ACN 122 921 813

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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HIGHLIGHTS

Financial

1. **Operating revenue of $6.5 million**, representing a 25% decrease on FY 2016 – driven by changes in strategy

2. **14 games sold to Maple Media for up to $3.7 million** in line with Animoca Brands' renewed strategy.

3. **318 games agreed to be sold to iCandy (ASX: ICI) for up to $8.0 million,** with Animoca Brands selling its mobile casual games portfolio in line with the company's new strategic direction

4. **$5.8 million in capital raised** during 2017 via an Institutional and Retail offer and a Placement to fund sales, marketing, technology enhancement, working capital requirements and invest on strategic growth opportunities including the participation taken in Zeroth.ai which grants Animoca brands direct access to industry-leading AI and machine learning expertise.

Operational

1. **Expansion of licensed IP** – Secured the license to *Masterchef* to make games based on the hit reality television series.

2. **Divested non-core games** – sold a portfolio of games to Maple Media and one to iCandy freeing up the team to focus on the core areas of branded family entertainment and mid-core gaming.

3. **Streamlining** – headcount rationalisation, particularly in the Hong Kong headquarters of the company, has focused the team on the core products and reduced expenses.

4. **Strategic co-location** – Invested in Zeroth.ai, an AI accelerator, who has co-located themselves and their start-ups in the offices of the Company, fostering collaboration.

5. **Strategic Partnership** – In conjunction with the sale of games to iCandy, the Company has agreed to be issued shares in ICI which would make it a major shareholder, strengthening the ties between these two firms. The Company is already collaborating with NOX, the blockchain gaming affiliate of ICI on a project featuring the Masterchef brand.

CHAIRMAN'S REPORT

Dear Shareholders,

It is with great pleasure I welcome you to Animoca Brands Annual Report for the year ending 31 December 2017. This has again been a transformational year for the Company as we have embarked on an ambitious rationalisation program for the business, focusing the operations in a handful of key areas, including branded and midcore games, e-books and learning content, and the newest area, family fitness.

Milestones this year

We began the year by renewing one of our oldest brand relationships, the one with Paws Inc., the licensor of Garfield. This was coincident with the launch of Garfield Fit, which heralded the creation of our family fitness division, focused on bringing together health and well-being applications, families, and the brands they love.

We also announced a partnership with Star Stable AB, who owns an extremely popular online brand amongst teenage girls, another key demographic of the Company and an area of focus for us with our apps featuring Ever After High and Monster High as well. In addition, we increased our exposure in the boys market through a partnership with major game developer Miniclip, taking over the operations of games featuring the Beast Quest and Thunderbirds IP's. Lastly, we signed a license agreement for the brand Masterchef, and we have subsequently announced that the first title will be launched in 2018 in partnership with iCandy (ASX:ICI) and its affiliate NOX.

Focus

This year was also a year of rationalisation and focus, and in line with those objectives, we announced two transactions in which we disposed of non-core assets. In the first transaction, we sold 14 casual games, which were for 13 of them originally developed by our Finnish subsidiary TicBits, to Maple Media for up to \$3.7m. In the second transaction, we agreed to sell the majority of our casual games portfolio to iCandy (ASX: ICI) for up to \$8m. The results of these two asset sales, aside from capital inflow, are a large reduction in the number of products for the team to maintain and a substantial de-emphasis of the casual game genre within our portfolio.

Looking Ahead

The mobile games industry has been maturing over the last two years, with growth more focused on product innovation and advertising opportunities in particular, and less driven by handset adoption. Market research firm NewZoo estimates the mobile games market to be approximately \$73 billion in size in 2018, growing to roughly \$92 billion in 2020. In order to stay on the edge of innovation and adapt to new markets, both within and adjacent to our industry, we have announced a strategic partnership and investment into Zeroth.ai, Asia's leading artificial intelligence (AI) accelerator. AI has wide-reaching applications, both in the mobile games business but also across society in general, and we feel that this partnership will give us an edge in staying ahead and remaining a voice for innovation in the mobile entertainment business.

We believe 2018 will be a very exciting year for Animoca Brands, and January 2018 has already shown promise in the form of strong results from our midcore game franchise Crazy Kings and accelerating M&A activity. We are looking forward to the year ahead and to sharing our progress with you.

Mr David Kim
Chairman

Chief Executive Officer's Report

Dear Shareholders,

Welcome to this year's annual report. I am delighted to welcome new shareholders to the Company this year; I would like to share with you some of the exciting progress we have made in 2017.

Financial Overview

Around the half of this year, we embarked upon an ambitious plan to rationalize the Company, and this required taking a hard look at both our cost structure and our product portfolio. As part of this plan, in June, I announced my resignation from the board of directors, and that myself and three of the other board directors would take reductions in compensation of 50% or more. Coincident to that, we began a program of resource rationalization, primarily in our Hong Kong headquarters, that continued throughout the second half of the year, ultimately reducing our headcount from over 110 people there, to less than 70 people.

The reduction in staff headcount and number of games inevitably resulted in a reduction of revenues, with gross revenues for the year ended 31 December 2017 totaling $6.5m that represents a decrease of 25% from the prior financial year.

Corporate Development

This year, we also successfully raised $5.2m from a fully underwritten accelerated non-renounceable entitlement offer in February, as well as approximately $565,000 from a placement to institutional and sophisticated investors in December. The funds have gone towards the continued development of titles based on successful franchises, such as our Crazy Kings midcore games, as well as the development of titles in new areas, such as Garfield Fit in the family fitness category. A portion of the December fundraise was earmarked for an investment into Zeroth.ai, Asia's first artificial intelligence (AI) accelerator, with whom we have become a strategic partner.

In addition, we took steps to rationalize our product portfolio, reducing drastically the number of game titles that we have to service and maintain, and unlocking value in those old titles through their sale to third parties. We sold a total of 332 games to Maple Media and iCandy Interactive in separate transactions, for a total of up to $11.7m. These divestitures allow us to focus on the remaining portfolio of branded and midcore games, e-books and learning titles, and family fitness apps.

Product Portfolio

This year saw the continued performance of the company's flagship branded games, including those featuring Garfield, Doraemon, Thomas & Friends, He-Man, and many more.

In addition, we expanded our portfolio of learning titles with the addition of BrainyTap in Q2, a subscription-based education app that leverages content from well-known publishers and adds to the existing subscription product lineup that includes Thomas & Friends: Read & Play and Garfield Fit. The company continued development on its midcore game portfolio, which includes both in-house titles, like Crazy Kings, and publishing titles, like Tokyo Casino Story, in partnership with COLOPL. In particular, the beginning of 2018 saw the successful launch of Crazy Defense Heroes, the sequel to Crazy Kings. The Company also made a successful foray into AI gaming with the launch of Toy Attack, which blends AI, robot wars, and the educational aspect of teaching players the basics of coding. Following on the heels of this, the company then partnered with Zeroth.ai in December.

Continuous Innovation

I am very pleased with the progress we made this year towards enhancing our existing portfolio of games. As the industry has evolved more towards a games-as-a-service model, the importance of launching many new titles has diminished, and the focus has become more on adding content, features, and enhancements to existing products to retain customers and attract new ones. This has been successfully implemented across the spectrum of titles such as those featuring Thomas & Friends, He-Man, and the Crazy Kings franchise. As the cost of servicing such a vast portfolio increased, we made the decision to divest a total of 332 titles to other game companies, allowing us to focus on our most successful assets.

In addition, we have begun to make investments into areas we see promising futures in mobile, namely: family fitness and artificial intelligence. Family fitness plays on our existing strengths, with titles like Garfield Fit leveraging our brand relationships, experience in subscription services, and familiarity with the family demographic. In the area of AI, we have made a strategic partnership with Zeroth.ai, which is Asia's first AI accelerator. Under the terms of this partnership, we not only become an equity participant in Zeroth's business (and therefore all the cohorts of leading edge AI startups in its accelerator), but we also intend to co-locate, which will have the short-term benefit of defraying certain overhead costs. AI is clearly the future of computing, and it already plays a large role in our gaming business (think of playing "against the computer"). However, we feel that, as "bots" begin taking over customer service roles, financial management roles, etc., they will become an increasingly important part of mobile entertainment, and we want to remain on the cutting edge of innovation here.

The Year Ahead

2018 promises to be another transformative year for Animoca Brands. While 2017 was largely consumed with rationalizing costs, focusing the product portfolio, and divesting less-core assets, 2018 will be focused on reaping the rewards of the investments of 2017. We have already seen this bear fruit in January 2018 through the initial success of Crazy Defense

Heroes. Beyond this, we look forward to increasing our brand portfolio with new titles in partnership with brands like Masterchef as well as working together with a variety of new partners, from Zeroth.ai on the cutting edge of artificial intelligence to iCandy Interactive on their NOX cryptocurrency for gaming platform. We are a leaner, stronger organization going into 2018, with a product pipeline and suite of partners that give us confidence in the year ahead, and I look forward to sharing our progress with you over the coming months.

Mr Robert Yung
Chief Executive Officer

CORPORATE INFORMATION

ABN 29 122 921 813

Directors
Mr David Kim (Chairman)
Mr Yat Siu
Mr David Brickler
Dr Nigel Finch
Mr Robert Yung (Managing Director), resigned 6 June 2017 and remains Chief executive Officer
Mr Bin Hu, resigned 6 June 2017

Company Secretary
Ms Jillian McGregor, resigned 20 March 2017
Ms Alyn Tai, appointed 20 March 2017

Registered office
Suite 3, Shore 2/3, 13 Hickson Road, Sydney, NSW, Australia, 2000, until 19 March 2017
Level 1, 61 Spring Street, Melbourne, VIC, Australia, 3000, from 20 March 2017

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 Australian dollars and unless otherwise stated, amounts referred to in this report are stated in this currency.

Auditors
Grant Thornton Audit Pty Ltd
Level 3, 170 Frome Street
Adelaide, South Australia, Australia
Grant Thornton Hong Kong Limited
Level 12, 28 Hennessey Road
Wan Chai, Hong Kong

Website: www.animocabrands.com

DIRECTOR'S REPORT

Animoca Brands directors submit their report for the year ended 31 December 2017.

Directors

The names of the Company's directors (the "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))*
Mr Kim serves as the CEO of Appionics, more commonly known by the consumer brand "Animoca", a major developer and publisher of smartphone games. Prior to that he was the CEO of mail.com Corporation, a leading personalized 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 IPO and in doing so he became the youngest 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 Honors, Mr Kim is also a classical vocalist with extensive musical and theatrical interest and experience.

Managing Director

Mr Robert Yung *(BA (Hons), MA), resigned 6 June 2017 and remains Chief Executive Officer*
Mr Yung is the CEO of Animoca Brands Corporation Ltd and a director of Appionics, more commonly known by the consumer brand "Animoca", a major developer and publisher of smartphone games. 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

Mr Siu is the founder and CEO of Outblaze Limited, a digital media company specializing 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, more commonly 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 Organizations (NGOs) and serves on the board of directors for the Asian Youth Orchestra.

Mr David Brickler *(BA, EMBA)*

Mr Brickler provides IT software integration and technical support for some of Australia's more well known not-for-profit companies. He has recently served as 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 organizations. Prior to that, he served as Asia Pacific 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 Bin Hu *(BS), resigned 6 June 2017*

Mr Hu has over a decade of experience in the internet and mobile industry and is one of China's pioneers in that space. Mr Hu currently serves as Director of Ourpalm, where he was previously CEO. He oversaw the strategy and operation, and spearheaded the transformation of Ourpalm into a global gaming company. Prior to joining Ourpalm, Mr Hu was a partner at Chinese venture capital firm Qiming Venture Partners, one of the best-known and successful investors in China. During his time at Qiming, Mr Hu played an important role in the firm's investments in promising Chinese companies, including one of the world's largest smartphone makers, Xiaomi, advertising platform Domob, online dating service provider Jiayuan.com (NASDAQ: DATE), Zhihu.com and D.cn. Mr Hu was instrumental in helping these companies grow into industry leaders. Mr Hu was also a co-founder of KongZhong.net (NASDAQ: Kong), one of China's first mobile value added service providers, where he managed the mobile gaming business. He began his career at Sina (NASDAQ: SINA) and helped launch their news portal, paving the way for Sina to eventually become one of China's largest internet portals. He holds a bachelor degree in information science from Peking University.

Dr Nigel Finch *(MCom, LLM, MBA, PhD, CA, CTA, FCPA, FTIA, FAICD)*

Dr Finch is a company director and adviser with experience working with early-stage and emerging ASX-listed companies. Dr Finch is currently a Non-Executive Director of medical imaging technology firm Mach7 Technologies (ASX:M7T). He is Managing Director of Saki Partners, a transaction advisory firm assisting clients with strategy execution, financial performance and corporate transactions. He holds degrees in accounting, business and law and PhD in business law. He is a Chartered Accountant, a Chartered Tax Adviser and a Fellow of the Taxation Institute of Australia, CPA Australia and the Australian Institute of Company Directors.

Company Secretary

Ms Jillian McGregor *(B.Com, B.L., B.Acc.), resigned 20 March 2017*

Ms McGregor regularly advises companies and directors on compliance with the Corporations Act 2001 (Cth) and ASX listing rules and other corporate legal matters, having had approximately 20 years' experience working as a corporate lawyer. Ms McGregor holds degrees in commerce and law. Ms McGregor currently holds and has held company secretarial positions for other listed and unlisted companies.

Ms Alyn Tai *(B.L.), appointed 20 March 2017*

Ms Tai is a practicing lawyer who specializes in the areas of corporate and commercial law, and the provision of company secretarial and legal counsel services to ASX-listed entities. She holds a Bachelor of Laws from the University of Exeter, and was called to the Bar of

England and Wales before being admitted to the Supreme Court of Victoria as an Australian lawyer.

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 of Animoca Brands Corporation Limited were as follows:

	Direct and Indirect interests: Number of ordinary shares held
Mr David Kim	785,000
Mr Yat Siu[1]	29,841,164
Mr David Brickler	108,000
Dr Nigel Finch	-

1. Mr Siu holds 165,000 ordinary shares and Asyla Investments Limited, a company Mr Siu is a director of, holds 29,676,164 ordinary shares.

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 2017.

Principal activities

The Group's principal activities are the development and marketing of a broad portfolio of mobile games and apps (including orientated to educational learning, including e-books and a book app) apps for smartphones and tablets all over the world. Mobile games and apps developed and/or published by the Group are made available for customers on different App stores including Apple's App Store and Google's Google Play. The Group monetizes its games and apps through In-App purchases and advertising offered to the consumers within games and apps for smartphones and tablets.

Review of operations

The Group continued to build on its portfolio of games and entertainment products throughout the year, launching such innovative titles as *Garfield Fit* and *Toy Attack. Garfield Fit* is an app focused on the intersection of family fitness, wearable computing, and gaming, with the idea to bring families together to get healthy. Leveraging on the beloved family brand *Garfield*, the app gamifies the experience of walking and is able to run on Apple Watch and other wearables as well. *Toy Attack* is a game built on the idea of leveraging gaming to teach users elements of coding by programming AI into your robot warrior. The innovation here is not to gamify learning but actually the reverse: to “learnify” gaming and educate users (often unbeknownst to them).

The Group also continued to service and enhance existing games with solid performance, such as Crazy Kings, and those featuring brands like *Thomas and Friends, Garfield, He-Man,* and *Doraemon*, amongst others. As the portfolio has grown, the Group took steps to manage the increasing service and maintenance requirement by strategically divesting certain non-core apps (see “Sale of Games” below) during the period. This divestment also coincided with a planned reduction in headcount in the Group’s headquarters in Hong Kong, reducing the overall cost of employee compensation.

The Group has also continued to seek ways to innovate and adapt to changing markets using new technologies, and 2017 was no exception. From innovative new markets, like family fitness with *Garfield Fit* and games with hidden education agendas like *Toy Attack* to new technological innovations like AI and blockchain. The Group has announced an investment in and strategic partnership with Zeroth.ai, Asia’s first artificial intelligence-focused startup accelerator, which is aimed to allow the Group to benefit from collaboration with over 25 cutting-edge AI startups in Zeroth’s portfolio. The Group has also announced a partnership with NOX, the blockchain gaming platform created by iCandy, to develop a game based on *Masterchef*.

Review of financial results and position

Operating revenue for 2017 reached $6.5m, representing a 25.4% decrease when compared to the previous year. This decrease follows the strategic alignment of the Company and the sale of non-strategic apps for $1.6m in August 2017. The sales of non-strategic apps resulted in a write down as a cost of the transaction for some of the sold apps to a portion of the goodwill attributable to the original TicBits business. Cost of revenue from operating activities decreased accordingly from $3.7m to $2.9m following the revenue decrease.

Employee benefits expense excluding provision for milestone payments are down 12.5% from $2.0m to $1.8m following the restructuring plan implemented during the second half of the year. The Company significantly reduced its headcount from over 110 people at the end of the first half of the year to less than 70 people at the end of the year. The company intends to maintain the Employee benefits expenses at the level of the end of 2017 along the year 2018.

Marketing expenses are down 15.3% vs last year from $3.1m to $2.6m and highlights the strategy to focus the investments on a limited number of projects and apps with high returns potentials.

A provision for doubtful debts was recognised for $1.4m as a prudent reporting of aged receivables. The Company will continue to pursue the amounts outstanding.

Other expenses also reduced significantly of 30.5% from $1.9m to $1.3m showing the continued effort of the Company to lower and reduce its costs and cash outflow.

The Company reduced its net cash used in operating activities by $0.5m or 5.6%. The Company generated $1.5m from investing activities through the sale of an app portfolio and a further $5.8m was raised from supportive shareholders.

The cash position of $0.7m at the end of 2017 was strengthened by a capital raise of $3.3m in January 2018 and the impressive performance of Crazy Kings franchise that generated $1.3m revenues in five weeks during the first quarter 2018.

Significant changes in the state of affairs

Capital Raising

In January 2017, the Company successfully raised $5.2 million, at an issue price of $0.03 per share via an Institutional and Retail Entitlement offer. 173.6 million fully paid ordinary shares were issued to institutional and retail investors.

In December 2017, the Company successfully raised $0.6 million via a Placement that was significantly oversubscribed. The Placement saw 43.5 million shares issued at $0.013 per share.

The funds raised from the Institutional and Retail offer and Placement were used to fund sales, marketing, technology enhancement, working capital requirements and invest in strategic growth opportunities including the participation taken in Zeroth.ai that grants Animoca brands direct access to industry-leading AI and machine learning expertise

Sale of games

In July 2017, the Company sold 16 games to Maple Media for up to $3.6m. The Company received $1.6m as partial consideration of the sale and may receive deferred payments of up to a maximum of $2.2m payable in 2018 and 2019, subject to revenue hurdles.

The sale follows a comprehensive review of the Company's portfolio of titles and development pipelines and the new strategy of the Company. The sale demonstrates the Company's ability to successfully monetize its intellectual property without incurring additional development and marketing costs.

In October 2017, the Company entered a binding term sheet to sell its mobile casual games portfolio to iCandy (ASX: ICI), subject to iCandy shareholder approval. Pursuant to the sale, Animoca Brands will sell 318 of its existing 524 mobile game apps to iCandy. The sale allows the Company to concentrate its focus on the remaining businesses. At the date of this report, iCandy is yet to receive shareholder approval.

The total sale consideration includes up to $8.0 million in upfront and deferred consideration with additional upside from earn-out payments. The upfront consideration comprises a $1.0 million cash payment and $4.0 million payable in iCandy shares, payable within 30 days of the deal closing. The deferred payments of up to a total $3.0 million are payable in iCandy shares in 2018 and 2019, subject to revenue hurdles. The earn-out payments allow Animoca Brands to share in the profit of the games sold for a period of 5 years after closing.

Significant events after the reporting date

The following are key events subsequent to the reporting date:

- The Company launched *Crazy Defense Heroes* for iOS on 8 January 2018 in Asian territories. The game generated more than $900,000 in its first 5 weeks being one of the most successful launches in the history of the company.

- The Company entered into a binding term sheet to acquire 60% of Fuel Powered for an upfront consideration of $0.75m. Fuel Powered is a US-based developer of blockchain based gaming services and provider of a cloud based features-as-a-service platform that maximises bottom-line results for game publishers through artificial intelligence and machine learning. Clients of Fuel Powered include SEGA Publishing Europe Limited and Axiom Zen, the publisher of CryptoKitties.

- The Company entered into an exclusive licensing and distribution agreement with Axiom Zen to publish CryptoKitties in China. CryptoKitties is the first major video game based on blockchain technology. CryptoKitties allows players to adopt, raise, and trade virtual cats, and represents one of the earliest attempts to deploy blockchain technology for recreational purposes.

- The Company entered into a binding share sale and purchase agreement to acquire 100% of the capital of privately owned Tribeflame Oy ("Tribeflame") and its subsidiary Benji Bananas Oy ("Benji Bananas") for up to €350k ($550k). Tribeflame is one of the world's first tablet games companies. It will co-locate with TicBits with the aim to enhance the Company's development capability in Finland. Specifically, the Acquisition is expected to accelerate the development of the Android™ version of *Crazy Defense Heroes*.

- In order to address its growth opportunities and operational needs, in January 2018, the Company raised a total of $3.3m through an oversubscribed placement to sophisticated investors.

Environmental regulation and performance

The Group's operations are not subject to any significant environmental regulations in Australia or Hong Kong.

Share options

At the end of December 2017, the following options to acquire ordinary shares in the Company were on issue:

Issue Date	Expiry Date	Exercise Price	Balance at 1 Jan 2017	Net Issued/(exercised or expired) during year	Balance at 31 Dec 2017
24/12/2014	23/01/2018	$0.20	2,366,025	-	2,366,025
		Total	**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.

The share options were not exercised before or on 23 January 2018 and expired.

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 willful breach of duty.

- 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 was $15,648.

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 was as follows:

	Director's Meetings		Audit & Risk Meetings		Remuneration & Nomination Meetings	
	Attended	**Eligible**	**Attended**	**Eligible**	**Attended**	**Eligible**
Mr David Kim	6	7	1	1	-	-
Mr Robert Yung	5	5	-	-	-	-
Mr Yat Siu	7	7	1[1]	-	-	-
Mr David Brickler	6	7	-	1	-	-
Mr Bin Hu	0	5	-	-	-	-
Dr Nigel Finch	7	7	1	1	-	-

1. Mr Siu attended by invitation.

The Company has formed the following committees:

Audit and risk committee
Dr Nigel Finch (Chairman)
Mr David Kim
Mr David Brickler

Remuneration and nomination committee:
Mr David Brickler (Chairman)
Mr David Kim
Dr Nigel Finch

Audit and Risk committee had one meeting during the year. Remuneration and Nomination committee held no meeting during the year.

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 2017 as required under section 307C of the Corporations Act 2001 has been received and can be found on page 76.

Remuneration Report (audited)

This Remuneration Report for the year ended 31 December 2017 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)
Mr Robert Yung	(Managing Director)*, resigned 6 June 2017 and remains CEO*
Mr Yat Siu	(Non-Executive Director)
Mr David Brickler	(Non-Executive Director)
Mr Bin Hu	(Non-Executive Director)*, resigned 6 June 2017*
Dr Nigel Finch	(Non-Executive Director)

ii. **Other KMPs**

Mr Maxime Barbot	(Director of Finance)
Ms Jillian McGregor	(Company Secretary), *resigned 20 March 2017*
Ms Alyn Tai	(Company Secretary), *appointed 20 March 2017*

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 to the Group's financial performance by the Board.

Use of Remuneration Consultants

During the financial year, no remuneration consultant was used.

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 caliber, whilst incurring a cost that is acceptable to shareholders.

The Company's constitution and the ASX listing rules specify that the Non-Executive Director fee pool shall be determined from time to time by a general meeting. The last determination disclosed in the Company's annual general meeting presentation dated 8 April 2016 approved an aggregate fee pool of $250,000 per year.

Contracts

The current Non-Executive Directors are all subject to an appointment agreed under the letters of appointment.

In addition, Dr Nigel Finch's company, Saki Partners (Services) Pty Ltd and Animoca Brands entered a Consultancy Services Agreement on 25 September 2017. Dr Finch provides consultancy services as general commercial and management services including without limitation:

- developing and implementing strategies in relation to equity capital markets promotion and related activities,
- meetings with shareholders of the Company and prospective investors of the Company, particularly in Australia,
- active management of relationships with Australian-based media, public relations, stockbroking, research analyst, investment banking and related services providers of the Company,
- organizing investor presentation in key markets,
- assisting in the preparation of the investor communications and marketing materials, including ASX announcements and other equity market interactions, and
- leveraging relationships with brokers and investors to encourage market support in the shares of the company.

Dr Finch, through Saki Partners (Services) Pty Ltd, is entitled a monthly fee of AU$5,500 inclusive of GST to be paid by the way of performance rights subject to performance hurdles.

Mr Robert Yung was the Company's Managing Director for the period 1 January 2017 to 6 June 2017. Mr Robert Yung stepped down from his role in order to focus on his executive duties to the company. Mr Robert Yung continues to lead the Company in his capacity as Chief Executive Officer.

Mr Robert Yung was 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 until 30 April 2017. The agreement provided for a monthly salary of HK$125,000 (amended to a monthly salary of HK$60,000 from 1 February 2017) and entitled Mr Yung to participate in the Company's rental reimbursement, insurance and medical benefits programs. Animoca Brands HK also matched Mr Yung's contribution to a Mandatory Provident Fund, up to the limit mandated by the Mandatory Provident Fund Schemes Authority. Animoca Brands HK reimbursed reasonable and necessary travel and other expenses incurred by Mr Yung.

Starting 1 May 2017, Mr Robert Yung is subject to a Consultancy 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 May 2017. The agreement provides for a monthly salary of HK$60,000. Animoca Brands HK will reimburse reasonable and necessary travel and other expenses incurred by Mr Yung. He remains part of the key management personnel.

Either party may terminate the contract on three months' notice to the other or provision of salary in lieu of notice.

The Company's Director of Finance, Mr Maxime Barbot, is subject to an employment agreement with Animoca Brands HK effective from 25 July 2016. The agreement provides for an annual salary of HK$660,000 and entitles Mr Barbot to participate in the Company's rental reimbursement, insurance and medical benefits programs. Animoca Brands HK will also match Mr Barbot's contribution to a Mandatory Provident Fund, up to the limit mandated by the Mandatory Provident Fund Schemes Authority. Mr Barbot is also entitled to a yearly discretionary bonus. Animoca Brands HK will reimburse reasonable and necessary travel and other expenses incurred by Mr Barbot. Either party may terminate the contract on three months' notice to the other or provision of salary in lieu of notice.

Structure

The remuneration of Non-Executive Directors consists of directors' fees only.

Non-Executive Directors do not receive retirement benefits other than statutory superannuation.

For the year 2017, David Kim and Yat Siu agreed to waive their director's fees.

The remunerations of KMPs for the year ended 31 December 2017 and 31 December 2016 are outlined below:

KMP	Financial Year	Short term benefits $	Long term benefits $	Share based payments $	Post-employment/ Super-annuation $	Total $
Mr Yung	2017	130,896	-	-	2,830	133,726
	2016	258,390	-	-	3,100	261,490
Mr Kim	2017	-	-	-	-	-
	2016	30,000	-	-	-	30,000
Mr Siu	2017	-	-	-	-	-
	2016	30,000	-	-	-	30,000
Mr Brickler	2017	17,580	-	-	1,670	19,250
	2016	29,224	-	-	2,776	32,000
Mr Hu[5]	2017	12,904	-	-	-	12,904
	2016	30,000	-	-	-	30,000
Dr Finch[1]	2017	50,000	-	16,000	-	66,000
	2016	548	-	-	-	548
Mr Barbot[2]	2017	100,377	-	-	2,830	103,207
	2016	46,927	-	-	1,389	48,316
Ms McGregor[3]	2017	21,489	-	-	-	21,489
	2016	36,000	-	-	-	36,000
Ms Tai[4]	2017	48,773	-	-	-	48,773
	2016	-	-	-	-	-
FY 17		**382,019**	**-**	**16,000**	**7,330**	**405,349**
FY 16		**461,089**	**-**	**-**	**7,265**	**468,354**

1. Dr Finch was appointed as director effective from 28 December 2016. Dr Finch' director fees are paid to Saki Partners (Services) Pty Ltd. AU$50,000 were paid to Saki Partners (Services) Pty Ltd as director fees. In addition, Dr Nigel Finch's company, Saki Partners (Services) Pty Ltd and Animoca Brands entered a Consultancy Services Agreement on 25 September 2017. During the year, AU$16,000 share-based payment was accrued to Saki Partners (Services) Pty Ltd for consultancy fees subject to shareholder approval.
2. Mr Barbot joined the Company on 25 July 2016.
3. Ms McGregor resigned as company secretary on 20 March 2017
4. Ms Tai was appointed as company secretary on 20 March 2017. Ms Tai's company secretary fees are paid to Corporate Counsel Pty Ltd.
5. Mr Hu resigned as a director on 6 June 2017

Whilst as discussed in the remuneration philosophy, consideration is given to financial performance, there is no direct relationship between financial performance of the Company and Key Management Personnel ("KMP") remuneration.

Option holdings of key management personnel

KMPs held no options during the year ended 31 December 2017.
KMPs held no options during the year ended 31 December 2016.

Shareholdings of key management personnel and relevant interests – ordinary fully paid shares

KMP	Balance 1 January 2017	Net change	Net change other	Balance 31 December 2017
D Kim	785,000	-	-	785,000
R Yung	181,000	-	-	181,000
Y Siu[1]	16,578,424	13,262,740	-	29,841,164
B Hu[2]	14,785,714	-	-	14,785,714
D Brickler	108,000	-	-	108,000
N Finch	-	-	-	-
M Barbot	-	-	-	-
J McGregor	-	-	-	-
A Tai	-	-	-	-
Total	**32,438,138**	**13,262,740**	**-**	**45,700,878**

1. Asyla Investment Limited, a company in which Yat Siu is a director, bought 13,262,740 shares during the Institutional and Retail offer in January 2017.

2. Ourpalm Co Limited, a company in which Mr Hu is a director, owns 14,785,714 fully paid ordinary share acquired in 2015. Mr Hu resigned as a director on 6 June 2017

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

On 1 August 2014, the Company entered an **Office Services and Management Services Agreement** with Outblaze Limited, a company in which Mr Siu is a director. This agreement procures that Outblaze Limited provides office services including:

- use of computer workstations, information system, furniture, fixtures, fittings, office equipment and pantry supplies provided at the Premises;

- use of telephones, fax machines, broadband internet connection, photocopiers and printers at the Premises;

- arrangements for reception, pantry and conference rooms for Client's staff and visitors; and

- other office facilities, amenities, convenience and services as Provider at its discretion considers necessary to provide to Client for its business purposes from time to time.

In consideration of office services, the Company shall pay to Outblaze Limited as and by way of service charges HK$2,300 per workstation per month.

During the year ended 31 December 2017, the Company has paid office service fees of $394,099 (2016 - $504,350) to Outblaze Limited pursuant to this agreement.

On 1 August 2014, the Company entered a **Mobile App Advertising Services Agreement** with Outblaze Ventures Holdings Limited, a wholly owned subsidiary of Appionics Holdings Ltd. Messrs Kim, Yung and Siu are all directors of Appionics Holdings Ltd. This agreement procures that Outblaze Ventures Holdings Limited provide, maintain and operate the following services:

- using the Muneris technology services platform to integrate the Muneris SDK and the Animoca Brands SDK into the Apps,

- using such technology to provide advertising, marketing and distribution services in relation to the Apps, and

- hosting and serving services (including customer support and community management services) for the Apps

The Muneris SDK allows Animoca Brands to distribute the apps and sell ads in the apps. In consideration of the provision of the services, Outblaze Ventures Holdings limited shall be entitled to the commissions of 20% of net revenue. Animoca Brands benefits from a discounted 20% commission rate of net revenue on distribution and sold ads (market average around 30% commission rate of net revenues) due to the volume of business.

During the year ended 31 December 2017, the Company has paid mobile app advertising services for $627,433 (2016 - $830,245).

On 22 May 2015, the Company entered an **Exclusive Mobile Game Publishing Agreement** with Ourpalm Co. Ltd, a company of which Mr Hu is a director. This agreement grants Ourpalm Co. Ltd an exclusive license to exploit *Doraemon Gadget Rush* in the People's Republic of China. Mr Hu resigned as a director of the Company on 6 June 2017.

In consideration of the license granted, the Company received a part of the proceeds generated by the game since launch. The company recognized $0 (2016:$268,726) as revenue during the year ended 31 December 2017.

As at 31 December 2017, the following directors' fees were payable to the Company's directors:

Trade Payables and Accrued Directors Fees	**$**
David Brickler	19,250
(Steven) Hu Bin	42,500
David Kim	15,000
Yat Siu	22,500
Nigel Finch	8,333
Total	**107,583**

These amounts are included within Trade and Other Payables within the financial statements.

End of remuneration report.

Signed in accordance with a resolution of the Directors.

Mr David Kim
Chairman
28 March 2018

Grant Thornton

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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 2017, 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
Partner - Audit & Assurance

Adelaide, 28 March 2018

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2017	Note	31 December 2017	31 December 2016
		$	$
Revenue from operating activities	6	6,488,559	8,697,633
Cost of revenue from operating activities		(2,937,708)	(3,676,713)
Gross profit		**3,550,851**	**5,020,920**
Gain on sale of mobile application games	7	1,096,074	-
Interest Income		4,513	11,987
Gain on fair value adjustment – Performance Shares		-	506,250
Other Income		-	17,842
Employee benefits expense	8	(2,382,493)	(2,324,828)
Marketing expenses		(2,584,191)	(3,051,097)
Rental expenses		(716,183)	(800,670)
Research and Development expenses	9	(4,866,177)	(4,854,743)
Doubtful Debts expense (net)	10	(855,279)	(587,341)
Other expenses	11	(1,294,955)	(1,863,586)
Loss before income tax expense		**(8,047,840)**	**(7,925,266)**
Income tax benefit/(expense)	12	-	-
Loss Attributable to members of the Parent entity		**(8,047,840)**	**(7,925,266)**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(218,571)	(36,434)
Total comprehensive loss for the year		**(8,266,411)**	**(7,961,700)**
Loss per share:			
Basic Loss per share	27	0.022	0.040
Diluted loss per share	27	0.022	0.040

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 31 December 2017	Note	31 December 2017	31 December 2016
		$	$
Current assets:			
Cash and cash equivalents	**13**	687,512	1,526,919
Trade and other receivables	**14**	1,608,433	2,197,005
Other assets	**16**	600,770	160,256
Total Current Assets		**2,896,715**	**3,884,180**
Non-Current Assets:			
Plant and equipment	**17**	116,970	140,139
Financial assets	**15**	560	434,083
Goodwill	**18**	1,140,896	1,724,208
Total Non-Current Assets		**1,258,426**	**2,298,430**
Total Assets		**4,155,141**	**6,182,610**
Current Liabilities:			
Trade and other payables	**19**	2,555,007	2,465,861
Short-term provisions	**20**	200,927	122,056
Financial liabilities	**21**	881,821	292,841
Other liability	**22**	51,451	-
Total Current Liabilities		**3,689,206**	**2,880,758**
Total Liabilities		**3,689,206**	**2,880,758**
Net Assets		**465,935**	**3,301,852**
Equity:			
Issued equity	**23**	31,121,237	25,690,743
Reserves	**24**	(379,910)	87,006
Accumulated losses		(30,275,392)	(22,475,897)
Total Equity		**465,935**	**3,301,852**

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2017

	Note	Issued equity	Share based payments reserve	Foreign currency translation reserve	Other components of equity	Accumulated losses	Total equity
Balance at 1 January 2017		**25,690,743**	**248,345**	**(161,339)**	**-**	**(22,475,897)**	**3,301,852**
Comprehensive income							
Loss for the year		-	-	-	-	(8,047,840)	(8,047,840)
Other comprehensive income/(expense)		-	-	(218,571)	-	-	(218,571)
Total comprehensive income for the year		**-**	**-**	**(218,571)**	**-**	**(8,047,840)**	**(8,266,411)**
Transactions with owners, in their capacity as owners:							
Shares issued under Institutional and retail offer	**23**	5,208,503	-	-	-	-	5,208,503
Shares issued under placement	**23**	565,000	-	-	-	-	565,000
Transaction costs in issuing shares	**23**	(343,009)	-	-	-	-	(343,009)
Share based payments expiration without exercise	**24/25**	-	(248,345)	-	-	248,345	-
Total transactions with owners:		**5,430,494**	**(248,345)**	**-**	**-**	**248,345**	**5,430,494**
Balance at 31 December 2017		**31,121,237**	**-**	**(379,910)**	**-**	**(30,275,392)**	**465,935**

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Note	Issued capital ordinary	Share based payments reserve	Foreign currency translation reserve	Other components of equity	Accumulated losses	Total equity
Balance at 1 January 2016		**16,192,964**	**248,345**	**(124,905)**	**(3,917,057)**	**(10,633,574)**	**1,765,773**
Comprehensive income							
Loss for the year		-	-	-	-	(7,925,266)	(7,925,266)
Other comprehensive income/(expense)		-	-	(36,434)	-	-	(36,434)
Total comprehensive income for the year		**-**	**-**	**(36,434)**	**-**	**(7,925,266)**	**(7,961,700)**
Transactions with owners, in their capacity as owners:							
Shares issued on conversion of performance shares		2,400,000	-	-	3,917,057	(3,917,057)	2,400,000
Shares issued under placement and SPP		7,500,000	-	-	-	-	7,500,000
Transaction costs in issuing shares		(402,221)	-	-	-	-	(402,221)
Total transactions with owners:		**9,497,779**	**-**	**-**	**3,917,057**	**(3,917,057)**	**9,497,779**
Balance at 31 December 2016		**25,690,743**	**248,345**	**(161,339)**	**-**	**(22,475,897)**	**3,301,852**

The accompanying notes form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2017	Note	31 December 2017	31 December 2016
		$	$
Cash flows from operating activities:			
Receipts from customers		6,412,190	8,864,820
Interest and other items of similar nature received		4,513	29,829
Payments to suppliers and employees		(14,103,800)	(17,033,646)
Net cash (used in) operating activities	**13**	**(7,687,097)**	**(8,138,997)**
Cash flows from investing activities:			
Receipts from sales of Apps		1,554,713	-
Payment for the acquisition of a subsidiary net of cash acquired	**4**	-	(1,752,813)
Purchase of financial assets	**15**	(160,920)	(228,774)
Purchase of property, plant and equipment		(9,147)	(145,395)
Net cash (used in) investing activities		**1,384,646**	**(2,126,982)**
Cash flows from financing activities			
Proceeds from issue of shares	**23**	5,773,497	7,500,000
Payment of transaction costs for issue of shares	**23**	(343,009)	(402,221)
Net cash provided by financing activities		**5,430,488**	**7,097,779**
Net increase/(decrease) in cash and cash equivalents		(871,963)	(3,168,200)
Exchange rate adjustments		32,556	(240,628)
Cash at the beginning of the year		1,526,919	4,935,747
Cash at the end of the year	**13**	**687,512**	**1,526,919**

The accompanying notes form part of these financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2017

1. Corporate information

The consolidated financial statements of Animoca Brands Corporation Limited and its subsidiaries (collectively, “the Group” and/or “the Company”) for the year ended 31 December 2017 were authorized for release to the ASX in accordance with a resolution of the Directors on 28 March 2018.

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 the development and marketing of a broad portfolio of mobile games and apps (including orientated to educational learning, including e-books and a book app) apps for smartphones and tablets all over the world. Mobile games and apps developed and/or published by the Group are made available for customers on different App stores including Apple’s App Store and Google’s Google Play. The Group monetizes its games and apps through In-App purchases and advertising offered to the consumers within games and apps for smartphones and tablets.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1. 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 Australian dollars, being the presentation currency for the Group.

The financial report has been prepared on the basis of a going concern.

1.2. 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.

1.3. 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 2017 are outlined below:

AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking "expected loss" impairment model and a substantially changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a. Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.

b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognized in profit or loss and there is no impairment or recycling on disposal of the instrument.

c. Introduces a "fair value through other comprehensive income" measurement category for particular simple debt instruments.

d. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

   - the change attributable to changes in credit risk are presented in Other Comprehensive Income ("OCI")

   - the remaining change is presented in profit or loss

   If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognized in the financial statements when it is first adopted for the year ending 31 December 2018.

AASB 15 Revenue from Contracts with Customers

Replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related interpretations:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognized over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

On adoption, this standard will not have a material impact on revenue recognition.

AASB 16 Leases

AASB 16 will replace AASB 17 Leases for financial reporting periods beginning on or after 1 January 2019. Early adoption is permitted for companies that also apply AASB 15 Revenue from Contracts with Customers.

The key features of the new standard are:

- elimination of classification of leases as either operating leases or finance leases for a lessee
- the recognition of lease assets and liabilities on the statement of financial position , initially measured at present value of unavoidable future lease payments
- recognize depreciation of lease assets and interest on lease liabilities on the statement of profit or loss and other comprehensive income over the lease term
- separation of the total amount of cash paid into a principal portion and interest in the statement of cashflows
- short-term leases (less than twelve months) and leases of low-value assets (such as personal computers) are exempt from the requirements

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognized in the financial statements when it is first adopted for the year ending 31 December 2019.

1.4. 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 2017. 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 profit and loss 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.

(b) Current versus non-current classification

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

- Expected to be realized or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized 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.

(c) Foreign currency translation

The Group's consolidated financial statements are presented in Australian dollars, which is also the Parent's functional currency. The other entities within the Group have a functional currency of Euros and US Dollars.

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 recognized 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 recognized 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 recognized in other comprehensive income or profit or loss are also recognized 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 recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

(d) Revenue recognition

Revenue is recognized 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.

Sales of applications and In-apps purchase items

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

Service fee income

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

Advertising income

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

Interest income

For all financial instruments measured at amortized 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.

(e) 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 recognized directly in equity is recognized 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 recognized 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 recognized 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 utilized, 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 recognized 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 utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting 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 utilized.

Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized 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 realized 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 recognized directly in equity are recognized 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.

(f) Intangible assets

Costs associated with maintaining computer software programmes are recognized 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 recognized 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 capitalized 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 recognized as an expense as incurred. Development costs previously recognized as an expense cannot be recognized as an asset in a subsequent period.

No development expenditure incurred during the years 2017 and 2016 has been recognized as an intangible asset as no expenditure incurred met the criteria for capitalization as listed above.

(g) 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.

(h) 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 capitalized 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.

(i) Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognized 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 (i.e. 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.

(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 amortized 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 included performance shares, and trade and other payables during 2016. The Group's financial liabilities include trade and other trade payables only in 2017.

Financial liabilities are measured at amortized 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.

(i) Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;
- the assets are part of the Groups financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the Company of financial assets is provided internally on that basis to the key management personnel; or
- the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets.

(j) Provisions

Provisions are recognized 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.

Annual leave

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.

(k) 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.

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognized 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.

(m) Property, plant and equipment

IT equipment and other equipment (comprising fittings and furniture) are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. IT equipment and other equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Depreciation is recognized on a straight-line basis to write down the cost less estimated residual value of IT equipment and other equipment. The following useful lives are applied:

- Leasehold improvements : Over the shorter between the lease terms and 5 years
- Office equipment: 5 years
- Furniture and fixtures: 5 years

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in profit or loss within other income or other expenses.

(n) Impairment of non-financial 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") 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.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized 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 recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized 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 every reporting period 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 recognized 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 at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

(o) Issued 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) Going concern basis of accounting

The financial report has been prepared on the going concern basis that contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the year of $8,047,840 and generated a cash outflow of $7,687,097 from operating activities. The Group also had a net current liability position of $792,491.

The Group remains in the development phase of operations. In considering their position, the Directors have had regard to the current cash reserves, the level of forecast cash expenditure, contemplated sale transaction and additional capital raising. 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.

If the contemplated sale transaction or sufficient additional capital is not raised, the going concern basis of accounting may not be appropriate, and the Group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

(s) Business combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognized amount of any non-controlling interest in the acquire, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in profit or loss immediately.

(t) 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 Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations that incorporate various key assumptions including growth and discount rates figures.

2. 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 has two (2) operating segments: Europe and Asia. In identifying its operating segments, management generally follows the Group's office territories. Both operating segments develop and market mobile app games.

Europe segment consists of TicBits Oy's activities. TicBits was acquired on 4 July 2016 (see note 4). TicBits has its own management team, it engages in business activities from which it may earn revenue and incur expenses, its operating results are reviewed by the Company management to make decisions and its discrete financial information is available.

Asia segment consists of Animoca Brands Limited's activities. Animoca Brands Limited is the historical operating entity of the Company.

Each of these operating segments is managed separately as each of these segments requires different technologies and resources as well as marketing strategies. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under AASB 8 are the same as those used in its financial statements, except that:

- gains from movement in fair value of performance shares are not included in arriving at the operating profit of the operating segments.

- corporate assets that are not directly attributable to the business activities of any operating segment are not allocated to a segment. In the financial year under review, this primarily applies to the Group's headquarters' assets.

Segment information before consolidation elimination for the reporting period is as follows:

	Europe 31 December 2017	Asia 31 December 2017	Total 31 December 2017
Revenue:			
From external customers	835,664	5,652,895	6,488,559
From other segments	930,387	-	930,387
Segment revenues	**1,766,051**	**5,652,895**	**7,418,946**
Segment operating profit/(loss)	**718,095**	**(8,765,934)**	**(8,047,840)**
Segment assets	**168,698**	**3,986,443**	**4,155,141**
Segment liabilities	**(123,724)**	**(3,565,482)**	**(3,689,206)**

	Europe 31 December 2016	Asia 31 December 2016	Total 31 December 2016
Revenue:			
From external customers	153,127	8,544,506	8,697,633
From other segments	688,854	-	688,854
Segment revenues	**841,981**	**8,544,506**	**9,386,487**
Segment operating profit/(loss)	**308,015**	**(8,233,281)**	**(7,925,266)**
Segment assets	**608,846**	**5,573,764**	**6,182,610**
Segment liabilities	**(74,312)**	**(2,806,446)**	**(2,880,758)**

The total presented for the Group's operating segments reconcile to the key financial figures as presented in its financial statements as follows:

	31 December 2017	31 December 2016
Revenue:		
Total reportable segment revenues	7,418,946	9,386,487
From other segments	(930,387)	(688,854)
Gross revenues	**6,488,559**	**8,697,633**
Profit/(loss):		
Total reportable segment operating loss	(7,641,041)	(7,713,745)
Other income not allocated	-	515,872
Other expenses not allocated	(406,799)	(473,402)
Elimination of intersegment profits	-	(250,438)
Group operating loss	**(8,047,840)**	**(7,921,713)**
Finance costs	-	(3,553)
Group profit before tax	**(8,047,840)**	**(7,925,266)**

Customers

The Groups has no individual customer concentration risk. The underlying users are located mainly throughout the Asia Pacific and European regions.

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

3. Information about Subsidiaries

The consolidated financial statements of Animoca Brands Limited include:

Name	Principal Activities	Country of incorporation	% Equity interest	
			31 December 2017	31 December 2016
Animoca Brands Corporation	Mobile app game maker	British Virgin Islands	100%	100%
Animoca Brands Ltd	Mobile app game maker	Hong Kong	100%	100%
TicBits Oy	Mobile app game maker	Finland	100%	100%
Crowd Education Ltd*	Mobile app game maker	Hong Kong	100%	-

* Crown Education Ltd was incorporated in the year.

Parent of the Group

The parent entity of the Group is Animoca Brands Corporation Ltd (the "Parent") and is based and listed in Australia.

4. Business combination

Pursuant to the share sale and purchase agreement dated 4 July 2016, the Company completed the acquisition of the entire 100% equity interest in TicBits Oy from Mr Fredrik Wahrman and Mr Niklas Wahrman (collectively, the "Founders" or the "Sellers") during the year ended 31 December 2016. The acquisition was made to enhance the Group's position in the mobile games industry. TicBits is a significant business in the Group's targeted market.

The details of the business combination were as follows:

Fair value of consideration transferred:	
Amount settled in cash	3,614,960
Total	**3,614,960**
Recognized amounts of identifiable net assets:	
Property, plant and equipment	2,179
Total non-current assets	**2,179**
Trade and other receivables	4,202
Cash and cash equivalents	1,982,504
Total current assets	**1,986,706**
Total assets	**1,988,885**
Trade and other payables	(98,133)
Total non-current liabilities	**(98,133)**
Identifiable net assets	1,890,752
Goodwill on acquisition	**1,724,208**
Consideration transferred settled in cash	3,614,960
Cash and cash equivalents acquired	(1,982,504)
Net cash outflow on acquisition	**1,632,456**
Acquisition costs charged to expenses	120,357
Net cash paid relating to the acquisition	**1,752,813**

The goodwill on acquisition represents the expected synergies from combining the operations and other intangible assets including gaming portfolio and intellectual property that did not qualify for separate identification.

Acquisition-related costs for $120,357 were not included as part of consideration transferred and were recognized as expenses profit or loss, as part of professional fees, in the year 2016.

TicBits realised a profit of $308,015 for the period from 5 July 2016 to 31 December 2016. If TicBits had been acquired on 1 January 2016, revenue of the Group for 2016 would have been $9.5million, and profit for the 2016 year would have increased by $366,897.

Consideration transferred

The acquisition of TicBits was satisfied by:

- a cash payment of $3,614,960 (EUR2,350,000) which was paid during the year ended 31 December 2016;
- Earn Out Payments; and
- Milestone Payments

The Earn Out Payments and Milestone Payments are contingent consideration arrangements (collectively, the "Contingent Consideration Arrangements") and are detailed as follows:

- <u>Earn Out Payments</u>

Based on the Agreement, the Company is required to pay the Sellers the following payments upon TicBits reaching the following performance targets (the "Earn Out Payments" and each an "Earn Out Payment"):

a. if TicBits has achieved net profit after tax of not less than EUR600,000 for the year ended 31 December 2016, then each Seller shall be entitled to a payment of EUR165,000;

b. if TicBits has achieved net profit after tax of not less than EUR700,000 for the year ended 31 December 2017, then each Seller shall be entitled to a payment of EUR165,000;

c. if TicBits has achieved net profit after tax of not less than EUR800,000 for the year ended 31 December 2018, then each Seller shall be entitled to a payment of EUR170,000;

d. if TicBits has achieved a net profit after tax of not less than EUR3,000,000 in any year ended 31 December 2016, 2017 or 2018, then each Seller shall be entitled to a payment in the amount of EUR250,000 for each such year where such minimum Net Income level is achieved in addition to and on top of all the payment amounts stated in the items (a) to (c) above.

In relation to the financial years 2016 and 2017, if TicBits does not achieve the performance target set out in (a) or (b) above in any of these financial years (the "Shortfall Year"), the relevant short fall amount (the "Shortfall") may be carried forward to the following financial year; and in the following year, if TicBits achieves a net profit after tax exceeding the aggregate of (i) the Shortfall and (ii) the relevant net profit after tax required for the Earn Out Payment to be payable for that year, then the Sellers shall be entitled to the Earn Out Payment for the year which TicBits has achieved the relevant performance target as well as the Earn Out Payment for the Shortfall Year.

The Company has no obligation to pay any Earn Out Payment to a Seller if: (i) TicBits fails to achieve the relevant performance target as set out above and the Shortfall is not achieved before 31 December 2018; or (ii) the Seller ceased to be employed or engaged by TicBits as a bad leaver at any time prior to 31 December 2018.

The Company may settle the Earn Out Payment either (i) by way of cash payment or (ii) (subject to the Company obtaining any necessary shareholder approval and/or other regulatory consents) by way of procuring the Company to issue such number of immediately transferrable publically tradeable shares of the Company to the Sellers with an aggregate value equals to the relevant Earn Out Payment.

As at 31 December 2017, no provision for Earn Out Payments have been provided as the Directors have determined that the performance target in relation to the criteria for 2017 was not met.

- Milestone Payments

Based on the Agreement, the Company is required to pay the Sellers the following payments upon TicBits reaching the following performance targets (together the "Milestone Payments" and each a "Milestone Payment"):

a. if TicBits publishes one new game (such game being initiated and developed by TicBits) on or before 31 December 2018, then each Seller shall be entitled to a payment in the amount of EUR250,000; and

b. if TicBits publishes two or more new games (such games being initiated and developed by TicBits) on or before 31 December 2018, in addition to the payment under the preceding paragraph, each Seller shall be entitled to an additional payment in the amount of EUR250,000.

The Company has no obligation to pay any Milestone Payment to a Seller if: (i) TicBits fails to achieve the relevant performance target as set out above; or (ii) the Seller ceased to be employed or engaged by TicBits as a bad leaver at any time prior to 31 December 2018.

The Company may settle the Milestone Payment either (i) by way of cash payment or (ii) (subject to the Company obtaining any necessary shareholder approval and/or other regulatory consents) by way of procuring the Company to issue such number of immediately transferrable publically tradeable shares of the Company to the Sellers with an aggregate value equals to the relevant Milestone Payment.

As at 31 December 2017, the Directors are of the view that it is probable that TicBits will be able to publish two or more new games on or before 31 December 2018. Accordingly, the Company recognized an expense of $597,106 for the year ended 31 December 2017 in relation to the Milestone Payments, with a corresponding adjustment to other financial liabilities shown under the statement of financial position.

Accounting for the cash consideration and the Contingent Consideration Arrangements
The cash consideration is recognized as part of the investment cost of the acquisition of the subsidiary. For the Contingent Consideration Arrangements included in the business combination i.e. Earn Out Payments and Milestone Payments, these are treated as cash-settled share-based payment transactions as the payments are for post-combination employee services and they are automatically forfeited on termination of employment on or before 31 December 2018.

During the year ended 31 December 2017 and as at the end of the reporting period, no Earn Out Payment or Milestone Payment were paid or payable to the Sellers as the required performance targets were not met for the financial year.

5. Financial assets and financial liabilities

5.1 Fair value

AASB 7 Financial Instruments - Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1), and

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

All financial instruments were valued using these valuation techniques. There were no changes in valuation techniques for financial instruments in the year.

The following table presents the Group's financial assets and liabilities measured and recognized at nominal value at 31 December 2017 and at fair value at 31 December 2016:

Significant unobservable inputs (Level 3)	31 December 2017	31 December 2016
Financial assets:		
Shares and convertible notes	560	434,083

Financial assets represent shares and convertible notes in unlisted private companies.

5.2 Financial risk management objectives and policies

The Group's principal financial liabilities comprise of 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.

The Group has assessed the sensitivity the Group has to exchange rate fluctuations below.

	10% impact	-10% impact
Impact of foreign exchange (USD)	678,430	-678,430
Impact of foreign exchange (EUR)	5,604	-5,604

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 carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities before consolidation elimination at the reporting date was as follows:

	Assets	Liabilities
US Dollars	4,934,110	18,514,154
Euro	1,567,764	80,792

Trade receivables

The Group has and 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 maximizing the return to stakeholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 23 and 24.

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

6. Revenue from Operating Activities

	31 December 2017	31 December 2016
In App Purchases revenue	2,821,349	4,266,448
App Advertising revenue	1,629,613	2,516,775
Service revenue	2,037,597	1,914,410
Revenue from operating activities	**6,488,559**	**8,697,633**

7. Gain on sale of mobile application games

	31 December 2017	31 December 2016
Sale of games	1,554,713	-
Element of TicBits goodwill attributed to sale	(458,639)	-
Gain on sale of mobile application games	**1,096,074**	**-**

The Company sold 14 games to Maple Media. The company received $1,554,713 as partial consideration of the sale and will receive deferred payments of up to a maximum of $2.2m payable in 2018 and 2019, subject to revenue hurdles.

13 of the 14 games sold were games acquired following the acquisition of TicBits Oy in 2016. The acquisition of TicBits Oy resulted in the recognition of goodwill on acquisition. The sale of the games to Maple Media incurred an element of $458,639 of the goodwill generated on the 2016 acquisition of TicBits Oy.

8. Employee benefits expense

	31 December 2017	31 December 2016
Wages, salaries and other remuneration expenses	1,499,206	1,875,044
Provision for milestone payments	597,106	284,715
Retirement benefit expense	126,554	43,406
Other employment costs	159,627	121,663
Employee benefits expense	**2,382,493**	**2,324,828**

As at 31 December 2017, the Directors are of the view that it is probable that TicBits will be able to publish two or more new games on or before 31 December 2018. Accordingly, the Company recognized an expense of $597,106 for the year ended 31 December 2017 (2016 - $284,715) in relation to the Milestone Payments.

9. Research and Development Expenses

	31 December 2017	31 December 2016
Research and development expenses	4,866,177	4,854,743
Research and development expenses	**4,866,177**	**4,854,743**

Research and development expenses include amounts expenses that did meet the recognition criteria to be recognized as an asset at their first reporting.

10. Doubtful Debts Expense

	31 December 2017	31 December 2016
Doubtful debts expense	1,409,479	587,341
Recovery of bad debt from 2016	(554,200)	-
Doubtful debts expense	**855,279**	**587,341**

As at 31 December 2017, the Company has determined trade receivables of $1,409,479 as individually impaired (2016: $587,341). Based on this assessment, an impairment loss of $1,409,479 has been recognized (2016: $587,341). Refer to note 14.

At each reporting date, the Company reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2016, the Company has determined trade receivables of $587,341 (US$425,000) as individually impaired. The impaired trade receivable was collected in 2017 for $554,200.

11. Other expenses

	31 December 2017	31 December 2016
Share registry	48,639	52,004
Travel	183,144	228,873
Insurance	194,174	123,775
Professional fees	559,526	696,745
Withholding tax expense	43,182	136,718
Other expenses	266,290	625,471
Other expenses	**1,294,955**	**1,863,586**

12. Income Tax

	31 December 2017	31 December 2016
Accounting (loss) before income tax	**(8,047,840)**	**(7,925,266)**
At Australia's statutory income tax rate of 30% (2016: 30%)	(2,414,351)	(2,377,580)
Adjust for the tax effect of:		
Tax rate differences – Hong Kong	1,086,458	1,069,911
Un-recognized tax assets	1,327,893	1,307,669
Income tax (benefit)	-	-

As at 31 December 2017, Animoca Brands Ltd (Hong Kong) had estimated unused tax losses of approximately US$17,237,000 (2016: US$9,189,000), which the Group anticipates may be able to be offset against future taxable income by the Group. The Parent entity's tax losses are not presented as they likely will be forgone due to failing the relevant loss tests in accordance with Australian Taxation legislation. No deferred tax asset has been recognized in respect of these unused tax losses due to the unpredictability of future profit stream. These tax losses do not expire under the current Hong Kong legislation.

13. Cash and cash equivalents

	31 December 2017	31 December 2016
Cash in bank and on hand	534,373	1,381,401
Short term deposit	153,139	145,518
Cash and cash equivalents	**687,512**	**1,526,919**

Reconciliation of net loss after tax to net cash flows from operations	**31 December 2017**	**31 December 2016**
Accounting loss after income tax	(8,047,840)	(7,925,266)
Adjustments for:		
Non-operating activities:		
Net profit on sale of games	(1,096,074)	-
Non-cash items:		
Depreciation of plant and equipment	46,008	30,789
Provision for Milestone Payment	588,980	292,841
Doubtful Debts expense	1,409,479	587,341
Foreign currency losses	454,392	232,799
Fair value gain – performance shares	-	(506,250)
Changes in assets and liabilities:		
Increase in trade payables and accruals	140,598	(432,597)
Increase in provisions	78,871	79,933
(Increase) in receivables	(820,997)	(382,642)
(Increase) in prepayments and deposits	(440,514)	(115,945)
Net cash (used in) operating activities	**(7,687,097)**	**(8,138,997)**

14. Trade and Other Receivables

	31 December 2017	31 December 2016
Trade Receivables from third parties	2,787,677	2,330,473
Less: Provision for impairment of receivables	(1,409,479)	(587,341)
GST Receivable	-	(3,362)
Related party receivables[1]	230,235	457,235
Trade and other receivables	**1,608,433**	**2,197,005**

1. Related party receivables are non-interest bearing and are normally settled on 30-60 day terms. Refer to note 26 for details of these transactions.

At each reporting date, the Company reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2017, the Company has determined trade receivables of $1,409,479 as impaired (2016: $587,341). Based on this assessment, an impairment loss of $1,409,479 has been recognized (2016: $587,341). The impaired trade receivables were from three major customers. The Company will continue to pursue its collection process during 2018.

Trade receivables that were past due but not impaired are related to a number of customers that had a good history of credit with the Company. All trade receivables not impaired are less than 60 days old except $102,568 from one customer. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Company does not hold any collateral in respect of trade receivables past due but not impaired.

15. Financial assets

	31 December 2017	31 December 2016
Unlisted convertible loan designated at fair value through profit and loss statement	-	345,495
Unlisted equity securities designated at fair value through profit and loss statement	-	88,588

Unlisted equity securities	560	-
Financial assets	**560**	**434,083**

During the year ended 31 December 2015, the Company acquired an unlisted convertible loan with a principal amount of US$150,000 issued by TinyTap Ltd ("TinyTap") from Moonblink Limited, a company that is owned and controlled by Mr Siu. The consideration paid for the Convertible loan was US$150,000.

During the year ended 31 December 2016, the Company subscribed an unlisted convertible loan with a principal amount of US$100,000 issued by TinyTap with the same terms as the unlisted convertible loan acquired from Moonblink Limited in 2015. As at 31 December 2016, the Company has an aggregate of unlisted convertible loans with principal amounts of US$250,000 in total issued by TinyTap (2015: US$150,000).

During the year ended 31 December 2017, the Company subscribed for an additional unlisted convertible loan with a principal amount of US$150,000 issued by TinyTap with the same terms as the unlisted convertible loan acquired from Moonblink Limited in 2015. This loan and the loans subscribed in the previous years added for the Company to have an aggregate of unlisted convertible loans with principal amounts of US$400,000 in total issued by TinyTap at the maturity of the loan on 27 May 2017. At this date, the Convertible Loan converted to 100,500 Series A-1 Preferred shares of NIS 0.01 each and interest on the convertible loan were waived according to the initial agreement.

	31 December 2017	**31 December 2016**
At the beginning of the year	345,495	205,310
Purchased during the year	192,315	140,185
Converted during the year	(537,810)	-
Unlisted convertible loan designated at fair value through profit and loss statement	**-**	**345,495**

16. Other Assets

	31 December 2017	**31 December 2016**
Prepayments	600,770	152,010
Deposits	-	8,246
Other Assets	**600,770**	**160,256**

17. Plant and Equipment

Year ended 31 December 2017	Leasehold improvement	Office equipment	Furniture and fixtures	Software	Total
Opening net book amount	5,490	125,370	5,523	3,756	140,139
Additions	-	11,146	-	11,693	22,839
Depreciation	(1,755)	(30,180)	(1,829)	(12,244)	(46,008)
Plant and equipment	**3,735**	**106,336**	**3,694**	**3,205**	**116,970**
Capital expenditures	7,320	155,691	7,707	17,717	188,435
Accumulated depreciation	(3,585)	(49,355)	(4,013)	(14,512)	(71,465)
Plant and equipment	**3,735**	**106,336**	**3,694**	**3,205**	**116,970**

Year ended 31 December 2016	Leasehold improvement	Office equipment	Furniture and fixtures	Software	Total
Opening net book amount	6,887	11,648	6,998	-	25,533
Additions	-	135,615	-	9,780	145,395
Depreciation	(1,397)	(21,893)	(1,475)	(6,024)	(30,789)
Plant and equipment	**5,490**	**106,336**	**5,523**	**3,756**	**140,139**
Capital expenditures	7,320	144,545	7,707	9,780	169,352
Accumulated depreciation	(1,830)	(19,175)	(2,184)	(6,024)	(29,213)
Plant and equipment	**5,490**	**125,370**	**5,523**	**3,756**	**140,139**

18. Goodwill

The movements in the net carrying amount of goodwill are as follows:

	31 December 2017	31 December 2016
Balance 1 January	1,724,208	-
Acquired through business combination	-	1,724,208
Exchange differences	(124,673)	-
Written off[1]	(458,639)	-
Goodwill	**1,140,896**	**1,724,208**

Refer to note 4 for details on the business combination.

For the purpose of annual impairment testing, goodwill is allocated to the TicBits Oy cash-generating units.

1. On 23 August 2017, Animoca Brands entered an asset purchase agreement with Maple Media LLC, selling transferring and assigning 14 mobile games of its portfolio. 13 of these sold apps were apps acquired by Animoca Brands in the TicBits' acquisition.

The write off goodwill to profit and loss corresponds to the proportion of the goodwill associated with the apps sold to Maple Media.

19. Trade and other payables

	31 December 2017	31 December 2016
Trade payables[1]	1,816,054	1,640,111
Accrued expenses	443,929	651,020
Related party payables[2]	295,024	174,730
Trade and other payables	**2,555,007**	**2,465,861**

1. Trade payables are non-interest bearing and are normally settled on 30-day terms
2. Related party payables are non-interest bearing and are normally settled on 30-day terms. Refer to note 26 for details of these transactions.

20. Short-term provisions

	31 December 2017	31 December 2016
Annual leave provision	200,927	122,056
Short-term provisions	**200,927**	**122,056**

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.

21. Financial liabilities

	31 December 2017	31 December 2016
Milestone payments liability	881,821	292,841
Financial liabilities	**881,821**	**292,841**

As at 31 December 2017, the Directors are of the view that it is probable that TicBits will be able to publish two or more new games on or before 31 December 2018. The Company recognized a provision for milestone payments of $597,106 at the end of the year ended 31 December 2017 in accordance with the provisions outlined in note 4.

22. Other liability

	31 December 2017	31 December 2016
Upfront consideration for the Sale of Apps to iCandy	51,451	-
Other liability	**51,451**	**-**

23. Share Capital

	31 December 2017	31 December 2016
Fully paid ordinary shares	31,121,237	25,690,743
Issued equity	**31,121,237**	**25,690,743**

Year ended 31 December 2017	**Number**	**$**
Balance at 1 January	217,020,708	25,690,743
Institutional and Retail offer	173,616,566	5,208,497
Institutional Placement	43,461,530	565,000
Transaction costs on shares issued	-	(343,009)
Balance at 31 December 2017	**434,098,804**	**31,121,231**

Year ended 31 December 2016	Number	$
Balance at 1 January	167,520,708	16,192,964
Institutional Placement	32,500,000	6,500,000
Share Purchase Plan	5,000,000	1,000,000
Class A Performance Shares conversion	12,000,000	2,400,000
Transaction costs on shares issued	-	(402,221)
Balance at 31 December 2016	**217,020,708**	**25,690,743**

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorized capital and par value shares. Accordingly, the Company does not have authorized capital or 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).

24. Reserves

	31 December 2017	31 December 2016
Share based payments reserve	-	248,345
Foreign currency translation reserve	(379,910)	(161,339)
Reserves	**(379,910)**	**87,006**

Share-based payments

The share-based payments reserve is used to recognize the value of equity-settled share-based payments provided to employees and consultants, including key management personnel, as part of their remuneration. During the year, previously issued share based payment equity instruments lapsed without exercise.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of subsidiaries of Animoca Brands Corporation Ltd that have a different functional currency than Australian Dollars.

25. Share Based Payments

No share-based payment was issued in the year ended 31 December 2017. The options were not exercised on or before 23 January 2018 and hence expired.

26. Related Party Disclosures

Remuneration of Key management Personnel	31 December 2017	31 December 2016
Short-term employee benefits	382,019	461,089
Share based payments	16,000	-
Termination benefits	-	-
Post-employment benefits	7,330	7,265
Remuneration of Key Management Personnel	**405,349**	**468,354**

On 1 August 2014, the Company entered an **Office Services and Management Services Agreement** with Outblaze Limited, a company in which Mr Siu is a director. This agreement procures that Outblaze Limited provides office services including:

- use of computer workstations, information system, furniture, fixtures, fittings, office equipment and pantry supplies provided at the Premises;
- use of telephones, fax machines, broadband internet connection, photocopiers and printers at the Premises;
- arrangements for reception, pantry and conference rooms for Client's staff and visitors; and
- other office facilities, amenities, convenience and services as Provider at its discretion considers necessary to provide to Client for its business purposes from time to time.

In consideration of office services, the Company shall pay to Outblaze Limited as and by way of service charges HK$2,300 per workstation per month.

During the year ended 31 December 2017, the Company has paid office service fees of $394,099 (2016 - $504,350) to Outblaze Limited pursuant to this agreement.

On 1 August 2014, the Company entered a **Mobile App Advertising Services Agreement** with Outblaze Ventures Holdings Limited, a wholly owned subsidiary of Appionics Holdings Ltd. Messrs Kim, Yung and Siu are all directors of Appionics Holdings Ltd. This agreement procures that Outblaze Ventures Holdings Limited provide, maintain and operate the following services:

- using the Muneris technology services platform to integrate the Muneris SDK and the Animoca Brands SDK into the Apps,

- using such technology to provide advertising, marketing and distribution services in relation to the Apps, and

- hosting and serving services (including customer support and community management services) for the Apps

The Muneris SDK allows Animoca Brands to distribute the apps and sell ads in the apps. In consideration of the provision of the services, Outblaze Ventures Holdings limited shall be entitled to the commissions of 20% of net revenue. Animoca Brands benefits from a discounted 20% commission rate of net revenue on distribution and sold ads (market average around 30% commission rate of net revenues) due to the volume of business.

During the year ended 31 December 2017, the Company has paid mobile app advertising services for $627,433 (2016 - $830,245).

On 22 May 2015, the Company entered an **Exclusive Mobile Game Publishing Agreement** with Ourpalm Co. Ltd, a company of which Mr Hu is a director. This agreement grants Ourpalm Co. Ltd an exclusive license to exploit *Doraemon Gadget Rush* in the People's Republic of China.

In consideration of the license granted, the Company received a part of the proceeds generated by the game since launch. The company recognized no revenue (2016:$268,726) during the year ended 31 December 2017.

Set out below is a summary of related party companies trade receivables/ (payables) at reporting date:

Name of the company	Relationship	31 December 2017	31 December 2016
Totally Apps Holdings Limited	Mr Siu is a director	180,365	457,228
Baby Cortex Holdings Limited	Mr Kim is a director	65	6
Outblaze Ventures Holdings Limited	Messrs Kim, Siu and Yung are directors	(274,294)	(174,479)
Outblaze Limited	Mr Siu is a director	(20,730)	(251)
Family Fit Limited	Mr Siu is a director	49,805	-

In addition to the contracted related party transactions detailed above, receivables and payables include amounts that are due (receivable) in relation to app revenues collected on behalf of Animoca Brands and reimbursements of marketing and promotional expenses (Payables) paid on behalf of the Company.

27. 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:

	31 December 2017	**31 December 2016**
Net loss attributable to ordinary equity holders of the Parent entity:		
Continuing operation	**8,047,840**	7,925,266
Weighted average number of ordinary shares for basic earnings per share	368,484,331	196,535,735

Pursuant to AASB 133 – there is no dilutive securities on issue.

28. Subsequent Events

Post 31 December 2017, the Company launched Crazy Defense Heroes for iOS on 8 January 2018 in Asian territories.

The Company has entered into a binding term sheet to acquire 60% of Fuel Powered for an upfront consideration of $0.75m. Fuel Powered is a US-based developer of blockchain based gaming services and provider of a cloud based features-as-a-service platform that maximises bottom-line results for game publishers through artificial intelligence and machine learning. Clients of Fuel Powered include SEGA Publishing Europe Limited and Axiom Zen, the publisher of CryptoKitties.

The Company also entered into an exclusive licensing and distribution agreement with Axiom Zen to publish CryptoKitties in China. CryptoKitties is the first major video game based on blockchain technology. CryptoKitties allows players to adopt, raise, and trade virtual cats, and represents one of the earliest attempts to deploy blockchain technology for recreational purposes.

The Company has also entered into a binding share sale and purchase agreement to acquire 100% of the capital of privately owned Tribeflame Oy (“Tribeflame”) and its subsidiary Benji Bananas Oy (“Benji Bananas”) for up to €350k ($550k).

In order to address its growth opportunities and operational needs, in January 2018, the Company raised a total of $3.3m through an oversubscribed placement to sophisticated investors.

29. Auditors Remuneration

	31 December 2017	31 December 2016
Grant Thornton for audit and review services[1]	128,210	92,710
Other services	-	-
Total remuneration to auditors	**128,210**	**92,710**

1. Grant Thornton Audit Pty Ltd (the Parent entity auditor) utilizes the services of Grant Thornton Hong Kong for a component of the audit. The amount disclosed includes $62,182 due to Grant Thornton Hong Kong.

30. Parent Entity Information

	31 December 2017	31 December 2016
Current assets	697,861	3,551,424
Non-current assets	-	-
Total assets	**697,861**	**3,551,424**
Current liabilities	231,926	249,573
Non-current liabilities	-	-
Total liabilities	**231,926**	**249,573**
Issued capital	31,121,231	25,690,743
Accumulated losses	(53,545,072)	(45,527,012)
Share option reserve	-	248,345
Other components of equity	22,889,776	22,889,776
Total shareholders' equity	**465,935**	**3,301,852**
Profit/(loss) of the Parent entity	(406,799)	(11,878,868)
Total comprehensive profit/(loss) of the Parent entity	**(406,799)**	**(11,878,868)**

The Parent entity has no contingent liability or commitments for expenditure at 31 December 2017. Refer to note 31 for details on contingent liabilities.

31. 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 2017	31 December 2016
Commitments <1 year	148,811	376,334
1 year < Commitments < 2 years	-	185,610
Total Commitments	**148,811**	**561,944**

The Company has leased the office premises in Hong Kong jointly with a related company under an operating lease. The commitment represents the maximum amount that the Company is required to pay based on the leased agreement. The lease does not include contingent rentals. The Company has leased office premises in Turku, Finland and the commitment represents the 6 months period rents of the notice period (EUR 3,072/month).

32. Ongoing deal with iCandy

In October 2017, the Company entered a binding term sheet to sell its mobile casual games portfolio to iCandy Interactive (ASX: ICI), subject to iCandy shareholder approval. Pursuant to the sale, Animoca Brands will sell 318 of its existing 524 mobile game apps to iCandy.

The total sale consideration includes up to $8.0 million in upfront and deferred consideration with additional upside from earn-out payments. The upfront consideration comprises a $1.0 million cash payment and $4.0 million payable in iCandy shares, payable within 30 days of the deal closing. The deferred payments of up to a total $3.0 million are payable in iCandy shares in 2018 and 2019, subject to revenue hurdles. The earn-out payments allow Animoca Brands to share in the profit of the games sold for a period of 5 years after closing.

At the end of December 2017, the company had received $51,451 of the upfront consideration.
At the end of February 2018, the company had received a further $198,549 of the upfront consideration.

The conditions precedent to the sale completion, including the iCandy shareholder approval on the terms of the transaction, have not been met to date. Consequently, the transaction has not been recognized at 31 December 2017. There are no assets or liabilities held for sale in connection with the proposed transaction in the financial report at 31 December 2017.

33. 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.

On 20 December 2016, the Company received a statement of claim for $390,000, interest on all sums awarded to the plaintiff, costs and any further relief the court deems fit issued by the District Court of Western Australia by Patersons Securities Limited ("Patersons"). Patersons was a lead manager engaged under a mandate with respect to a capital raising conducted by Animoca Brands that was completed on or about 1 December 2015.

Animoca Brands conducted a further capital raising in or around April 2016 with another lead manager. Patersons is claiming that the mandate obliged Animoca Brands to offer Patersons the role of lead manager with respect to the capital raising conducted in April 2016.

On 23 May 2017, mediation was conducted. The company and Patersons has reached a settlement agreement with respect to the matters in dispute.

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 year ended 31 December 2017 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 2017 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; and

c) 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 the Group's Director of Finance in accordance with section 295A of the Corporations Act 2001 for the year ended 31 December 2017.

On behalf of the board

Mr David Kim
Chairman
28 March 2018

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Independent Auditor's Report
to the Members of Animoca Brands Corporation Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Animoca Brands Corporation Limited (the Company), and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the year ended on that date; and

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company incurred a net loss of $8,047,840 during the year ended 31 December 2017, and as of that date, the cash outflow from operations was $7,687,097. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition **Note 1.3(d)**	
Revenue is the key driver of the Group and is generated through multiple revenue streams. Sales of applications and in-app purchases revenue is captured through smart phone platforms and is recognised as revenue on a per transaction basis upon the successful download of the applications or in-app purchase items. Advertising and service revenues is recognised based on the timing of services rendered. The Group focuses on revenue as a key performance measure and is also a key driver by which the performance of the Group is measured. This area is a key audit matter due to the volume of transactions and the total revenue from operations.	Our procedures included, amongst others: • Documenting the processes and assessing the internal controls relating to revenue processing and recognition; • Reviewing the revenue recognition policy for each revenue stream for compliance with AASB 118 *Revenues*; • Reviewing a sample of service fee and advertising income to supporting contracts to ensure revenue was recognised in line with the revenue recognition policy; • Performing analytical procedures to understand movements and trends in revenue; • Performing a revenue occurrence test which involved tracing app sales and in-app purchases revenue to information available from the smart phone platforms; • Performing cut-off testing to ensure that revenue transactions around year end have been recorded in the correct reporting period; and • Assessing the adequacy of the Group's revenue disclosures within the financial statements.
Sale of games **Note 31**	
During the period a binding term sheet and a definitive asset and sale purchase agreement has been signed with iCandy Interactive Limited for the sale of a significant games portfolio. The term sheet and agreement was signed prior to 31 December 2017, yet given the amount of conditions in place for the transaction to occur this has not completed during the current period. This area is a key audit matter given it is a material transaction and there are a number of conditions in the agreement for the transaction which required consideration including which, if any, assets and liabilities are held for sale.	Our procedures included, amongst others: • Obtaining the binding term sheet agreement and asset and sale purchase agreement and reviewing the terms and conditions; • Reviewing the publicly available information for iCandy Interactive Limited as it related to performance against the conditions precedent in the sales and purchase agreement; • Determining if the conditions for the sale transaction to be recognised have been met; • Reviewed managements judgements regarding which assets, if any, were to be 'held for sale'; and • Reviewed the financial statement disclosure on the transaction for appropriateness.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' 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* and for 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2017.

In our opinion, the Remuneration Report of Animoca Brands Corporation Limited, for the year ended 31 December 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 28 March 2018

ASX Additional Information

The information in this section has been prepared as at 26 February 2018, unless otherwise specified.

CORPORATE GOVERNANCE STATEMENT

The Company's corporate governance statement is located on the Company's website at www.animocabrands.com/corporate-governance/.

20 LARGEST REGISTERED HOLDERS OF ORDINARY SHARES

Holder Name	Securities	%
HSBC CUSTODY NOM AUST LTD	50,873,801	10%
CITICORP NOM PL	33,094,778	7%
OUTBLAZE ASIA INV LTD	26,790,012	5%
DATAHOUSE INV LTD	16,909,089	3%
ASYLA INV LTD	16,413,424	3%
FINGERFUN HK LTD	14,785,714	3%
J P MORGAN NOM AUST LTD	10,749,961	2%
YONG HUI CAP HLDGS I LTD	10,210,385	2%
POON NGAI WAH	9,611,658	2%
CLELAND PROJECTS PL	8,832,798	2%
CLAPSY PL	8,422,284	2%
PERSHING AUST NOM PL	7,503,401	2%
HICKOX WAYNE STEPHEN	6,000,000	1%
YIP KATHERINE CHING	5,583,182	1%
SANDHURST TTEES LTD	5,500,000	1%
HONGKONG LEDONG TECH LTD	5,487,503	1%
HICKOX MARY ARLENE	5,000,000	1%

PYNT GREGORY DAVID	4,098,460	1%
LAVINIA INV PL	3,228,460	1%
BNP PARIBAS NOM PL	2,882,126	1%
TOP 20 TOTAL	**251,977,036**	**52%**

SUBSTANTIAL HOLDERS

Set out below are the names of substantial holders in the Company and the number of equity securities in which each substantial holder and the substantial holder's associates have a relevant interest, to the best of the knowledge of the Company.

Substantial Holder	No of Equity Securities
Startive Ventures, Inc. (Simon Clausen)	30,615,409 ordinary shares
Datahouse Investments Limited (Dennis Kim)	30,436,361 ordinary shares
Asyla Investments Limited (Yat Siu)	29,841,164 ordinary shares
Paul John Pheby	26,075,746 ordinary shares

DISTRIBUTION OF HOLDERS OF ORDINARY SHARES

Spread of Holdings	Holders	Securities	% of Issued Capital
1 - 1,000	114	43,807	0%
1,001 - 5,000	153	442,400	0%
5,001 - 10,000	308	2,413,446	0%
10,001 - 100,000	921	38,374,517	8%
Over 100,000	471	447,022,422	92%
TOTAL ON REGISTER	**755**	**488,296,592**	

DISTRIBUTION OF HOLDERS OF CLASS B PERFORMANCE SHARES

As the performance milestones associated with the Company's 15,000,000 Class B Performance Shares were not achieved in accordance with the terms and conditions of these shares, they were automatically forfeited on Monday 31 October 2016 for no consideration. Therefore, these shares are not held by shareholders and there is no distribution of holders. These shares were cancelled during the Annual General Meeting held on 29 May 2017 in accordance with the Corporations Act 2001 (Cth).

DISTRIBUTION OF OPTION HOLDERS

Spread of Holdings	Holders	Securities	% of Issued Capital
1 - 1,000	0	0	0.00%
1,001 - 5,000	0	0	0.00%
5,001 - 10,000	0	0	0.00%
10,001 - 100,000	0	0	0.00%
Over 100,000	1	2,366,025	100.00%
TOTAL ON REGISTER	**1**	**2,366,025**	

NUMBER OF HOLDERS AND VOTING RIGHTS IN EACH CLASS OF SECURITIES

Class of Security	No of Holders	Voting Rights
Ordinary shares	755	Yes (set out below)
Unquoted options exercisable at $0.20 expiring on 23 January 2018	1	No
Class B Performance Shares. *These shares have been forfeited and cancelled during the Annual General Meeting held on 29 May 2017.*	0	N/A

Subject to the Company's constitution and to any rights or restrictions for the time being attached to any class or classes of shares at meetings of shareholders or classes of shareholders:

- each shareholder entitled to vote may vote in person, by proxy or representative;
- on a show of hands, every shareholder or person entitled to the rights of a shareholder according to the Company's constitution present in person, by proxy or representative, has one vote; and
- on a poll, every shareholder or person entitled to the rights of a shareholder according to the Company's constitution present in person, by proxy or representative, has:
    - one vote for each fully paid share that shareholder holds; and
    - a fraction of a vote for each partly paid share that shareholder holds, where the fraction is equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) on that share,

except that a shareholder is not entitled to vote shares at a general meeting if:

- any calls or other sum presently payable by that shareholder in respect of those shares are outstanding; or
- that shareholder is in breach of the ASX Listing Rules relating to restricted securities, or in breach of a restriction agreement by that shareholder in relation to those shares.

UNMARKETABLE PARCELS OF ORDINARY SHARES

The number of holders of ordinary shares with less than a marketable parcel of ordinary shares is 346. Unmarketable parcels of ordinary shares are of 6,250 shares or less.

SECURITIES SUBJECT TO ASX MANDATORY RESTRICTION OR VOLUNTARY ESCROW AGREEMENTS

There are no shares subject to ASX mandatory restriction or voluntary escrow agreements.

CLASSES OF UNQUOTED SECURITIES

Class of Security	No of Holders	Total Units	Holders that own in excess of 20% of class
Unquoted options exercisable at $0.20 expiring on 23 January 2018	1	2,366,025	These options are held by Taycol Nominees Pty Ltd
Class B Performance Shares. *These shares have been forfeited and cancelled during the Annual General Meeting held on 29 May 2017.*	0	15,000,000	Nil

GENERAL

There is not a current on-market buy-back for the Company's securities.

There have been no issues of securities approved for the purposes of Item 7 of section 611 of the Corporations Act 2001 (Cth) which have not yet been completed.

The name of the Company's company secretary is Alyn Tai.

The address and telephone number of the Company's registered office are Level 1, 61 Spring Street, Melbourne, VIC, Australia, 3000 and + 61 (0) 3 9286 7500 respectively. The address and telephone number of the Company's principal administrative office are Unit 417-421, Level 4, Cyberport 1, 100 Cyberport Road, Hong Kong and +852 2534 0888 respectively.

The registers of securities of the Company and transfer facilities are kept by the Company's share registry, Security Transfer Registrars at 770 Canning Highway, Applecross, Western

Australia 6153. The telephone number for Security Transfer Registrars is +61 8 9315 2333 or +61 3 9628 2200 (from overseas).

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.