



ACN 122 921 812

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

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# HIGHLIGHTS



## Financial

1. **Operating revenue of \$12.8m**, up 97% year-on-year as a result of strong performance in the Company's core game business. This amount reflects audit adjustments undertaken such that Zeroth SPC is no longer consolidated for accounting purposes (see highlight 2 below).
2. **\$7.66m in cash plus \$1.59m in cash at Zeroth SPC (the entity managed by Venture Classic)** - the Company ended the year with \$7.66m in cash and cash equivalents, up 1014% from the prior year. This amount does not include the \$1,592,723 in cash held in Zeroth SPC (see note 1.5(t) to the financial statements). Prior to the publication of this report, the management of the Company was of the view that Zeroth SPC was a consolidated subsidiary of the Company. Management has determined that Zeroth SPC is not consolidated on the basis that control of the Board of Directors of Zeroth and the voting shares of Zeroth are insufficient measures to warrant accounting consolidation.
3. **\$16.65m in capital raised** via institutional and strategic placements to fund strategic growth opportunities like the acquisition of Pixowl Inc., the collaboration with iClick Interactive Asia Limited (NASDAQ: ICLK), the investment into Dapper Labs, the creators of *CryptoKitties*, and the acquisition of the Zeroth AI accelerator and its management company, Venture Classic, as well as working capital and research and development.

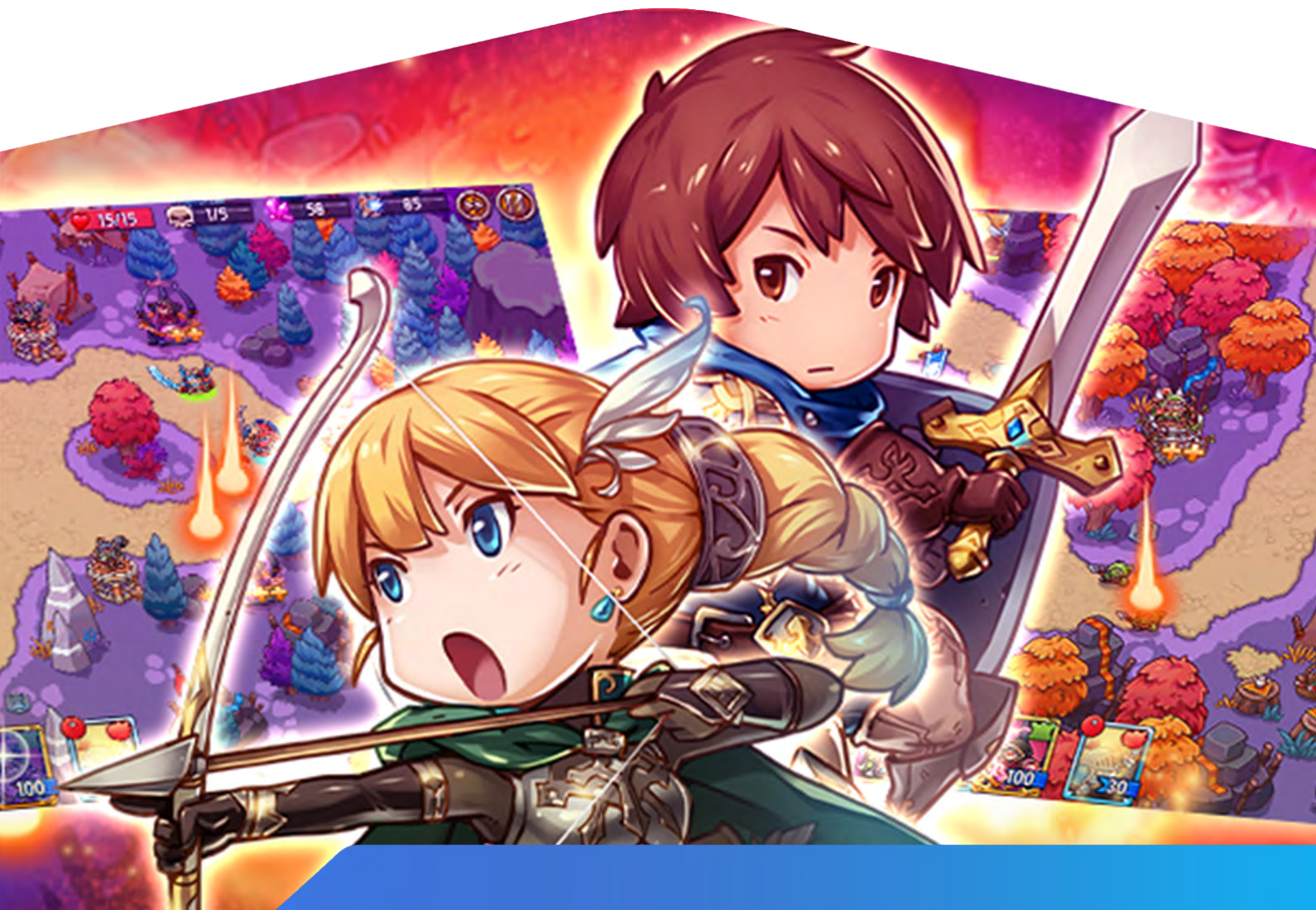
**Participating investors included** chairman Yat Siu, director Holly Liu, strategic advisor Wilhelm Taht, strategic partners Sun Hung Kai and Lympo, Katherine Yip (founder of Pacific Alliance Group and co-founder and partner of Vina Capital), Moses Tsang (founder of AP Capital and founding chairman of Goldman Sachs Asia Pacific), and Sonny Vu (founder of Misfit and director of OliveX)

## Operational

1. **Hit games *Crazy Kings* and *Crazy Defense Heroes*** lead strong performance in the core games portfolio, bringing in over \$2.8m in revenue in the first quarter alone
2. **Acquisition of Pixowl Inc.**, the creators of *The Sandbox*, world builder games featuring the Snoopy, Garfield, Goosebumps, and Wonder Park intellectual properties, and the blockchain edition of *The Sandbox*
3. **Acquisition of Tribeflame Oy**, the creators of *Benji Bananas*, co-located in Turku, Finland with TicBits, the team behind the *Crazy Kings* franchise



4. **Acquisition of Fuel Powered**, the development partner of Dapper Labs and Axiom Zen, the creators of *CryptoKitties*
5. **Acquisition of the Management shares of Zeroth.ai**, Asia's first AI startup accelerator, with a portfolio of 33 companies (and over 60 as of the date of this report) in the burgeoning field of machine learning
6. **Partnerships with leading blockchain companies** OST, Helix, Mind Fund, Decentraland, Datum, LikeCoin, Lympo, Musicoin, Harmony, and I-House
7. **Spinoff of OliveX AI fitness subsidiary** and partnership with Lympo as a strategic investor for blockchain AI fitness products, and Sonny Vu, the founder of Misfit, as a director and strategic investor
8. **Licensing of *Beast Quest*** brand from Coolabi Licensing Limited to create a tower defense game based on the hit children's fantasy franchise, which has sold over 18 million books
9. **Partnership with Atari** to create blockchain versions of Atari's hit game titles *Rollercoaster Tycoon Touch* and *Goon Squad*
10. **Partnership with iClick Asia Interactive Ltd (NASDAQ: ICLK)**, China's largest independent online marketing platform, which is expected to generate revenues of \$11m in 2019



# CHAIRMAN'S REPORT

Dear Shareholders,

In 2018, while continuing to expand our core mobile games business, Animoca Brands embarked on a bold mission to become a force in the fast-growing areas of blockchain and artificial intelligence. We are confident that these technologies will significantly shape the future, and have made various strides on the road to establishing the Company as an industry leader.



Since our last annual report, we have invested in and partnered with several blockchain projects, and - through our accelerator Zeroth - we have invested in 60 promising AI startups such as FanoLabs, WeCare, Mate Labs, Seoul Robotics, TruLuv, and many others.

2018 witnessed the fruition of a number of our previous projects, including our 2016 seed investment into Tiny Tap, which received a US\$5 million investment from notable VCs at a significant valuation increase. Our acquisition of TicBits in Finland proved itself to be particularly lucrative when its game *Crazy Defense Heroes* became our most successful title. Since then, we have acquired other game studios including Fuel Powered, Tribeflame, and Pixowl as we continue our expansion.

I am particularly proud about welcoming some terrific talent into our ranks, including Holly Liu (co-founder of mobile gaming unicorn Kabam), Wilhelm Taht (formerly of Rovio, another mobile gaming unicorn), Ed Fries (co-founder of Microsoft Game Studios and the Xbox project), and Gen Kanai (formerly at Mozilla).

As we note the progress of the tech industry in the last year or so, we remain struck by how similar the opportunities in 2019 are to those of the late 1990s, featuring revolutionary technologies beyond the grasp of the general public, but that are increasingly becoming a part of the infrastructure of the modern world.

Our ability to create engaging products, utilise world-class brands, and leverage the powerful principles of gamification are factors that position us advantageously for the task of onboarding the next billion users on to blockchains. Our results suggest that we are on the right track, with the industry pundit PocketGamer including Animoca Brands in the highly influential global "Top 50 Developers".

## **We partner with giants**

In 2018, Animoca Brands has continued punching far above its weight class, forming strategic partnerships with titans of industry such as HTC, iClick, Atari, and Axiom Zen. We were honoured to welcome new strategic investors such as Sun Hung Kai, Katherine Yip (founder of Pacific Alliance Group and co-founder and partner of Vina Capital), Moses Tsang



(founder of AP Capital and founding chairman of Goldman Sachs Asia Pacific), Sonny Vu (founder of Misfit), among others.

Our portfolio companies have gone on to partner and/or receive investments from the likes of DEEPCORE (Softbank), Horizon Ventures, Aleph Venture Capital, Mind Fund, Helix, Andreessen Horowitz, Union Square Ventures, Samsung Next, and GV (the venture arm of Alphabet).

### **Managing growth**

The Company's transactions in the first part of 2019 have continued to extend our growth trend, including the blossoming of the iClick partnership, which produced a contract with Vigame worth \$12.6 million over one year; a partnership with Formula 1<sup>®</sup>, resulting in the world's most prominent motorsport brand committing to blockchain gaming; and a collaboration with Talenthouse, whose many brand clients include Disney, Google, Amazon, Nike, and McDonald's, opening up new avenues of growth in both the digital advertising space as well as blockchain and non-fungible tokens.

The rapid expansion of Animoca Brands in 2017 and 2018 resulted in new subsidiaries and operation centres in Canada, Argentina, and Finland, as well as new products, services, subsidiaries, and investments. Our theme for 2018 was growth and market establishment; in 2019 we intend to continue expanding, but - with the assistance of the world-class senior talent that we brought on board during 2018 - we will also focus on consolidating and managing the incredible growth the company has already experienced.

Animoca Brands has never been in a stronger position than it is today. This would not be possible without the unwavering support of our customers, shareholders, and the hard-working and visionary staff that we are fortunate to have; we thank all of you for your passion, dedication, trust, and commitment to quality.



Yat Siu  
Chairman and co-founder



# CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders,

2018 was a transformational year for Animoca Brands, and I'm pleased to report record revenues, cash flow, and share price appreciation during the year. In the lead up to 2018, we made some tough decisions to dramatically cut costs and double down on our core game business, and those decisions have yielded results, enabling us to continue investing in both the core business and new, complementary technologies.



In particular, the performance of *Crazy Defense Heroes* (the sequel to *Crazy Kings*), developed and maintained by Animoca Brands' Finnish subsidiary, TicBits, got the year off to a strong start, delivering over \$400,000 in revenues in its first 14 days and going on to total \$1.26 million in revenues in its first month. While the *Crazy Kings* franchise continued to lead our core gaming business in 2018, we cemented the acquisition of Tribeflame and Fuel Powered. Tribeflame brought with it a lauded Finnish development team that increased the scale and depth of the development resources of TicBits. Fuel Powered expanded our geographic footprint to North America and brought with it relationships with their key clients Sega and Axiom Zen (Dapper Labs), the latter being the creators of *CryptoKitties*, the world's most successful blockchain game.

The Company has been cementing its early lead in the burgeoning blockchain game industry. We believe that entertainment products, and games in particular, have the potential to stimulate the global consumer demand for blockchain technology and that blockchain can and will revolutionise gaming. As such, we formed partnerships with a host of leading blockchain technology companies such as Decentraland, OpenST, and Helix as well as traditional game companies such as Atari to develop blockchain games.

The Company also successfully spun out its nascent AI health and fitness business OliveX, which has gone from strength to strength, first partnering with leading blockchain company Lympo to integrate their tokens in OliveX's fitness apps, and then receiving a \$770,000 grant from the Hong Kong Government to create an AI-driven personal training app to teach and promote baduanjin qigong, a traditional Chinese form of exercise. OliveX is a graduate of the Zeroth startup accelerator, which Animoca Brands acquired in September of 2018. Zeroth is the leading AI accelerator in Asia and a strategic partner of Sun Hung Kai, which is also a shareholder of the Company.

In August 2018, the Company announced the acquisition of Pixowl, Inc., a leading developer of mobile world-builder games that leverage brands such as Garfield, Snoopy, and



Goosebumps. Pixowl is the developer of *The Sandbox*, one of the largest mobile games focused on user-generated content. The forthcoming blockchain version of *The Sandbox* has been identified by leading industry media outlet BlockchainGamer.biz as one of the “most anticipated Blockchain games of 2019.”

In December, the Company signed a partnership with iClick (NASDAQ: ICLK) that secures access to iClick’s vast consumer reach in China (iClick has 780 million user profiles and is the largest independent advertising content provider to WeChat and Alibaba). The Company announced in December that this relationship would lead to an expected A\$11 million in incremental revenues in 2019, which came to fruition when the Company announced, post year-end on 8 March 2019, a \$12.6m contract with Vigame to advertise on iClick’s platform.

As I look towards the rest of 2019, I am both pleased with being able to report the strongest annual financial results in our history and excited because I believe we are strategically well-positioned to exploit the next evolution of the mobile game industry. The partnerships that we have forged in blockchain gaming, both with blockchain technology companies and with so-called traditional game companies, give us a strong pipeline of opportunities to capitalise on our early entry into this burgeoning market. As the potential of true ownership of in-game digital content becomes a reality thanks to the blockchain technology of non-fungible tokens (NFTs), we are poised to bring together our experience in games, our market-leading portfolio of licensed brand partnerships, and our new stable of blockchain and AI relationships to make the most of this exciting new future of gaming.



Robby Yung  
Chief Executive Officer



# CORPORATE INFORMATION

ABN 29 122 921 813

## Directors

Mr Yat Siu (Chairman)

Mr Christopher Paul Whiteman, appointed 25 June 2018

Ms Holly Liu, appointed 26 June 2018

Mr David Brickler

Mr David Kim, resigned 27 September 2018

Dr Nigel Finch, resigned 25 June 2018



## Company Secretary

Ms Alyn Tai, resigned 19 December 2018

Mr Julian Rockett, appointed 19 December 2018

## Registered office

Level 7, 333 Collins Street, Melbourne, VIC, Australia 3000 until 19 December 2018

Level 12, 225 George Street, Sydney NSW 2000 from 19 December 2018

## Share Register

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770 Canning Highway

Applecross WA 6153

Phone: +61 8 9315 2333

Animoca Brands 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, the 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 Hennessy Road

Wan Chai, Hong Kong

**Website:** [www.animocabrands.com](http://www.animocabrands.com)

## DIRECTOR'S REPORT

The directors present their report on the consolidated entity consisting of Animoca Brands Limited and the entities it controlled at the end of, or during, the year ended 31 December 2018. Throughout the report, the consolidated entity is referred to as the Group.



### 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 Yat Siu, appointed 27 September 2018***

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 Kim (BA (Hons)), resigned 27 September 2018***

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, 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.



**Non-Executive Directors:**

***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 Bapcare - 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 Christopher Paul Whiteman, appointed 25 June 2018***

Mr Whiteman is Corporate and Commercial Adviser with experience across multiple sectors including energy, resources and wealth management. Mr Whiteman has specific expertise in commercial negotiations, equity capital markets and deal structuring, investor and public relations, and strategic planning, gained through assignments with both public and private companies in Australia, the United Kingdom, and China. At leading independent corporate advisory firm Taylor Collison, Mr Whiteman originated and managed investment opportunities for an extensive client network, including inbound investment from Asia. Within the corporate landscape, Mr Whiteman has worked in senior roles with a number of Australia's leading energy companies, including Santos Limited and TXU Australia, and international companies Royal Dutch Shell and Credit Suisse First Boston. He holds a Bachelor's Degree in Economics from the University of Adelaide and a Graduate Diploma in Applied Finance and Investment from FINSIA.

***Ms Holly Liu, appointed 26 June 2018***

Ms Liu was named one of "10 Most Powerful Women in Gaming" by Fortune, and one of "12 Women in Gaming to Watch - Entrepreneurs' Edition" by Forbes. She has significant industry experience. In 2016, she co-founded Kabam, a venture-backed mobile gaming company, where she led the design of the award-winning *Kingdoms of Camelot* franchise, which grossed over US\$250m in just four years. Other successful titles by Kabam include *The Hobbit: Kingdoms of Middle-Earth* and *Marvel Contest of Champions*. At Kabam, Ms Liu was instrumental in growing annual revenue from zero to US\$40m. She was also the founding mobile designer for the game extension "Battle for the North," which made *Kingdoms of Camelot* the highest-grossing app for iPhone and iPad in 2012. The majority of Kabam's assets were acquired by Netmarble, South Korea's largest mobile gaming company. Two of Kabam's remaining studios formed Aftershock, which was subsequently acquired by FoxNext. Following her exit from Kabam and Aftershock, Ms Liu took on a role as a visiting partner at Y Combinator, an accelerator providing seed funding to nearly 2,000 startups with a combined value of over US\$80bn.

***Dr Nigel Finch (MCom, LL.M, MBA, PhD, CA, CTA, FCPA, FTIA, FAICD), resigned on 25 June 2018***

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 Alyn Tai (B.L.), resigned 19 December 2018***

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.

#### ***Mr Julian Rockett, appointed 19 December 2018***

Mr Rockett is a qualified corporate lawyer and listed company secretary. His background in law has included corporate compliance, advising on IPOs, M&A, RTOs, and capital raising for ASX listed entities. His diverse ASX-listed company secretarial experience includes supporting fintech, artificial intelligence, medical technology, logistics, equity, mining, energy, technology, and commercial property ASX-listed companies.

### **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:

	<b>Direct and Indirect interests: Number of ordinary shares held</b>
Mr Yat Siu <sup>1</sup>	62,573,561
Ms Holly Liu <sup>2</sup>	400,000
Mr David Brickler	108,000
Mr Christopher Paul Whiteman	-

1. Mr Siu holds 165,000 ordinary shares and Asyla Investments Limited and Outblaze Asia Investments Limited, companies Mr Siu is a director of, holds 62,408,561 ordinary shares.
2. The Dutra & Liu Family Trust, a trust Ms Holly is a trustee holds 400,000 ordinary shares.

### **Principal activities**

The Group's principal activities are the development, marketing, and publishing of a broad portfolio of mobile games and apps for smartphones and tablets to a global audience. 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 and frequently feature intellectual property in the form of characters from the Group's industry-leading portfolio of licensed brands. The Group monetises its games and apps

through in-app purchases and advertising offered to the consumers within the games and apps.

### **Review of operations**

Throughout the year, the Group continued to build games for iOS and Android, adding to its portfolio of freemium games. Of particular note was the launch on iOS of *Crazy Defense Heroes*, the sequel to *Crazy Kings*, a hit tower-defense game franchise developed by the Group's Finnish studio. *Crazy Defense Heroes* kicked off the financial year with a strong start following its launch on January 8th, delivering \$202,000 in revenue in its first week and, together with *Crazy Kings*, over \$2.8 million in revenues during the first quarter.

### **Group expansion**

During 2018, the Group expanded its geographic footprint, development capability, and brand portfolio through the acquisition of three studios. The Group also gained equity exposure to a portfolio of 33 artificial intelligence and machine learning startups via the acquisition of Venture Classic Limited, the holder of 100% of the management shares for Zeroth.ai, a Hong Kong-based AI startup accelerator.

Pursuant to the Sale and Purchase Agreement dated 1 February 2018, the Company completed the acquisition of 100% of the equity of Tribeflame Oy and its wholly owned subsidiary Benji Bananas Oy. Tribeflame has published more than a dozen mobile games, including the popular franchise *Benji Bananas*, which has been downloaded more than 107 million times and has 1.5 million monthly active users. Tribeflame is now co-located with the Group's subsidiary TicBits in Finland.

Pursuant to the Share Purchase Agreement dated 23 February 2018, the Company completed the acquisition of a 60% equity interest in Fuel Powered Inc. and its wholly owned subsidiary Grantoo Inc. This acquisition provides the Company with additional exposure to the lucrative artificial intelligence and blockchain gaming segments, particularly owing to Fuel Powered's close partnership with Dapper Labs, the creators of *CryptoKitties*, aligning strongly with the Company's strategy to expand and diversify its global business.

Pursuant to the Share Sale and Purchase Agreement dated 27 August 2018, the Company acquired 100% of the equity of Pixowl Inc. Pixowl is an independent mobile game company focused on branded world builder games, with a portfolio that includes *The Sandbox*, *Peanuts: Snoopy's Town Tale*, *Garfield: Survival of the Fattest*, and *Goosebumps HorrorTown*. *The Sandbox* is among the world's largest independent user-generated content platforms and gaming ecosystems, with 40 million downloads and over 1 million monthly active users. Pixowl is developing a blockchain version of *The Sandbox*, expected to launch in 2019.

Pursuant to the Earn-In Agreement dated 7 September 2018, the Company acquired a 66.7% equity interest in Venture Classic Limited and through management shares exposure to Zeroth SPC (together, known as Zeroth). Zeroth is Asia's first artificial intelligence accelerator, having accelerated over 60 startups to date.



### **OliveX**

In March 2018, the Company announced it was spinning out its fitness and AI subsidiary OliveX, retaining an 85% interest in it. OliveX is a graduate of the Zeroth acceleration programme.

In May 2018, OliveX partnered with the North Point Kai Fong Welfare Association to produce an AI-based Baduanjin qigong mobile application. This project was awarded a grant of \$775,544 by the Hong Kong Government's Innovation and Technology Fund for Better Living ("FBL"), of which \$509,201 was received during the reporting period. The app will encourage a healthier lifestyle for users, particularly the elderly and infirm, by guiding them through Baduanjin exercise routines. It will utilize machine learning and mobile device cameras to track the execution of the indicated movements and postures, providing real-time feedback and analysis of the users' performance. Gamification features will help to increase motivation and exercise adherence.

In July 2018, OliveX partnered with Lympo to collaborate and integrate Lympo tokens (LYM) in the iOS mobile exercise app *100 Squats Challenge*. Lympo is a leading blockchain company building a platform to reward users for completing fitness challenges and connect fitness enthusiasts from all over the world.

### **Brand portfolio expansion**

In 2018, the Group has added new brands to its portfolio. Thanks to partnership agreements with Coolabi Licensing Limited and Beast Quest Limited, Animoca Brands is now building a game based on the hit children's fantasy novel franchise *Beast Quest*, which has sold 18 million books. Soft-launched in January 2019, this new game leverages technology and game



play from the successful *Crazy Kings* and *Crazy Defense Heroes* mobile games, adapting them for a new audience of Beast Quest fans around the world.

The Company also partnered with the legendary gaming pioneer Atari Interactive Inc, a wholly owned subsidiary of Atari SA (XPAR:ATA, NASDAQ: PONGF) to produce and publish blockchain versions of their popular mobile games *RollerCoaster Tycoon Touch* and *Goon Squad* as well as to explore the creation of new games together.

### **Expansion of Blockchain Gaming Portfolio**

The Group kicked off 2018 by partnering with Vancouver-based Axiom Zen to publish *CryptoKitties* in Greater China. *CryptoKitties* is one of the world's first and most successful consumer products built on blockchain. The Group beta-launched *CryptoKitties* for iPhone and iPad in China and announced that internationally recognized illustrator Momo Wang, the creator of the highly popular character Tuzki, is collaborating with Axiom Zen and Animoca Brands to design limited-edition cats for *CryptoKitties*. In November 2018, the Group announced that it would participate in the Series A financing of Dapper Labs (which was spun out of Axiom Zen) alongside notable investors Venrock, GV, Samsung NEXT, Andreessen Horowitz, Union Square Ventures, and others.

The Group also entered into a partnership agreement with mobile phone giant HTC Corporation (TWSE: 2498), granting a limited, non-transferable right and license to publish, distribute, commercialise and promote *CryptoKitties* on HTC branded phones, including not only HTC's U12+ flagship mobile device but also the Exodus 1, one of the first blockchain smartphones. The Agreement fast-tracks mobile distribution of *CryptoKitties* in Greater China and enables global joint promotional and development opportunities with HTC for its current generation of products as well as the upcoming products.

*100 Squats Challenge*, developed under the Company's OliveX subsidiary, is an iOS mobile app powered by machine learning that challenges users to perform squats and tracks their performance using the device camera. The Group partnered with Lympo to integrate Lympo tokens (LYM) in the app, and renamed it to *Lympo Squat*. The app rewards users for completing fitness challenges and connects fitness enthusiasts from around the world. In August 2018, the Company announced that Lympo also invested in the Group.

In September, the Group entered into a strategic partnership with OpenST Limited to develop blockchain games utilising and integrating OST in the Group's existing and future products, including *WalletPet*, the Group's gamified wallet. OST is a public blockchain platform designed for the needs of businesses with millions of users. This partnership was followed by a series of announcements in October whereby the Group partnered with leading blockchain companies including Decentraland, Datum, LikeCoin, Musicoin, Harmony, and I-House to develop blockchain games, while the venture capital company Mind Fund and the accelerator Helix agreed to invest in the Company and in the upcoming token sale of the blockchain version of *The Sandbox*, respectively.

## **Expansion of Marketing Reach in China**

In December 2018, the Group announced its partnership with China's largest independent online marketing platform, iClick Interactive Asia Limited (NASDAQ: ICLK). As a strategic reseller of iClick's online marketing services, the Group provides various services to iClick and its partners and clients, assisting them in expanding into the international video game market, providing expertise in mobile gaming, blockchain, AI and international markets.

The Group continues to seek additional business opportunities to leverage the partnership with iClick. The partnership brings multiple opportunities including access to 98% of Internet users in the Chinese market, an entry point to digital media resources such as ByteDance, Baidu, and Tencent, and access to the inventory of Tencent's WeChat messaging platform.

Subsequent to the end of the financial year, the Company announced that it had secured a service cooperation agreement with Vigame Network Co. Limited to resell to Vigame the social, media, and games advertising inventory of iClick for a total annual revenue of approximately \$12.6 million (RMB 60 million).

## **Review of financial results and position**

Revenue from operating activities reached a record \$12.6m during 2018 for the Company, up 94% year-on-year, chiefly driven by the success of games with wholly owned IP such as *Crazy Kings*, *Crazy Defense Heroes*, and *The Sandbox* as well as games with licensed IP like Thomas & Friends™ and He-Man and the Masters of the Universe™. In addition, the sale of a back catalogue of the Company's games to iCandy Interactive Limited resulted in a one-off gain of \$2.58m during the period. The group reported a loss after income tax of \$3,109,137, which was down 61% from the same period last year.

Employee benefits expenses grew materially during the period by \$2.17m, of which \$1.32m were provisions for milestone payments to the founders of TicBits in connection with the final tranche of acquisition consideration agreed upon in the Share Purchase Agreement dated July 2016. Excluding this one-off provision, employee benefits expenses grew 35.5% year on year. Operating expenses for the period also included \$1.39m in losses on digital cryptocurrency assets that were unrealised and form part of long-term strategic alliances of the Company with certain blockchain partners. Overall, the total comprehensive loss for the year was \$2.9m, down 62% year-on-year.

The Company ended the year with \$7.66m in cash and cash equivalents, up 1014% from the prior year. This amount does not include the \$1,592,723 in cash held in Zeroth SPC (see note 1.5(t) to the financial statements). Prior to the publication of this report, the management of the Company was of the view that Zeroth SPC was a consolidated subsidiary of the Company. While Venture Classic, the investment manager of Zeroth, is a subsidiary of the

Group, Management has determined that Zeroth SPC is not consolidated on the basis that control of the Board of Directors of Zeroth and the voting shares of Zeroth are insufficient measures to warrant accounting consolidation, since the Group does not have a significant exposure to variable returns from its direct interest. Receipts from customers grew 114% year on year to \$13.6m, while the net cash used in operating activities declined 57% from \$7.7m to \$3.3m. This amount does not consolidate the results of Zeroth SPC, which management had previously deemed to be a consolidated subsidiary.

## **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 2018.

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

### ***Capital Raising***

In January, the Group raised \$3.25 million from sophisticated investors via a placement of approximately 54.2 million new shares at A\$0.06 per share, being a 23% discount on 5-day VWAP. Shares were allotted to investors in February.

In July 2018, the Group completed a heavily oversubscribed placement to new and existing sophisticated and professional investors, raising a total of \$4.5 million through a placement of 90 million fully paid ordinary shares at an issue price of \$0.05 per share, with a one-for-two attaching loyalty option, exercisable at \$0.07, conditional on placement shares being held for 90 days.

In August 2018, the Group secured \$1.5 million in investments from Sun Hung Kai & Co Limited and blockchain fitness company Latgala OU (“Lymbo”), which is a current strategic partner. The placement was conducted at \$0.07 per share, which represents a 10% premium on the 30-day VWAP. The Group will utilise the capital raised to research and develop novel products based on blockchain and artificial intelligence.

In November 2018, the Group entered into a series of Term Sheets for Mutual Investment with five leading technology companies to advance the introduction of blockchain products to the consumer mass market, stimulate adoption and innovation of blockchain technology, and enhance the utility and value of certain existing cryptographic tokens. As part of each Agreement, the Group raised \$1.4 million in mutual investments with the six partners, whereby the Group agreed to invest its shares in exchange for the equivalent value in the form of each partner’s tokens: Datum, LikeCoin, Musicoin, OST, and MANA.

In December 2018, the Group raised a total of \$5.8 million via a placement at an issue price of \$0.098 per share, with allotment completed in January 2019.

### ***Sale of games***

In October 2017, the Company entered a binding term sheet to sell its mobile casual games portfolio to iCandy Interactive Ltd (ASX: ICI), subject to iCandy shareholder approval. Pursuant to the term sheet, Animoca Brands sold 318 of its existing 524 mobile game apps to iCandy. The sale eliminated the need for the Company to continue investing in the maintenance of aging titles and allowed the Company to focus on the remaining businesses of current and future titles.

The total sale consideration includes up to \$8.0 million in upfront and deferred consideration with additional earn-out payments. The upfront consideration comprised a \$1.0 million cash payment and \$4.0 million payable through the issue of 25 million iCandy shares. At the date of this report, 25 million fully paid ordinary shares and \$320,000 cash were received, with the remaining balance mutually agreed between the parties to be deferred pending the completion of certain operational handover matters, as per the announcement made by iCandy on 8 March 2019. In June 2018, the Group and iCandy agreed to an additional maintenance and migration fee of \$500,000 payable in cash or shares. The deferred payments of up to a total \$3.0 million may be payable in iCandy shares in 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 five years after the close of the sale.

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

The following are key events subsequent to the reporting date:

- Collaboration with WAX to accelerate virtual item and crypto collectible trading on blockchain through non-fungible tokens (NFTs). The Group will introduce user-generated items for *The Sandbox* on to the WAX platform. The Group and WAX are conducting an exchange of value in the amount of US\$250,000, whereby the Group will exchange ordinary shares of its stock for the equivalent value in WAX tokens.
- *Crazy Defense Heroes* (CDH) for Android was made available worldwide on Google Play as an Early Access title. The Company expects the *Crazy Kings* franchise adoption and revenue to increase with the availability of CDH on Android devices. Additional distribution agreements, marquee branding opportunities, and re-skin initiatives to leverage successful game metrics and provide additional revenue opportunities are being progressed.
- OliveX, a subsidiary of the Company, secured US\$1 million in investment from strategic investors. Funds raised will be used to support OliveX's body motion AI initiatives and progression into other segments of the wellness sector.



- The Company's subsidiary Pixowl launched a mobile game based on the Paramount Pictures animated film "Wonder Park".
- Japanese AI-based web marketing company Silver Egg agreed to invest US\$500,000 into the Zeroth SPC, the segregated portfolios of Zeroth that fund acceleration programmes for technology startups. Silver Egg will provide new technology and commercial services to Zeroth and accelerator companies in Japan, and assist the Company's market penetration in the region.
- In March 2019, the Company secured a global licencing agreement with Formula 1® (or F1®) to develop and publish *F1® Delta Time*, a blockchain game based on non-fungible tokens (NFTs). The first phase of the game is expected to be released in May 2019, with additional phases to follow. Partnership with F1 provides the Company with a strong foundation for growth and considerable global reach. This deal is part of the Company's vision to onboard the next billion people onto blockchain and further demonstrates the standing of the Company as a global leader in blockchain gaming.
- The Company has entered into a strategic investment and partnership with Talenthouse, a platform that offers global brand clients the services of its community of over 4 million creators and influencer marketers. The Company will form a joint venture to provide Talenthouse services to gaming and media clients worldwide and develop commercial opportunities for Talenthouse's services in Asian markets. The Company will make an investment in Talenthouse of US\$2m for preferred stock in Talenthouse, payable half in cash and half in newly issued shares of the Company, subject to shareholder approval.

### **Likely developments and expected results of operations**

Likely developments in the operations of the group that were not finalised at the date of this report included the launch of the blockchain version of *The Sandbox* by the Company's Pixowl subsidiary, as well as the continued acquisition of licensed rights to intellectual property for use in blockchain games, specifically intended for the creation of blockchain in-game content items granting to consumer true digital ownership of the items. The Group will also continue to evaluate other game development companies for strategic suitability for potential acquisition.

### **Investments for future performance**

The Group will continue to identify possible strategic acquisitions and investments that will help in creating higher value and improving the overall performance of the business. These investments could include game development studios with unique assets or skill sets, or companies with technologies or services that are complementary to the product offerings of

the Group and that could enhance the marketability and profit potential of the Group's products and services.

The Group intends to launch more games in the future, including games that incorporate blockchain and AI technologies; this is in alignment with the Group's plans to be a leader in blockchain gaming.

### Environmental regulation and performance

The Group's operations are not subject to any significant environmental regulations in Australia, Hong Kong, or any other country in which it has a presence.

### Share options

At the end of December 2018, the following options to acquire ordinary shares in the Company were on issue:

Issue Date	Expiry Date	Exercise Price	Balance at 1 Jan 2018	Net Issued/(exercised or expired) during year	Balance at 31 Dec 2018
24/12/2014 <sup>1</sup>	23/01/2018	\$0.20	2,366,025	(2,366,025)	-
22/6/2018 <sup>2</sup>	21/6/2021	\$0.09	-	5,000,000	5,000,000
6/12/2018 <sup>3</sup>	5/12/2019	\$0.09	-	14,285,715	14,285,715
6/12/2018 <sup>4</sup>	5/6/2019	\$0.09	-	7,142,858	7,142,858
7/12/2018 <sup>5</sup>	7/9/2020	\$0.07	-	33,823,543	33,823,543
		<b>Total</b>	<b>2,366,025</b>	<b>57,866,091</b>	<b>60,252,116</b>

1. 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.

2. A total of 5,000,000 unlisted options were issued to the brokers of the Group in connection with January's capital raise. At the date of issue the fair value of these options was \$122,207 and the cost has been reflected as a cost of capital raised.

3. Options were issued to Sun Hung Kai & Co Limited in accordance with the capital raise completed in August.

4. Options were issued to Latgala OU ("Lympo") and strategic investors in accordance with the Capital Raise completed in August.

5. The options were issued in accordance with the July placement with a one-for-two attaching loyalty option, exercisable at \$0.07, conditional on Placement shares being held for 90 days.

## 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 \$16,045.

## Indemnification of auditors

To the extent permitted by 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 Yat Siu	8	8	-	-	-	-
Mr David Brickler	6	8	1	1	-	-
Mr Christopher Paul Whiteman	4	5	-	-	-	-
Ms Holly Liu	5	5	-	-	-	-
Mr David Kim	5	7	-	1	-	-
Mr Nigel Finch	3	3	1	1	-	-

The Company has formed the following committees:

### *Audit and risk committee*

Mr Christopher Paul Whiteman (Chairman), *appointed 25 June 2018*

Mr David Brickler

Mr Yat Siu, *appointed 27 September 2018*

Mr David Kim, *resigned 27 September 2018*

Mr Nigel Finch, *resigned 25 June 2018*

*Remuneration and nomination committee:*

Mr David Brickler (Chairman)

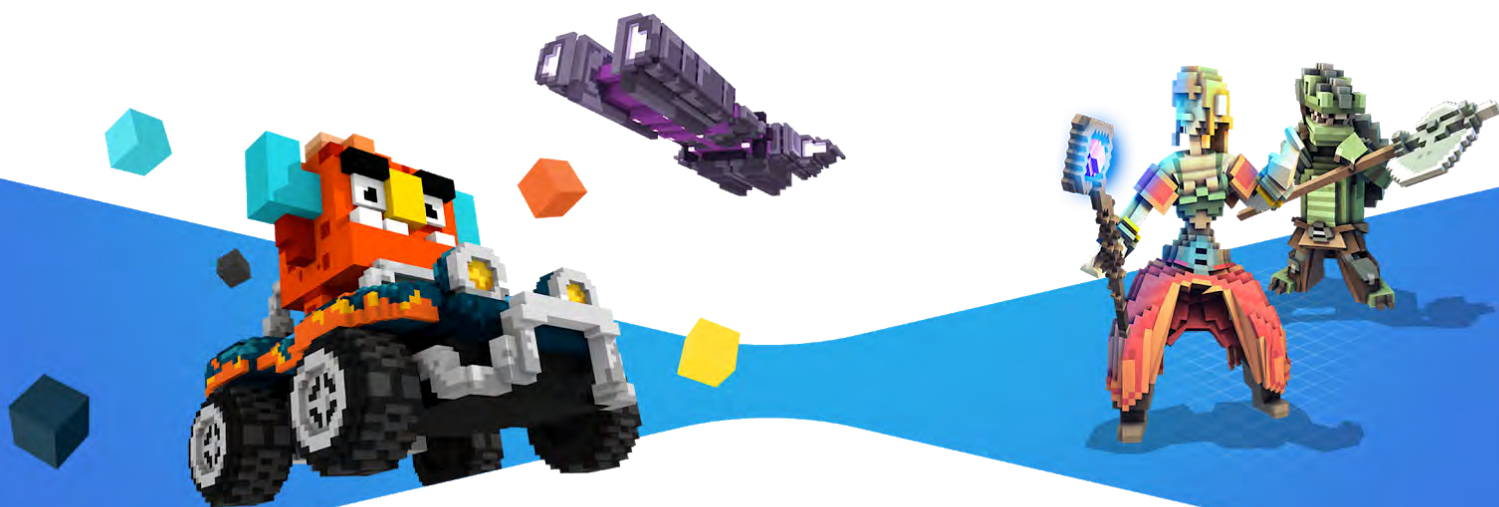
Mr Christopher Paul Whiteman, *appointed 25 June 2018*

Mr Yat Siu, *appointed 27 September 2018*

Mr David Kim, *resigned 27 September 2018*

Mr Nigel Finch, *resigned 25 June 2018*

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

In December 2018, the directors requested the audit partner to extend the auditor rotation requirements from 5 to 7 years to reflect significant changes which have occurred within the

business and to retain existing knowledge during a period of management and board transition. ASIC was notified of this intention in December 2018 in accordance with the requirements for auditor rotation extensions.

### **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 2018 as required under section 307C of the Corporations Act 2001 has been received and can be found on page 32.

### **Remuneration Report (audited)**

This Remuneration Report for the year ended 31 December 2018 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.

#### **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), <i>resigned 27 September 2018</i>
Mr Yat Siu	(Chairman), <i>appointed 27 September 2018</i>
Mr David Brickler	(Non-Executive Director)
Mr Christopher Whiteman	(Non-Executive Director), <i>appointed 25 June 2018</i>
Ms Holly Liu	(Non-Executive Director), <i>appointed 26 June 2018</i>
Dr Nigel Finch	(Non-Executive Director), <i>resigned 25 June 2018</i>

#### **ii. Other KMPs**

Mr Robert Yung	(Chief Executive Officer)
Mr Arnaldo Concepcion	(Chief Operating Officer), <i>appointed 1 September 2018</i>
Mr Maxime Barbot	(Director of Finance), <i>resigned 31 May 2018</i>
Ms Alyn Tai	(Company Secretary), <i>resigned 19 December 2018</i>
Mr Julian Rockett	(Company Secretary), <i>appointed 19 December 2018</i>



## **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 consultants were utilised.

## **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.

Mr Robert Yung continues to lead the Company in his capacity as Chief Executive Officer and was 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. Either party may terminate the contract on three months' notice to the other or provision of salary in lieu of notice.

Mr Arnaldo Concepcion was appointed as Chief Operating Officer and was subject to an Employment 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 September 2018. The agreement provides for a monthly salary of HK\$90,000. Animoca Brands HK will reimburse reasonable and necessary travel and other expenses incurred by Mr Concepcion. He remains part of the key management personnel. Either party may terminate the contract on 2 months' notice to the other or provision of salary in lieu of

notice. Animoca Brands HK will reimburse reasonable and necessary travel and other expenses incurred by Mr Concepcion.

The Company's Director of Finance, Mr Maxime Barbot, was subject to an employment agreement with Animoca Brands HK effective from 25 July 2016. The agreement provided for an annual salary of HK\$660,000 and entitled Mr Barbot to participate in the Company's rental reimbursement, insurance and medical benefits programs. Mr Barbot was also entitled to a yearly discretionary bonus. Animoca Brands HK will reimburse reasonable and necessary travel and other expenses incurred by Mr Barbot. Mr Barbot resigned 31 May 2018.

## Structure

The remuneration of Non-Executive Directors consists of directors' fees only for all directors except Nigel Finch who also had a separate consultancy agreement with the company up to his resignation.



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

The remunerations of KMPs for the year ended 31 December 2018 and 31 December 2017 are outlined below:

KMP	Financial Year	Short term benefits \$	Long term benefits \$	Share based payment <sup>10</sup> \$	Post employment / Super-annuation \$	Total \$
Mr Siu <sup>8</sup>	2018	-	-	-	-	-
	2017	-	-	-	-	-
Mr Brickler	2018	13,575	-	-	1,425	15,000
	2017	17,580	-	-	1,670	19,250
Mr Whiteman	2018	25,833	-	-	-	25,833
	2017	-	-	-	-	-
Ms Liu	2018	25,694	-	-	-	25,694
	2017	-	-	-	-	-
Mr Kim <sup>7,8</sup>	2018	-	-	-	-	-
	2017	-	-	-	-	-
Mr Hu <sup>5</sup>	2018	-	-	-	-	-
	2017	12,904	-	-	-	12,904
Dr Finch <sup>1</sup>	2018	25,000	-	45,100	-	70,100
	2017	50,000	-	16,000	-	66,000
Mr Yung	2018	123,431	-	-	-	123,431
	2017	130,896	-	-	2,830	133,726
Mr Barbot <sup>2</sup>	2018	47,144	-	-	1,286	48,430
	2017	100,377	-	-	2,830	103,207

Mr Concepcion <sup>9</sup>	2018	61,715	-	-	1,029	62,744
	2017	-	-	-	-	-
Ms McGregor <sup>3</sup>	2018	-	-	-	-	-
	2017	21,489	-	-	-	21,489
Ms Tai <sup>4</sup>	2018	58,065	-	-	-	58,065
	2017	48,773	-	-	-	48,773
Mr Rockett <sup>6</sup>	2018	1,935	-	-	-	1,935
	2017	-	-	-	-	-
<b>FY 18</b>		<b>382,392</b>	-	<b>45,100</b>	<b>3,740</b>	<b>431,232</b>
<b>FY 17</b>		<b>382,019</b>	-	<b>16,000</b>	<b>7,330</b>	<b>405,349</b>

1. Dr Finch was appointed as director effective from 28 December 2016. Dr Finch's director fees were paid to Saki Partners (Services) Pty Ltd. AU\$50,000 per annum was payable 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. Fees payable pursuant to the consultancy agreement were satisfied through the issue of shares. Dr Finch resigned as a director on 25 June 2018.
2. Mr Barbot resigned as Finance Director on 31 May 2018.
3. Ms McGregor resigned as Company Secretary on 20 March 2017
4. Ms Tai resigned as Company Secretary on 19 December 2018
5. Mr Hu resigned as a Director on 6 June 2017
6. Mr Rockett appointed as Company Secretary on 19 December 2018.
7. Mr Kim resigned as a Director on 27 September 2018.
8. For the year 2017 and 2018, David Kim (until his resignation) and Yat Siu agreed to waive their director's fees.
9. Mr Concepcion was appointed as Chief Operating Officer on 1 September 2018
10. All share based payments were for ordinary shares

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

*Option holdings of key management personnel*

<b>KMP</b>	<b>Balance 1 January 2018</b>	<b>Net change</b>	<b>Net change other</b>	<b>Balance 31 December 2018</b>
D Kim	-	-	-	-
R Yung	-	-	-	-
Y Siu <sup>1</sup>	-	3,000,000	-	3,000,000
D Brickler	-	-	-	-
H Liu	-	200,000	-	200,000
C Whiteman	-	-	-	-
J Rockett	-	-	-	-
<b>Total</b>	-	<b>3,200,000</b>	-	<b>3,200,000</b>

Chairman Mr Siu and director Ms Liu participated in an equity raising in July 2018, for 6 million and 400,000 shares, respectively, at \$0.05 per share. Shares were allotted in November after obtaining shareholders' approval at an EGM. Both Mr Siu and Ms Liu were granted a Loyalty Option for holding of the new subscribed shares for a period of at least 90 days after completion, whereby subscribers will have the right to purchase one share for each two new shares subscribed, at a price of \$0.07 per share. The Options will be exercisable at any time during the 18 month period, after which the option shall automatically expire and no longer be exercisable.

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

<b>KMP</b>	<b>Balance 1 January 2018</b>	<b>Acquisition</b>	<b>Net change other</b>	<b>Balance 31 December 2018</b>
D Kim <sup>3</sup>	785,000	-	(785,000)	-
R Yung	181,000	-	-	181,000
Y Siu <sup>1</sup>	43,368,436	19,205,125	-	62,573,561
D Brickler	108,000	-	-	108,000
H Liu <sup>2</sup>	-	400,000	-	400,000
C Whiteman	-	-	-	-
J Rockett	-	-	-	-
<b>Total</b>	<b>44,442,436</b>	<b>19,605,125</b>	<b>(785,000)</b>	<b>63,262,561</b>

1. Asyla Investment Limited, a company in which Yat Siu is a director, bought 13,205,125 shares during the Institutional and Retail offer in June 2018 and 6,000,000 shares in November 2018.

2. The Dutra & Liu Family Trust, of which Ms Holly Liu is a trustee, bought 400,000 shares in November 2018

3. David Kim resigned as a director during the period and his shareholding as at 31 December has been removed.

*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 2018, the Company has paid office service fees of \$235,787 (2017 - \$394,099) to Outblaze Limited pursuant to this agreement.

As at 31 December 2018, the following directors' fees were payable to the Company's directors:

<b>Trade Payables and Accrued Directors Fees</b>	<b>\$</b>
David Brickler	7,500
Holly Liu	25,694
Christopher Whiteman	25,833
Yat Siu	-
<b>Total</b>	<b>59,027</b>

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 Yat Siu, Chairman*

31 March 2019



## CORPORATE GOVERNANCE STATEMENT

Animoca Brands Limited and the board are committed to achieving and demonstrating the highest standards of corporate governance. Animoca Brands Limited has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council. The 2018 corporate governance statement is dated as at 31 March 2019 and reflects the corporate governance practices in place throughout the 2018 financial year. The 2018 corporate governance statement was approved by the board on 31 March 2019.



A description of the group's current corporate governance practices is set out in the group's corporate governance statement which can be viewed at the web link <https://www.animocabrands.com/corporate-governance>.



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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 2018, 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 AUDIT PTY LTD

Chartered Accountants



J.L. Humphrey  
Partner – Audit & Assurance

Adelaide, 31 March 2019

Grant Thornton Audit Pty Ltd ACN 130 913 594

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## Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

		31 December 2018	31 December 2017
	Note	\$	\$
Revenue from operating activities	6	12,769,667	6,488,559
Direct costs of revenue from operating activities		(4,018,922)	(2,937,708)
<b>Net revenue</b>		<b>8,750,745</b>	<b>3,550,851</b>
Gain on sale of mobile application games	7	2,788,704	1,096,074
Interest Income		7,415	4,513
Other Income		219,683	-
Employee benefits expenses	8	(4,550,475)	(2,382,493)
Unrealised losses on digital assets	14	(1,391,169)	-
Marketing expenses		(3,504,703)	(2,584,191)
Fair value movement on financial assets through profit or loss		747,752	-
Rental expenses		(721,333)	(716,183)
Research and Development expenses	9	(2,587,232)	(4,866,177)
Doubtful Debts expense (net)	10	(279,940)	(855,279)
Other expenses	11	(2,588,584)	(1,294,955)
<b>Loss before income tax expense</b>		<b>(3,109,137)</b>	<b>(8,047,840)</b>
Income tax benefit/(expense)	12	-	-
<b>Loss after income tax expense</b>		<b>(3,109,137)</b>	<b>(8,047,840)</b>
<b>Loss attributable to:</b>			
Owners of Animoca Brands Limited		(3,274,825)	(8,047,840)
Non-controlling interest		165,688	-
		<b>(3,109,137)</b>	<b>(8,047,840)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translation of foreign operations		650,166	(218,571)
<i>Items that will not be reclassified to profit or loss:</i>			
Changes in fair value of financial assets at fair value through OCI		(475,011)	-
<b>Total comprehensive loss for the year</b>		<b>(2,933,982)</b>	<b>(8,266,411)</b>
<b>Loss per share:</b>			
Basic Loss per share	28	0.006	0.022
Diluted loss per share	28	0.006	0.022

The accompanying notes form part of these financial statements.

## Consolidated statement of financial position

As at 31 December 2018

	Note	31 December 2018 \$	31 December 2017 \$
<b>Current assets:</b>			
Cash and cash equivalents	13	7,662,353	687,512
Digital assets	14	647,827	-
Trade and other receivables	15	4,086,216	1,608,433
Other financial assets	16	1,020,119	-
Other assets	17	775,637	600,770
<b>Total Current Assets</b>		<b>14,192,152</b>	<b>2,896,715</b>
<b>Non-Current Assets:</b>			
Other financial assets	16	3,348,714	560
Plant and equipment	18	207,871	116,970
Intangible assets	19	5,014,202	-
Goodwill	20	5,292,411	1,140,896
<b>Total Non-Current Assets</b>		<b>13,863,198</b>	<b>1,258,426</b>
<b>Total Assets</b>		<b>28,055,350</b>	<b>4,155,141</b>
<b>Current Liabilities:</b>			
Trade and other payables	21	6,344,552	1,817,122
Contract liabilities	6	1,087,115	737,885
Short-term provisions	22	176,622	200,927
Other financial liabilities	23	554,024	-
Milestone payments liability	8	1,933,296	881,821
Other liabilities		-	51,451
<b>Total Current Liabilities</b>		<b>10,095,609</b>	<b>3,689,206</b>
<b>Total Liabilities</b>		<b>10,095,609</b>	<b>3,689,206</b>
<b>Net Assets</b>		<b>17,959,741</b>	<b>465,935</b>
<b>Equity:</b>			
Issued equity	24	45,813,735	31,121,237
Other contributed equity	24	5,811,314	-
Reserves	25	(82,548)	(379,910)
Non-controlling interest		(32,543)	-
Accumulated losses		(33,550,217)	(30,275,392)
<b>Total Equity</b>		<b>17,959,741</b>	<b>465,935</b>

The accompanying notes form part of these financial statements.

## Consolidated statement of changes in equity

For the year ended 31  
December 2018

Note	Issued capital ordinary	Other contribute d equity	Financial assets reserve	Share based payments reserve	Foreign currency translation reserve	Non-Controlling interest	Accumulated losses	Total equity
<b>Balance at 1 January 2018</b>	<b>31,121,237</b>	-	-	-	<b>(379,910)</b>	-	<b>(30,275,392)</b>	<b>465,935</b>
<i>Comprehensive income</i>								
Loss for the year	-	-	-	-	-	165,688	(3,274,825)	(3,109,137)
Other comprehensive income/(expense)	-	-	(475,011)	-	650,166	-	-	175,155
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(475,011)</b>	<b>-</b>	<b>650,166</b>	<b>165,688</b>	<b>(3,274,825)</b>	<b>(2,933,982)</b>
<i>Transactions with owners, in their capacity as owners, and other transfers:</i>								
Minority interests on acquisition	-	-	-	-	-	(198,231)	-	(198,231)
Share placement and shares not yet issued	-	5,811,314	-	-	-	-	-	5,811,314
Shares issued under Institutional and retail offer	<b>24</b>	10,944,947	-	-	-	-	-	10,944,947
Shares issued for Pixowl acquisition	<b>24</b>	4,271,852	-	-	-	-	-	4,271,852
Transaction costs in issuing shares	<b>24</b>	(524,301)	-	122,207	-	-	-	(402,094)
<b>Total transactions with owners and other transfers</b>	<b>14,692,498</b>	<b>5,811,314</b>	<b>-</b>	<b>122,207</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,427,788</b>
<b>Balance at 31 December 2018</b>	<b>45,813,735</b>	<b>5,811,314</b>	<b>(475,011)</b>	<b>122,207</b>	<b>270,256</b>	<b>(32,543)</b>	<b>(33,550,217)</b>	<b>17,959,741</b>

The accompanying notes form part of these financial statements.



## Consolidated statement of changes in equity

For the year ended 31 December 2017

	Note	Issued capital ordinary	Share based payments reserve	Foreign currency translation reserve	Non-Controlli ng interest	Accumulated losses	Total equity
<b>Balance at 1 January 2017</b>		<b>25,690,743</b>	<b>248,345</b>	<b>(161,339)</b>	-	<b>(22,475,897)</b>	<b>3,301,852</b>
<i>Comprehensive income</i>							
Loss for the year		-	-	-	-	(8,047,840)	(8,047,840)
Other comprehensive income/(expense)		-	-	(218,571)	-	-	(218,571)
<b>Total comprehensive income for the year</b>		-	-	<b>(218,571)</b>	-	<b>(8,047,840)</b>	<b>(8,266,411)</b>
<i>Transactions with owners, in their capacity as owners, and other transfers:</i>							
Shares issued under Institutional and retail offer	<b>24</b>	5,208,467	-	-	-	-	5,208,467
Shares issued under placement	<b>24</b>	565,000	-	-	-	-	565,000
Transaction costs in issuing shares	<b>24</b>	(343,009)	-	-	-	-	(402,221)
Share based payments expiration without exercise		-	(248,345)	-	-	248,345	-
<b>Total transactions with owners and other transfers</b>		<b>5,430,494</b>	<b>(248,345)</b>	-	-	<b>248,345</b>	<b>5,430,494</b>
<b>Balance at 31 December 2017</b>		<b>31,121,237</b>	-	<b>(379,910)</b>	-	<b>(30,275,392)</b>	<b>465,935</b>

The accompanying notes form part of these financial statements.

# Consolidated statement of cash flows

For the year ended 31 December 2018

	Note	31 December 2018	31 December 2017
		\$	\$
<b>Cash flows from operating activities:</b>			
Receipts from customers		13,557,650	6,412,190
Interest and other items of similar nature received		7,415	4,513
Payments to suppliers and employees		(16,905,465)	(14,103,800)
<b>Net cash (used in) operating activities</b>	<b>13</b>	<b>(3,340,400)</b>	<b>(7,687,097)</b>
<b>Cash flows from investing activities:</b>			
Receipts from sales of Apps		625,000	1,554,713
Payment for the acquisition of subsidiaries net of cash acquired	4	(715,331)	-
Purchase of financial assets	5	(3,951,948)	(160,920)
Purchase of property, plant and equipment		(52,185)	(9,147)
<b>Net cash (used in) investing activities</b>		<b>(4,094,464)</b>	<b>1,384,646</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		14,704,201	5,773,497
Payment of transaction costs for issue of shares		(412,059)	(343,009)
Proceeds from the issue of SAFE (OliveX)		270,658	-
<b>Net cash provided by financing activities</b>		<b>14,562,800</b>	<b>5,430,488</b>
Net increase/(decrease) in cash and cash equivalents		7,127,936	(871,963)
Exchange rate adjustments		(153,095)	32,556
Cash at the beginning of the year		687,512	1,526,919
<b>Cash at the end of the year</b>	<b>13</b>	<b>7,662,353</b>	<b>687,512</b>

The accompanying notes form part of these financial statements.



# Notes to the consolidated financial statements

For the year ended 31 December 2018

## 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 2018 were authorized for release to the ASX in accordance with a resolution of the Directors on 31 March 2019.

### 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. Animoca Brands Corporation Limited is a for profit company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded.

The financial statements have been prepared on a historical cost basis, except for certain financial assets, digital assets and liabilities (including derivative instruments) which are measured at fair value.

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.

#### ***New and amended standards adopted by the group***

##### *(i) AASB 15 Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 January 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 January 2018 and comparatives are not restated.

The Group has concluded that the initial application of AASB 15 does not have an impact on the Group’s revenue recognition. The revenue recognition policies have been expanded to reflect the groups current operations in note 1.5(d).

##### *(ii) AASB 9 Financial Instruments*

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

For trade receivables under AASB 15 the Group applies a simplified approach of recognising lifetime expected credit losses as these items do not have a significant financing component.

When adopting AASB 9, the Group has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 January 2018.

Based on the assessment by the Group, there is no cumulative effect of the initial application of AASB 9 at 1 January 2018 in accordance with the transition requirements.

### Reconciliation of financial instruments of adoption of AASB 9

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 January 2018:

	AASB 139 classification	AASB 9 classification	AASB 139 Carrying amount \$	AASB 9 Carrying amount \$
<b>Financial assets</b>				
Trade and other receivables	Loans and Receivables	Amortised cost	1,608,433	1,608,433
Other financial assets	At fair value through profit or loss	At fair value through profit or loss	560	560
<b>Financial liabilities</b>				
Trade and other payables	Amortised cost	Amortised cost	1,817,122	1,817,122
Milestone payments liability	Amortised cost	Amortised cost	881,821	881,821

**(iii) Other amended standards adopted by the Group which do not have a material impact on the financial statements**

- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers to Investment Property, Annual Improvements 2017-2016 Cycle and other Amendments*
- AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

**1.2. 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 recognised a loss for the year of \$3,109,137 (inclusive of a one-off gain from the sale of intellectual property (games) of \$2,788,704) and generated a net cash outflow from operating activities of \$3,340,400.

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 forecasted cash expenditure and additional capital raisings. The directors have concluded that there are reasonable grounds to believe the Group is a going concern and will be able to continue to pay its debts as and when they become due and payable.

**1.3. 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.





#### **1.4. 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 2018 are outlined below:

##### **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

Based on management's assessment, the Group expects to recognise right-of-use assets of approximately \$465,000 and lease liabilities of approximately \$502,000, leading to approximately \$37,000 decrease in net asset value. The Group expects that the impact on the net profit as a result of adopting the new rules will be insignificant for the year ending 31 December 2019.

The Group will apply the standard from its mandatory adoption of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rule had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

## 1.5. 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 2018. 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 the statement of financial position based on current/non-current classification. An asset is 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 in 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 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 arises mainly from the sale of in-app virtual items, advertising, and development and licensing services.

To determine whether to recognise revenue, the Group follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognising revenue when/as performance obligation(s) are satisfied.

The total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its

statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

### ***In-app revenue***

The Group operates its online games primarily under a free-to-play model. Players can purchase online virtual items to enhance their game-playing experience. Players pay for virtual items using different platforms such as Google Play and Apple's App Store. These third party payment platforms are entitled to service fees which are withheld and deducted from the gross proceeds collected from the players, with the net amounts remitted to the Group. These service fees are referred to as channel costs. The Group recognizes revenue on a gross basis given it is the principal in these transactions. The channel costs are recorded under cost of sales in the consolidated statement of profit or loss.

Revenues from the sale of virtual items in single player games that can be downloaded and played offline are recognised at the point of sale of the virtual item. Revenues from the sale of virtual items in games that cannot be played offline are recognised ratably over the estimated useful life of paying users. At each reporting date, the unamortised portion of income received in respect of virtual items is recognised as deferred revenue.

### ***Advertising revenue***

Online advertising revenues mainly comprise revenues derived from media, social and other advertisements. The Group recognizes revenue from performance-based advertising when relevant specific performance measures (such as delivery of pay-for-click, pay-for-download, etc.) are fulfilled.

### ***Service revenues***

Service revenues is mainly comprised of development service revenues and license fees. Revenue from app development services is recognised over time as services are provided. Customers are invoiced monthly as work progresses and revenue is recognised on this basis as it corresponds with the performance completed to date. License fees are recognised over time or at a point in time depending on whether the contract gives the customer the right to use the Group's property, or a right to access the Group's property. Licenses which grant the customer a right to access property are recognised on a straight line basis over the life of the contract.

## **(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 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 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 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 the 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**

##### *Goodwill*

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (note 2).

##### *Research and development*

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 they are 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 2018 and 2017 has been recognized as an intangible asset as no expenditure incurred met the criteria for capitalization as listed above.

#### *Other intangible assets*

Other intangible assets include trademarks, developed technology and customer relationships. They are initially recognised estimated fair value of intangible assets acquired through business combinations (see Note 4).

Other intangible assets are amortised over their estimated useful lives (generally three to five years) using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

#### **(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) Investments and other financial assets**

##### *Classification*

From 1 January 2018, the group classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value (either through OCI or through profit or loss), and those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

#### *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

#### *Measurement*

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

#### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### *Impairment*

From 1 January 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### **(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) Digital assets**

Digital assets are cryptocurrencies such as Bitcoin and Ethereum (among others), which use an open-source software-based online system where transactions are recorded in a public ledger (blockchain) using its own unit of account. The Group measures digital assets at its fair value less costs to sell, with any change in the fair value being recognised in the profit and loss in the period of the change. Amounts are derecognised when the Group has transferred substantially all the risks and rewards of ownership. As a result of the various blockchain protocols, costs to sell are immaterial in the current period and no allowance is made for such costs.

Digital asset fair value measurement is a level 1 fair value as it is based on a quoted market prices in active markets for identical assets.

### **(m) 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.

**(n) 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.

**(o) 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.

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.

**(p) 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.

**(q) 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.

**(r) Comparative Figures**

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

**(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 acquiree; 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.

##### *Digital assets*

Management considers that the Group's digital assets are a commodity. As International Financial Reporting Standards do not define the term "commodity", *management* has considered the guidance of AASB 108 - Accounting Policies, *Changes in Accounting Estimates and Errors* that allows an entity to consider the most recent pronouncements of other standard setting bodies that use a *similar conceptual framework* to *develop* accounting standards, other *accounting* literature and *accepted* industry practice to the extent that these do not conflict with the requirements of the *International Financial Reporting Standards* and the International Accounting Standards Board conceptual framework. Under United States Generally Accepted Accounting Principles (US GAAP) as set out in the Master Glossary of the Accounting Standards Codification, a commodity has been defined as "products whose units are interchangeable, are traded on an active market where customers are not readily identifiable, and are immediately marketable at quoted prices." Based on this definition and the guidance in AASB 108, management has therefore determined that digital assets are a commodity notwithstanding that cryptocurrencies lack physical substance.

The Group's activities including trading digital assets, and subsequent to initial recognition, digital asset holdings are held at fair value less costs to sell, reflecting the Group's purpose of holding. Changes in the fair value of the digital assets *are included* in the *profit* or loss for the period. The fair value of digital assets is measured using the quoted price in US dollars on Coin Market Cap ([www.coinmarketcap.com](http://www.coinmarketcap.com)) at closing Coordinated Universal Time.

*Investment fund (Zeroth SPC) managed by the Group*

Zeroth SPC is an investment fund ("Zeroth") which makes seed investments into early stage companies with a focus in artificial intelligence and machine learning. Venture Classic Limited, a non-wholly owned subsidiary of the Group, acts as the investment manager of Zeroth.

As at 31 December 2018, the Group has direct interests of approximately 12% in Zeroth through investment in non-voting participating shares. This investment is carried a fair value of \$531,312 (US\$375,000) in financial assets.

Management has exercised its critical judgement when determining whether the Group has control over Zeroth by considering the following:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreement(s); and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

While Venture Classic, the investment manager of Zeroth, is a subsidiary of the Group, Management has determined that Zeroth SPC is not consolidated on the basis that control of the Board of Directors of Zeroth and the voting shares of Zeroth are insufficient measures to warrant accounting consolidation, since the Group does not have a significant exposure to variable returns from its direct interest. The level of aggregate economic benefits of the Group in Zeroth may subsequently vary depending on the market conditions and capital contributions by the Group and third-party investors. Therefore, management will assess the Group's control over Zeroth on an ongoing basis. Should the Group's level of aggregate economic benefits in Zeroth be so substantial and would result in a significant exposure to variable returns, the Group would have control over Zeroth.

## 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 three (3) operating segments: Europe, the Americas, and Asia. In identifying its operating segments, management generally follows the Group's office territories. Three operating segments develop and market mobile app games.

The Europe segment consists of TicBits Oy and Tribeflame Oy and its wholly owned subsidiary, Benji Bananas Oy's activities. TicBits and Tribeflame were acquired on 4 July 2016 and 1 February 2018, respectively. TicBits and Tribeflame have their own management team, and they engage in business activities from which they may earn revenue and incur expenses. Their operating results are reviewed by the Company management to make decisions, and their discrete financial information is available.

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

The Americas segment consists of the activities of Pixowl and Fuel Powered, two of the Company's subsidiaries acquired during the year.

Each of these operating segments is managed separately, as each segment 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 financial assets 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:

	<b>Europe 31 December 2018</b>	<b>Asia 31 December 2018</b>	<b>Americas 31 December 2018</b>	<b>Total 31 December 2018</b>
<b>Revenue:</b>				
From external customers	73,924	11,560,148	1,135,595	12,769,667
From other segments	1,940,336	-	668,583	2,608,919
<b>Segment revenues</b>	<b>2,014,260</b>	<b>11,560,148</b>	<b>1,804,178</b>	<b>15,378,586</b>
<b>Segment operating profit/(loss)</b>	<b>512,845</b>	<b>(2,876,320)</b>	<b>(480,566)</b>	<b>(2,844,041)</b>
<b>Segment assets</b>	<b>2,799,997</b>	<b>24,574,766</b>	<b>680,587</b>	<b>28,055,350</b>
<b>Segment liabilities</b>	<b>(374,126)</b>	<b>(9,323,167)</b>	<b>(398,316)</b>	<b>(10,095,609)</b>
	<b>Europe 31 December 2017</b>	<b>Asia 31 December 2017</b>	<b>Americas 31 December 2017</b>	<b>Total 31 December 2017</b>
<b>Revenue:</b>				
From external customers	835,664	5,652,895	-	6,488,559
From other segments	930,387	-	-	930,387
<b>Segment revenues</b>	<b>1,766,051</b>	<b>5,652,895</b>	<b>-</b>	<b>7,418,946</b>
<b>Segment operating profit/(loss)</b>	<b>718,095</b>	<b>(8,765,934)</b>	<b>-</b>	<b>(8,047,840)</b>
<b>Segment assets</b>	<b>168,698</b>	<b>3,986,443</b>	<b>-</b>	<b>4,155,141</b>
<b>Segment liabilities</b>	<b>(123,724)</b>	<b>(3,565,482)</b>	<b>-</b>	<b>(3,689,206)</b>

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

	<b>31 December 2018</b>	<b>31 December 2017</b>
<b>Revenue:</b>		
Total reportable segment revenues	15,378,586	7,418,946
From other segments	(2,608,919)	(930,387)
<b>Gross revenues</b>	<b>12,769,667</b>	<b>6,488,559</b>
<b>Profit/(loss):</b>		
Total reportable segment operating loss	(2,844,041)	(7,641,041)
Other expenses not allocated	(265,096)	(406,799)
<b>Group operating loss</b>	<b>(3,109,137)</b>	<b>(8,047,840)</b>
Finance costs	-	-
<b>Group profit before tax</b>	<b>(3,109,137)</b>	<b>(8,047,840)</b>

### Customers

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

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

### 3. Information about Subsidiaries

The consolidated financial statements of Animoca Brands Limited include:

Name	Principal Activities	Country of incorporation	% Equity interest	
			31 December 2018	31 December 2017
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%	100%
Tribeflame Oy	Mobile app game maker	Finland	100%	-
Benji Bananas Oy	Mobile app game maker	Finland	100%	-
Fuel Powered Inc	Mobile app game maker	USA	60%	-
Grantoo Inc	Mobile app game maker	USA	60%	-
OliveX Limited	Mobile app game maker	British Virgin Islands	100%	-
OliveX (HK) Limited	Mobile app game maker	Hong Kong	78%	-



Pixowl Inc	Mobile app game maker	USA	100%	
Pixowl SA	Mobile app game maker	Argentina	100%	
Moonrealm Entertainment Limited	Mobile app game maker	Hong Kong	51%	-
Venture Classic Limited	Accelerator	Hong Kong	66.7%	-
Zeroth Holdings II Limited	Accelerator	Hong Kong	100%	-

#### *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 combinations**

### **4.1 Tribeflame Oy and Benji Bananas Oy**

Pursuant to a Sale and Purchase Agreement (“SPA”) dated 1 February 2018, the Group completed the acquisition of the entire 100% equity interest in Tribeflame Oy and its wholly owned subsidiary, Benji Bananas Oy, from Mr Torulf Berndt Jernstrom and Mr Marcus Sakari Alanen (collectively, the “Founders”) and Lansu-Suomen Paaomarahasto Oy and Petteri Laitala (collectively, the “Investors”) during the period.

#### **Consideration transferred**

The acquisition of Tribeflame was/is to be satisfied by:

- A cash payment of \$173,998 (EURO 100,000) to Investors, which was paid during the year;
- A deferred cash payment of \$175,973 (EURO 100,001) to Investors, which is payable in tranches based on a future 50% revenue share from the existing app portfolios; and
- An Earn Out Payment of up to \$263,956 (EURO 150,000) in cash or Company ordinary shares payable to the Founders depending on certain key performance measures, which represents payment for post-combination remuneration services provided by the Founders.

During the period, no Earn Out Payment amounts were paid to the Founders, as the required performance conditions were not met.

At the date of acquisition, the identifiable net liabilities were \$333,935 (see below). The goodwill is attributable to the workforce of the acquired business and expected synergies. It will not be deductible for tax purposes.

The acquired business contributed revenues of \$96,302 and net loss of \$426,571 to the group for the period from 1 February to 31 December 2018. If the acquisition had occurred on 1 January 2018, consolidated pro-forma revenue and loss for the year ended 31 December 2018 would have been \$104,120 and \$1,141,946 respectively.

#### **4.2 Fuel Powered Inc and Grantoo Inc**

Pursuant to the Share Purchase Agreement dated 23 February 2018, the Group completed the acquisition of 60% equity interest in Fuel Powered Inc and its wholly owned subsidiary, Grantoo Inc, from Lion Games Limited ("Seller") for a consideration of \$827,298 in cash, which was paid during the year.

At the date of the acquisition the identifiable net assets were \$218,161 (see below). The goodwill is attributable to the workforce of the acquired business and expected synergies. It will not be deductible for tax purposes.

Subsequent to the acquisition, trading was absorbed by Animoca Brands Limited.

#### **4.3 Venture Classic Limited**

Pursuant to the Earn-In Agreement dated 7 September 2018, the Group completed the acquisition of 66.7% equity interest in Venture Classic Limited, which manages Zeroth SPC (Note 1(t)). The acquisition was/is to be satisfied by:

- The Company shall provide not exceeding \$1,000,000 funding for Venture Classic's operating expenses for the two years following the closing date.
- A separate company, Zeroth Holdings II Limited was established to fund 20 startup Simple Agreement for Future Equity (SAFE), not exceeding \$1,416,800 (US\$1,000,000).
- The Company, via a separate agreement, agreed to invest up to \$1,062,600 (US\$750,000) as a limited partner in Zeroth SPC. The Company has the right to underwrite additional investments into Zeroth portfolio companies up to \$2,833,600 (US\$2,000,000)

At the date of the acquisition the identifiable net liabilities were \$470,411 (see below). The goodwill is attributable to the workforce of the acquired business. It will not be deductible for tax purposes.



**Recognized amounts of identifiable net assets:**

Plant and equipment	3,700	62,400	-	33,439	99,539
Intangible assets	269,811	103,810	-	4,949,750	5,323,371
<b>Total non-current assets</b>	<b>273,511</b>	<b>166,210</b>	<b>-</b>	<b>4,983,189</b>	<b>5,422,910</b>
Trade and other receivables	61,829	10,047	-	1,171,889	1,243,765
Cash and cash equivalents	84,682	51,733	1,562	148,110	286,087
<b>Total current assets</b>	<b>146,511</b>	<b>61,780</b>	<b>1,562</b>	<b>1,319,999</b>	<b>1,529,852</b>
<b>Total assets</b>	<b>420,022</b>	<b>227,990</b>	<b>1,562</b>	<b>6,303,188</b>	<b>6,952,762</b>
Trade and other payables	(753,957)	(9,829)	(471,973)	(1,166,781)	(2,402,540)
Short term borrowings	-	-	-	(283,366)	(283,366)
<b>Total non-current liabilities</b>	<b>(753,957)</b>	<b>(9,829)</b>	<b>(471,973)</b>	<b>(1,450,147)</b>	<b>(2,685,906)</b>
Identifiable net assets/ (liabilities)	(333,935)	218,161	(470,411)	4,853,041	4,266,856
<b>Goodwill on acquisition</b>	<b>683,906</b>	<b>696,401</b>	<b>313,886</b>	<b>2,337,381</b>	<b>4,031,574</b>
Consideration transferred settled in cash	(173,998)	(827,298)	(122)	-	(1,001,418)
Cash and cash equivalents acquired	84,682	51,733	1,562	148,110	286,087
<b>Net cash (outflow) on acquisition</b>	<b>(89,316)</b>	<b>(775,565)</b>	<b>1,440</b>	<b>148,110</b>	<b>(715,331)</b>

## 5. Financial assets and financial liabilities

This note provides information about the group's financial instruments, including:

- an overview of all financial instruments held by the group;
- specific information about each type of financial instrument;
- accounting policies;
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved

<b>Financial assets</b>	<b>Note</b>	<b>2018 \$</b>	<b>2017 \$</b>
Financial assets at amortised cost			
- Trade receivables	<b>15</b>	4,086,216	1,608,433
- Cash and cash equivalents	<b>13</b>	7,662,353	687,512
Financial assets at FVOCI	<b>16</b>	2,343,475	-
Available for sale financial assets	<b>16</b>	-	560
Financial assets at FVPL			
- Digital assets	<b>14</b>	647,827	-
- Unlisted investments	<b>16</b>	1,020,119	-
<b>Financial liabilities</b>	<b>Note</b>	<b>2018 \$</b>	<b>2017 \$</b>
Financial liabilities at amortised cost			
- Trade payables	<b>21</b>	6,344,552	1,817,122
- Borrowings	<b>23</b>	554,024	-

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

**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 its 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 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 24 and 25.

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

**Interest rate risk sensitivity**

Exposure to interest rate risk arises on financial assets and liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group's short-term loans at 31 December 2018 are within 1 year, and hence are subject to minimal fair value changes.

**Customer concentration risk**

The Group is not exposure to significant customer concentration risk.

**Liquidity risk**

Liquidity risk arises from the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring scheduled debt servicing payments for financial liabilities as well as forecast cash inflows and outflows due in day-to-day business.

The Group's remaining contractual maturity for its financial liabilities are within one year (2017: within one year).

**Price risk**

The Group is exposed to other price risk in respect of its listed equity securities, the investment in iCandy Interactive Limited ("iCandy").



As at 31 December 2018, the closing price of the shares of iCandy listed in Australia was \$0.05. If the price of the shares of iCandy increased/decreased by 20% with all other variables held constant, the other comprehensive income for the year would have been \$249,086 higher/lower.

The investment in iCandy is considered a long-term strategic investment. In accordance with the Group's policies; no specific hedging activities are undertaken in relation to these investments and therefore the investment is continuously monitored.

## 6. Revenue from Operating Activities

	31 December 2018	31 December 2017
In App Purchases revenue	6,906,888	2,821,349
App Advertising revenue	1,596,402	1,629,613
Management fee - Zeroth SPC	753,581	-
Service revenue	3,512,796	2,037,597
<b>Revenue from operating activities</b>	<b>12,769,667</b>	<b>6,488,559</b>

The Group's revenue disaggregated by pattern of revenue recognition is as follows:

	For the year ended 31 December 2018				Total
	In App Purchases	App Advertising	Management fee - Zeroth SPC	Services	
Revenues earned at a point in time	6,193,598	-	753,581	668,583	7,615,762
Revenues earned over time	713,290	1,596,402	-	2,844,213	5,153,905
<b>Total</b>	<b>6,906,888</b>	<b>1,596,402</b>	<b>753,581</b>	<b>3,512,796</b>	<b>12,769,667</b>

The following aggregated amounts of transaction prices related to the performance obligations from existing contracts that are unsatisfied or partially satisfied at 31 December 2018:

	2019	2020	2021	Total
Revenue expected to be recognised	1,683,213	359,681	283,803	2,326,697

Contract liabilities contains up-front payments from customers provided as a minimum guarantee on development service contracts.

	2018	2017
<b>Current liabilities</b>		
Contract liabilities - Deferred customer minimum guarantees	803,664	737,885
Contract liabilities - Unearned in-app sales	283,451	-
<b>Total contract liabilities</b>	<b>1,087,115</b>	<b>737,885</b>

During the 2018 financial year, \$252,719 of the contract liabilities outstanding at 31 December 2017 have been recognised in current period revenue.

## 7. Gain on sale of mobile application games

	31 December 2018	31 December 2017
Sale of games	2,788,704	1,554,713
Element of TicBits goodwill attributed to sale	-	(458,639)
<b>Gain on sale of mobile application games</b>	<b>2,788,704</b>	<b>1,096,074</b>

Pursuant to the Asset Sale and Purchase Agreement (the "Agreement") dated 22 December 2017, but made effective on 22 May 2018 following approval by its shareholders, iCandy Interactive Limited (the "Buyer") purchased 318 games from the Group.

### iCandy deal

- Cash payment of \$1 million of which \$625,000 has been received to 31 December 2018. The balance \$375,000 (included in trade and other receivables) will be received in 2.5 equal monthly instalments of \$150,000
- Issue of 25,000,000 iCandy shares, which were received during the year with a fair value of \$1,788,704 at shareholder approval date.

- Performance Receipts based on KPIs
- Earn Out Receipts based on KPIs
- Performance Receipts of \$1,500,000 are payable to Animoca Brands in shares (up to 9,375,000 shares) and the balance in cash if the Games generate \$500,000 Net Profit in the first year and same Performance Receipts if Games generate \$1 million Net Profit in the second year. The directors have not considered this as part of the gain on the sale in the current period due to the significant uncertainty relating to its receipt.

Earn Out Receipts are applicable when Net Profits from the Games reach \$1 million, at which point the Group will be entitled to receive a cash payment equal to 10% of Net Profit. The Group's profit share shall increase by 10% for each additional \$500,000 Net Profits up to a maximum of 50%. The directors have not considered this as part of the gain on the sale in the current period owing to the significant uncertainty relating to its receipt.

	<b>31 December 2018</b>	<b>31 December 2017</b>
Upfront cash consideration received / receivable	1,000,000	-
25 million iCandy shares	1,788,704	-
<b>Total gain on sale of intellectual property</b>	<b>2,788,704</b>	-

The fair value of iCandy shares has been determined with reference to the share price as at the date of iCandy shareholder approval (condition precedent). The trading price of iCandy reduced significantly between the announcement of the sale transaction in November 2017 and the completion of the transaction in May 2018.

In the prior period the Company sold 14 games to Maple Media. The company received \$1,554,713 as partial consideration of the sale.

13 of the 14 games sold were games acquired via the acquisition of TicBits Oy in 2016. The acquisition resulted in the recognition of goodwill on acquisition. The sale of the games to Maple Media made it necessary for \$458,639 of the goodwill generated on the 2016 acquisition of TicBits being recognised as a cost of the sale.



## 8. Employee benefits expense

	31 December 2018	31 December 2017
Wages, salaries and other remuneration expenses	2,946,350	1,499,206
Provision for milestone payments	1,322,299	597,106
Retirement benefit expense	244,253	126,554
Other employment costs	37,573	159,627
<b>Employee benefits expense</b>	<b>4,550,475</b>	<b>2,382,493</b>

As at 31 December 2018, TicBits published two or more games during the year. Accordingly, the Company recognized an expense of \$1,322,299 for the year ended 31 December 2018 (2017 - \$597,106) in relation to the Milestone Payments.

At 31 December cumulative milestone liabilities are \$1,933,296 (2017 - \$881,821).

## 9. Research and Development Expenses

	31 December 2018	31 December 2017
Research and development expenses	2,587,232	4,866,177
<b>Research and development expenses</b>	<b>2,587,232</b>	<b>4,866,177</b>

Research and development expenses include amounts that did not meet the recognition criteria to be recognized as an asset.

## 10. Doubtful Debts Expense

	31 December 2018	31 December 2017
Doubtful debts expense	279,940	1,409,479
Recovery of bad debt from 2016	-	(554,200)
<b>Doubtful debts expense</b>	<b>279,940</b>	<b>855,279</b>

As at 31 December 2018, the Company determined trade receivables of \$279,940 as impaired (2017: \$1,409,479).

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

## 11. Other expenses

	31 December 2018	31 December 2017
Share registry	50,185	48,639
Travel	230,722	183,144
Insurance	106,696	194,174
Professional fees	879,492	559,526
Withholding tax expense	113,484	43,182
Other expenses	1,208,005	266,290
<b>Other expenses</b>	<b>2,588,584</b>	<b>1,294,955</b>



## 12. Income Tax

	31 December 2018	31 December 2017
<b>Accounting (loss) before income tax</b>	<b>(3,109,137)</b>	<b>(8,047,840)</b>
At Australia's statutory income tax rate of 30% (2017: 30%)	(932,741)	(2,414,351)
Adjust for the tax effect of:		
Tax rate differences	503,774	1,086,458
Un-recognized tax assets	428,967	1,327,893
Income tax (benefit)	-	-

As at 31 December 2018, Animoca Brands Ltd (Hong Kong) had estimated unused tax losses of approximately US\$21,377,000 (2017: US\$17,237,000), which the Group anticipates may be able to be offset against future taxable income by the Group. Tax losses of recently acquired entities are not expected to be available for the use of the Group in future periods.

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 2018	31 December 2017
Cash in bank and on hand	7,662,353	534,373
Short term deposit	-	153,139
<b>Cash and cash equivalents</b>	<b>7,662,353</b>	<b>687,512</b>

#### Reconciliation of net loss after tax to net cash flows from operations

	31 December 2018	31 December 2017
Accounting loss after income tax	(3,109,137)	(8,047,840)
<i>Adjustments for:</i>		
Non-cash items:		
Depreciation of plant and equipment	356,978	46,008
Provision for Milestone Payment	1,051,475	588,980
Doubtful Debts expense	(1,129,539)	1,409,479
Foreign currency losses	-	454,392
Fair value movement FVTPL	(747,752)	-
Fair value loss on digital assets	1,391,169	-
Net profit on sale of games	(2,788,704)	(1,096,074)
<i>Changes in assets and liabilities (net of acquisitions of businesses):</i>		
Increase in trade payables and accruals	2,563,761	140,598
Increase / (decrease) in provisions	(24,305)	78,871
(Increase) in receivables	(729,479)	(820,997)
(Increase) / decrease in prepayments and deposits	(174,867)	(440,514)
<b>Net cash (used in) operating activities</b>	<b>(3,340,400)</b>	<b>(7,687,097)</b>





## 14. Digital Assets

	31 December 2018	31 December 2017
Etherium (ETH)	6,819	-
Nitro (NOX)	30,849	-
Bitcoin (BTC)	40,932	-
Lympto (LYM)	26,020	-
MUSICOIN	17,646	-
OpenST (OST)	132,649	-
Datum (DAT)	33,897	-
Decentraland (MANA)	316,793	-
LIKECOIN	42,222	-
	<b>647,827</b>	-

Digital assets are measured using the quoted price in United States dollars on Coin Market Cap ([www.coinmarketcap.com](http://www.coinmarketcap.com)) at closing Coordinated Universal Time. Management considers this fair value to be a Level 1 input under the AASB 13 Fair Value Measurement fair value hierarchy.

During the year the company recognised \$1,391,169 (2017: Nil) in unrealised fair value movements as a result of changes in observable market prices.

## 15. Trade and Other Receivables

	31 December 2018	31 December 2017
Trade Receivables from third parties	4,337,103	2,968,107
Less: Provision for impairment of receivables	(279,940)	(1,409,479)
GST Receivable	5,614	-
Related party receivables <sup>1</sup>	23,439	49,805
<b>Trade and other receivables</b>	<b>4,086,216</b>	<b>1,608,433</b>

1. Related party receivables are non-interest bearing and are normally settled on 30-60 day terms. Refer to note 27 for details of these transactions.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them

subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in note 10.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

## 16. Other financial assets

	31 December 2018	31 December 2017
	\$	\$
<b>Non-current assets</b>		
Designated at fair value through other comprehensive income (FVOCI) (Note a)		
- Listed equity securities	1,245,431	-
- Unlisted equity securities	1,098,045	-
	2,343,476	-
Mandatorily at fair value through profit and loss (FVPL) (Note b)		
- Unlisted preferred shares	863,555	560
- Convertible notes	141,683	-
	1,005,238	560
<b>Total non current assets</b>	<b>3,348,714</b>	<b>560</b>
<b>Current assets</b>		
Mandatorily at FVPL (Note b)		
- Simple Agreements for Future Equity ("SAFEs") (Note b (i))	1,020,119	-
<b>Total current assets</b>	<b>1,020,119</b>	<b>-</b>
<b>Total other financial assets</b>	<b>4,368,833</b>	<b>560</b>

### (a) Financial assets designated at FVOCI

At 1 January 2018, the Group designated the investments shown below as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes.

	Fair value at 31 December 2018	Fair value at 31 December 2017
	\$	\$
Listed equity securities		
- Investment in iCandy Interactive Limited	1,245,431	-
Unlisted equity securities		
- Investment in EVG Holdings Pte Ltd	566,733	-
- Investment in Zeroth SPC (Note 1.5(t))	531,312	-
	1,098,045	-
Total financial assets designated at FVOCI	<b>2,343,476</b>	-

During the year, fair value losses of \$475,011 were recognised in other comprehensive income (2017: none).

**(b) Financial assets mandatorily at FVPL**

*(i) SAFEs*

A SAFE provides the Group the contractual right to receive equity in startup companies when a predetermined trigger event (such as a priced round or liquidation event) occurs. The number of shares the Group receives on conversion is linked to the up-front cash injection they make and the share price of the priced round or the liquidation event (as applicable)

*(ii) Amount recognized in profit or loss*

During the year, fair value gains of \$747,752 were recognised in profit or loss (2017: none).

**(c) Fair value measurement**

Financial assets measured at fair value in the statement of financial position are grouped into three levels of the fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the

current bid price. These instruments are included in level 1.

**Level 2:** The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table shows the levels within the hierarchy of financial assets measured at fair value on a recurring basis at 31 December 2018 and 31 December 2017:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>31 December 2018</b>				
Listed equity securities	1,245,431	-	-	1,245,431
Unlisted equity securities	-	1,098,045	-	1,098,045
Unlisted preferred shares	-	863,555	-	863,555
Convertible notes	-	141,683	-	141,683
SAFE	-	1,020,119	-	1,020,119
<b>Total</b>	<b>1,245,431</b>	<b>3,123,402</b>	<b>-</b>	<b>4,368,833</b>

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>31 December 2017</b>				
Unlisted preferred shares	-	-	560	560
<b>Total</b>	<b>-</b>	<b>-</b>	<b>560</b>	<b>560</b>

## 17. Other Assets

	31 December 2018	31 December 2017
Prepayments	775,637	600,770
<b>Other Assets</b>	<b>775,637</b>	<b>600,770</b>

## 18. Plant and Equipment

Year ended 31 December 2018	Leasehold improvement	Office equipment	Furniture and fixtures	Software	Total
Opening net book amount	3,735	106,336	3,694	3,205	116,970
Additions	-	14,557	-	24,615	39,172
Through business combinations		32,771	44,499	22,269	99,539
Depreciation	(1,417)	(25,231)	(6,111)	(15,050)	(47,809)
<b>Plant and equipment</b>	<b>2,318</b>	<b>128,433</b>	<b>42,042</b>	<b>35,039</b>	<b>207,871</b>

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)
<b>Plant and equipment</b>	<b>3,735</b>	<b>106,336</b>	<b>3,694</b>	<b>3,205</b>	<b>116,970</b>

## 19. Intangible Assets

	31 December 2018	31 December 2017
Trademarks	18,010	-
Developed technology	4,945,201	-
Customer relationships	50,991	-
<b>Total Intangible assets</b>	<b>5,014,202</b>	<b>-</b>

The movements in the net carrying amount of intangible assets as follows:

	31 December 2018	31 December 2017
Balance 1 January	-	-
Additions	-	-
Addition through business combinations	5,323,371	-
Amortisation	(309,169)	-
<b>Intangible assets</b>	<b>5,014,202</b>	<b>-</b>

## 20. Goodwill

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

	<b>31 December 2018</b>	<b>31 December 2017</b>
Balance 1 January	1,140,896	1,724,208
Acquired through business combinations	4,031,574	-
Exchange differences	119,941	(124,673)
Disposed on sale of apps	-	(458,639)
<b>Goodwill</b>	<b>5,292,411</b>	<b>1,140,896</b>

Refer to note 4 for details on the business combinations.

The group tests whether goodwill has suffered any impairment on an annual basis. For the 2018 and 2017 reporting period, the recoverable amount of the cash generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using conservative growth rates (<5%).

## 21. Trade and other payables

	<b>31 December 2018</b>	<b>31 December 2017</b>
Trade payables <sup>1</sup>	2,391,589	1,352,463
Consideration payable	3,094,542	-
Accrued expenses	858,421	443,929
Related party payables <sup>2</sup>	-	20,730
<b>Trade and other payables</b>	<b>6,344,552</b>	<b>1,817,122</b>

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 27 for details of these transactions.

## 22. Short-term provisions

	31 December 2018	31 December 2017
Annual leave provision	176,622	200,927
<b>Short-term provisions</b>	<b>176,622</b>	<b>200,927</b>

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.

## 23. Other financial liabilities

	31 December 2018	31 December 2017
Current		
SAFEs	212,524	-
Short term loans	341,500	-
<b>Financial liabilities</b>	<b>554,024</b>	<b>-</b>

### *SAFEs*

OliveX (HK) Limited issued two SAFEs for US\$150,000 during the year. These instruments entitle investors the right to certain preferred shares of the Company's capital, or cash payment equal to the purchase amount dependant upon certain control or equity raising events.

### *Short term loans*

Within short term loans is a US\$175,000 loan from a third party which is repayable in equal monthly installments of US\$25,000. The loan has an annual interest rate of 2.385%.





## 24. Share Capital

	31 December 2018	31 December 2017
Fully paid ordinary shares	45,813,735	31,121,237
<b>Issued equity</b>	<b>45,813,735</b>	<b>31,121,237</b>

<b>Year ended 31 December 2018</b>	<b>Number</b>	<b>\$</b>
Balance at 1 January	434,098,804	31,121,237
Institutional and Retail offer	194,861,078	10,944,947
Shares issued for Pixowl acquisition	54,074,080	4,271,852
Transaction costs on shares issued	-	(524,301)
<b>Balance at 31 December 2018</b>	<b>683,033,962</b>	<b>45,813,735</b>

<b>Year ended 31 December 2017</b>	<b>Number</b>	<b>\$</b>
Balance at 1 January	217,020,708	25,690,743
Institutional and Retail offer	173,616,566	5,208,503
Institutional Placement	43,461,530	565,000
Transaction costs on shares issued	-	(343,009)
<b>Balance at 31 December 2017</b>	<b>434,098,804</b>	<b>31,121,237</b>

The Company received \$5,811,314 from an Institutional placement in December but shares were allotted in January 2019. This amount has been recognized as other contributed equity until such time as the shares are allotted.

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 nor par value in respect of its issued shares.

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

## 25. Reserves

	31 December 2018	31 December 2017
Share based payments reserve	122,207	-
Financial assets reserve	(475,011)	-
Foreign currency translation reserve	270,256	(379,910)
<b>Reserves</b>	<b>(82,548)</b>	<b>(379,910)</b>

### *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.

## **26. Share Based Payments**

During the year the company issued 5,000,000 share options to brokers in connection with capital raising services. The options have an exercise price of \$0.09 and an expiry date of 12 June 2021. The total fair value of the options issued was \$122,207.

The fair value of the options issued was determined using the Black-Scholes model using the following inputs as at 31 December 2018:

Issued date	21 June 2018
Expiry date	12 June 2021
Share price at measurement date	\$0.048
Expected volatility	100%
Risk free rate	2.7%
Fair value per option	\$0.024

## **27. Related Party Disclosures**

<b>(a) Remuneration of Key management Personnel</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Short-term employee benefits	382,392	382,019
Share based payments	45,100	16,000
Termination benefits	-	-
Post-employment benefits	3,740	7,330
<b>Remuneration of Key Management Personnel</b>	<b>431,232</b>	<b>405,349</b>

Detailed remuneration disclosures are provided in the remuneration report

**(b) Other transactions with other 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 2018, the Company has paid office service fees of \$235,787 (2017 - \$394,099) to Outblaze Limited pursuant to this agreement.

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

<b>Name of the company</b>	<b>Relationship</b>	<b>31 December 2018</b>	<b>31 December 2017</b>
Outblaze Limited	Mr Siu is a director	23,438	(20,730)
Totally Apps Holdings Limited	Mr Siu was a director - resigned 1 July 2018	920,920	180,365
Baby Cortex Holdings Limited	Mr Siu was a director - resigned 1 July 2018	-	65
Outblaze Ventures Holdings Limited	Messrs Kim, Siu and Yung were directors - resigned 1 July 2018	-	(274,294)
Olive X Limited (formerly Family Fit Limited)		-	49,805

## 28. 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:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Net loss attributable to ordinary equity holders of the Parent entity:		
Continuing operation	<b>3,109,137</b>	<b>8,047,840</b>
Weighted average number of ordinary shares for basic earnings per share	542,009,645	368,484,331

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

## 29. Subsequent Events

The Company has collaborated with WAX to accelerate virtual item and crypto collectible trading on blockchain through non-fungible tokens (NFTs). The Company will introduce user-generated items for its game *The Sandbox* on to the WAX platform. The Company will exchange common shares of its stock to the value of US\$250,000 for the equivalent value in WAX tokens.

As of 7 February 2019 *Crazy Defense Heroes* (CDH) for Android became available worldwide on Google Play as an Early Access title. The Company expects the *Crazy Kings* franchise adoption and revenue to increase with the availability of CDH on Android devices. Additional distribution agreements, marquee branding opportunities, and re-skin initiatives to leverage successful game metrics and provide additional revenue opportunities are currently being progressed.

OliveX, a subsidiary of the Company, secured US\$1 million in investment from strategic investors. Funds raised will be used to support OliveX's body motion AI initiatives and progression into other segments of the wellness sector.

On 15 March 2018 the Company’s subsidiary, Pixowl launched a mobile game based on the Paramount Pictures animated film “Wonder Park”.

The AI-based web marketing company Silver Egg has invested US\$500,000 into the Zeroth SPC, the segregated portfolios of Zeroth (managed by the Company) that fund acceleration programmes for technology startups. Silver Egg will provide new technology and commercial services to Zeroth and accelerator companies in Japan, and assist the Company’s market penetration in the region.

In March 2019, the Company secured a global licencing agreement with Formula 1® (or F1®) to develop and publish *F1® Delta Time*, a blockchain game based on non-fungible tokens (NFTs). The first phase of the game is expected to be released in May 2019, with additional phases to follow. Partnership with F1 provides the Company with a strong foundation for growth and considerable global reach. This deal is part of the Company’s vision to onboard the next billion people onto blockchain and further demonstrates the standing of the Company as a global leader in blockchain gaming.

The Company has entered into a strategic investment and partnership with Talenthouse, a platform that offers global brand clients the services of its community of over 4 million creators and influencer marketers. The Company will form a joint venture to provide Talenthouse services to gaming and media clients worldwide and develop commercial opportunities for Talenthouse's services in Asian markets. The Company will make an investment in Talenthouse of US\$2m for preferred stock in Talenthouse, payable half in cash and half in newly issued shares of the Company, subject to shareholder approval.

### 30. Auditors Remuneration

	<b>31 December 2018</b>	<b>31 December 2017</b>
Grant Thornton for audit and review services <sup>1</sup>	127,031	128,210
Other services	-	-
<b>Total remuneration to auditors</b>	<b>127,031</b>	<b>128,210</b>

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 \$81,567 due to Grant Thornton Hong Kong.



### 31. Parent Entity Information

	31 December 2018	31 December 2017
Current assets	5,215,870	151,940
Non-current assets	12,994,295	537,889
<b>Total assets</b>	<b>18,210,165</b>	<b>689,829</b>
Current liabilities	250,424	231,926
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>250,424</b>	<b>231,926</b>
Issued capital	68,703,401	54,010,898
Share options reserve	122,207	-
Accumulated losses	(56,677,181)	(53,544,963)
Other contributed of equity	5,811,314	-
<b>Total shareholders' equity</b>	<b>17,959,741</b>	<b>465,935</b>
Profit/(loss) of the Parent entity	(3,109,143)	(8,407,840)
<b>Total comprehensive profit/(loss) of the Parent entity</b>	<b>(3,109,143)</b>	<b>(8,047,840)</b>

The Parent entity has no contingent liability or commitments for expenditure at 31 December 2018. Refer to note 33 for details on contingent liabilities.

### 32. 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 2018	31 December 2017
Commitments <1 year	380,396	148,811
1 year < Commitments < 5 years	527,018	-
<b>Total Commitments</b>	<b>907,414</b>	<b>148,811</b>

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 lease 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).



In addition to lease commitments the group has certain obligations pursuant to the acquisition of Venture Classic and the management of Zeroth for future investments. Refer Note 4 for detail.

### **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.





## 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 2018 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 2018 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 2018.

On behalf of the board



*Mr Yat Siu*

*Chairman*

31 March 2019



# Independent Auditor's Report

## To the Members of Animoca Brands Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Animoca Brands Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 2018 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 auditor 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 \$3,109,137 during the year ended 31 December 2018, and as of that date, the cash outflow from operations was \$3,340,400. 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
<p data-bbox="114 1010 367 1081"><b>Revenue recognition</b> <b>Note 1.5(d) and Note 6</b></p> <p data-bbox="114 1088 790 1312">Revenue is the key driver of the Group and is generated through multiple revenue streams. Sales of applications and in-app purchases 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.</p> <p data-bbox="114 1328 790 1485">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.</p>	<p data-bbox="790 1088 1244 1122">Our procedures included, amongst others:</p> <ul data-bbox="790 1133 1476 1693" style="list-style-type: none"> <li data-bbox="790 1133 1476 1200">• Documenting the processes and assessing the internal controls relating to revenue processing and recognition;</li> <li data-bbox="790 1200 1476 1290">• Reviewing the revenue recognition policy for each revenue stream for compliance with <i>AASB 15 Revenue from Contracts with Customers</i>;</li> <li data-bbox="790 1290 1476 1379">• Reviewing a sample of service fee and advertising income to supporting contracts to ensure revenue was recognised in line with the revenue recognition policy;</li> <li data-bbox="790 1379 1476 1447">• Performing analytical procedures to understand movements and trends in revenue;</li> <li data-bbox="790 1447 1476 1536">• Performing a revenue occurrence test which involved tracing app sales and in-app purchases revenue to information available from the smart phone platforms;</li> <li data-bbox="790 1536 1476 1626">• Performing cut-off testing to ensure that revenue transactions around year end have been recorded in the correct reporting period; and</li> <li data-bbox="790 1626 1476 1693">• Assessing the adequacy of the Group's revenue disclosures within the financial statements.</li> </ul>

## Business combinations

### Note 4

During the year, the Group acquired the following controlling interests in companies:

- Fuel Powered, Inc (60% interest);
- Tribeflame OY and its subsidiary Benji Bananas OY (100%);
- Venture Classic Limited (100%); and
- Pixowl, Inc (100%)

At 31 December 2018, the acquisition accounting for these businesses is provisional and, in line with the Australian Accounting Standards, the Group has up to 12 months from the date of acquisition to finalise the accounting for these acquisitions.

These business combinations are considered a key audit matter due to the size of the acquisitions, the complexities inherent in a business combination and the significant judgements made by management, including the identification and measurement of the fair value of assets and liabilities acquired. Under Australian Accounting Standards, management is required to identify all assets and liabilities acquired and estimate the fair value of each item. Any excess consideration that is not attributed to an asset or liability is to be recognised as goodwill.

Given the level of estimation used in business combinations we have considered this a key audit matter.

Our procedures included, amongst others:

- Reviewing the terms and conditions of the acquisition agreements to identify consideration and deferred consideration components;
- Reviewing accounting policies to confirm consistency in between the businesses on consolidation;
- Reviewed the accounting treatment adopted by the Group to ensure it meets the requirements of AASB 3 *Business Combinations*; and
- Assessing the adequacy of the Group's disclosures within the financial statements.

## Digital assets

### Note 1.5(I) and Note 14

The Group has purchased on market and received as consideration for share capital issued various digital assets.

Given the relatively new nature of digital assets and the complexities associated with determining their ownership, existence and valuation we have considered this a key audit matter.

Our procedures included, amongst others:

- Understanding the processes and controls surrounding the authorisation and recording of cryptocurrency transactions and balances;
- Agreeing balances of cryptocurrencies to digital wallets;
- Agreeing balances and a sample of transactions in digital wallets with public ledgers;
- Observing authorised personnel log into the Company's digital wallets and transferring cryptocurrencies from one wallet to another wallet;
- Agreeing year end valuation inputs to external market data;
- Performing sensitivity analysis in relation to changes in market value and foreign exchange rates; and
- Assessing the appropriateness of disclosures including those relating to sensitives in the assumptions used.

### 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 2018, 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](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 2018.

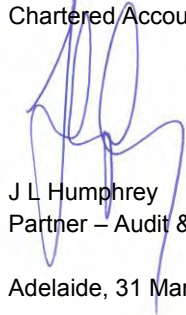
In our opinion, the Remuneration Report of Animoca Brands Limited, for the year ended 31 December 2018 complies with section 300A of the *Corporations Act 2001*.

### 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 AUDIT PTY LTD  
Chartered Accountants



J L Humphrey  
Partner – Audit & Assurance

Adelaide, 31 March 2019

## ASX Additional Information

The information in this section has been prepared as at 27 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/](http://www.animocabrands.com/corporate-governance/).

### 20 LARGEST REGISTERED HOLDERS OF ORDINARY SHARES

Holder Name	Securities	%
HSBC CUSTODY NOM AUST LTD	67,955,053	9%
CITICORP NOM PL	60,059,511	8%
YIP KATHERINE CHING	42,250,000	6%
ASYLA INV LTD	35,618,549	5%
J P MORGAN NOM AUST PL	32,520,457	4%
OUTBLAZE ASIA INV LTD	26,790,012	4%
MADRID ARTHUR	20,174,048	3%
BORGET SEBASTIEN	19,271,964	3%
CLELAND PROJECTS PL	15,853,206	2%
PONDEROSA INV WA PTY LTD	15,372,811	2%
FINGERFUN HK LTD	14,785,714	2%
CS THIRD NOM PL	14,012,466	2%
LYNTER PL	11,750,000	2%



AUST EXECUTOR TTEES LTD	11,519,631	2%
PONDEROSA INV WA PL	11,503,234	2%
FIRST TRUSTEE CO NZ LTD	11,500,000	2%
PRICE ANDREW MACBRIDE	11,500,000	2%
YONG HUI CAP HLDGS I LTD	10,210,385	1%
SIGNIFICANT SINGULAR LTD	8,454,545	1%
CLAPSY PL	7,432,488	1%
<b>TOP 20 TOTAL</b>	<b>448,534,074</b>	<b>60%</b>

#### DISTRIBUTION OF HOLDERS OF ORDINARY SHARES

Spread of Holdings	Holders	Securities	% of Issued Capital
1 - 1,000	147	45,948	0.01%
1,001 - 5,000	156	476,655	0.06%
5,001 - 10,000	364	2,855,844	0.38%
10,001 - 100,000	772	30,721,625	4.09%
Over 100,000	374	717,953,820	95.47%
<b>TOTAL ON REGISTER</b>	<b>1,813</b>	<b>752,053,892</b>	

#### 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	25	2,081,470	3.45%

Over 100,000	30	58,170,646	96.55%
<b>TOTAL ON REGISTER</b>	<b>55</b>	<b>60,252,116</b>	

#### NUMBER OF HOLDERS AND VOTING RIGHTS IN EACH CLASS OF SECURITIES

Class of Security	No of Holders	Voting Rights
Ordinary shares	1,813	Yes (set out below)
Unquoted options exercisable at \$0.09 expiring on 21 June 2021	2	No
Unquoted options exercisable at \$0.09 expiring on 5 December 2019	1	No
Unquoted options exercisable at \$0.09 expiring on 5 June 2019	1	No
Quoted options exercisable at \$0.07 expiring on 7 September 2020	52	No

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 306. Unmarketable parcels of ordinary shares are of 532,465 shares or less.

#### SECURITIES SUBJECT TO ASX MANDATORY RESTRICTION

There are no shares subject to ASX mandatory restriction.

## 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 \$0.09 expiring on 21 June 2021	2	5,000,000	Taycol Nominees Pty Ltd (3,500,000) and Jay-Inc (1,500,000)
Unquoted options exercisable at \$0.09 expiring on 5 December 2019	1	14,285,715	CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 12 A/C>
Unquoted options exercisable at \$0.09 expiring on 5 June 2019	1	7,142,858	Antanas Guoga

### 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 Julian Rockett.

The address and telephone number of the Company's registered office are C/- Boardroom Pty Limited, Level 12, 225 George Street, Sydney, NSW Australia, 2000 and + 61 (2) 9290,9600 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.

