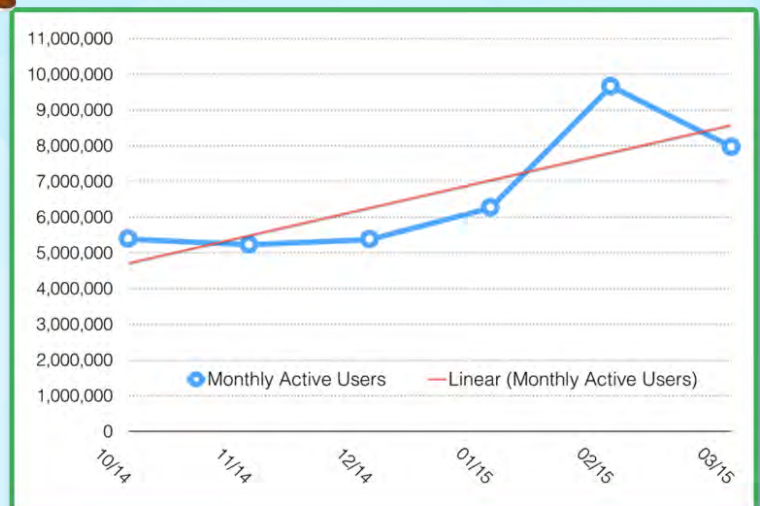
In Q1 of 2015: **16.3 million**

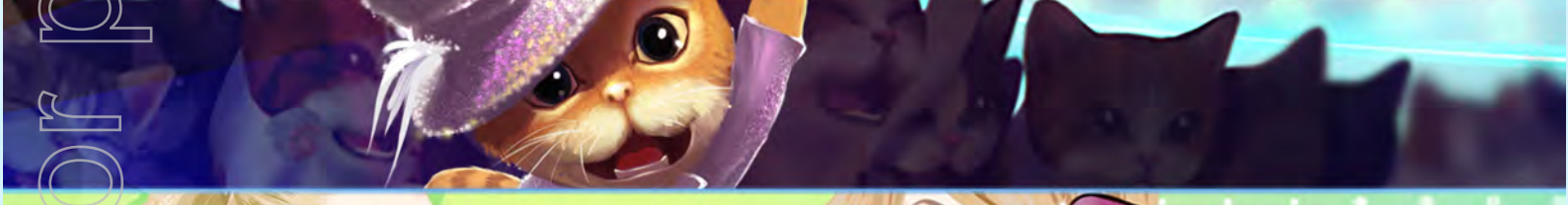
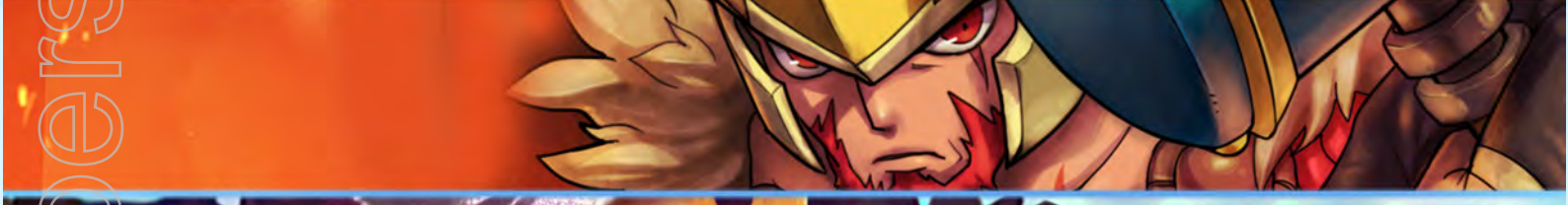
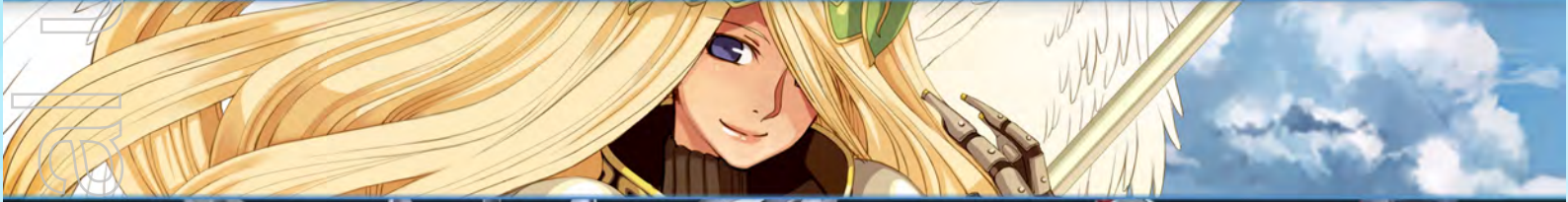
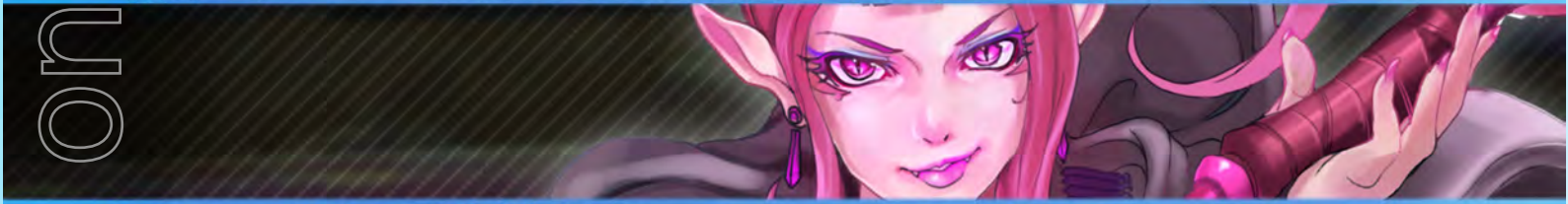
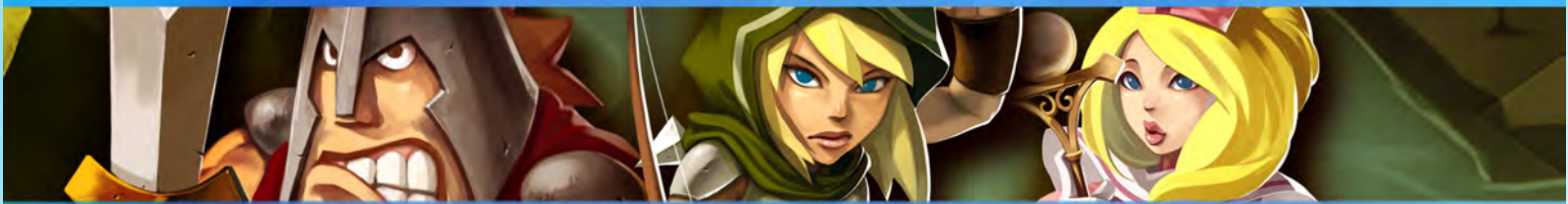


### Monthly Active Users (MAU)

Average MAU in 2014:  
**6.2 million**

Average MAU in Q1 2015:  
**7.96 million**





## **Corporate information**

ABN 29 122 921 813

### **Directors**

Mr David Kim (Chairman), appointed 24 December 2014

Mr Robert Yung (Managing Director), appointed 24 December 2014

Mr Yat Siu, appointed 24 December 2014

Mr David Brickler, appointed 24 December 2014

Mr Richard Kuo, appointed 24 December 2014

Mr Martin Green

Mr Michael Billing, (former Chairman), resigned 24 December 2014

Mr Matthew Sheldrick, resigned 24 December 2014

### **Company Secretary**

Mr Donald Stephens

### **Registered office**

HLB Mann Judd (SA) Pty Ltd

169 Fullarton Road

DULWICH SA 5065

### **Share Register**

Security Transfers Registrars Pty Ltd

770 Canning Highway

Applecross WA 6153

Phone: +61 8 9315 2333

Animoca Brand Corporation Limited's shares are listed on the Australian Securities Exchange (ASX) under the stock code 'AB1'. Its presentation and functional currency is US dollars and unless otherwise stated, amounts referred to in this report are stated in this currency.

### **Auditors**

Grant Thornton Audit Pty Ltd

Level 1, 67 Greenhill Road

Wayville, South Australia, Australia

**Website:** <http://www.animocabrands.com/>

## Directors' report

Animoca Brands directors submit their report for the year ended 31 December 2014.

### Directors

The names of the Company's directors in office during the year and until the date of this report are set out below. Directors were in office for this entire year unless otherwise stated.

Names, qualifications, experience and special responsibilities:

### Non-Executive Chairman

**Mr David Kim** (BA (Hons)) appointed 24 December 2014

Mr Kim serves as the Chief Executive Officer (CEO) of Appionics, more commonly known by the consumer brand 'Animoca'. Prior to that he was the CEO of mail.com Corporation, a leading personalised email and messenger service company based in Seattle and Hong Kong. Mr Kim also manages several independent financing and advisory projects ranging from private equity investments to refinancing of distressed assets. In recent years, he has advised and served on the boards of many prominent companies around the Pacific Rim including Viztel Solutions Group of Malaysia and Daum Corporation in Korea, where after 7 years of service as the chairman of the Audit Committee, he spearheaded the USD \$105 million acquisition of Lycos, Inc. After the highly publicized transaction, Mr Kim managed the integration of the acquisition as the CEO of Lycos. In 1999, when he steered China.com Corporation to its Initial Public Offering and in doing so he became the youngest Chief Financial Officer (CFO) of a company listed on the NASDAQ. He has also served as managing director for Softbank, Inc., and as managing director and CEO for Techpacific Venture Capital Limited. A graduate of Stanford University in Economics and Communications with Honours, Mr Kim is also a classical vocalist with extensive musical and theatrical interest and experience.

### Managing Director

**Mr Robert Yung** (BA (Hons) MA), appointed 24 December 2014

Mr Robert (Robby) Yung is the Chief Executive Officer of Animoca Brands Corporation Ltd and a director of Appionics. He was previously the co-founder and CFO of Redgate Media, a venture-backed Chinese television and outdoor media holding company sold to Inno-Tech Holdings Limited (HK.8202) in 2012. Mr Yung was also co-founder and Chief Strategy Officer of One Media Group Limited (HK.426), a Hong Kong-based magazine group whose IPO he oversaw in 2005. Prior to that, he was the founder and CEO of One Studio Limited, a venture-backed web development company in Hong Kong, and OSMedia Limited, a Chinese television advertising sales company. Mr Yung began his career in Asia as the General Manager of Metromedia Asia Limited, a subsidiary of Metromedia International Group (AMEX: MMG), building wireless broadband networks and mobile telecoms services in China and Indonesia. He holds a Master of Arts from New York University and a Bachelor of Arts

with Honors in Public Policy from the University of Chicago.

**Non-Executive Directors:**

***Mr Yat Siu***, appointed 24 December 2014

Mr Siu is the founder and Chief Executive Officer of Outblaze Limited, a digital media company specialising in gaming, cloud technology, and smartphone/tablet software development. In 2009 he sold Outblaze's messaging division to IBM and successfully pivoted Outblaze Limited from B2B messaging services to B2C digital entertainment. Mr Siu is a director for TurnOut Ventures Limited, a partnership between Outblaze Investments Limited and Turner Entertainment Holdings Asia-Pacific Limited, and he is co-founder of Appionics (known by the consumer brand 'Animoca'), a major developer and publisher of smartphone games. In 2012 he set up ThinkBlaze, the research arm of Outblaze Limited dedicated to investigating socially meaningful issues related to technology. Mr Siu has earned numerous accolades including Global Leader of Tomorrow at the World Economic Forum, and Young Entrepreneur of the Year at the DHL/SCMP Awards. He is a supporter of various Non Government Organisations (NGOs) and serves on the board of directors for the Asian Youth Orchestra.

***Mr David Brickler (BA (MBA))***, appointed 24 December 2014

Mr Brickler is the ICT Manager for Baptcare - a provider of healthcare and family and community services throughout Victoria and Tasmania. Before this, Mr. Brickler was Senior Director of Applications for World Vision International, one of the world's largest non-profit organisations. Prior to that, he served as Asia Pacific Chief Information Officer (CIO) for Mizuho Securities Asia Ltd., was an Executive Director of Ernst & Young in Hong Kong, and Global CIO for the Noble Group, one of the largest commodities traders in the world. Mr Brickler was the founder and CEO of Emergent Technology Limited, a venture-backed Hong Kong supply-chain company, and a Vice President of Information Technology at Caspian Securities. Prior to his 14 years in Hong Kong, he spent 15 years in Japan, including several years as the Vice President of Equity Technology at Goldman Sachs Securities Co. Ltd, Japan. Mr Brickler also served in various engineering positions at EDS Japan LLC, Sundai, and Fujitsu Limited. He holds an MBA from Kellogg-HKUST and a BA from Princeton University and is a fluent speaker of Chinese and Japanese.

**Mr Richard Kuo** (B.Com., LL.B FAICD), appointed 24 December 2014

Mr Kuo is the founder and Chief Executive Officer of Pier Capital, a boutique investment banking firm specialising in the technology sector. He is a non-executive director of Probiotec Limited and Favourit.com and has held directorships of Equity Capital Markets Limited, Glenorchy Arts & Sculpture Park, and Australian Art Events Foundation. Prior to founding Pier Capital, Mr Kuo initially practiced as a lawyer, specialising in corporate law in a large national law firm before moving into investment banking as a corporate adviser. His technology experience includes a senior management role in Open Telecommunications during a period in which it grew to become one of Australia's largest software companies. He has advised on a wide range of domestic and cross-border transactions involving technology and digital media companies including investing directly in emerging technology companies in Australia and internationally. Mr Kuo is a Fellow of the Australian Institute of Company Directors and holds qualifications in accounting, finance and law together with post graduate qualifications in applied finance and investment.

**Mr Martin Green** (BA (Hons))

Mr Green holds a BA (Hons) in Accounting & Finance from the University of West of England (Bristol) and qualified as a Chartered Accountant with Ernst & Young in London before joining their Corporate Finance Division. He continued his career with Ernst & Young Corporate Finance in Australia before joining Consolidated Press Holdings (CPH) in 1999. During his more than 10 years with CPH he undertook various tasks including sourcing deals, deal analysis and execution and ongoing management of a wide range of investments for the Group. Mr Green is now resident in Hong Kong.

**Mr Michael Billing** (B Bus, CPA, MAICD), Resigned 24 December 2014

Mick Billing has over 40 years of mining industry experience and a background in finance, specialising in recent years in assisting in the establishment and management of junior companies to the position where they can be sustainable businesses. His career includes lengthy periods with Bougainville Copper Ltd and WMC Resources Ltd. He has worked extensively with junior resource companies since the late 1990's. He is currently Chairman and CEO of Thor Mining PLC, an ASX and AIM listed company with exploration projects in Australia and USA, a director of Emperor Range Group Limited, an exploration company with projects located in North Western China, and a director of Southern Gold Limited, an ASX listed company with exploration projects in Australia and Cambodia.

**Mr Matthew Sheldrick (B Com, CA), Resigned 24 December 2014**

Matthew Sheldrick holds a Bachelor of Commerce Degree from the University of Western Australia and is a qualified Chartered Accountant. Matthew has over 25 years experience in the securities, finance and corporate advisory industries, with particular emphasis in the resources and energy sectors. He has founded a number of ASX listed companies, and has been involved in the growth of these companies by way of mergers and acquisitions. Matthew was a founding director of Black Fire Minerals Ltd and he is currently the Non-Executive Chairman of unlisted public company Sugar Dragon Ltd and a Non-Executive Director of PME Biofuels Ltd. He has also previously acted for a number of public and ASX listed companies in a variety of executive and non-executive roles.

**Former Directorships of Listed Companies in the Last Three Years:**

Apex Minerals NL – Non Executive Director from 6 May 2011 to 1 November 2012

WAG Ltd - Non Executive Director from 22 February 2010 to 23 May 2013

Cohiba Minerals Ltd – Non Executive Chairman from 28 January 2011 to 31 May 2012

**Company Secretary**

*Mr Donald Stephens (BA (Acc), FCA)*

Mr Stephens is a Chartered Accountant and corporate adviser with over 25 years' experience in the accounting industry, including 14 years as a partner of HLB Mann Judd (SA), a firm of Chartered Accountants. He is a director of ASX listed companies Mithril Resources Ltd, Reproductive Health Science Ltd, Lawson Gold Ltd and Petrathern Ltd, and was formerly a director of TW Holdings Ltd (resigned 14 December 2012). Additionally he is Company Secretary to Minotaur Exploration Ltd, Mithril Resources Ltd, Musgrave Minerals Ltd, Highfield Resources Ltd and Petrathern Ltd. He holds other public company secretarial positions and directorships with private companies and provides corporate advisory services to a wide range of organisations.

**Interests in the shares, performance shares and options of the Company and related bodies corporate**

As at the date of this report, the interests of the directors in the ordinary shares and performance shares of Animoca Brands Corporation Limited were as follows (noting no director held options in the Company at the date of this report):

	Number of ordinary shares	Number of Performance Shares (Class A)	Number of Performance Shares (Class B)
D Kim	-	-	-
R Yung	-	-	-
Y Siu	14,021,882	5,978,856	2,989,428
D Brickler	-	-	-
R Kuo	250,000	-	-
M Green	847,501	-	-

## **Dividends**

No dividend was paid or declared by the Company in the year and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend for the financial year ended 31 December 2014.

## **Principal activities**

The Group's principal activities are the development and marketing of a broad portfolio of mobile games for smartphones and tablets. The principal activities have changed from the prior year when the Company was focussed on mineral exploration activities.

## **Functional currency**

The Group's presentation and functional currency is US dollars and unless otherwise stated, amounts referred to in this report are stated in this currency.

## **Review of operations**

On the 24 December 2014, the Company successfully completed the acquisition of Animoca Brands Corporation (an entity incorporated in the British Virgin Islands, 'Animoca Brands'), resulting in the issue of 75,000,000 fully paid shares, 30,000,000 Class A and 15,000,000 Class B performance shares in the Company. Concurrently, under a replacement prospectus dated 4 December 2014, the Company issued 12,000,000 fully paid shares to investors and raised a total of \$2,400,000 in gross proceeds to fund the development of Animoca Brands' broad portfolio of mobile games for tablets and smartphones.

Under Australian Accounting Standards, Animoca Brands is deemed to have acquired Animoca Brands Corporation Ltd (formerly Black Fire Minerals Ltd). Accordingly, the consolidated financial statements of the Group have been prepared as a continuation of the financial statements of the Animoca Brands Group. The results presented therefore represent the performance of the app portfolio transferred into the Group effective from 1 August 2014 and the results of Animoca Brands Corporation Ltd (formerly Black Fire Minerals Ltd) from 24 December 2014. Refer to the notes accompanying these financial statements for further details on this treatment.

During the year ended 31 December 2014, the Animoca Brands Group continued to progress in its strategy of developing its portfolio of mobile games through the use of licensed intellectual property as well as through the publishing of games developed by third parties, in addition to other strategies. The Animoca Brands Group successfully licensed the rights to the famous Japanese manga and animated series Crayon Shin Chan for use in mobile games, adding it to a portfolio that already includes Doraemon, Garfield, and Ultraman. In addition, the Animoca Brands Group also added 44.8 million new installations of its apps to its existing user base, bringing the total number of installations to 113 million by the end of 2014.

Subsequent to the reporting date, the Company has made further progress in developing its app portfolio, as detailed in the subsequent events portion of the directors' report for further information in relation to these developments.

During the year ended 31 December 2014, the Group incurred a loss of \$6,360,537 (year ended 31 December 2013: Nil). This loss primarily was driven by the total accounting cost of acquiring Animoca Brands incurred by the Group of \$5,446,669. Of these costs, \$4,709,931 was non-cash in nature and affected by the accounting treatment of the acquisition.

#### **Significant changes in the state of affairs**

As disclosed in the Group's review of operations, Animoca Brands Corporation Ltd (formerly Black Fire Minerals Ltd) has undergone a restructure during the financial year, whereby the previous mining operations were wound down and the Company acquired Animoca Brands Corporation (an entity incorporated in the British Virgin Islands). This has resulted in a significant change to the state of affairs for the Group, with it now focusing on the development and marketing of its mobile game portfolio acquired from Animoca Brands Corporation.

#### **Significant events after the reporting date**

On 23 January 2015, following the Company's compliance with ASX Listing Rule 11.1.3 and chapters 1 and 2 of the ASX Listing Rules, the Company's securities were re-instated to official quotation, trading under the security code "AB1".

On 17 February 2015 the Company announced that its latest game *Doraemon Gadget Rush* had topped the charts on the AppStore™ having been downloaded 1.8 million times in less than two weeks from its launch. The game launched on 5 February 2015 and became the number one downloaded iPad® app in China, Indonesia, Hong Kong, Brunei and Macau, based on daily rankings.

On 3 March 2015, the Company announced that it had signed an agreement to license the name and image of Paris Hilton.

Finally, on 12 March 2015, the Company announced that its portfolio of game apps had reached 125 million downloads at the end of February 2015 (bolstered by the success of *Doraemon Gadget Rush*) and that it had also achieved a record number of monthly active users (MAU) during February 2015, with 9.7 million players.

#### **Likely developments and expected results**

Following the completion of the acquisition of Animoca Brands Corporation as outlined in the Group's review of operations and the replacement prospectus dated 4 December 2014, the Group will continue to progress the development and marketing of its mobile game app portfolio. The Company has announced the signing of an agreement to license the name and image of Paris Hilton, and it intends to pursue additional licenses for other well-known international brands with which to make mobile games for its portfolio. In addition, the Company will continue to pursue its portfolio approach to making games, further increasing its number of installations beyond the 125 million disclosed at the end of February 2015, with a target towards reaching 160 million by the end of 2015.

### Environmental regulation and performance

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Group however believes that it has adequate systems in place for the management of any future environmental regulations.

### Share options

At the date of this report, the following options to acquire ordinary shares in the Company were on issue:

Issue Date	Expiry Date	Exercise Price	Balance at 1 Jan 2014	Net Issued/(exercised or expired) during year	Balance at 31 Dec 2014
24/12/2014	23/01/2018	\$0.20	-	2,366,025	2,366,025
			-	2,366,025	2,366,025

In accordance with the Company's replacement prospectus dated 4 December 2014, a total of 2,366,025 unlisted options were issued to the brokers of the Company in connection with the acquisition of Animoca Brands Corporation. Refer to note 18 for further details in relation to these allotments.

### Indemnification and insurance of directors and officers

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the directors of Animoca Brands Corporation Limited against legal costs incurred in defending proceedings for conduct other than:

- a) A wilful breach of duty.
- b) A contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid was US\$14,000.

### Indemnification of auditors

To the extent permitted by the law, the Company has agreed to indemnify its auditors, Grant Thornton Audit Pty Ltd, as part of the terms of its audit engagement agreement against claims by a third party arising from the audit (for an unspecified amount). No payment has been made to indemnify Grant Thornton Audit Pty Ltd during or since the financial year.

### Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows (noting the incoming directors appointed on 24 December 2014 are not listed as no meetings were held from their appointment to the end of the reporting date):

	Directors' Meetings	
	Attended	Eligible
Michael Billing	2	2
Matthew Sheldrick	2	2
Martin Green	2	2

In addition to the above, several resolutions were passed by way of circular resolution and a due diligence committee was formed to assist with the preparation of the Company's prospectus in connection with the proposed acquisition of Animoca Brands Corporation.

The Company post the acquisition of Animoca Brands Corporation formed the following committees:

#### *Audit and risk committee*

Richard Kuo (Chairman)

David Kim

Martin Green

#### *Remuneration and nomination committee:*

Martin Green (Chairman)

David Kim

David Brickler

Neither of the committees met during the reporting period having only been formed on 24 December 2014.

### **Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

### **Auditor**

Grant Thornton Audit Pty Ltd is in office in accordance with section 327 of the Corporations Act (Cwth) 2001.

### **Non-audit services**

Grant Thornton Audit Pty Ltd, in its capacity as auditor for Animoca Brands Corporation Ltd, has not provided any non-audit services throughout the financial year. The auditor's independence declaration for the year ended 31 December 2014 as required under section 307C of the Corporations Act 2001 has been received and can be found on page 14.



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**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF ANIMOCA BRANDS CORPORATION LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Animoca Brands Corporation Limited for the year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

*Grant Thornton*

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

*J L Humphrey*

J L Humphrey  
Partner – Audit & Assurance

Adelaide, 31 March 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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## CORPORATE GOVERNANCE STATEMENT

Animoca Brands Corporation Limited (the Company) and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

A description of the Group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

On 27 March 2014, the ASX Corporate Governance Council released the 3rd Edition of its Corporate Governance Principles and Recommendations (3rd Edition Recommendations). The Group reviewed its corporate governance and reporting practices under these principles in conjunction with its re-admission to the official list of the ASX in January 2015 and therefore has chosen to early-adopt the 3rd Edition Recommendations. The disclosures in this Corporate Governance Statement reflect this and, as at the date of this statement, the Group complies with the 3rd Edition Recommendations (unless otherwise stated).

### **Principle 1: Lay solid foundations for management and oversight**

The relationship between the Board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the group in both the short and the longer term and seek to balance objectives in the best interests of the group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the group is properly managed.

The responsibilities of the board include:

- providing strategic guidance to the group including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- overseeing and monitoring the organisational performance and the achievement of the group's strategic goals and objectives;
- monitoring financial performance including approval of the annual and half-year financial reports and liaison with the company's auditors;
- appointment and performance assessment of the Managing Director (MD);
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team, including the Company Secretary;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organisation;
- reporting to shareholders; and
- ensuring appropriate resources are available to senior management.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the Managing Director. These delegations are reviewed on an annual basis.

No performance assessment for senior executives took place during the year as the Company's acquisition of Animoca Brands Corporation was only completed on 24 December 2014 and hence the senior executives were only in office for a small period of time.

The Group has a policy of reviewing the performance of its board on an annual basis. The responsibility for this review to take place is delegated to the Group's remuneration and nomination committee. Given the changes to the composition of the board that took place as a consequence of the acquisition of Animoca Brands Corporation (BVI), no performance review took place during the year ended 31 December 2014.

*Departures from Principle 1:*

*Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.*

The Company has entered into an Executive Services agreement with its Managing Director Mr Robert Yung and all other senior executives are subject to employment agreements with standard commercial terms. The remaining directors (all non-executives) have not entered into formal contracts, but their remuneration has been set in the Company's replacement prospectus dated 4 December 2014 and their responsibilities are outlined within the Board Charter. The Company believes this to be appropriate given the size and nature of the Company.

*Recommendation 1.5 – Diversity*

The Company has a diversity policy, which documents the principles and commitment in relation to maintaining a diverse group of employees within the Company. This policy is disclosed on the Company's website. It however does not have measureable objectives for achieving gender diversity. The Company believes this policy to be appropriate at this time, but notes it uses diversity as a driver for staff recruitment. The total proportion of men and women on the board, in senior positions and across the whole organisation is listed below:

Category	Men	Women
Board	6	-
Senior Management (excluding the managing director captured above)	2	-
Whole Organisation	56	19

## Principle 2: Structure the board to add value

### *Board composition*

At the date of this statement the Board consists of the following directors:

Mr David Kim, Chairman (Appointed 24 December 2014)

Mr Robert Yung, Managing Director (Appointed 24 December 2014)

Mr Yat Siu, Non-Executive Director (Appointed 24 December 2014)

Mr David Brickler, Non-Executive Director (Appointed 24 December 2014)

Mr Richard Kuo, Non-Executive Director (Appointed 24 December 2014)

Mr Martin Green, Non-Executive Director (Director since 17 December 2012)

The Board considers this to be an appropriate composition given the size and development of the Group at the present time. The names of directors including details of their qualifications and experience are set out in the Directors' Report of this Annual Report.

### *Independence*

The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the Board. Those Directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors' meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors.

The Board has determined that Messrs David Brickler, Richard Kuo and Martin Green are independent as defined under Recommendation 2.3. The remaining directors, namely Messrs David Kim, Robert Yung and Yat Siu, have been assessed as not being independent.

The Board has a Remuneration and Nomination committee that consists of Messrs Martin Green (Chairman), David Kim and David Brickler members. The committee's charter is disclosed on the Group's website [www.animocabrands.com](http://www.animocabrands.com). The committee did not meet during the year due to only being formed on 24 December 2014.

### *Board skills*

The Board aims in its membership to maintain a combination of skills and experience that ensure the Board has the expertise to meet both its responsibilities to stakeholders and its strategic objectives. As part of this process, the Board is aware of the need for diversity among its Directors, both in gender and experience. The Board and the Remuneration and Nomination Committee closely assesses diversity criteria when considering Board candidates.

The Group's desired mix of skills and competence is listed below. The Board considers its current composition adequately meets these required competencies.

Area	Competence
<i>Leadership</i>	Business Leadership, Public Listed Company Experience
<i>Business and Finance</i>	Accounting, Audit, Business Strategy, Competitive Business Analysis, Corporate Financing, Financial Literacy, Mergers and Acquisitions, Risk Management, Tax – International
<i>Sustainability and Stakeholder Management</i>	Community Relations, Corporate Governance, Health & Safety, Human Resources, Remuneration
<i>Technical</i>	App development, Programming Experience

### *Departures from Principle 2*

#### *Recommendation 2.4– The majority of the Board of a listed entity should be independent directors*

The Board Charter requires that where practical the majority of the Board will be independent.

Only half of the Directors are independent. Given the present size and nature of the Company, the composition of the Board is considered appropriate at this time. The Board will consider the appointment of further independent directors if the Company increases in size and complexity (though no forecast is made of whether that will occur).

#### *Recommendation 2.5 – The chair of the board should be independent and not the CEO*

The Board Charter provides that where practical, the Chairman of the Board will be a non-executive director. If the Chairman ceases to be independent then the Board will consider appointing a lead independent Director.

The Company's Chairman, Mr David Kim is not an independent director, but he does not fulfil the role of CEO. The Company therefore has not complied with this recommendation. The Company believes this to be appropriate at this time given the size and nature of the Company's operations, but will continue to consider the composition of the board in the future.

### **Principle 3: Act ethically and responsibly**

#### *Code of conduct*

The company has developed a Code of conduct (the Code) which has been fully endorsed by the board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the group's integrity and to take into account legal obligations and reasonable expectations of the Company's stakeholders.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The Company has a trading policy which outlines the restrictions, closed periods and processes required when directors, Managing Director and key management personnel trade company securities. Broadly, it restricts the purchase and sale of company securities by directors and employees during the following time periods:

- I. within the period from the close of books at each quarter end until the release of the Company's quarterly cashflow report; or
- II. within the period of one (1) week prior to the release of annual or half yearly results and within two (2) business days following the release of annual or half yearly results to ASX; or
- III. within the period of one (1) month prior to the issue of a prospectus and within two (2) business days following the issue of a prospectus.

Any transactions undertaken must be notified to the Board in advance.

The directors are satisfied that the group has complied with its policies on ethical standards, including trading in securities.

A copy of the Code and the trading policy are available on the company's website.

## Principle 4: Safeguard integrity in financial reporting

### *Audit and risk committee*

The audit and risk committee consists of the following non-executive directors:

Richard Kuo (Chairman)

David Kim

Martin Green

Details of these directors' qualifications and attendance at the audit and risk committee meetings are set out in the directors' report.

All members of the audit and risk committee are financially literate and have an appropriate understanding of the industries in which the group operates. One member, Mr Green, has relevant qualification and experience by virtue of being a former employee of a major accounting firm.

The audit and risk committee operates in accordance with a charter which is available on the company website.

The main responsibilities of the committee are to:

- view, assess and approve the annual reports, the half-year financial report and all other financial information published by the company or released to the market;
- assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
  - ⇒ effectiveness and efficiency of operations;
  - ⇒ reliability of financial reporting; and
  - ⇒ compliance with applicable laws and regulations.
- oversee the effective operation of the risk management framework;
- recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis;
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- review and monitor related party transactions and assess their propriety; and
- report to the board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the audit and risk committee:

- receives regular reports from management and the external auditors;
- meets with the external auditors at least twice a year, or more frequently if necessary;
- reviews the processes the Managing Director and Company Secretary (acting as CFO) have in place to support their certifications to the board;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- meets separately with the external auditors and the chief internal auditor at least twice a year without the presence of management; and
- provides the external auditors with a clear line of direct communication at any time to either the Chair of the audit and risk committee or the Chair of the Board.

The audit and risk committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

#### *External auditors*

The company and the audit and risk committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Grant Thornton Audit Pty Ltd ('Grant Thornton') was appointed as the external auditor in 2015. It is Grant Thornton's policy to rotate audit engagement partners on listed companies in accordance with the requirements of the Corporations Act 2001, which is generally after five years, subject to certain exceptions.

The amount of fees paid to the external auditors is provided in note 23 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit and risk committee.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

### **Principles 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders**

#### *Continuous disclosure and shareholder communication*

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the company has in place to promote communication with shareholders and encourage effective participation at general

meetings. A summary of these policies and procedures is available on the Company's website.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX. The Company's website also enables users to provide feedback on company matters and includes a "Corporate Governance" landing page that discloses all relevant corporate governance information, including policies and procedures.

#### *Investor relations and member participation*

Shareholders are encouraged to participate at all Annual General Meetings and Extraordinary General Meetings of the Company. Upon the despatch of any notice of meeting to Shareholders, the Company Secretary shall send out material with that notice of meeting stating that all Shareholders are encouraged to participate at the meeting. The meetings shall also be conducted to allow questions and feedback to the board and management of the Company.

The Company aims to promote effective communication to and from security holders. Members of the Company can register to receive email notifications when an announcement is made by the Company to the ASX. Members are also encouraged to register with the Company's share register to communicate electronically.

## Principle 7: Recognise and manage risk

The board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the audit and risk committee and reviewed by the full board.

The audit and risk committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. They monitor the Company's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks. In providing this oversight, the committee:

- reviews the framework and methodology for risk identification, the degree of risk the company is willing to accept, the management of risk and the processes for auditing and evaluating the company's risk management system;
- reviews group-wide objectives in the context of the abovementioned categories of corporate risk;
- reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the company's exposure to risk;
- reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis, and
- reviews compliance with agreed policies.

The committee recommends any actions it deems appropriate to the board for its consideration.

Management is responsible for designing, implementing and reporting on the adequacy of the Company's risk management and internal control system and has to report to the audit and risk committee on the effectiveness of:

- the risk management and internal control system during the year, and
- the company's management of its material business risks.

Given the audit and risk committee was only formed on 24 December 2014, no review of the Company's risk management framework took place during the year.

The Company does not have a separate internal audit function.

### *Exposure to material economic, environmental and social sustainability risk*

The Company's policy is to identify and manage potential or apparent business, economic, environmental and social sustainability risks (if appropriate). The Company at present has not identified specific material risk exposure in these categories. Review of the Company's risk management framework is conducted at least annually and reports are continually

created by management on the efficiency and effectiveness of the Company's risk management framework and associated internal compliance and control procedures.

#### **Principle 8: Remunerate fairly and responsibly**

The remuneration and nomination committee operates in accordance with its charter which is available on the Company website. The committee advises the board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Every employee of the Group signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. This job description is reviewed by the remuneration committee on an annual basis and, where necessary, is revised in consultation with the relevant employee.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading 'Remuneration report'. In accordance with Group policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements. Details of this policy can be found on the Company's website.

The committee also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions. This includes overseeing processes in relation to meeting diversity objectives for executives and staff below board level.

## Remuneration report (audited)

This Remuneration Report for the year ended 31 December 2014 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

### Introduction

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Parent.

#### i. Non-executive directors (NEDs) and Managing Director

Mr David Kim	(Chairman), appointed 24 December 2014
Mr Robert Yung	(Managing Director), appointed 24 December 2014
Mr Yat Siu	(Non-Executive Director), appointed 24 December 2014
Mr David Brickler	(Non-Executive Director), appointed 24 December 2014
Mr Richard Kuo	(Non-Executive Director), appointed 24 December 2014
Martin Green	(Non-Executive Director)
Michael Billing	(Former Non-Executive Chairman), resigned 24 December 2014
Matthew Sheldrick	(Former Non-Executive Director), resigned 24 December

#### ii. Other KMPs

Donald Stephens	(Company Secretary)
Lobson Chan	(Chief Operating Officer)

### Remuneration philosophy

The Board is responsible for determining remuneration policies applicable to directors and senior executives of the entity. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration, consideration is given by the Board to the Group's financial performance.

### Use of Remuneration Consultants

During the financial year, there were no remuneration recommendations made in relation to key management personnel for the Company by any remuneration consultants.

### Voting and comments made at the Company's 2014 Annual General Meeting

Animoca Brands Corporation Ltd's motion in relation to the approval of 2014 remuneration report passed with a vote total of more than 75% at its AGM held in October 2014 (with the Company at this date known as Black Fire Minerals Ltd). The Company did not receive any specific feedback at the AGM on its remuneration report.

### **Director remuneration arrangements**

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The last determination disclosed in the Company's prospectus dated 16 March 2007 approved an aggregate fee pool of \$200,000 per year.

The Board will not seek any increase for the NED pool at the Company's AGM in May 2015.

#### *Contracts*

The previous Non-Executive Directors were all subject to a letter of appointment dated 17 December 2012, which dictated an annual fee of \$60,000 for the Chairman Mr Billing and \$40,000 for the Non-Executive Directors Messrs Green and Sheldrick (exclusive of superannuation). On 1 June 2013, by way of board resolution in an effort to reduce the cash burn of the Company, all directors took a 50% reduction in remuneration, with Mr Billing additionally agreeing to be paid at the Non-Executive rate.

The current Non-Executive Directors are all subject to an appointment agreed under the Animoca Brands Corporation sale and purchase agreement. Mr Richard Kuo is paid the sum of AU\$40,000 per annum and Messrs Martin Green and David Brickler are to be paid \$32,000. All remaining Non-Executive Directors (including the Company's Chairman Mr David Kim) are paid AU\$30,000 per annum.

The Company's Managing Director Mr Robert Yung is subject to an Executive Service Agreement entered into with the Company's beneficially owned subsidiary Animoca Brands Ltd (an entity registered in Hong Kong, 'Animoca Brands HK') effective from 1 August 2014. The agreement provides for an annual salary of HK\$1,500,000 and entitles Mr Yung to participate in the Company's rental reimbursement, insurance and medical benefits programs. Animoca Brands HK will also match Mr Yung's contribution to a Mandatory Provident Fund, up to the limit mandated by the Mandatory Provident Fund Schemes Authority. Animoca Brands HK will reimburse reasonable and necessary travel and other expenses incurred by Mr Yung. Either party may terminate the contract on three months' notice to the other or provision of salary in lieu of notice.

The Company's Chief Operating Officer Mr Lobson Chan is subject to an employment agreement with Animoca Brands HK effective from 1 August 2014. The agreement provides for an annual salary of HK\$691,200 and entitles Mr Chan to participate in the Company's rental reimbursement, insurance and medical benefits programs. Animoca Brands HK will also match Mr Chan's contribution to a Mandatory Provident Fund, up to the limit mandated by the Mandatory Provident Fund Schemes Authority. Animoca Brands HK will reimburse reasonable and necessary travel and other expenses incurred by Mr Chan. Either party may terminate the contract on two months' notice to the other or provision of salary in lieu of notice.

### Structure

The remuneration of NEDs consists of directors' fees and consulting fees. The payment of additional fees for consulting to the Company recognises the additional time commitment required by NEDs who have assisted the Company whilst it has had no full time KMPs.

NEDs do not receive retirement benefits. The remuneration of NEDs for the period ended 31 December 2014 and the year ended 30 June 2014.

*Table 1: Remuneration of Key Management Personnel*

Directors	Financial Year/Period Ended	Salary and fees US\$	Short term benefits US\$	Share based payments US\$	Post- employment /Super- annuation US\$	Total US\$
M Billing	31 Dec	9,717	-	-	-	9,717
	30 June	20,027	-	-	-	20,027
M Sheldrick	31 Dec	24,193	-	-	2,298	26,491
	30 June	86,872	-	-	8,119	94,991
M Green	31 Dec	9,717	-	-	-	9,717
	30 June	20,027	-	-	-	20,027
R Yung	31 Dec	64,930	-	-	962	65,892
	30 June	-	-	-	-	-
D Stephens	31 Dec	-	-	-	-	-
	30 June	-	-	-	-	-
L Chan	31 Dec	36,923	-	-	962	37,885
	30 June	-	-	-	-	-
PERIOD 14		145,480	-	-	4,222	149,702
FY 14		126,926	-	-	8,119	135,045

As Messrs David Kim, Yat Siu, David Brickler and Richard Kuo were only appointed on 24 December 2014, they received no remuneration that requires disclosure in accordance with the Corporations Regulations 2001, regulation 2M.3.03, items 6 - 11.

As the Company (previously Black Fire Minerals Ltd, now Animoca Brands Corporation Ltd) in its Annual Report for the year ended 30 June 2014 disclosed the remuneration received by Key Management Personnel up until that date. The amounts disclosed above are for the financial year 1 July 2013 to 30 June 2014 and for the period 1 July 2014 to 31 December 2014. This disclosure is made to ensure the Company's remuneration report is aligned with its previous disclosures.

No element of remuneration of the key management personnel listed above was performance based. Whilst as discussed in the remuneration philosophy, consideration is given to financial performance, there is no direct relationship between KMP remuneration and the Company's performance in the last 5 years.

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### *Option holdings of key management personnel*

No options were held by KMPs for the period ended 31 December 2014.

*Table 2: Shareholdings of key management personnel – ordinary fully paid shares*

Director	Balance 30 June 14	Consolidation (1 is for 13.33~ of opening balance)	Net change other	Balance 31 December 14
M Billing	7,247,203	(6,703,662)	-	543,541
M Sheldrick	6,575,964	(6,082,764)	-	493,200
M Green	11,300,000	(10,452,499)	-	847,501
D Kim	-	-	-	-
R Yung	-	-	-	-
Y Siu <sup>1</sup>	-	-	14,021,882	14,021,882
D Brickler	-	-	-	-
R Kuo <sup>2</sup>	-	-	250,000	250,000
D Stephens	-	-	-	-
L Chan	-	-	-	-
	<b>25,123,167</b>	<b>(23,238,925)</b>	<b>14,271,882</b>	<b>16,156,124</b>

1. At the EGM held on 23 October 2014, shareholders approved to issue Asyla Investments Ltd (an entity that Mr Siu is s director of), as one of the vendors, 14,021,882 Consideration Shares as part consideration for the acquisition of Animoca Brands Corporation (BVI).
2. Mr Kuo is a director of Pier Capital Pty Ltd, which acquired 250,000 fully paid ordinary shares under the Company's replacement prospectus dated 4 December 2014.

In addition to the above, Asyla Investments Ltd (an entity that Mr Y Siu is a director of) was issued a total 5,978,856 Performance Class A and 2,989,428 Performance Class B shares on 24 December 2014 as part consideration for the acquisition of Animoca Brands Corporation (BVI). Both securities were held by the entity at the end of the reporting date. No other director who was in office during the period 1 July 2014 to 31 December 2014 held (directly, indirectly or beneficially) Performance Class A or Performance Class B shares.

### *Other transactions and balances with key management personnel and their related parties*

HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation, secretarial and transactional services provided during the period amounting to \$109,804 including GST, (year ended 30 June 2014: \$15,036). A total of \$49,662 including GST was outstanding at 31 December 2014 (30 June 2014: \$15,036). Donald Stephens, the Company Secretary of Animoca Brands Corporation Ltd, is a consultant with HLB Mann Judd (SA) Pty Ltd.

Outblaze Ventures Holdings Ltd (an entity registered in Hong Kong that is a wholly owned subsidiary Appionics Holdings Ltd) has in accordance with a Mobile App Advertising Services agreement earned commissions during the period ended 31 December 2014 totaling US\$125,204. Appionics Holdings Ltd also during the period ended 31 December 2014 lent funds of US\$801,031 to fund operating expenses prior to the completion of the Company's offer under its replacement prospectus dated 4 December 2014. Messrs David Kim, Robert Yung and Yat Siu are all directors of Appionics Holdings Ltd.

**End of Remuneration report.**

Signed in accordance with a resolution of the Directors.



Mr David Kim

Chairman

31 March 2015

# Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2014

		1 January 2014 to 31 December 2014 US\$	20 November 2013 31 December 2013 US\$
Revenue from operating activities	7	933,485	-
Cost of revenue from operating activities		(544,510)	-
<b>Gross profit</b>		388,975	-
Selling and distribution expense		(269,509)	-
Administrative expenses		(510,731)	-
Research and development expenses		(522,603)	-
Transaction costs	3	(5,446,669)	-
<b>Loss before income tax expense</b>		(6,360,537)	-
Income tax benefit/(expense)	10	-	-
<b>Loss from continuing operations</b>		(6,360,537)	-
<b>Loss attributable to members of the parent entity</b>		(6,360,537)	-
<b>Other comprehensive income</b>			-
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		5,503	
<b>Total comprehensive loss for the year</b>		(6,355,034)	-
<b>Loss per share:</b>		<i>Cents</i>	<i>Cents</i>
Basic earnings per share	21	(8.37)	N/A
Diluted earnings per share	21	(8.37)	N/A

The accompanying notes form part of these financial statements

## Consolidated statement of financial position

As at 31 December 2014

	Note	31 December 2014 US\$	31 December 2013 US\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	11	2,342,035	1
Trade and other receivables	12	32,034	-
Other current assets	13	1,250	-
<b>TOTAL CURRENT ASSETS</b>		2,375,319	1
<b>TOTAL ASSETS</b>		2,375,319	-
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	1,570,308	-
Short-term provisions	15	30,775	-
<b>TOTAL CURRENT LIABILITIES</b>		1,601,083	-
<b>NON-CURRENT LIABILITIES</b>			
Other non-current liabilities	16	3,212,771	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		3,212,771	-
<b>TOTAL LIABILITIES</b>		4,813,854	-
<b>NET ASSETS/(LIABILITIES)</b>		(2,438,535)	1
<b>EQUITY</b>			
Contributed equity	17	6,892,558	1
Reserves	18	(2,970,556)	-
Accumulated losses		(6,360,537)	-
<b>TOTAL EQUITY</b>		(2,438,535)	1

*The accompanying notes form part of these financial statements*

## Consolidated statement of changes in equity

For the year period 31 December 2013

	Note	Issued capital ordinary US\$	Accumulated losses US\$	Total equity US\$
<b>Balance at 20 November 2013</b>		-	-	-
<i>Comprehensive income</i>				
Loss for the period		-	-	-
Other comprehensive income/(expense)		-	-	-
<b>Total comprehensive income for the period</b>		-	-	-
 Issue of shares upon incorporation		1	-	1
<b>Total transactions with owners and other transfers</b>		1	-	1
<b>Balance at 31 December 2013</b>		1	-	1

*The accompanying notes form part of these financial statements*

## Consolidated statement of changes in equity (Continued)

For the year ended 31 December 2014

	Note	Issued capital ordinary US\$	Share based payments reserve US\$	Foreign currency trans- -lation reserve US\$	Other components of Equity US\$	Accumulated losses US\$	Total equity US\$
<b>Balance at 1 January 2014</b>		1	-	-	-	-	1
<i>Comprehensive income</i>							
Loss for the year		-	-	-	-	(6,360,537)	(6,360,537)
Other comprehensive income/(expense)		-	-	5,503	-	-	5,503
<b>Total comprehensive income for the year</b>		-	-	5,503	-	(6,360,537)	(6,355,034)
<i>Transactions with owners, in their capacity as owners, and other transfers</i>							
Shares issued under the Company's prospectus	17	1,946,880	-	-	-	-	1,946,880
Deemed acquisition of Animoca Brands Corporation Ltd (formerly Black Fire Minerals Ltd)	17	5,078,315	-	-	-	-	5,078,315
Performance shares (Class A and B) to vendors of Animoca Brands Corporation BVI	16	-	-	-	(3,177,517)	-	(3,177,517)
Transaction costs in issuing shares	17	(132,638)	-	-	-	-	(132,638)
Share based payments	19	-	201,458	-	-	-	201,458
<b>Total transactions with owners and other transfers</b>		6,892,557	201,458	-	(3,177,517)	-	3,916,498
<b>Balance at 31 December 2014</b>		6,892,558	201,458	5,503	(3,177,517)	(6,360,537)	(2,438,535)

*This accompanying notes form part of these financial statements*

## Consolidated statement of cash flows

For the year ended 31 December 2014

		1 July 2014 to 31 December 2014 US\$	Period Ended 31 December 2014 US\$
	Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(940,941)	-
<b>NET CASH (USED IN) OPERATING ACTIVITIES</b>	11	(940,941)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash acquired upon acquisition of subsidiary	3	421,441	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		421,441	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		1,946,880	1
Payment of transaction costs for issue of shares		(77,650)	-
Proceeds from borrowings from related parties *		959,910	-
<b>NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES</b>		2,829,140	1
Net increase/(decrease) in cash and cash equivalents		2,309,640	1
Exchange rate adjustments		32,394	-
Cash at the beginning of the period		1	-
<b>CASH AT THE END OF THE PERIOD</b>	11	2,342,035	1

\* Due to the Company's capital raising under its replacement prospectus closing on 24 December 2014, the Company has been provided loans by related parties of its former parent Appionics Holdings Ltd to fund its operating expenses (namely staff costs) from the date of commencement of operations, 1 August 2014. The Company has (in addition to the above) recorded revenue from its app portfolio and incurred costs relating to generating this revenue, with the net cash proceeds from these operations having been received by and settled post the reporting date.

*The accompanying notes form part of these financial statements*

# Notes to the consolidated financial statements

For the year ended 31 December 2014

## 1. Corporate information

The consolidated financial statements of Animoca Brands Corporation Limited and its subsidiaries (collectively, the Group) for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 31 March 2015.

Animoca Brands Corporation Limited is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded. The Group's principal activities are described in the director's report.

## 2. Summary of significant accounting policies

### 2.1. Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis.

The consolidated financial statements provide comparative information in respect of the previous period. The financial report is presented in US dollars, being the functional and presentation currency for the Group.

As announced to the ASX on 23 January 2015, the Company changed its financial year end to 31 December to align with the Groups operating subsidiaries in Hong Kong. Accordingly, the figures presented within this report reflect the transactions for the group for the period 1 January 2014 to 31 December 2014. The comparative figures presented represent the group's figures for the period 20 November 2013 to 31 December 2013 (being the date on which Animoca Brands Corporation was incorporated).

The financial report has been prepared on the basis of a going concern. Please refer to note 27 in relation to the Group's going concern disclosures.

As discussed in Note 3 below, Animoca Brands Corporation Ltd (formerly Black Fire Minerals Ltd, 'Animoca Parent') completed the acquisition of Animoca Brands Corporation (an entity incorporated in the British Virgin Islands, 'Animoca Brands') on 24 December 2014. Animoca Brands was deemed to be the acquirer for accounting purposes under the principles of AASB 3 Business Combinations. Accordingly, the consolidated financial statements of Animoca Parent (formerly Black Fire Minerals Ltd) have been prepared as a continuation of the financial statements of the Animoca Brands Group from 24 December 2014.

The impact of the reverse acquisition on each of the primary statements is as follows:

#### **Statement of Financial Position**

- The 31 December 2014 statement of financial position represents both Animoca Parent and Animoca Brands as at 31 December 2014.
- The 31 December 2013 statement of financial position represents Animoca Brands as at 31 December 2013.

#### **Statement of Profit or Loss and Other Comprehensive Income**

- The 31 December 2014 statement of profit or loss and other comprehensive income comprises 12 months of Animoca Brands and Animoca Parent for the period from 24 December 2014 to 31 December 2014.
- The 31 December 2013 statement of profit or loss and other comprehensive income comprises of Animoca Brands for the period 20 November 2013 to 31 December 2013.

#### **Statement of Changes in Equity**

- The 31 December 2014 statement of changes in equity comprises Animoca Brands' equity balance at 1 January 2014, its loss for the period, and transactions with equity holders for the annual period. It also comprises Animoca Parent's transactions with equity holders for the period from 24 December 2014 to 31 December 2014 and the equity balances of Animoca Brands and Animoca Parent as at 31 December 2014.
- The 31 December 2013 statement of changes in equity comprises Animoca Brands' changes in equity for the period 20 November 2013 to 31 December 2013.

#### **Statement of Cash Flows**

- The 31 December 2014 statement of cash flows comprises the cash balance of Animoca Brands at 1 January, the cash transactions of Animoca Brands for the year ended 31 December 2014 and Animoca Parent for the period from 24 December to 31 December 2014, and the cash balance of Animoca Brands and Animoca Parent at 31 December 2014.
- The 31 December 2013 statement of cash flows comprises of Animoca Brands' cash transactions for the period 20 November 2013 to 31 December 2013.

### **2.2. Compliance with International Financial Reporting Standards (IFRS)**

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

## 2.3. Changes in accounting policy, disclosures, standards and interpretations

### (i) *Changes in accounting policies*

The accounting policies adopted in the preparation of this Annual Report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2014. However noting the change in composition of the entity and basis of preparation of the financial statements discussed above, additional accounting policies were adopted to reflect the balances contained within the statement of financial position of Animoca Brands Corporation. Those additional policies are reflected in the below listed policies.

### (ii) *New and amended standards and interpretations*

The Group applied, for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 July 2014. The nature and the impact of each new standard and/or amendment is described below:

#### *Remove Individual Key Management Personnel Disclosure Requirements – Amendments to AASB 124*

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It has resulted in individual KMP disclosures being removed from the notes have been relocated to the remuneration report. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. This amendment has resulted in reduced disclosures in the Group's financial statements.

#### *Recoverable Amount Disclosures for Non-Financial Assets – Amendments to AASB 136*

The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. This amendment has resulted in increased disclosures in the Group's financial statements.

#### *Offsetting Financial Assets and Financial Liabilities - Amendments to AASB 132*

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

### (iii) *Accounting Standards and Interpretations issued but not yet effective*

Australian Accounting Standards and Interpretations that have recently been issued or amended that potentially impact the Group but are not yet effective and have not been adopted by the Group for the annual reporting period ended 31 December 2014 are outlined below:

*AASB 2014-1 Amendments to Australian Accounting Standards - Part A Annual Improvements to IFRSs (applicable to the Group from 1 January 2015)*

This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010–2012 Cycle and Annual Improvements to IFRSs 2011–2013 Cycle.

Annual Improvements to IFRSs Cycle addresses the following items:

- AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.
- AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets.
- AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.
- AASB 13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.
- AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.

The Group has assessed that these amendments are unlikely to have any material effect for the Group.

*AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138) (applicable to the Group from 1 January 2016)*

AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendment also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The Group has assessed that these amendments are unlikely to have any material effect for the Group.

*AASB 15 Revenue from Contracts with Customers (applicable to the Group from 1 January 2017)*

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services).

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- (a) Step 1: Identify the contract(s) with a customer
- (b) Step 2: Identify the performance obligations in the contract
- (c) Step 3: Determine the transaction price
- (d) Step 4: Allocate the transaction price to the performance obligations in the contract
- (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Early application of this standard is permitted.

AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.

The Group is still assessing the impact that this standard is to have in future reporting years. At this stage it is unlikely to have any material effect on the Group.

*AASB 2014-2 Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements (applicable to the Group from 1 January 2015)*

The Standard makes amendments to AASB 1053 Application of Tiers of Australian Accounting Standards to:

- clarify that AASB 1053 relates only to general purpose financial statements;
- make AASB 1053 consistent with the availability of the AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors option in AASB 1 First-time Adoption of Australian Accounting Standards;
- clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1; permit an entity applying Tier 2 reporting requirements for the first time to do so directly using the requirements in AASB 108 (rather than applying AASB 1) when, and only when, the entity had not applied, or only selectively applied, applicable recognition and measurement requirements in its most recent previous annual special purpose financial statements; and
- specify certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.

The Group has assessed that this standard is unlikely to have any material effect for the Group at this point in time.

*Amendments to IAS 1 (applicable to the Group from 1 January 2016)*

As part of the IASB's Disclosure Initiative projects, the IASB issued Amendments to IAS 1 in December 2014. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.

The Group has assessed that this standard is unlikely to have any material effect for the Group at this point in time.

## 2.4. Significant accounting policies

### (a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements, and
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

**(b) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in the statement of comprehensive income listed as transaction costs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of AASB 139, it is measured in accordance with the appropriate Australian Accounting Standard. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

### **(c) Current versus non-current classification**

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

#### **(d) Foreign currency translation**

The Group's consolidated financial statements are presented in US dollars, which is also the Parent's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

##### *Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

#### *Group companies*

On consolidation, the assets and liabilities of foreign operations are translated into dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

#### **(e) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is acting as a principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks. The specific recognition criteria described below must also be met before revenue is recognised.

#### *Interest income*

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of comprehensive income.

#### *Sales of applications and In-apps purchase items*

The Group receives income from the sale of applications and In-app purchase items via the smart phone platform. Revenue is recognised on a per transaction basis upon the successful download of the applications or in-app purchase items.

#### *Service fee income*

Service fee income is recognised in the accounting period in which the services rendered.

#### *Advertising income*

The Group receives income from the rendering of advertising services through the advertising platform. Revenue is recognised upon the delivery of the service.

## **(f) Taxes**

### *Current income tax*

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### **(g) Intangible assets**

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;

- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense cannot be recognised as an asset in a subsequent period.

No development expenditure incurred during the year ended 31 December 2014 has been recognised as an intangible asset as they did not meet the criteria for capitalisation as listed above.

#### **(h) Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

##### *Group as a lessee*

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

### **(i) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **(j) Financial Instruments**

#### *Recognition and initial measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss," in which case transaction costs are expensed to profit or loss immediately.

#### *Classification and subsequent measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

*(i) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

*(ii). Classification and subsequent measurement of financial liabilities*

The Group's financial liabilities include performance shares and trade and other payables.

Financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

**(k) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

*Long service leave and annual leave*

The Group does not expect its long service leave to be settled wholly within 12 months of each reporting date. The Group recognises a liability for long service leave measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows. Annual leave benefits are expected to be wholly settled within 12 months and are recorded at the nominal amount of leave outstanding at each reporting date.

## **(l) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

## **(m) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

## **(n) Impairment of assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised in the statement of profit or loss. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually as at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

#### **(o) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **(p) Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(q) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(r) Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**Key estimates**

*Impairment*

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

*Share-based payments*

The Group initially measures the cost of cash-settled transactions with employees or contractors using a binomial model to determine the fair value of the liability incurred. The Group initially measures the cost of equity-settled transactions with employees or contractors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 17.

### *Fair value of financial instruments*

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor. Refer to note 16 for further details.

## **3. Reverse acquisition**

### **Acquisition of Animoca Brands Corporation BVI**

On 24 December 2014, the Group acquired 100% of the voting shares of Animoca Brands Corporation BVI ('Animoca Brands'), an unlisted private company based in the British Virgin Islands that beneficially owns a portfolio of apps in the mobile gaming industry. The shareholders of Animoca Brands obtained 62% of the voting rights in Animoca Brands Corporation Ltd ('Animoca Parent', formerly Black Fire Minerals Ltd).

At the date of the acquisition, Animoca Parent was a non-trading listed company. This is a reverse acquisition in which Animoca Brands is the accounting acquirer and Animoca Brands is the accounting acquiree. Under the requirements in AASB 3 Business Combinations, this cannot be accounted for as a business combination because Animoca Parent was not a business. Under the generally accepted accounting guidance, this has been accounted for using the reverse acquisition principles in AASB 3, except that no goodwill is recognised and a transaction cost expense is recognised that represents the cost of Animoca Brands acquiring the listed status of Animoca Parent.

Accordingly, the assets and liabilities of the legal subsidiary (the accounting acquirer), being Animoca Brands, are measured at their pre-combination carrying amounts. The assets and liabilities of the legal parent (accounting acquiree), being Animoca Parent (formerly Black Fire Minerals Ltd) are measured at fair value on the date of acquisition.

### *Fair value of consideration transferred*

The consideration in a reverse acquisition is deemed to have been incurred by the legal subsidiary (Animoca Brands) in the form of equity instruments issued to the shareholders of the legal parent entity (Animoca Parent (formerly Black Fire Minerals Ltd)). The acquisition-date fair value of the consideration transferred has been determined by reference to the fair value of the number of shares the legal subsidiary (Animoca Brands) would have issued to the legal parent entity Animoca Parent (formerly Black Fire Minerals Ltd) to obtain the same ownership interest in the combined entity.

Details of the transaction are:

	Fair value US\$
<b>Fair value of consideration transferred</b>	<b>5,078,315</b>
<b>Fair value of assets and liabilities held at acquisition date:</b>	
Cash and cash equivalents	421,441
Trade and other receivables	11,315
Other current assets	26,770
Trade and other payables	(91,142)
Identifiable assets and liabilities assumed	368,384
<b>Surplus of consideration after accounting for identifiable assets and liabilities assumed</b>	<b>4,709,931</b>
Add: Transaction costs incurred in completing combination	736,738
<b>Transaction costs recorded in Profit of Loss</b>	<b>5,446,669</b>

The purchase consideration deemed to have been paid differs from the actual consideration paid due to the nature of the reverse acquisition. The legal cost that Animoca Parent (formerly Black Fire Minerals Ltd) paid to acquire Animoca Brands was 75,000,000 fully paid ordinary shares, having a deemed value of AU\$15,000,000 and 30,000,000 Class A and 15,000,000 Class B Performance shares having a fair value on issue of US\$3,212,771.

As Animoca Parent did not contain an operating business and represented merely a listed shell Company, the surplus identified above has been treated as a transaction cost and expensed in the Company's statement of profit or loss and other comprehensive income.

From the date of acquisition, Animoca Parent has contributed \$736,738 (which represents the costs of the reverse acquisition transaction) to the net loss after tax from the continuing operations of the Group. If the combination had taken place at the beginning of the year, the loss from continuing operations for the period would have been \$6,972,217.

#### 4. Operating Segments

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group only operates in one operating segment being the product development and marketing of mobile app games. Following the discontinued operations of the former business in Animoca Parent (formerly Black Fire Minerals Ltd), the previously capitalised exploration costs have all been either fully written off or realised by way of sale. Therefore, all segment assets and liabilities, and the segment result, relate to the one business segment and consequently no detailed segment analysis has been prepared.

The Group has no individual customer concentration risk. The underlying users are located globally, with its main markets in the U.S., China, Japan, and Korea.

The Group distributes its games globally on platforms including the Apple App store, Google Play and Amazon amongst others.

#### 5. Information about subsidiaries

The consolidated financial statements of the Group include:

Name	Principal Activities	Country of incorporation	% Equity interest	
			31 Dec 2014	30 Jun 2014
Animoca Brands Corporation	Mobile app game maker	British Virgin Islands	100%	-%
Animoca Brands Ltd	Mobile app game maker	Hong Kong	100%	-%
Black Fire Base Metals Pty Ltd (1)	Minerals Explorer	Australia	100%	100%
Black Fire Gold Pty Ltd (1)	Minerals Explorer	Australia	100%	100%
BF Base Metals (Africa) Pty Ltd (1)	Minerals Explorer	Australia	100%	100%

(1) These entities have subsequently been wound up and deregistered in accordance with section 601AA(4) of Corporations Act (Cwth) 2001. Notices confirming the deregistration were received from ASIC on 6 March 2015 (subsequent to the reporting date).

##### *Parent of the group*

The parent entity of the Group is Animoca Brands Corporation Ltd (previously Black Fire Minerals Ltd) and is based and listed in Australia.

## 6. Financial assets and financial liabilities

### 6.1 Fair value

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2014.

	Total \$	Significant unobservable inputs (Level 3) \$
Other current liabilities – Performance shares	3,212,771	3,212,771
	3,212,771	3,212,771

There have been no transfers between Level 1, Level 2 or Level 3 during the period.

The fair value of the performance shares has been estimated using a forecasted financial model based on the number of shares expected to vest in accordance with the relevant terms and conditions of the performance shares. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows and the discount rate.

The significant unobservable inputs used in the fair value measurement of the performance shares, together with a quantitative sensitivity analysis as at 31 December 2014 is as follows:

Input	Value	Sensitivity of the input to fair value
Number of new users per month	299,150	5% increase (decrease) in the rate would result in an increase (decrease) in fair value by \$713,949/(\$237,983)
Australian to US dollar rate	AU\$0.82 to US\$1	5% increase/(decrease) in the rate would result in an increase (decrease) in fair value by \$160,639/(\$160,639)

## 6.2 Financial risk management objectives and policies

The Group's principal financial liabilities comprise of performance shares and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to support its operations. The Group's principal financial assets include trade and other receivables and cash and short-term deposits that are derived directly from its operations.

The Group is not exposed materially to market risk, credit risk or liquidity risk. The Board takes ultimate responsibility for managing the financial risks of the Group.

### Foreign exchange

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The following table shows the foreign exchange rate exposure, which is monitored by the Board. The Group is developing policies to mitigate these risks in the future.

**31 December 2014**

### Consolidated group financial assets and liabilities

Functional currency of the entity:

Australian dollar (excluding performance shares)

Hong Kong dollars

Performance shares (Australian Dollar)

Net financial assets/liabilities in USD \$
--

2,058,159
-----------

(1,283,923)
-------------

(3,212,771)
-------------

(2,438,535)
-------------

### Trade receivables

The Group will have in future financial periods trade receivables due from the App Store (owned by Apple Inc.) and the Google Play Store (owned by Google Inc.) in relation to in app purchases in game apps. In this respect, the Group does have a concentration of receivables with these counterparties. Given the credit worthiness of these parties however, the Group believes it is not exposed to material to credit risk in relation to receivables.

### Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of cash and cash equivalents, performance shares and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 17 and 18.

Proceeds from share issues are used to fund the Group's development and marketing of its mobile game app portfolio.

## 7. Revenue from operating activities

	1 January 2014 to 31 December 2014 US\$	20 Nov 2013 to 31 December 2013 US\$
App Advertising revenue	780,440	-
In App Purchases revenue	153,045	-
	933,485	-

## 8. Employee benefits expense

Wages, salaries and other remuneration expenses	884,474	-
Retirement benefit expense	38,507	-
Other employment costs	31,298	-
Transfer to/(from) annual leave provision	30,775	-
	985,054	-

## 9. Additional information on the nature of expenses

Commission expenses	125,204	-
Rent, rates and taxes and associated expenses	72,375	-
Other expenses	120,210	-
	317,789	-

## 10. Income tax

	1 January 2014 to 31 December 2014	20 Nov 2013 to 31 December 2013
<b>Accounting (loss) before income tax</b>	<b>(6,360,537)</b>	<b>-</b>
At Australia's statutory income tax rate of 30% (2013: 30%)	(1,908,161)	-
Adjust for the tax effect of:		
Non-allowable items – transaction costs	1,634,001	-
Tax rate differences – Hong Kong	116,763	-
Unrecognised tax assets	157,397	-
Income tax (benefit)	-	-

As at 31 December 2014, Animoca Brands Ltd (Hong Kong) had estimated available tax losses of approximately US\$908,000 (At Hong Kong tax rate of 16.5% = 149,747), which the Group anticipates will be able to be offset against future taxable income by the Group. The parent entities (Animoca Brands Corporation Ltd, formerly Black Fire Minerals Ltd) tax losses are not presented as they likely will be forgone due to failing the relevant loss tests in accordance with Australian Taxation legislation.

## 11. Cash and cash equivalents

	31 Dec 2014 US\$	31 Dec 2013 US\$
Cash in bank and on hand	2,342,035	1
	2,342,035	1

	31 Dec 2014 US\$	31 Dec 2013 US\$
<b>Reconciliation of net loss after tax to net cash flows from operations</b>		
Accounting loss after income tax	(6,360,537)	-
<i>Adjustments for:</i>		
Non cash transaction costs	4,931,520	-
<i>Changes in assets and liabilities:</i>		
Increase in related party payable	801,031	-
Increase in trade payables	45,245	-
Increase in provisions	30,775	-
(Decrease) in receivables	(388,975)	-
<b>Net cash (used in) operating activities</b>	<b>(940,941)</b>	<b>-</b>

## 12.Trade and other receivables

GST Receivable	11,440	-
Other Receivable (i)	20,594	-
	<b>32,034</b>	<b>-</b>

(i) Other receivables are non-interest bearing and are generally received within 30 days.

There were no amounts past due but not impaired.

## 13.Other current assets

Prepayments	1,250	-
	<b>1,250</b>	<b>-</b>

## 14. Trade and other payables

	31 December 2014 US\$	31 December 2013 US\$
Trade payables (i)	149,831	-
Accrued expenses	619,446	-
Related party payables (ii)	801,031	-
	<u>1,570,308</u>	<u>-</u>

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms

(ii) Related party payables are non-interest bearing and are normally settled on 30-day terms. Refer to note 20 for details of these transactions.

## 15. Short-term provisions

### Current

Annual leave provision	30,775	-
	<u>30,775</u>	<u>-</u>

Leave provisions for employees based in Hong Kong are expected to be wholly settled within 12 months. The entire amount is presented as current as the entity does not have the unconditional right to defer the settlement.

## 16. Other non-current liabilities

Performance shares	3,212,771	-
	<u>3,212,771</u>	<u>-</u>

The Company as part consideration for the acquisition of Animoca Brands Corporation BVI (in addition to the 75,000,000 fully paid ordinary shares mentioned at note 3) the Company issued 30,000,000 Class A Performance Shares and 15,000,000 Class B Performance Shares. As the Performance Shares potentially convert into a variable number of shares in the Company, in accordance with Australian Accounting Standards the performance shares have been treated as a liability.

Under AASB 139, subsequent movements in the liability are to be taken to the profit and loss. For the year ended 31 December 2014, no movement has been accounted for as the instrument was issued on 24 December 2014. The performance shares contain both revenue and EBIT (Earnings before interest and tax) milestones, with a final payment due as soon as practicable after 30 June 2016, but no later than 31 October 2016. Refer to the full terms and conditions of the performance shares disclosed to the ASX on 21 January 2015 for further details.

## 17.Share capital

	31 December 2014	31 December 2013
	US\$	US\$
Fully paid ordinary shares	6,892,558	1
	6,892,558	1

	Number	US\$
<b>Ordinary shares</b>		
Deemed to be outstanding at beginning of period *	75,000,000	1
Deemed acquisition of Animoca Brands Corporation Ltd (formerly Black Fire Minerals Ltd)	31,301,253	5,078,315
Shares issued under the Company's prospectus	12,000,000	1,946,880
Transaction costs on shares issued	-	(132,638)
Balance at end of the financial period	118,301,253	6,892,558

\*Due to the nature of the reverse acquisition, in accordance with AASB 3 Business Combinations, the equity structure of the legal subsidiary (Animoca Brands Corporation) is restated to reflect what (given the equity structure of the legal parent upon completion) the legal parent issued in the reverse acquisition.

Transaction costs of \$5,446,669 have been expensed and are included on the face of the statement of profit or loss and other comprehensive income. In addition, transaction costs of \$132,638 have been offset against contributed equity as the costs were directly attributable to the issue of new equity instruments.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital nor par value in respect of its issued shares.

Fully paid ordinary shares carry one vote per share and carry the right to dividends (in the event such a dividend was declared).

## 18. Reserves

	31 December 2014	31 December 2013
	US\$	US\$
Share based payments reserve	201,458	-
Foreign currency translation reserve	5,503	-
Other components of equity	(3,177,517)	-
	(2,970,556)	-

### *Share-based payments*

The share-based payments reserve is used to recognise the value of equity-settled share-based payments provided to employees and consultants, including key management personnel, as part of their remuneration. Refer to Note 19 for details of the issue of options during the period ended 31 December 2014.

### *Foreign currency translation reserve*

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of Animoca Brands Corporation Ltd, the group's operations in the Australia that have a functional currency of Australian Dollars (rather than the Group's functional and presentation currency of US Dollars).

### *Other components of equity*

Other components of equity represents the debit side of the recognition of the performance shares (refer note 16). As the issue of the performance shares is a transaction with a controlling shareholder in its capacity as a shareholder, it was not considered appropriate to recognise this amount as an additional expense in the profit and loss. Accordingly, this amount will be transferred to share capital upon the instruments being issued in accordance with their relevant performance milestones, or taken as an appropriation to accumulated losses if the instrument is forfeited.

## 19.Share based payments

In accordance with the Company's replacement prospectus dated 4 December 2014, a total of 2,366,025 unlisted options were issued to the brokers of the Company, Taylor Collison Ltd. The terms of these options were an exercise price of \$0.20 and an expiry date of 23 January 2018 (with the securities escrowed until 23 January 2018).

The options were valued using a binomial option valuation method, using the following assumptions:

Volatility Rate:	78.16%
Estimated life	3.09 years
Risk free rate	2.27%
Number of steps	1,000

The total value pertaining to these options using the above assumptions amounted to \$201,458. None of the options contained vesting conditions and have been expensed in the Company's statement of profit or loss and other comprehensive income for the year ended 31 December 2014 and included in transaction costs.

## 20.Related party disclosures

Remuneration of Key Management Personnel

	Year ended 31 Dec 2014 \$	Year ended 31 Dec 2013 \$
Short-term employee benefits	145,480	-
Share based payments	-	-
Termination benefits	-	-
Post-employment benefits	4,222	-
Total compensation	149,702	-

HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation, secretarial and transactional services provided during the period amounting to \$109,804 including GST,. A total of \$49,662 including GST was outstanding at 31 December 2014. Donald Stephens, the Company Secretary of Animoca Brands Corporation Ltd, is a consultant with HLB Mann Judd (SA) Pty Ltd.

Outblaze Ventures Holdings Ltd (an entity registered in Hong Kong that is a wholly owned subsidiary Appionics Holdings Ltd) has in accordance with a Mobile App Advertising Services agreement earned commissions during the period ended 31 December 2014 totaling US\$125,204. Appionics Holdings Ltd and its related parties also during the period ended 31 December 2014 lent funds of US\$801,031 to fund operating expenses prior to the completion of the Company's offer under its replacement prospectus dated 4 December 2014. Messrs David Kim, Robert Yung and Yat Siu are all directors of Appionics Holdings Ltd.

## **21.Earnings per share**

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	Period ended 31 December 2014	Period ended 31 December 2013
	US\$	US\$
Net loss attributable to ordinary equity holders of the parent entity:		
Continuing operations	(6,360,537)	-
Weighted average number of ordinary shares for basic earnings per share	75,949,069	N/A
Effect of dilution		
Share options	N/A	N/A
Weighted average number of ordinary shares adjusted for the effect of dilution	75,949,069	N/A

## 22.Subsequent events

On 23 January 2015, following the Company's compliance with ASX Listing Rule 11.1.3 and chapters 1 and 2 of the ASX Listing Rules, the Company's securities were re-instated to official quotation, trading under the security code "AB1".

No other subsequent events have been noted which would impact the reported results for the financial year ended 31 December 2014.

## 23.Auditors remuneration

	Year ended 31 December 2014	Period ended 31 December 2013
	US\$	US\$
An audit or review of the financial report	68,000	-
	68,000	-

## 24. Parent entity information

	31 Dec 14 AUD\$	30 June 14 AUD\$
Current assets	2,870,886	152,763
Non-current assets	1,858,899	2,149,781
Total assets	4,729,785	2,302,544
<i>Liabilities</i>		
Current liabilities	(812,727)	(782,002)
Non-current liabilities	(3,917,058)	-
	(4,729,785)	(782,002)
Issued capital	31,386,408	14,649,045
Accumulated losses	(27,717,695)	(13,128,503)
Share option reserve	248,345	-
Other components of equity	(3,917,058)	-
Total shareholders' equity	-	1,520,542
Loss of the parent entity	(14,589,192)	(7,855,986)
Total comprehensive loss of the parent entity	(14,589,192)	(7,855,986)

The comparative period for the parent entity is 30 June 2014 and represents the legal parent entity statement of financial performance and financial position. The amounts were reported in the Black Fire Mineral Ltd annual report for the year ended 30 June 2014.

## 25.Commitments

At the reporting date, the total future minimum lease payments payable by the Company under non-cancellable operating leases in respect of properties is as follows:

	31 December 2014 US\$
Within one year	124,581
Total comprehensive loss of the parent entity	124,581

The Company has leased the office premises jointly with a related company under operating leases. The commitment represent the maximum amount that the Company is required to pay based on the leased agreement. The lease does not include contingent rentals.

## 26.Contingent liabilities

At the date of signing this report, the Company is not aware of any Contingent Asset or Liability that should be disclosed in accordance with AASB 137.

## 27.Going concern basis of accounting

In preparing the financial report, the Directors have made an assessment of the ability of the Group to continue as a going concern.

The Group incurred a loss for the period of \$913,868 after removing the \$5,446,669 of one off transaction costs associated with the reverse acquisition. The group also generated a cash outflow of \$940,941 from operating activities with a net liability position at 31 December 2014 of \$2,438,535.

The Group remains in the development phase of operations and is forecast to operate at an operating loss and cash flow deficit for the immediate forecast period. In considering their position, the Directors have had regard to the current cash reserves, the level of forecast cash expenditure, the support of director related party entities in not calling their loans to the Company, and the likelihood of being able to raise funds in future, should the need arise. The directors have concluded there are reasonable grounds to believe the company is a going concern and will be able to continue to pay its debts as and when they become due and payable.

Should the Group not achieve its forecast trading result or not raise funds of a level or timing as required, there is material uncertainty as to whether the group will realise its assets and extinguish its liabilities in the normal course of business and at amounts stated in the financial report.

## Directors' declaration

In accordance with a resolution of the directors of Animoca Brands Corporation Limited, I state that:

In the opinion of the directors:

- a) The financial statements and notes of Animoca Brands Corporation Limited for the period 31 December 2014 are in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
  - ii. complying with Accounting Standards and the Corporations Regulations 2001;
- b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.2; and
- c) Subject to the matters detailed at Note 27 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors by the Managing Director and Company Secretary (acting as the Group's Chief Financial Officer) in accordance with section 295A of the Corporations Act 2001 for the period ended 31 December 2014.

On behalf of the board



Mr David Kim  
Chairman

31 March 2015



Grant Thornton

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ANIMOCA BRANDS CORPORATION LIMITED**

### **Report on the financial report**

We have audited the accompanying financial report of Animoca Brands Corporation Limited (the "Company"), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year end or from time to time during the financial year.

### **Directors' responsibility for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

#### **Auditor's opinion**

In our opinion:

- a the financial report of Animoca Brands Corporation Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

#### **Material uncertainty regarding going concern**

Without qualifying our opinion, we draw attention to Note 27 in the financial report which indicates that the company incurred a net loss of \$913,868 after removing the \$5,446,669 of one off transaction costs associated with the reverse acquisition, during the year ended 31 December 2014 and, as of that date, the company's net cash outflow from operating activities was \$940,941. These conditions, along with other matters as set forth in Note 27, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



Grant Thornton

**Report on the remuneration report**

We have audited the remuneration report included in the directors' report for the year ended 31 December 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Animoca Brands Corporation Limited for the year ended 31 December 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

J L Humphrey  
Partner – Audit & Assurance

Adelaide, 31 March 2015

## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 14 April 2015.

### Distribution of equity securities

Analysis of numbers of listed equity security holders by size of holding:

Category			Number of Shareholders	Number of Shares
1	-	1,000	100	49,796
1,001	-	5,000	172	432,472
5,001	-	10,000	125	1,053,942
10,001	-	100,000	167	6,923,716
100,001	and over		86	109,841,327
			<b>650</b>	<b>118,301,253</b>

207 holders listed above hold an unmarketable parcel (being defined as a minimum parcel of \$500 worth of shares, calculated 2,778 shares using a market value of \$0.18 on 14 April 2015).

### Ordinary share capital

- 118,301,253 fully paid ordinary shares are held by 650 individual shareholders. Of these securities, 14,021,882 are subject to escrow until 23 January 2017 and 60,978,118 are subject to escrow until 24 December 2015.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

### Performance shares

- 30,000,000 Class A and 15,000,000 Class B performance shares are held by 11 individual shareholders. Of these securities, 5,978,856 Class A and 2,989,428 Class B are subject to escrow until 23 January 2017 and 24,021,144 Class A and 12,010,572 are subject to escrow until 24 December 2015.

### Unlisted options

- 2,366,025 unlisted options exercisable at \$0.20 and expiring 23 January 2018 are held by one individual shareholder (Taycol Nominees Pty Ltd). The options are escrowed until 23 January 2017.

### **Substantial shareholders**

<b>Ordinary shareholders</b>	<b>Fully paid Number</b>	<b>%</b>
Asyla Investments Limited	14,021,882	11.85%
Datahouse Investments Limited	14,013,115	11.85%
Intel Capital Corporation	10,934,232	9.24%
Yong Hui Capital Holdings	10,210,385	8.63%
HSBC Custody Nominees	7,244,392	6.12%

Ordinary shareholders	Fully Paid Ordinary Shares	
	Number	%
Asyla Investments Limited	14,021,882	11.85%
Datahouse Investments Limited	14,013,115	11.85%
Intel Capital Corporation	10,934,232	9.24%
Yong Hui Capital Holdings	10,210,385	8.63%
HSBC Custody Nominees	7,244,392	6.12%
Renderson Limited	5,024,406	4.25%
Hongkong Ledong Tech Limited	4,687,103	3.96%
Everyday Holdings Limited	4,262,910	3.60%
Eleutheo Investments Limited	3,301,130	2.79%
Citicorp Nominees Pty Limited	2,893,870	2.45%
Cleland Projects Pty Ltd <CT A/C>	2,126,876	1.80%
Nefco Nominees Pty Ltd	1,822,848	1.54%
Cleland Projects Pty Ltd <Investment A/C>	1,572,890	1.33%
Waterfront Limited	1,546,429	1.31%
Neoteny Startup 1 Limited	1,545,971	1.31%
Mr Robin Marcus Birley	1,500,001	1.27%
UBS Wealth Management Australia Nominees Pty Ltd	1,305,555	1.10%
Mr Dominic Virgara	1,220,001	1.03%
KYG Investments Limited	965,018	0.82%
Mr Martin Green	847,501	0.72%
	91,046,515	76.97%

In accordance with ASX Listing Rule 4.10.19, the Company confirms it used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.