

MIGHTY KINGDOM QUARTERLY ACTIVITIES UPDATE AND APPENDIX 4C

Quarter Ended 31 December 2023

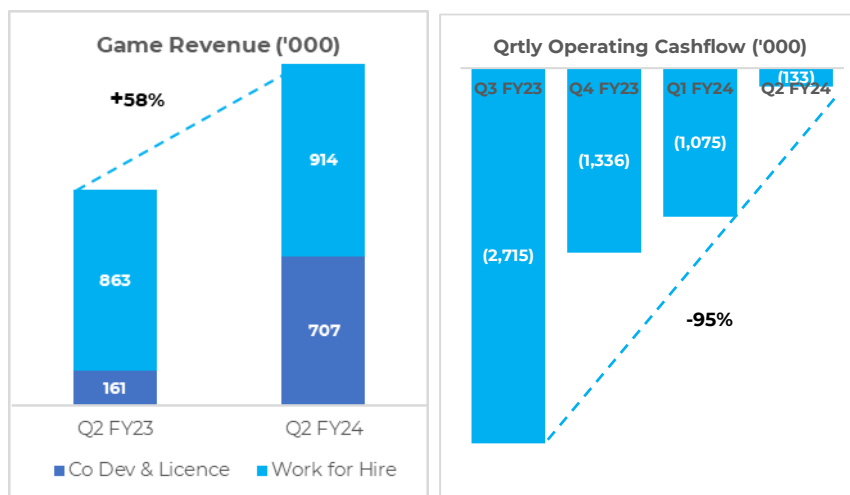
Mighty Kingdom Limited (ASX: MKL) (“MKL” or the “Company”), is pleased to provide its Quarterly Activities Update and Appendix 4C for the December 2023 Quarter (“Q2 FY24”).

QUARTERLY HIGHLIGHTS

- **Quarterly operating cash outflow \$0.133m**
- **Quarterly game revenue \$1.6m (58% increase pcq)**
- **Operating costs down further 12% versus Q1 FY24**
- **Strategic Review process concluded with signed Letter of Intent (“LOI”)**

OPERATIONAL SUMMARY

The Company reported a 58% YoY increase in revenue generated from games during the quarter. On-going delivery and contract extensions with key partners assisted the continued growth in baseline revenue. The Company’s cost control measures delivered a further 12% reduction in costs compared to the prior quarter, which also represents a 37% reduction in costs compared to the pcq. The on-going improvements in financial performance and cashflow management demonstrating the long-term sustainability plan being executed by the Company.



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PROJECT DEVELOPMENT

Co-Development

East Side Games Group ("ESGG") Partnership

Star Trek: Lower Decks ("STLD") Mobile Game

STLD continues to maintain its key monetisation metrics through stable retention rates and across 'average revenue per daily active user'. Mighty Kingdom continues to refine and prioritise content, features and events in conjunction with our partner ESGG to maximise the player base whilst maintaining the performance of the game's monetisation efforts.

Third Development Project

Nearing completion of development the team is excited for the games intended release in early 2024. We look forward to being able to share further news on this in the Company's next quarterly update.

Work For Hire

DreamWorks Gabby's Dollhouse

Work has continued throughout the quarter on Gabby's Dollhouse for Spinmaster, with the game reaching 50 million lifetime downloads during the quarter. Mighty Kingdom has been implementing improvements in player experience with mini games and the inclusion of several new features associated with physical product from the Spinmaster Gabby's Dollhouse toyline. Discussions are being finalised for future work in line with Spring and Fall toy campaigns.

Google Project

The Company's work on this project continues with the strong partnership delivering further development work and a contract extension during the quarter. The Google team continue to be impressed by the high-quality experience and innovative work being delivered by the MKL team.

Licensed IP

ZAG Entertainment

The Company is working with ZAG Entertainment on the development of this game from the Miraculous Ladybug & Cat Noir series for mobile platforms. The Company is strengthening the business model of the game to ensure its success in market.

Original IP

The Company has paused material investment in its original IP strategy until it has the appropriate capital position to take these steps in line with the strategic positioning being delivered through the recent Strategic Review. While development has paused, the company continues to receive interest from the development efforts, with Hyper Rush selected in November 2023, to be showcased at recent internationally significant games conference GSTAR in Busan, South Korea.

CORPORATE

Board and Management Changes

The Company implemented significant board and management changes over the course of the quarter. On the 6 October Simon Rabbitt was appointed as Interim CEO and on 6 December the Company advised changes to its board composition with David Butorac appointed as Independent Non-Executive Chair and Mr Philip Mayes re-joining MKL as Non-Executive Director. Ms Michelle Guthrie stepped down from her role as Non-Executive Chair during the quarter.

Strategic Review

As released to the ASX on 17 October, MKL officially commenced a Strategic Review Process in response to unsolicited expressions of interest in the business. This strategic initiative, aimed at maximising shareholder value, considered all available corporate options.

The Company announced a further update on 29 December with the execution of a non-binding LOI signifying significant future changes in the Board, strategic plan, and Management team.

This release outlined for a transformative shift towards a high-growth, profitable gaming studio. Proposed new board members, including Mark Aubrey, David Yin, and Chris Whiteman, bringing significant direct mobile gaming experience from prominent companies in the Australia and South East Asia gaming/tech sector, such as Activision Blizzard, Google, Animoca Brands, iCandy and more.

The future vision for the Company focuses on comprehensive transformation, financial security, immediate shareholder support and strategic partnerships, paving the way for sustained growth and shareholder return.

Capital Management

In October 2023, the Company issued a total of 94,150,000 shares at \$0.01 to professional and sophisticated investors to raise net of fees \$0.88m for working capital purposes.

On 15 December the Takeovers Panel accepted undertakings from the Company and Gamestar to enter into a buyback agreement and take all steps necessary in connection with the buyback to ensure the cancellation of 59,657,143 shares.

On 29 December, MKL received commitments for the cash equivalent of \$0.73m in convertible notes exercisable at \$0.01 from Sophisticated and professional investors (conversion subject to Shareholder approval). As at 31 December the Company had receipted \$0.41m of this balance with the remainder receipted shortly after the end of the period.

OPERATING CASHFLOWS

The Company reported \$0.133m in operating cash outflows for the quarter.

During Q2 FY24, the Company received \$1.35m in cash from customers and \$1.89m on receipt of the Federal Governments Research and Development Tax Incentive.

The Company had \$0.6 million cash at bank as of 31 December 2023.

OUTLOOK

Mighty Kingdom's path towards their stated aspirations of a sustainable business model continues to evolve. Notwithstanding previously disclosed capital limitations, the business has moved organically in further cutting costs and building revenue via contract extensions.

RELATED PARTY TRANSACTIONS

As noted in Item 6 of the Company's Appendix 4C for Q2 FY24, payments to related parties and their associates represented cash benefits of \$172k for non-executive directors. This includes deferred payments.

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

For further information, please contact.

Simon Rabbitt

Interim CEO

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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, Paramount, Moose 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 110 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")

31 December 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	1,351	3,268
1.2	Payments for		
	(a) research and development	0	0
	(b) product manufacturing and operating costs	(170)	(384)
	(c) advertising and marketing	(12)	(23)
	(d) leased assets	0	0
	(e) staff costs	(2,574)	(5,479)
	(f) administration and corporate costs	(573)	(1,002)
1.3	Dividends received (see note 3)	0	0
1.4	Interest received	3	5
1.5	Interest and other costs of finance paid	(51)	(58)
1.6	Income taxes paid	0	0
1.7	Government grants and tax incentives	1,892	2,447
1.8	Other (provide details if material)	1	18
1.9	Net cash from / (used in) operating activities	(133)	(1,208)

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	0	0
	(d) investments	0	0
	(e) intellectual property	0	0

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$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	8	32
(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	8	32

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	888	1,088
3.2 Proceeds from issue of convertible debt securities	413	413
3.3 Proceeds from exercise of options	0	0
3.4 Transaction costs related to issues of equity securities or convertible debt securities	0	0
3.5 Proceeds from borrowings	0	1,453
3.6 Repayment of borrowings	(1,373)	(1,492)
3.7 Transaction costs related to loans and borrowings	(1)	(1)
3.8 Dividends paid	0	0
3.9 Other (provide details if material)	0	0
3.10 Net cash from / (used in) financing activities	(72)	1,462

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	785	302
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(133)	(1,208)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	8	32
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(72)	1,462
4.5	Effect of movement in exchange rates on cash held	(19)	(19)
4.6	Cash and cash equivalents at end of period	568	568

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	568	302
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)	568	302

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	172
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

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

7. Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	0	0
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	150	0
7.4 Total financing facilities	150	0
7.5 Unused financing facilities available at quarter end		150
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.		
Item 7.3: Commonwealth Bank Overdraft: Interest rate: 12.68% p.a.; General Security interest by MIGHTY KINGDOM GAMES PTY LTD ACN 149 485 165.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(133)
8.2 Cash and cash equivalents at quarter end (item 4.6)	568
8.3 Unused finance facilities available at quarter end (item 7.5)	150
8.4 Total available funding (item 8.2 + item 8.3)	718
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	5.4
If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6 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?	
N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
N/A	
<i>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.</i>	

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: **31 January 2024**

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.