

MIGHTY KINGDOM QUARTERLY ACTIVITIES UPDATE AND APPENDIX 4C

Quarter Ended 30 June 2022

Mighty Kingdom Limited (ASX: MKL) ("MK" or the "Company"), is pleased to provide its Quarterly Activities Update and Appendix 4C for the June 2022 Quarter ("Q4 FY22").

QUARTERLY HIGHLIGHTS

- **Highest revenue quarter in history: 72% YoY increase and 51% QoQ growth in revenue**
- **Work for hire agreement with Google LLC for technology partnership**
- **Agreement signed with East Side Games Group (ESGG) for next mobile title**
- **Partnership with Lion Studio for ongoing project**
- **Decision made to cease development on Ava's Manor**

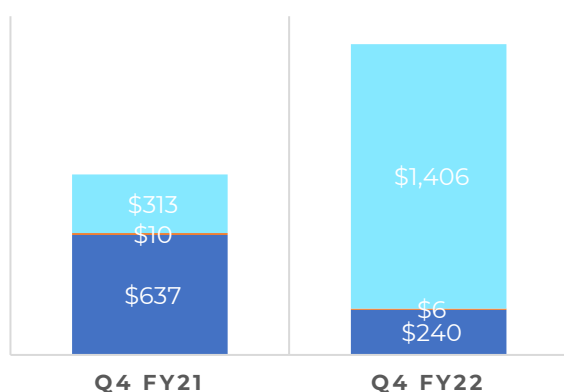
OPERATIONAL SUMMARY

The Company reported a 72% YoY increase in revenue generated from games. This represented growth of 51% compared to Q3 FY22. This revenue growth included revenue from new games developed with ESGG and contract extensions with Mattel (*Barbie Fashion Closet*) and Spin Master (*Gabby's Dollhouse*).

During Q4 FY22, the company received \$750k (before costs) from the second tranche of the placement of ordinary shares approved at an Extraordinary General Meeting of the Company.

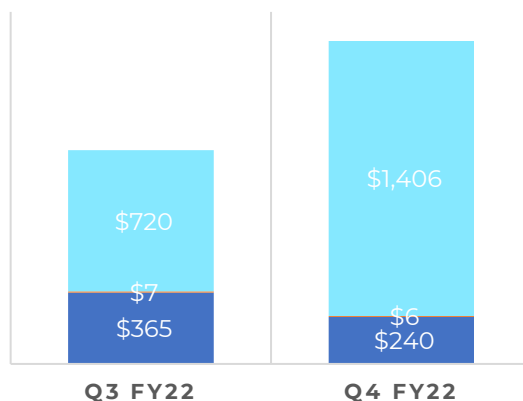
GAME REVENUE ('000)

■ Co-Dev & License ■ Original IP ■ Work for hire



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PROJECT PIPELINE

Original IP

Project Ball Stars

Mighty Kingdom continues to explore partnerships with international industry leaders. Development will continue in Q1 of FY23, with an expected partner-backed release in late FY23. The team has had insightful and positive discussions with several potential publishers, and, using the feedback received, the team has focused on ways to improve player engagement. This includes developing a user generated content model, as well as investigating different game assets to enhance a player's emotional response to the game.

Co-Development

East Side Games Group Partnership

In January 2022, Mighty Kingdom and East Side Games Group (ESGG) announced an extension to their contract to co-develop an additional three mobile titles. One franchise licence was acquired in April 2022, with gameplay concepts and high-level production planning currently underway. The companies are continuing to explore different IPs for the final two projects, with decisions to be made in the near future.



Star Trek: Lower Decks mobile game

Star Trek: Lower Decks mobile game (ST:LD) is currently being tested in several markets; in the last quarter, Nordic countries were added to this list as publisher East Side Games (ESG) gathers data to test revenue and player engagement KPIs, with metrics showing positive results. The team has worked on optimising the game to increase player engagement. This includes weekly events and building a stable of regular content releases. Test market data is being used to further tune the game and ensure the strongest possible release on the global market. ST:LD is expected to be a strong revenue driver in FY23.

During this time, ESG has built audience momentum with global preregistration and UA; Mighty Kingdom is supporting these efforts through developing engaged game communities across key social platforms.

Conan Chop Chop

Following the worldwide launch of *Conan Chop Chop* in March 2022, game sales were lower than initially projected. Mighty Kingdom has been working with publisher Funcom on different ways to market the title, with a focus on shifting messaging and reengaging the community via influencers. The game was included in Steam's May 'Going Rogue' sale and was also featured on Alienware's Twitch channel as part of charity event St Jude PLAY LIVE.

The development team has focused on supporting the game through bug fixes and Quality of Life updates.

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Ava's Manor

After careful consideration and reviewing the financial results of *Ava's Manor*, the Company came to the decision to cease development on the project in June 2022. The development team's technical expertise in casual games has been refocused towards projects with a greater potential for return, including several Work for Hire projects in the pipeline. Responsibility for *Ava's Manor* has now been transferred to Uken.

Work on *Ava's Manor* allowed Mighty Kingdom to fully utilise its proprietary Narrative Engine, a tool designed to manage and streamline the narrative-building process. Mighty Kingdom intends to apply the Narrative Engine on future projects as it expands on its storytelling capabilities.

**Licensed IP****Project Carnifex**

Mighty Kingdom has entered full production on *Project Carnifex*. The Company is currently pursuing opportunities with several international publishers and funding partners. The development team continues to work closely with Epic Games to maximise the project's utilisation of Unreal Engine 5. Development has been focused on building the pipeline of art assets to deliver high quality, realistic natural environment assets at scale. Early gameplay footage has been met with exceedingly positive responses from prospective partners, as has the early drafts of the game's narrative. It is on track for release in FY23.

Peter Rabbit Run!

Mighty Kingdom has focused on optimising its resources over the last quarter and made the decision to refocus the *Peter Rabbit Run!* team to other projects. The game continues to see a steady volume of organic users, due to the popularity of the brand, while player retention and engagement remains steady quarter-on-quarter.

Shopkins

Mighty Kingdom continued to support the *Shopkins* range of games over the last quarter. Player retention remains steady on all platforms. Mighty Kingdom and Moose are currently setting plans for retiring the *Shopkins* range in the coming months.

Work For Hire**Dreamworks Gabby's Dollhouse**

Mighty Kingdom and Spin Master extended their partnership in FY22. The Company delivered an overhaul of the first-time user experience and has been working on content updates to support the third wave of toys released in conjunction with the Netflix series. The game continues to show strong metrics and has surpassed over 550,000 unique users accessing the in-game store.

Barbie Fashion Closet

In April 2022, *Barbie Fashion Closet* surpassed 46 million cumulative downloads. Player retention increased across the board, with a promising lift in revenue. Game downloads almost doubled from the previous quarter, coinciding with a substantial lift in daily active

users. On average, players engaged with the game for about a minute longer than last quarter. Additionally, a new monetisation partner, SuperAwesome, was added to deliver interstitial ads and grow revenue.

Lion Studios Project

Lion Studios has engaged Mighty Kingdom to develop an original IP for casual mobile audiences. Initial production planning has commenced. More details will be available when the game is announced.

Google Project

Mighty Kingdom executed a work for hire agreement with Google LLC during the quarter for the development of an innovative game product. Initial development is underway with intended extensions. The agreement has provided the Company with opportunity to optimise operating cashflow as well as upgrade technology capabilities in future game developments.

OPERATING CASHFLOWS

During Q4 FY22, the Company received \$1.5m in cash from customers representing a doubling of receipts from the previous quarter.

The Company reported \$3.6m in operating cash outflows for the quarter.

MK has \$3.8 million cash at bank as of 30 June 2022.

IPO USE OF FUNDS RECONCILIATION

The Company raised \$18m in its IPO on 21st April 2021 and \$3.1m was utilised as below in Q4 FY22:

Use of Funds under Prospectus (000's)	Q4 FY22	Q3 FY22	Q2 FY22	Q1 FY22	Q4 FY21	Investment since listing	Total IPO Prospectus
Capital for game development - Original IP	\$1,814	\$2,157	\$1,792	\$1,858	\$1,311	\$8,932	\$7,300
Capital for game development - Licensed IP	\$1,057	\$592	\$446	\$574	\$1,967	\$4,636	\$5,572
Development of self-publishing capabilities	\$194	\$77	\$53	\$43	\$0	\$367	\$1,800
M&A	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Expenses of the Offer	\$0	\$0	\$0	\$0	\$1,320	\$1,320	\$1,578
Total	\$3,064	\$2,826	\$2,291	\$2,475	\$4,598	\$15,254	\$18,000

OUTLOOK

Mighty Kingdom continues to generate additional operating revenue from Work for Hire and Co-development initiatives. The Company has been able to secure important contracts with new partners with a resulting reduction in overall cash burn.

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Original IP initiatives are being re-evaluated and re-scoped to ensure Mighty Kingdom delivers successfully on its long-term strategy.

RELATED PARTY TRANSACTIONS

As noted in Item 6 of the Company's Appendix 4C for Q4 FY22, payments to related parties and their associates and Directors represented cash benefits of \$67k for non-executive directors and \$148k for executive directors.

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

For further information, please contact

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ABOUT MIGHTY KINGDOM LIMITED

Mighty Kingdom delights more than 7 million players every month and designs game experiences with the world's most recognised brands such as LEGO, Disney, Mattel, Funcom, Moose Toys, Spin Master and more, as well as developing its own original games. Our portfolio of games is crafted from our Adelaide headquarters, with a diverse team of more than 160 developers from across Australia. Led by a desire to engage and delight players, we make exceptional experiences that connect our diverse talent with millions of people around the world.

We make games with heart. We Love Fun. We want to share it with the world.

We want you to be part of it.

APPENDIX 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Mighty Kingdom Limited

ABN

39 627 145 260

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,460	4,454
1.2 Payments for		
(a) research and development	0	0
(b) product manufacturing and operating costs	(356)	(1,796)
(c) advertising and marketing	(19)	(103)
(d) leased assets	0	0
(e) staff costs	(4,221)	(14,573)
(f) administration and corporate costs	(470)	(1,948)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	1	7
1.5 Interest and other costs of finance paid	(21)	(80)
1.6 Income taxes paid	0	(148)
1.7 Government grants and tax incentives	0	1,426
1.8 Other (provide details if material)	(3)	(7)
1.9 Net cash from / (used in) operating activities	(3,629)	(12,768)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	0	0
(b) businesses	0	0
(c) property, plant and equipment	(69)	(796)
(d) investments	0	0
(e) intellectual property	0	0

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12months) \$A'000
	(f) other non-current assets	0	0
2.2	Proceeds from disposal of:		
	(a) entities	0	0
	(b) businesses	0	0
	(c) property, plant and equipment	0	0
	(d) investments	0	0
	(e) intellectual property	0	0
	(f) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	Net cash from / (used in) investing activities	(69)	(796)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	750	4,446
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options	0	0
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(76)	(296)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	(149)	(532)
3.7	Transaction costs related to loans and borrowings	0	0
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
3.10	Net cash from / (used in) financing activities	525	3,618

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,759	13,553
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,629)	(12,768)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(69)	(796)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	525	3,618
4.5	Effect of movement in exchange rates on cash held	169	148
4.6	Cash and cash equivalents at end of period	3,755	3,755

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	3,755	6,759
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,755	6,759

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	215
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

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7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	55	0
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	150	0
7.4 Total financing facilities	205	0
7.5 Unused financing facilities available at quarter end		205
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>Item 7.1: Commonwealth Bank Business Loan: Interest rate: Variable Base Rate minus a margin of 0.96% p.a.; Maturity date: 4 July 2023; General Security interest by MIGHTY KINGDOM GAMES PTY LTD ACN 149 485 165 comprising: First ranking charge over All Present & After Acquired Property.</p> <p>Item 7.3: Commonwealth Bank Overdraft: Interest rate: 8.43% p.a.; General Security interest by MIGHTY KINGDOM GAMES PTY LTD ACN 149 485 165 comprising: First ranking charge over All Present & After Acquired Property.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(3,629)
8.2 Cash and cash equivalents at quarter end (item 4.6)	3,755
8.3 Unused finance facilities available at quarter end (item 7.5)	205
8.4 Total available funding (item 8.2 + item 8.3)	3,960
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.1
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer: No, Mighty Kingdom expects its net operating cash flows will improve during the next six months as a result of forecasted revenue growth and cost cutting from next quarter.</p>	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
<p>Answer: Yes, Mighty Kingdom has a clearly defined capital management plan in place. This plan aims to deliver sustainability by significantly decreasing cash burn over time. In addition, Mighty Kingdom is in a position to raise capital via equity issuance via its strong relationships with brokers and advisers.</p>	

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8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, Mighty Kingdom has been working on a number of solutions to ensure continuity of its operations and to achieve its strategic goals, including:

- 1, Management team to be streamlined and focused on deliverability and accountability against forecast and commercial outcomes.
- 2, Targeting operational cashflow breakeven during Q2 FY2023.
- 3, Making decisive changes in the business to focus on revenue generation and cost reduction.

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

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: **29 July 2022**

Authorised by: **By the Board**
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.