Animoca Brands Corporation Limited
(ACN 122 921 813)

Annual Report for the financial year ended 31 December 2020

Content

Directors

Yat Siu	Executive Chairman
David Brickler	Non-executive Director
Holly Liu	Non-executive Director (resigned 30 September 2020)
Christopher Whiteman	Non-executive Director

Officers

Evan Auyang	Group President (appointed 7 October 2021)
Robert Yung	Chief Executive Officer-North America
Jared Shaw	Chief Financial Officer (appointed 12 September 2022)
Arnoldo Concepcion	Chief Operating Officer
Julian Rockett	Company Secretary (resigned 31 March 2020)
John Madden	Company Secretary (appointed 1 April 2020)

Auditors
DFK Collins
(An affiliate of DFK International)
Suite 1, 13-25 Church Street
Hawthorn Victoria 3122

Lawyers
King & Wood Mallesons
Level 61, Governor Phillip Tower
1 Farrer Place Sydney NSW 2000

Bankers
Hongkong and Shanghai Banking Corporation
Westpac Banking Corporation

Brokers and advisors
Taylor Collison Limited

Share registrar
Automic Registry Services
Suite 1A, Level 1
7 Ventnor Avenue
West Perth, WA
Australia, 6005

Website
www.animocabrands.com

Investor services
Ibrahim El-Mouelhy
ir.animoca.com

Registered office
211 McIlwraith Street
Princes Hill Victoria 3054

Principal office
Unit 417-421, Cyberport 1
100 Cyberport Road
Hong Kong

Dear Shareholders and friends

It is my great pleasure to announce the release of the FY2020 annual report for Animoca Brands, which sets us firmly on the path to being fully compliant with the financial disclosure obligations under the Corporations Act 2001.

We want to thank all of our shareholders for their patience. This report has suffered significant delays owing to many factors including in particular the COVID-19 pandemic, which severely impacted our capacity to integrate acquisitions into our blockchain/NFT strategy and locked down many of our employees across several countries around the world.

In addition to that and other global market challenges, it is also worth repeating that Animoca Brands is a unique business with hundreds of portfolio companies and with significant holdings in digital assets and digital asset-related businesses that themselves are quite new to – and pose significant challenges for – financial reporting and auditing. That daunting combination of structural complexity and novel businesses is why we firmly believe that the release of this report marks the establishment of a financial reporting framework.

At around a thousand employees, Animoca Brands today is a significantly larger organisation than it was in 2020 when we numbered less than 200 people. In October 2021 the Company appointed Evan Auyang as group president to drive a group-wide transformation programme. Under his leadership, Animoca Brands has recruited various outstanding senior managers to bolster the ranks of the Company's executive team, including key appointments in Mergers & Acquisitions, Legal, Human Resources, Taxation, and Finance.

I would like to extend special thanks to our entire finance team, which operates under the capable leadership of Jared Shaw and John Madden, as well as our hard-working auditors at DFK Collins. The completion of this report lays the groundwork not just for our own further financial reporting but also for how future companies similar in complexity and operations to Animoca Brands can account for their businesses.

With our focus on blockchain and digital asset revenues, accounting standards result in the Company deferring revenue on receipt of proceeds from customers and recognition in the profit or loss when we deliver our services (through users playing our digital games or experiencing our platforms). For the year 2020 our deferred revenue increased from $6.947 million to $27.890 million, which is an increase of 401.5% and which has further increased substantially in the years thereafter. We will, of course, continue to evolve our financial reporting in line with changes to accounting standards and under the guidance of our auditors.

Today, in 2023, it seems the entire world is talking about artificial intelligence or AI. Starting back in October 2018, through our AI accelerator, Animoca Brands started investing in over 60 AI-related startups. Some of these startups' products are being integrated into our efforts, both at the group level as well as across our portfolio companies.

Five years ago, we understood the implications not just of blockchain but also of AI, and particularly the potential synergy between these areas of technology. It goes beyond synergy – we believe the two are firmly intertwined. As AI becomes increasingly autonomous, we believe that the medium of exchange between AI agents will run most efficiently on blockchain and utilise cryptocurrency. Being a digitally native construct, AI will require a digitally native currency.

Some parts of our organisation are already seeing improvements of up to 80% in efficiency on product development that utilises AI, and we are very excited by the ways in which AI can accelerate different Web3 efforts in areas such as education and learning, gaming, fashion, sports, and all the other forms of digital identity and culture addressed by Animoca Brands.

The Company is now considered a global leader on NFTs, the open metaverse, and digital property rights. It is the recipient of several prestigious accolades including Deloitte Tech Fast, the Fortune Crypto 40, and the Financial Times' High Growth Companies Asia-Pacific. Animoca Brands may well be the best-connected company in the Web3 space: we have over 15 subsidiaries involved in Web3, four joint ventures, approximately 400 Web3 portfolio companies, a fund focused on venture stage companies, and various high-profile metaverse partners, including Yuga Labs, Immutable, Polygon, Cool Cats, and Dapper Labs.

Our subsidiary *The Sandbox* has achieved global recognition and maintains relationships with over 400 brands including Snoop Dogg, Adidas, Gucci, HSBC, PwC, Warner Music Group, Ubisoft, and many more. *The Sandbox* was even named one of the TIME100 Most Influential Companies of 2022.

Animoca Brands' new initiatives, such as our subsidiary TinyTap catapulting education into the realm of Web3, showcase our commitment to leverage technology in order to explore and innovate in exciting new areas.

2022 was a trying year with major market events such as Terra Luna and FTX that imposed harsh demands on our team all over the world. On behalf of the board of directors and our management team, I extend the deepest gratitude to all team members for their significant contributions and perseverance, which enabled Animoca Brands to weather one of the deepest crises the industry has ever faced.

As the famous aphorism says, what doesn't kill you, makes you stronger. Animoca Brands has emerged from the sector challenges last year as an international leader in a unique position to drive the global Web3 industry. Despite various shocks, Web3 remains poised for growth. The open metaverse – the metaverse of true digital ownership – is alive and well. During 2022, which devolved into a frighteningly bearish market, NFT sales still generated over US$24 billion. Just in the first quarter of 2023, NFT sales generated nearly US$5 billion. The excitement and energy in our space are palpable.

Recent updates to the regulatory frameworks in Animoca Brands' main places of operations, such as Hong Kong, Japan, and the European Union, all suggest that these territories understand the relevance and importance of Web3 and are keen to create environments in which Web3 ventures will thrive. That means that in addition to its market leadership through its investments and operations, Animoca Brands has now gained a geographical advantage as well. I am particularly encouraged by how Hong Kong, where the Company is headquartered, has opened up to Web3 and started to build a framework with the aim to become the digital assets financial centre of the world.

We could not be more excited about the future of Web3 and the open metaverse, and we are deeply appreciative of the patience and support of everyone in the Animoca Brands family: shareholders, team members, and group and portfolio companies.

With gratitude

Yat Siu
Co-founder and Chairman

The consolidated entity generated record revenues and customer bookings (a non-IFRS term) through existing businesses and acquisitions for the financial year:

	$000s
Gross revenue as per profit and loss	**28,315**
add Change in deferred revenue for the year (net of exchange fluctuation)	**20,943**
Bookings for the year	**49,258**

The revenues and customer bookings will increase significantly as the consolidated entity grows its blockchain and digital assets businesses, particularly *The SANDBOX*.

The consolidated entity generates bookings from customers buying its tokens and recognises revenue when customers purchase consumable virtual items and durable virtual items. The consolidated entity defers durable virtual items purchased by its customers and recognises revenue from durable virtual items when it performs its service obligations. The performance obligations represent the purchase of durable virtual items within the digital game or experiences the durable virtual items on platforms such as *The SANDBOX*.

The consolidated entity has estimated that its service obligations are performed over life and amortises deferred revenue to the profit or loss over a period of 15-18 months.

Net losses for the consolidated entity increased from $33.192 million to $60.432 million during the financial year. The increase in the loss can be loosely attributable to four categories:

1. marketing initiatives that drove growth;
2. increase in development resources driven by overall business expansion and acquisitions as the consolidated entity does not defer expenditure on development;
3. non-cash charges to the profit or loss such as amortisation, depreciation, exchange fluctuation and impairment; and
4. fair value accounting in accordance with accounting standards.

The increase in the net loss under these categories is as follows:

		$000s
Consolidated entity net loss for the year		**(33,192)**
Increase in Gross Revenue in the current year		**12,165**
Marketing Growth		**(6,811)**
Cost of sales related to more intense marketing to drive revenues	(3,548)	
Marketing expenses	(3,263)	
Increased Development Resources		**(16,250)**
Development of The Sandbox	(1,531)	

Increased manpower arising from acquisitions and business growth	(10,114)	
Consultants, contractors, and other outsourcing	(4,605)	
Non-Cash Charges		**(19.999)**
Impairment of intellectual property acquired and other assets	(7,500)	
Amortisation of intellectual property associated with acquisitions of Entities	(12,246)	
Reversal of doubtful debts charge in previous years	1,984	
Equity accounted share of losses from associate entities	(1,200)	
Exchange gains	2,385	
Share and token-based payments to employees	(2,920)	
Other non-cash items	(502)	
Fair Value Accounting		**4,112**
Fair value accounting for financial assets	541	
Profit in the market value of digital assets	4,056	
Finance costs	(485)	
Taxation (COVID-19 relief from various jurisdictions)		**2,321**
Other		**(2,778)**
Consolidated entity net loss for the current year		**(60,432)**

From an operating cash flow perspective, negative operating cash flows marginally increased from $6.866 million to 7.768 million.

	$000s
Net loss for the current year	**(60,432)**
Proceeds from customers	**17,920**
Amortisation, depreciation and impairment	**32,191**
Share-based payments to vendors and employees and token-based payments to employees	**5,367**
Exchange fluctuations on loans and cash balances	**(1,582)**
Other non-cash charges recognised in profit or loss	**(3,123)**
Changes in receivables and payables and other current assets	**1,891**
Net operating cash inflow/(outflow) for the year	**(7,768)**

The directors present their report, together with the financial statements of Animoca Brands Corporation Limited (ACN 122 921 813) (hereafter referred to as the "Company") for the financial year ended 31 December 2020.

Principal Activities

The principal activities of the consolidated entity 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 consolidated entity 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 consolidated entity's industry-leading portfolio of licensed brands. The consolidated entity monetarises its games and Apps through in-App purchases and advertising offered to consumers within the games and Apps. The consolidated entity is increasingly specialising in blockchain technologies to provide security, transparency, and digital property rights in the management and ownership of digital assets.

Operating Results

The net loss after tax attributable to shareholders of Animoca Brands Corporation Limited for the year ended 31 December 2020 was A$59,959,282 (2019: A$32,101,546). The significant increase in the net loss after tax is largely attributable to the amortisation of intellectual property acquired through acquisitions and impairment of intellectual property acquired. In total, the amortisation and impairment charges for the financial year were $19,451,619 higher than in the previous year.

State of affairs of the Company

During the 2020 financial year, the consolidated entity continued its growth strategy and during the course of the financial year the parent entity, Animoca Brands Corporation Limited, raised $7.119 million (2019: $15.990 million) in cash-based new equity and $31.068 million (2019: $19.483 million) in non-cash based new equity for acquisitions, consultants, employees, and strategic partnerships.

The parent entity issued 269,377,301 fully paid ordinary shares (2019: 261,081,037 fully paid ordinary shares) for a total value of $38,187,224 (2019: $30,419,841) (before costs) for both cash-based new equity and non-cash-based new equity.

The consolidated entity acquired Gamee Limited, nWay Inc., Quidd Inc., and Latgala Ou during the financial year for a total consideration of $250,000 in cash and $20,462,810 by way of issue of fully paid shares (*see* Note 5 in the Notes to the Consolidated Financial Statements). The consolidated has also accrued deferred and contingent consideration for the above acquisitions of $5,688,747 (excluding the upfront consideration payable for Latgala of $1,388,888).

In addition, the consolidated entity raised $7.6 million (2019: $0.5 million) by way of a convertible note issue (five series of convertible notes) and $3.5 million by way of unsecured loans from sophisticated and professional investors.

Deconsolidation of OliveX Holdings Limited and its controlled entities
The consolidated entity sold down its interest in OliveX Holdings Limited. On 15 August 2020, OliveX Holdings Limited was listed on the National Stock Exchange in Australia with the consolidated entity holding 33% of the shares on issue. The results for OliveX Holdings Limited

and its controlled entities were consolidated for the first half of the financial year and accounted for as an associate entity for the second half of the financial year.

Acquisitions
Gamee Limited
The Company completed the acquisition of Gamee Limited on 10 June 2020 by way of a Share Purchase Agreement for $5,145,826 through the issue of 28,589,924 fully paid ordinary shares.

nWay Inc
On 7 July 2020, Animoca advised that it had completed the acquisition of 100% of the issued capital in nWay, Inc for $8,121,257 through the issue of 49,110,544 fully paid ordinary shares.

Quidd Inc
On 3 December 2020, the Animoca consolidated entity announced that it had completed the acquisition of 100% of the issued capital in Quidd, Inc for $6,056,839.

Latgala OÜ
On 17 December 2020, the Company advised that it has entered, via its wholly owned subsidiary Animoca Brands Limited, into a share purchase agreement to acquire 100% of Latgala OÜ, commonly known as Lympo, from the shareholders of Lympo (the "Sellers") for an upfront consideration of $1,388,888 which was extinguished in the first half of 2021.

Lympo is a company that operates a blockchain platform to motivate people to lead healthier lives by rewarding users with Lympo Tokens (LYM) when they exercise using Lympo mobile app. LYM can be bought or sold on various cryptocurrency exchanges or used directly to purchase sporting goods on the Lympo Shop. Lympo has approximately 300,000 users, located primarily in the U.S. and South Korea, and a social media base of over 75,000 followers.

Lympo is one of the first blockchain apps in the world to partner with the Samsung Blockchain Wallet, which provides seamless transfer and storage of LYM tokens. In 2020, Lympo was featured in the Silicon Valley Samsung Developers Conference as one of the first blockchain projects collaborating with the Samsung Blockchain Wallet. Lympo also hosted a Healthy Habit Month in cooperation with Samsung Health in the U.S. in November 2020 to inspire thousands of users to build healthy habits.

As a result of the acquisition, Animoca Brands Limited will acquire all LYM held by Lympo. At the time of writing, LYM has a price of US$0.002902 (obtained from CoinMarketCap) and has a market capitalisation of approximately US$2.4 million. There are over 75,000 holders of LYM tokens at present. LYM is currently paired with Bitcoin (BTC) and ether (ETH) on Huobi Global; with BTC, ETH, and Tether (USDT) on KuCoin; and with BTC, ETH, and USDT on Gate.io. LYM can also be traded on GOPAX using South Korean Won, as well as on Bitfinex using US dollars.

Convertible note issue
On 3 July 2020, the Company informed shareholders that it has entered into unsecured convertible promissory notes ("Convertible Notes") with a number of investors including M7 Alternative Investment Strategies Asia Limited ("M7 Asia"), Mind Fund consolidated entity Limited ("Mind Fund"), and other investors for net proceeds of US$4.1 million (approximately A$6 million). The Convertible Notes have a coupon rate of 9% and are repayable at maturity subject to a number of redemption and conversion rights which are summarised below.

The key terms of the Convertible Notes are summarised below.

M7 Asia Convertible Note
Under the M7 Asia Convertible Note, Animoca Brands has raised the principal sum of US$2 million (approximately A$2.9 million) which carries an interest rate of 9% per annum, with interest payable every six months. The principal and any unpaid interest on the Convertible Notes are due and payable 24 months from the commencement date of 18 June 2020 ("M7 Maturity Date"), subject to a conversion event or redemption as outlined below. The term of the Convertible Notes may be extended for an additional 6-month period at the written request of either the Company or M7.

The conversion price set out in the agreement is 18 cents per share (*see* the Announcement dated 7 July 2020, which was omitted from the announcement covering the convertible note).

The outstanding principal and accrued interest of the M7 Asia Convertible Notes will convert into equity ("M7 Conversion Amount") upon such time that Animoca Brands, or an entity which holds a mix of assets that may include some combination of the Company's studios Pixowl SA., TSB Gaming., nWay, Inc., and Quidd, Inc. ("ListCo"), lists on the Euronext exchange (or another exchange that the Company deems appropriate) ("Listing Event"). Upon the Listing Event, M7 Asia will hold 50% of the M7 Conversion Amount in Animoca Brands shares and 50% of the M7 Conversion Amount in ListCo shares.

As outlined above, the Convertible Notes are issued as part of a series of notes to the Investors. If a Listing Event has not occurred by the M7 Maturity Date, the Convertible Notes may convert into equity in the Company at any time on or after the M7 Maturity Date, at the election of the holders of the Convertible Notes who hold at least 65% of the outstanding principal amount of the Convertible Notes on issue.

M7 Asia also has the right to redeem the Convertible Note prior to the M7 Maturity Date if Yat Siu ceases to be in a decision-making role at both the Company and ListCo, there is a material change in the nature of the Company's business, or the Company divests over 25% of its assets to an unrelated third party ("Redemption"). If M7 Asia exercises its rights to Redemption, it will be repaid any unpaid interest and principal, with the timing for such repayment subject to further discussion between the Company and M7 Asia.

Mind Fund and other investors
Animoca Brands has also entered into convertible note agreements with Mind Fund and other investors for an additional US$2.1 million (approximately A$3 million) on substantially similar terms as those outlined above for M7 Asia, except without an obligation for payment of interest until the maturity dates of those notes (which would occur within the second quarter of 2022).

Dividends

No dividends were declared and paid during the year.

Events After Balance Date

F1® Delta Time
Animoca Brands announces that *F1® Delta Time*'s Final 2020 Key Sale starts on **4 February 2021**.

Keys are fungible tokens that can be used to obtain five official 2020 *F1® Delta Time* non-fungible tokens (NFTs). One of these NFTs is guaranteed to be a race car or a driver, and the others are randomised drops including car parts, tyres, and driver gear. Details of the *F1® Delta Time* 2020 Keys can be found at this Medium post.

After the Final Sale, 2020 Keys will no longer be sold by *F1® Delta Time* and will be obtainable only via secondary markets (such as OpenSea) or earned by participating in *F1® Delta Time*'s racing and staking events.

F1 Delta Time and *The Sandbox NFT*
On **16 April 2021,** the Company announced two sale events of non-fungible tokens (NFTs) for the blockchain games *F1 Delta Time* and *The Sandbox* have generated the equivalent of approximately US$9.28 million between 14-16 April 2021.

The two sales included the sale of 300 Epic tier segments of six official Formula 1® events in the game *F1® Delta Time* and the sale (in progress) and auction of various premium LANDs and ESTATEs in the game *The Sandbox*.

The Sandbox is currently holding its Innovators LAND Sale, a sale and auction event that started on 14 April and will end on 21 April. In the first two days of the sale, the Animoca Brands subsidiary sold 1,206 Premium LANDs and 13 ESTATEs in direct sales for 5,760,122 SAND, and it sold 19 ESTATEs at auction on OpenSea for 2,918,451 SAND. The grand total generated thus far by this sale event is 8,678,573 SAND, worth approximately US$5.9 million at the time of writing.

F1® Delta Time they launched a direct sale for 300 Epic tier segments of six official Formula 1® events. The sale sold out within one and a half hours and raised 9,900,000 REVV, worth approximately US$3.4 million at the time.

LYMPO and PancakeSwap
On **28 April 2021**, Lympo, a subsidiary of Animoca Brand incorporated in Estonia, advised that PancakeSwap, a Binance Smart Chain-based decentralised exchange, had added Lympo's LMT token to its Syrup Pool. This will allow holders of the PancakeSwap token CAKE to earn bLMT tokens by staking CAKE, and a bLMT-BNB PancakeSwap farm will allow bLMT and BNB token holders to stake their tokens and earn CAKE tokens in return.

PancakeSwap also revealed that a total of 1,143,000 bLMT tokens will be distributed to CAKE token holders and approximately $66,000 (per day) worth of CAKE tokens will be distributed to bLMT-BNB farm participants.

LMT is a recently launched utility token empowering Lympo's ecosystem of sports-related non-fungible tokens (NFTs), including collectibles based on world-famous athletes, and is used on the Lympo NFT minting platform. During the initial LMT offering in March, $36 million worth of tokens were exchanged for the new LMT token.

Capital raising
On **13 May 2021**, the Company announced that it had completed a capital raise of US$88,888,888 (approximately A$113,500,000) at a price per share of A$1.10 based on a valuation of US$1 billion (approximately A$1.28 billion).

Investors in the round included Kingsway Capital, RIT Capital Partners (formerly Rothschild Investment Trust), HashKey Fintech Investment Fund, AppWorks Fund, LCV Fund, Huobi, Octava, Ellerston Capital, Perennial, Axia Infinity Ventures, SNZ, Liberty City Ventures, Metapurse, and other prominent investors. The funding is a strategic milestone that positions Animoca Brands for further aggressive growth as it continues to bring digital property rights to video gamers through the use of blockchain and non-fungible tokens (NFTs), enabling powerful benefits such as play-to-earn capabilities and digital asset interoperability.

The new capital will also be utilised to fund further acquisitions, develop new products, continue to make strategic investments and secure additional licenses for popular intellectual properties to cement Animoca Brands' leadership and that of its various subsidiaries in the NFT and gaming spaces.

On **13 May 2021**, the Company also updated shareholders about developments taking place in the first quarter of the year, prior to the capital raise also announced today at a price per share of A$1.10. These previous developments include the completion of a round of funding for US$12.4 million; the completed acquisition of Helix Accelerator Limited; and the acquisition of Sanrio Digital (HK) Limited, subject to shareholders' approval.

Convertible note issue
In the first quarter of 2021, Animoca Brands secured a total of US$12.4 million (approximately A$16 million) in funding via a convertible loan facility and subscription agreements with institutional and sophisticated professional investors.

A Convertible Loan Agreement with True Global Ventures 4 Plus Fund PTE. LTD. ("TGV") resulted in a drawdown of US$3 million (approximately A$3.9 million) with a zero-coupon rate if the holder of the convertible note exercised their right to conversion of the convertible notes into fully paid ordinary shares. The amount drawn down is convertible by the issue of 11.1 million ordinary shares of Animoca Brands priced at A$0.35 per share.

Subscription agreement with sophisticated investors
On **28 May 2021**, the Company also entered into Subscription Agreements with Adit Ventures, Kingsway Capital, EVG Holdings and other sophisticated and professional investors to place 34.8 million new ordinary fully paid shares of Animoca Brands at a subscription price of A$0.35 per share with the amount raised being US$9.4 million (approximately A$12.1 million).

Helix Accelerator acquisition
Animoca Brands Limited, a wholly owned subsidiary of Animoca Brands Corporation Limited, completed the acquisition of 60% of the issued capital in Helix Accelerator Limited ("Helix Accelerator"), including Helix Accelerator's entire 50% share ownership in Helix One Limited ("Helix One"), from Mind Fund consolidated entity Limited ("Mind Fund"), for an upfront consideration of US$2 million payable in approximately 7.3 million ordinary shares of Animoca Brands at a price of A$0.35 per share. The acquisition includes 100% of the Helix brand.

Helix is a fund manager and therefore, consideration needs to be given to whether the underlying assets of the fund need to be consolidated.

Helix Accelerator is a collaboration between Mind Fund and Hedera Hashgraph and the first and only accelerator for developers and entrepreneurs building on the Hedera Hashgraph platform. During its 10-week acceleration programme in 2020, Helix provided financial, intellectual, and network support to founders and their companies, and guided them as they built a new class of decentralised applications on the Hashgraph consensus algorithm used in the Hedera blockchain platform.

Helix One is the fund vehicle established to hold the equity and tokens from all the start-ups and projects that were incubated in the first cohort of the Helix Accelerator in 2020, including The Sandbox, Tune: fm, Hashing Systems, Otrafy, and Ooniq.

Partnership with Cudos
On **4 June 2021**, the Company announced that it has invested in and partnered with the decentralised cloud computing network Cudos.

The Cudos Network is a layer-one blockchain and layer-two computation and oracle network that ensures decentralised, permissionless access to high-performance computing at scale and enables the scaling of computing resources to hundreds of thousands of nodes. Once bridged to Ethereum, Algorand, Polkadot, and Cosmos, Cudos will enable scalable compute and Layer 2 Oracles on all of the bridged blockchains.

By bridging the gap between gaming, blockchain, decentralised finance and NFTs, the partnership will further enhance Animoca Brands' ecosystem with a highly scalable, low-cost layer-one blockchain and layer-two scaling network for new or multi-chain strategy blockchain gaming and NFT projects.

Capital raising
On **1 July 2021**, the Company completed the second tranche in its 13 May 2021 equity raising with US$50 million with the new equity to be used to fund strategic investments and acquisitions, product development, and licences for popular intellectual properties. The US$138.9 million equity raise will result in the Company issuing 164,890,910 fully paid ordinary shares at A$1.10 per fully paid ordinary share.

Accelerator programme with Brinc
The Company and Brinc launched on **20 July 2021** a new accelerator programme to identify, mentor and invest in promising blockchain and NFT start-ups.

Acquisition of Blowfish Studios
On **29 July 2021**, the Company announced that it had agreed to acquire Fugu Raw Pty Ltd and its controlled entities (trading as Blowfish Studios) for an upfront consideration of A$9 million plus the payment of up to A$26 million on the continuation of employment of key officers of Blowfish Studios and achievement of performance targets. Blowfish is a Sydney-based developer and publisher of high-quality multi-platform games including Qbism, Siegecraft, Morphite, Projection: First Light and Storm Boy. Blowfish has extensive experience in developing, porting and publishing games for PC, Mac, PlayStation 4 and PlayStation 5, Xbox Series SIS, iOS and Android as well as expertise in Virtual Reality. The acquisition significantly enhances game development capabilities for the Animoca consolidated entity.

Sweet investment
The Company announced on **4 August 2021** that it had invested in Sweet, a US-based entity providing user-friendly, consumer and environmentally conscious solutions for the sale of digital collectibles.

Acquisition of Prosper tokens
The Company announced on **10 September 2021** that it had acquired the Prosper platform and its other asset (including its token reserve). Prosper is a non-custodial cross-chain prediction and hedging platform that allows users to forecast the outcome of specific events. Prosper is developing a unique technological infrastructure of on-chain liquidity aggregation to solve problems and includes interoperability elements from different networks across the blockchain ecosystem.

Acquisition of Bondly tokens
On **17 September 2021**, the Company announced that it had entered into an agreement to acquire a majority stake in Bondly. The strategic investment in Bondly will enable the Animoca consolidated entity to drive mass NFT adoption across its gamification portfolio in controlled entities.

Hex Trust capital raising with Animoca participation
Hex Trust, Asia's leading digital asset custodian, announced on **5 October 2021** that it raised US$10 million in an investment round led by Animoca Brands, a leader in digital entertainment, blockchain, and gamification. Other investors include Ripple Labs, Algorand Foundation, BCW consolidated entity, Tessera Capital Partners, Mind Fund, Double Peak consolidated entity, and Token Bay Capital.

The funding comes at a time of rapid expansion for the company. With over 150 institutional clients, including banks, asset managers, exchanges, corporations and digital asset projects, Hex Trust has positioned itself as the leader in the region growing the business more than tenfold since the beginning of the year with assets under custody now exceeding US$2 billion.

Capital raising
On **20 October 2021**, the Company completed a capital raising which raised US$80 million from sophisticated and professional investors. Under the terms and conditions of the capital raising the Company will issue 43,850,317 fully paid ordinary shares at A$2 per fully paid ordinary share.

Meta Global/Bacasable reorganisation of SANDBOX ownership and Series A and Series B Preference Share Subscription
Bacasable Global Limited, an entity controlled by the Company and the holder of *the SANDBOX*, a leading open NFT metaverse platform, announced on **2 November 2021** that it has secured US$92,847,573 Series A and Series B Preference Shares fundraising round led by SoftBank Vision Fund 2, representing the fund's first investment in crypto assets. The investment will enable *The SANDBOX* team to scale the platform's growth as a prime entertainment destination where brands, IPs, and celebrities can engage with their fans through virtual experiences including games, live performances, and social experiences.

Other investors in the round included Animoca Brands, True Global Ventures, Liberty City Ventures, Galaxy Interactive, Kingsway Capital, Blue Pool Capital, LG Technology Ventures, Alpaca VC, Graticule Asset Management Asia, Com2uS, executives at GoldenTree Asset Management, Nokota, Sun Hung Kai &Co, Sound Ventures, Red Beard Ventures, SCB 10X, Polygon Studios, Samsung Next, Double Down Partners, StakeFish, SterlingVC, and HoldCo. Wedbush Securities acted as the exclusive placement agent and financial advisor for *The Sandbox*, and Rubicon Law provided legal counsel to *The Sandbox*.

The US$92,847,573 Series A and Series B Preference Share Subscription valued *The SANDBOX* at US$500,000,000 on a pre-money basis.

Immediately prior to the securing of the Series B Preference Share Subscription Agreement, the Company completed a restructuring of the ownership of *The SANDBOX* group of entities. The restructuring resulted in Meta Global Limited, the parent entity of Bacasable, awarding the two founders of *The SANDBOX* a 30% equity interest in Bacasable for zero consideration; however, on a fair value basis the consolidated entity will recognise in its profit or loss for the financial year ended 31 December 2021 a loss on awarding an equity interest to founders of US$56.2 million. It also resulted in Series A Preference Shareholders who subscribed to the Token Purchase & SAFE Agreements in May and June 2019 being awarded their equity interest.

Bacasable also granted 509,000,000 SAND Tokens to advisors, contractors and employees between August 2020 and January 2022. The consolidated entity has used www.coinmarketcap.com to determine the fair value for each issue of SAND tokens to advisors, contractors and employees. The consolidated entity has assessed the fair value at US$99.9 million with US$30.2 million to be charged to the profit or loss in the 2020 financial year and US$52.2 million to be charged to the profit or loss in the 2021 financial year and the balance over financial years 2022-2025.

The awarding of equity interests to the Series A and Series B Preference Shareholders and the award of 30% of the consolidated entity's interest in *The SANDBOX* group of entities (comprising Meta Global and its controlled entities Bacasable, TSB Gaming Ltd, TSBMV Global, TSB Gaming SA) to the founders of *The SANDBOX* has resulted in the consolidated entity reducing its equity interest from 96.9375% to 51.5672%.

The arrangement between the Company, the founders of *The SANDBOX* and the Series A and Series B Preference Shareholders provides the investors with rights of first and second refusal, a co-sale arrangement and a voting agreement that provides the Company with control over *The SANDBOX* entities.

The SANDBOX entities also granted on 2 November 2021 the Subscribers to the Series B Preference Shares warrants convertible into SAND tokens at 45.85 cents per SAND token on the basis of 1.9 SAND Tokens for every dollar invested in the Series B Preference Shares.

Forte partnership
Forte Labs Inc, a leading provider of blockchain solutions for game publishers, announced on **12 November 2021** that it has secured an additional $725 million in financing, closing its Series B. The Series B was led by Sea Capital and Kora Management with further support and funding from powerhouse game and media publishers including Animoca Brands, Big Bets (Huuuge Games), Overwolf, Playstudios, Warner Music consolidated entity, ventures (Razer), and blockchain partners Cosmos, Polygon Studios, and Solana Ventures, as well as investors including Griffin Gaming Partners, Andreessen Horowitz (a16z), and Tiger Global.

Forte's platform allows game publishers to integrate blockchain technologies into their games easily, enabling features such as seamless, embeddable token wallets, non-fungible token (NFT) minting and selling, payment rails, and other services built specifically for blockchain token economies and the management of digital and virtual assets. In blockchain-enabled games, players can truly own goods rather than making pure entertainment expenditures. Players around the world can freely trade goods and services with each other, and can participate in community economies that reward creativity, collaboration, and skill. These new systems provide game players and communities all around the world with new creative and economic opportunities.

Quidd token launch
Quidd Inc, a controlled entity of the Company announced on **19 November 2021** that the QUIDD token has raised a total of US$5 million via private sale, pre-sale, and IDO and is now available on PancakeSwap.

Quidd is the first marketplace built for buying and selling limited-edition, individually serialised digital collectibles. With its easy-to-understand user interface and experience, Quidd is an appealing provider of digital collectibles for the general public. The QUIDD token is the ERC-20 utility token for the Quidd community of collectors, creators, and developers.

The QUIDD token initial DEX offering (IDO) took place on 18 November 2021 on Polkastarter. The allotment of 2 million QUIDD tokens at a price of US$0.25 per token sold out in under an hour, raising US$500,000.

Subsequently, the QUIDD token listed on PancakeSwap paired with WBNB, REVV, TOWER, LMT, PROS, and BONDLY. The price of the token at the time of the agreement was US$1.26, representing a 404% increase from the IDO price of US$0.25.

These outcomes followed the private sale of the QUIDD token earlier in November 2021 which raised US$4 million from investors including Binance Smart Chain Growth Fund, Genesis Block Ventures, Kingsway, Mind Fund consolidated entity Ltd, Sanctor Capital, OneFootball, and other angel investors.

Animoca contributions to AMASA capital raising
On **21 November 2021**, the Company led a US$1.5 million raising for AMASA to enable the latter to develop further its technology for the mass adoption of the earning potential web3 and DeFi platforms.

OliveX capital raising
OliveX Holdings Limited, an associate entity of the Company announced on **22 November 2021** that it had received binding commitments to place 8 million new fully paid ordinary shares in OliveX (Placement Shares) at an issue price of AUD$1.00 per Placement Share to raise AUD$8 million before costs (Share Placement).

Net proceeds from the Share Placement are intended to be put towards funding the development of OliveX's first fitness metaverse game, Dustland Runner and also to progress other fitness metaverse initiatives.

Animoca and Binance relationship
On **6 December 2021**, the Company announced that it had entered into the Binance Smart Chain's $1 billion Growth Program, the accelerator arm of the leading DeFi, NFT and GameFi infrastructure platform. Binance and the Company will inject up to US$100 million each in order to accelerate shortlisted game projects in the multi-billion-dollar crypto niche of GameFi.

Animoca and Brinc relationship
On **15 December 2021**, Brinc, an entity in which the Company has invested, announced the closing of its US$30 million Series B fundraising and a further US$100 million for start-up investments.

The new capital will fuel Brinc's global platform expansion across new locations and verticals – allowing more investors and corporate partners to leverage funds, accelerators and bespoke-deal sourcing to access high-quality investment opportunities and emerging technologies in the food, health, energy, climate and deep tech. In addition, the capital will enable Brinc's expansion into Web 3.0 including the launch of new blockchain-focused accelerator programs across culture, music, art, collectibles, gaming, decentralised finance and data. Start-ups and corporates will also be supported in developing blockchain ventures to integrate sustainability, inclusion and equitability into their business models.

This investment represents strengthening the growing relationship between Brinc and the Company, which jointly unveiled the blockchain and NFT accelerator Launchpad Luna earlier this year. Its first cohort is in the process of closing investments into 30 game-changing Web 3.0 companies, supporting founders with tokenisation, product development and fundraising. The program's panel of mentors and experts boasts leading names in the blockchain industry, including Binance, Dapper Labs and Enjin.

Brinc and Animoca Brands plan to accelerate over 100 companies through LaunchPad Luna.

Shareholder approval for issue of shares and performance rights to Executive Chairman
On **21 December 2021**, shareholders approved the issue of 38,298,973 fully paid ordinary shares to Mr Yat Siu for past performance and awarded 89,364,270 performance rights to Mr Yat Siu for future performance. At the same meeting referred to above, shareholders approved the issue of 2,085,840 fully paid ordinary shares to non-executive directors pursuant to the extinguishment of outstanding directors' emoluments.

Shareholder approval of Sanrio acquisition
Further, shareholders also approved the Share Sale and Purchase Agreement with Typhoon Games (Hong Kong) Limited ("TGHK"), Typhoon Games Partners Limited ("TGP") and S2B Holding Limited ("S2B") (together with TGHK, TGP and S2B, the "Sellers"), pursuant to which ABL agreed to purchase 100% of the issued share capital in Sanrio Digital Corporation ("Sanrio") from the Sellers (being 51% from TGHK, 19% from TGP and 30% from S2B) at a total consideration price of A$8,278,201, which will be paid through the issue of a total number of 23,652,003 fully paid Shares in the Company at a price of A$0.35 per share ("Upfront Consideration").

Under the Share Sale and Purchase Agreement, ABL also agreed to pay the Sellers US$1,000,000 (the "Earn-out Consideration") if Sanrio achieved a revenue milestone of US$3,000,000 for each 12-month period from the effective date of the Share Sale and Purchase Agreement. The Earn-out Periods are three discrete 12-month periods. In order for the Earn-out Consideration to be paid, Sanrio is also required to achieve a net profit equal to at least 5% of revenue. The Earn-Out Consideration may be paid in cash or Shares in the Company (as determined by ABL). If it is to be paid in Shares, the price of such Shares will be based on a price per share equal to the higher of (a) A$0.35; and (b) the 14-day volume-weighted average price of the Shares as of the date three days prior to the payment of the earn-out (or if the Company is not listed on a public exchange, the price at which the Shares were sold to investors in the most recent funding round of the Company prior to the payment of the earn-out).

The Company has assessed the potential of Sanrio to satisfy the earn-out milestones and believes Sanrio will need more revenues to justify accounting for contingent consideration.

Mr Yat Siu held a 32.07% equity interest in the entities that sold Sanrio to the Company and accordingly was entitled to receive 7,585,197 of the shares issued for the Upfront Consideration.

Capital raising
On **18 January 2022**, the Company announced that it had completed a capital raise of US$358,888,888 (approximately A$500.3 million) at a pre-money valuation of over US$5 billion. Liberty City Ventures led the funding round, with other investors including 10T Holdings, C Ventures, DeltaFund, Gemini Frontier Fund, Gobi Partners Greater Bay Area, Kingsway, L2 Capital, Mirae Asset, Pacific Century consolidated entity, ParaFi Capital, Provident, Senator Investment consolidated entity, Sequoia China, Smile consolidated entity, Stable Asset Management, Soros Fund Management, Wildcat Capital Management, Winklevoss Capital, and others.

The new capital will be used to continue funding strategic acquisitions and investments, product development, and licenses for popular intellectual properties.

Acquisition of Notre Games
On **19 January 2022**, the Company announced that it had entered into an agreement to acquire Notre Game sro. Under the terms and conditions of the Share Purchase Agreement, the Company agreed to pay the shareholders of Notre Game for Euros 1,116,401 with Euros 1,040,000 payable in cash and Euros 76,401 payable in fully paid ordinary shares of the Company at the latest fund-raising price. In addition, the Company agreed to pay the founder of Notre Game specific milestone payments for revenues generated by Scratch Lords and, in the event the Company issues cryptographic tokens for the Scratch Lords game, a percentage of the total tokens minted.

Acquisition of Grease Monkey
On **6 February 2022**, the Company completed the acquisition of Monkey Grease Pty Ltd, an entity incorporated in the Commonwealth of Australia, a motorsport video game developer and publisher serving global car manufacturers such as Honda, Nissan, Toyota, GM, and Dodge. In 2014 the company shifted gears to developing its own original IP games, including *Torque Burnout* and *Torque Drift*, which have been downloaded more than 45 million times across mobile and PC. Grease Monkey Games has an extensive portfolio of licensed partnerships with vehicle manufacturers including Nissan, Toyota, Ford, and BMW, and aftermarket parts manufacturers including Link ECU, Wilwood, and Mishimoto.

The Company issued 819,583 fully paid ordinary shares for $4.50 per fully paid shares as well as paying the vendors US$3,800,000 on completion. The upfront consideration totalled A$9,116,685, The Share Purchase Agreement also provides the vendors with the potential to earn out entitlements based on revenue and profit milestones.

Animoca and Brinc partnership
On **14 February 2022,** the Company entered into a partnership with Brinc, an entity in which the Company has invested, to launch the Guild Accelerator Program to build and grow the play-to-earn (P2E) guild ecosystem globally. The new acceleration program offers a total investment capital of up to US$30 million over two years.

The Guild Accelerator Program aims to enable millions of people around the world to generate income by participating in P2E gaming via crypto gaming guilds. Admission to the program is prioritised for guilds with a commitment to sustainability. This includes projects that support and give back to player/scholar communities, place emphasis on energy-efficient proof-of-stake protocols and side chains and have lower overall physical footprints.

The Guild Accelerator Program will fund up to US$500,000 per guild. To optimise each guild's performance and help scale growth, the program will foster innovation, set up management and operational systems, share best-in-class learnings from world-class mentors, expand each platform's user base and assets, and help raise funds beyond the start-up phase.

Animoca Brands Japan incorporated and funding
On **15 February 2022**, the Company commenced business activities in Japan through the incorporation of Animoca Brands Japan KK with a US$10 million raising. The goal of Animoca Brands Japan is to build a platform based on blockchain technology to enable intellectual property (IP) holders in Japan to build and expand fan communities via the issue of their own NFTs and fungible tokens and participation in the broader Web3 ecosystem. Animoca Brands Japan will work with global professionals to help Japanese IP holders branch out into international markets.

In January 2022, the Company completed a seed round of ¥1.1 billion (approximately US$10 million) for Animoca Brands Japan with MCP IPX One Fund. Investors in MCP include Kodansha Ltd., Nishi-Nippon Railroad, as well as institutional investors from Japan and overseas including Sumitomo Mitsui Trust Bank, Limited.

Joint venture with Cube Entertainment
The Company and Cube Entertainment, a South Korean-based entity, announced on **22 February 2022** the establishment of a new joint venture named AniCube Entertainment ("AniCube"). AniCube will build a music metaverse and issue NFTs and ecosystem tokens based on the intellectual property rights of Cube Ent's globally popular K-pop music artists and actors. AniCube will also bring Cube Ent's artists to the SANDBOX, a leading decentralised gaming virtual world and a subsidiary of the Company.

Acquisition of Darewise Entertainment SAS
On 23 March 2022, the Company completed the acquisition of 70% of the diluted share capital on issue in Darewise Entertainment SAS for US$15 million comprising US$9 million in cash and US$6 million in fully paid ordinary shares at $3.07 per fully paid ordinary shares. The parties also agreed to a series of earn-outs based on the launch of Life Beyond NFT and tokens as well as accumulative token sales targets.

Animoca-led funding of Aradena
On **29 March 2022**, the Company led a US$14 million equity raising for Aradena. Aradena is pioneering the next generation of blockchain gaming by making play-to-earn games as fun to play as traditional gaming titles.

Acquisition of Eden Games SAS
On **11 April 2022**, the Company announced that it had acquired Eden Games SAS, a French-based entity. Eden Games is a highly respected and successful racing game studio with products ranging from pure racing to open-world and management racing games.

Blowfish launch of Phantom Galaxies NFT
The Company and its controlled entity Blowfish Studios announced on 18 May 2022 that they had successfully closed an oversubscribed Planet Private Sale for Phantom Galaxies, one of the most anticipated AAA blockchain games. The companies estimate that 7,734 Planets and Asteroids were sold for a total of US$19.3 million.

Acquisition of TinyTap Limited
On **27 April 2022**, the Company acquired 80.45% of TinyTap Limited, an entity incorporated in the state of Israel. TinyTap is a social platform that empowers families, teachers and students to

learn from each other by creating their own personalised learning apps and playing thousands of new ones shared daily by a worldwide community of educators and learners worldwide.

Under the terms and conditions of the acquisition the Company issued 2,289,395 fully paid ordinary shares at $4.50 per fully paid ordinary shares as well as cash consideration totalling US$27,181,033 (net of amounts payable to the Company and its controlled entities of US$4,335,083).

Exercise of options and the issue of shares to sophisticated shareholders
On **5 May 2022**, the Company issued 2,439,686 fully paid ordinary shares for the exercise of options over ordinary shares at 11 cents per option and the issue of 1,542,556 shares for $44.50 per fully paid ordinary share.

Acquisition of TinyTap and Notre Games
On **15 May 2022**, the Company issued 2,289,395 fully paid ordinary shares to shareholders in TinyTap pursuant to the acquisition agreement and 25,195 shares to a vendor of the Notre Games. The shares were issued at $4.50 per fully paid ordinary share.

Conversion of convertible notes into ordinary shares, the exercise of options and settlement of amounts due to consultants
On **11 July 2022**, the Company issued 38,952,584 fully paid ordinary shares on the conversion of convertible notes issued in 2020 and 2021 at a conversion price of an average price of 10 cents. 8,942 options over ordinary shares issued were exercised pursuant to the LTIP were to an employee at 90 cents per option. The Company issued 2,188,782 fully paid shares at an average price of 90 cents per share.

Equity raising from sophisticated and professional investors
On **13 July 2022**, the Company raised 23,237,058 fully paid ordinary shares at $4.50 per fully paid share to raise $104,566,756 before costs.

Acquisition of BeMedia
On **16 August 2022**, the Company acquired BeMedia Pty Ltd, a digital marketing agency focusing on key opportunities in Australia centred around blockchain development.

Under the terms and conditions of the Share Purchase Agreement and the Subscription Agreement, the Company acquired 61% of the shares on the issue on completion of the Share Purchase Agreement and increased its equity in BeMedia to 6% following its subscription to new shares for A$1,000,000.

The Company paid the vendors $719 444 upfront and a further payment of $719,444 six months following the date of acquisition. In addition, the Company agreed to pay the vendors of BeMedia Earn-outs on the achievement of specific revenue milestones over three years following the date of acquisition.

The Company also committed to lending BeMedia up to $2,000,000 on an interest-bearing basis.

BeMedia is an Australian digital marketing agency BeMedia focuses on key opportunities in Australia centred around blockchain development. BeMedia will spearhead partnerships with major Australian brands as its parent company pursues the goals of advancing the emergence of the open metaverse and delivering digital property rights to online users via blockchain and NFTs.

Animoca Brands KK equity raising
On **26 August 2022,** Animoca Brands KK raised a total of US$45 million from its ultimate parent entity and MUFG Bank, Ltd. which valued Animoca Brands KK at US$500 million on a pre-money basis.

The funds raised will be used by Animoca Brands KK to continue to secure licenses for popular intellectual properties, develop internal capabilities, and promote the adoption of Web3 to multiple partners, increasing the value and utility of their branded content while fostering the development of a safe and secure NFT ecosystem in Japan.

Issue of convertible notes
The Company announced on **8 September 2022** that it had closed a strategic funding round for US$110 million (approximately A$159 million) through the issuance of convertible notes to institutional investors at a conversion price of A$4.50 per fully paid ordinary share.

The key terms of the convertible notes include a conversion/repayment date of 3 years from the date of issue with a coupon rate of 10% only payable if the convertible note holder elects not to convert and accordingly, requests repayment. In addition. there is a down round term that increases the coupon rate from 10% to 15% in the event of the Company raising equity at a price below A$4.50 per fully paid ordinary share.

The convertible note holders are also entitled to a 1:2 warrant over ordinary shares with a three-year expiry date from the date of issue and an exercise price of A$4.50 per warrant over ordinary shares.

Convertible note holders include Temasek Holdings Limited, Boyu Capital, and GGV Capital, as well as existing investors Mirae Asset Management and True Global Ventures.

Investment in Revolving Games
On **9 September 2022,** the Company announced that it and Pantera Capital, Polygon, Dapper Labs, Permanens Capital Partners, Kenetic, Sarmayacar, and DWeb3 Capital agreed to invest US$13.2 million in Revolving Games, a AAA Web3 blockchain game.

Revolving Games is a mobile Free to Play game company now consists of two studios working on blockchain games across North America, Europe, and Asia. Its first game in June 2022, is a Battlestar Galactica-themed blockchain game in partnership with Gala Games and NBC Universal. Its second game, Skyborne Legacy, is a social world exploration and trading RPG that will be deployed on the Polygon network.

Membership Interest Purchase Agreement with WePlay Media
On **16 September 2022**, the Company entered into a Membership Interest Purchase Agreement for the acquisition of WePlay Media Holdings LLC, the sole shareholder of XXL Racing LLC, an official licensee of MotoGP™, and WePlay Media LLC, the developer of the highly popular *MotoGP™ Championship Quest*. The Company agreed to pay the sellers of the membership Interest (the equity security underlying a limited liability company) in WePlay Media Holdings LLC for US$50,000.

The acquisition of WePlay Media will allow Animoca Brands to expand on its existing relationship with Doran Sports as a sponsor, NFT licensor, collectible cards provider, and blockchain game developer and publisher. With *MotoGP™ Championship Quest* - the official MotoGP™ mobile racing game - in its stable, the company will be able to develop an integrated experience for *MotoGP™ Ignition* players and beyond.

Investment in Wanderers
The Company announced on **28 November 2022** that it led a funding round for Wanderers, the sci-fi media brand behind the Wanderers NFT collection. The Company contributed to Wanderers US$2,000,000 capital raising from investors.

Investment in Roboto Games
The Company led a fundraising for Roboto Games which closed on **29 November 2022**. The funds raised, US$15 million, will be used by Roboto Games to advance its games on the Web3 platform. The Company contributed to the equity raising.

Acquisition of *PIXELYNX*
On **6 December 2022**, the Company advised shareholders that it had acquired *a controlling interest in PIXELYNX*. Under the terms and conditions of various documents that formed the basis of the acquisition, the Company agreed to:

(i) convert a series of Convertible Promissory Notes held by entities controlled by the Company into Series A Preferred Stock;

(ii) inject US$6,000,000 into PIXELYNX by way of the issue of Series A Preferred Stock;

(iii) purchase US$3,000,000 of Common Stock held by the founders for both cash and shares in the Company; and

(iv) provide PIXELYNX with US$26,500,000 to PIXELYNX with the principal amount collateralised by crypto tokens of an equivalent amount.

The various transaction between the Company and PIXELYNX have resulted in the Company holding around 61% of the Capital Stock on a diluted basis and three of the five directors of PIXELYNX are representatives of the Company.

PIXELYNX is a Los-Angeles-based music and gaming entity operating across five countries. It is creating a physical and digital ecosystem for artists and fans by building products that blur the lines between music, gaming, and Web3 (a decentralised ecosystem based on blockchain technologies). *PIXELYNX*'s ecosystem will provide artists control over how they build experiences with fans, partners, and platforms to create new ways for music lovers to develop, share, and monetise music.

The goal of the Company is to build, invest in, and acquire studios, infrastructure, and technologies that will power the future of the music industry through integration with gaming and Web3 technologies and communities.

PIXELYNX operates LynxLabs to develop the next wave of music and entertainment ventures by offering entrants access to funding, artists, celebrities, token design and technical support.

LynxLabs has already invested in Volta XR and Oorbit.

PIXELYNX's upcoming debut game ELYNXIR is a next-generation mobile gaming platform that will bring fans closer to their favourite artists through exclusive music content, in-game collectibles, and playable immersive experiences.
Powered by Niantic Lightship augmented reality technology, ELYNXIR leverages advanced augmented reality and geolocation for players to discover games, music, artists, collectibles, and community-made content. As an entirely new level of creative immersion and gameplay in

the music metaverse. ELYNXIR aims to facilitate a new type of artist-to-fan collaboration that will transform how the music industry engages communities and monetises content, giving fans the opportunity to be collectors, collaborators, influencers, and investors.

MoviePass fund raising
The Company led the funding for MoviePass Inc. which closed on **12 January 2023**. MoviePass provides the technology platform for enhancing the exploration of film and the moviegoing experience. MoviePass Inc raises, in total, US$2,500,000 from investors.

MoviePass will use the new funding to accelerate the beta relaunch of its movie theatre subscription service and to develop and implement the company's Web3 strategy, including virtual reality cinema experiences and using technology to drive traffic to theatres. MoviePass will also collaborate with theatre exhibitors and studios to offer variable ticket pricing to movie fans.

Animoca Brands Japan
The Company announced on **13 January 2023** that its controlled entity, Animoca Brands KK, had made a strategic investment of JP¥100 million (approximately A$1,000,000) into Psychic VR Lab's JP¥1 billion fundraising round in December 2022.

Animoca Brands Japan and Psychic VR (virtual reality) Lab have been collaborating since June 2022. Psychic VR is a leader in the XR (extended reality) field in Japan, operating the XR creative platform "STYLY" which is used by artists worldwide. XR has become an important feature where the virtual world and the real-world merge.

The investment followed a collaboration with Psychic VR Lab in June 2022. With the vision of 'realising the world where people wear a space, Psychic VR is a leader in the XR (extended reality) field in Japan, operating the XR creative platform "STYLY" that is used by more than 50,000 artists worldwide with a viewer app that has been downloaded 5 million times. It has become an important part of the infrastructure in the XR era, where the virtual world and the real-world merge.

Acquisition of WePlay Media
On **17 January 2023**, the Company announced that it had completed the acquisition of the Membership interests in WePlay Media Holdings LLC, the digital property rights for gaming and the open metaverse, for US$3,500,000.

Animoca Brands KK makes a strategic investment in Brave Group Co Ltd
Animoca Brands KK and Brave Group Co Ltd announced a strategic investment on **25 January 2023** where Animoca Brands KK will invest JP¥300 million (approximately A$3 million) in Brave Group.

The Brave group runs various businesses in the Metaverse area, such as the IP business that operates 'RIOT MUSIC'(virtual music production) and 'Vspo!' (The next-generation Virtual eSports) project and the Platform business that utilises its own metaverse engine, 'Brave Engine'. Brave is now focusing on global expansion around its own IP.

Intella X
The consolidated entity announced on 18 January 2023 that it had contributed to the US$12 million equity raising by IntellaX*.*

Intella X is a next-gen Web3 gaming platform that aims to bridge the gap between Web2 and Web3 via innovative business models and services. Intella X offers both developers and end users all the necessary applications and support in relation to Web3 gaming.

Animoca Brands Japan invests in Virtual Arts
On **16 February 2023**, the Company announced that its controlled entity, Animoca Brands KK, had invested US$1,200,000 in Virtual Arts, Inc to support Virtual Arts' expansion in Japan and to provide content for *DanceFight*, a dance battle app published by Virtual Arts for the street dance community globally, with bracket-style tournaments, crowd and celebrity judge voting, and more.

Animoca Brands Japan invests in Passion Labs
The Company agreed on **24 February 2023** to invest in Passion Labs, a platform providing customer experience and community engagement tools to empower users with data ownership and help brands build communities. The investment was subject to finalisation as at the date of this post-balance date event statement.

SANDBOX expands into Germany
The *SANDBOX* announced on **28 February 2023** that it had acquired Sviper GmbH, the German game development studio founded and noted for its excellence with major brand partners and its management. Sviper adds development, engineering, and creative talent to *The SANDBOX*'s global team and will empower the creator generation to build more engaging and fun forms of experiences focusing on social features, new multiplayer gameplay options, and new Game Maker possibilities for creators. The acquisition terms were subject to finalisation as at the date of this post-balance date event statement.

The SANDBOX joint ventures with Brinc
The SANDBOX entities announced on **28 February 2023** that they had entered into a joint venture with Brinc, a leading global venture accelerator, to launch BharatBox, a cultural hub featuring key partners from India's entertainment, art, and sports sectors, including Bollywood. The joint venture terms were subject to finalisation as at the date of this post-balance date event statement.

MocaMint with sales increased to US$5.5 million
The Company announced on **2 March 2023** the successful completion of Mocaverse's MocaMint, an event during which shareholders, employees, investees, partners, and supporters minted a total of 8,888 Mocaverse NFTs.

The sales reached 3,552 ETH (approximately US$5.5 million) at a floor price of 1.6 ETH.

Mocaverse is an initiative by Animoca Brands that aims to unite the Web3 community to exchange ideas, learn, connect, play games, cultivate a resilient Web3 culture, and build a better future for Web3. The collection comprises 8,888 NFTs of characters called Mocas, each belonging to one of five tribes: Dreamers, Builders, Angels, Connectors, and Neo-Capitalists. Each tribe represents the diverse yet complementary personas of changemakers in Web3.

Joint venture with Planet Hollywood
The Company and Planet Hollywood Group announced on **9 March 2023** that their joint venture Meta Hollywood, will launch CLUB 3, a private, members-only club that will act as the physical meeting place for the greater global community involved in Web3, NFTs, and open metaverse industries.

The first CLUB 3 location will open in the heart of the famed Sunset Boulevard in Los Angeles, California, in the second half of 2023. It will be a 10,000-square-foot facility consisting of diverse dining options, including a main dining room and a rooftop restaurant, eclectic bars and a cocktail lounge, meeting rooms, karaoke rooms, and other facilities in addition, CLUB 3 will offer fully programmable areas for experiential events that will be available both in person and virtually, such as industry events, community meetups, talks, experiences and seminars. Following the opening of its first location, CLUB 3 plans to expand in multiple iterations in the world's most popular cities, including New York, Miami, Tokyo, London, Paris, and Hong Kong.

Nuqtah seed funding
Animoca announced on **15 March 2023**, that it had led a seed funding round for Nuqtah, Saudi Arabia's first NFT marketplace platform. The new funding will be used to scale up the business of Nuqtah over the next 12 months.

Nuqtah is the first NFT marketplace in Saudi Arabia and the first to be licensed by the Ministry of Communications and Information Technology and the Ministry of Investment.

OP3N financing
The Company announced on **21 March 2023** that it had led the US$28,000,000 Series A Financing for OP3N, a Web3 AI-powered chat Superapp that is bridging the differences between Web2 and Web3 technologies by using blockchain and decentralised technologies to build a cohesive consumer-friendly Web3 platform. The Company agreed to provide OP3N with US$5,000,000 in funding and at the date of this Directors' Report has provided OP3N with US$2,000,000.

Gryfyn launch
The Company and Hex Trust announced on **21 March 2023** the public launch of Gryfyn – a joint venture to provide an innovative custodial wallet solution focused on onboarding users to Web3.

Gryfyn has completed fundraising of US$7.5 million from investors, including the Company.

Animoca Brands Japan investment
Animoca Brands Japan announced on **30 March 2023** that it had invested JP¥150 million into LMI GROUP Inc. ("LMI"). The investment will assist LMI in accelerating its growth and expanding its reach in the retail media sector in Japan.

Honjo Investments LLC subscription deed
The Company and Honjo Investments LLC entered into a subscription deed whereby the latter agreed to acquire US$750,000 fully paid ordinary shares at $4.50 per fully paid ordinary share on **21 April 2023.**

Remuneration for Animoca Brands Limited executives
The Company issued 120,042 fully paid ordinary shares to executives at the principal-controlled entity, Animoca Brands Limited, for a fair value of A$4.50 per fully paid ordinary share on **21 April 2023**. Executives received the shares for zero consideration; however, under AASB 2 Share-based Payments at a fair value of $4.50 per fully paid ordinary shares.

Settlement of contractual arrangements by way of issue of fully paid ordinary shares for $4.50 per fully paid ordinary share
The Company issued 444,117 fully paid shares at $4.50 per fully paid ordinary share to Alpha Bravo 1 Limited for equity raising services and 110,558 fully paid ordinary shares at $4.50 per

fully paid ordinary share to Sun Life Capital LLC for strategic and business development services on **21 April 2023**.

Acquisition of tokens
Through a controlled entity the Company agreed to acquire 12,500,000 IX tokens for US$0.04 per IX token from Novaflow Labs Ltd by way of the issue of 158,889 fully paid ordinary shares at A$4.50 per fully paid ordinary share on **21 April 2023**.

Loan to OneFootball
On **17 May 2023**, Animoca Brands Limited, a controlled entity of the Company provided OneFootball with a Euro 12 million unsecured loan as part of a restructuring arrangement. The Company had previously subscribed to Euros 30 million in convertible securities.

Mitsui subscribes to convertible notes.
On **19 May 2023**, Mitsui subscribed to US$5,000,000 in convertible notes on the same terms and conditions as subscribers to the 2022 Convertible Note Issue.

Exercise of options
On **31 May 2023**, the Company issued 20,693,132 fully paid ordinary shares at $1.10 per ordinary share following the exercise by option holders of options over ordinary shares pursuant to the 2021 capital raising initiatives.

Transak
The Company announced on **31 May 2023** that it had subscribed to US$1,500,000 in a SAFE Instrument in Transak, a web3 payments and onboarding infrastructure provider.

SANDBOX agreements
In addition to specific matters set out above in relation to post-balance date events relating to the SANDBOX entities, the SANDBOX entities entered into the following material agreements since the balance date:

- Service Agreement with Binance Holdings Limited to pay US$100,000 in advertising and promotions and issue 48,000,000 SAND tokens as a success fee and 72,000,000 SAND tokens as an Advisory Fee
- Service Agreement with WoW Studio Limited to support the creation of content for women in the SANDBOX where the SANDBOX entities paid US$1,000,000 in SAND tokens and an additional payment of US$5,000,000 in SAND tokens prior to termination of the agreement
- Education Services Agreement with Coinbase Inc where the SANDBOX entities agreed to pay 3,000,000 SAND tokens to Coinbase in exchange for the distribution of 7,000,000 SAND tokens to users of the Coinbase educational tools.
- Loan Agreement with Odyssey Technologies Limited where the SANDBOX entities loaned US$3,000,000 in SAND tokens for the purposes of facilitating liquidity and marketing of SAND across exchanges.
- Services Agreement with Unity Technologies ApS to provide dedicated engineering services and resources related to the development of a mobile version of the SANDBOX for US$2,600,000 over 11 months
- Content Distribution License and Services Agreement with Skybound Interactive LLC to licence certain marks and intellectual property associated with The Walking Dead for US$2,000,000 as well as royalties comprising 50% of gross revenue from sales of the non-fungible tokens

- Development Services Agreement with Fiurefly Games Inc for US$1,372,000 for software development services
- Content Distribution License and Services Agreement with Spanky's Clothing to pay US$900,000 over three years in the form of USD, SAND tokens and LAND to licence certain marks and other intellectual property associated with Snoop Dogg as well as royalties comprising 50% of gross revenue from sales of the non-fungible tokens
- 10-year lease agreement for office space in Los Angeles.

Summary table of equity issues

The following Table sets out the number of shares issued, and the equity raised since 31 December 2020 up to 31 May 2023:

		Number	$
Balance as at 31 December 2020		1,213,492,299	111,946,930
Date of issue:			
15 February 2021	a	11,756,263	1,716,077
28 April 2021	b	17,223,391	2,124,368
28 May 2021	c	42,159,117	14,755,690
15 June 2021	d	110,072,510	115,782,480
7 July 2021	e	21,013,228	6,743,441
27 July 2021	f	52,172,708	57,389,971
19 August 2021	g	2,807,272	1,313,548
6 September 2021	h	15,407,619	5,490,080
26 October 2021	i	45,964,940	80,860,543
4 November 2021	j	18,676,255	24,161,012
17 December 2021	k	299,043	328,947
20 December 2021	l	33,805,937	55,743,832
31 December 2021	m	61,666,833	83,617,952
4 January 2022	n	7,713,162	2,559,293
31 January 2022	o	63,304,964	271,828,014
24 February 2022	p	8,611,221	37,523,869
14 March 2022	q	40,498,442	182,242,989
26 April 2022	r	2,629,634	8,072,974
5 May 2022	s	2,439,686	7,928,345
12 May 2022	t	2,314,590	10,415,657
11 July 2022	u	41,150,308	8,825,614
13 July 2022	v	23,237,058	104,566,756
13 October 2022	w	200,000	220,000
9 November 2022	x	8,560,817	19,372,496
11 December 2022	y	33,694,989	14,107,240
12 December 2022	z	14,221	24,006
29 December 2022	aa	4,837,085	3,935,803
21 April 2023	ab	245,098	1,102,941
21 April 2023	ac	833,606	3,751,227
31 May 2023	ad	20,693,132	22,762,445
		694,003,129	1,149,267,610
31 May 2023		1,907,495,428	1,261,214,540

The issue of shares on the above dates relates to the following:

a. *Shares were issued for the exercise of options, payments to consultants and vendors and investments made by strategic investors and institutional investors*
b. *Shares were issued for the exercise of options and payments to vendors*
c. *Shares were issued for investment by institutional investors*
d. *Shares were issued for the exercise of options and investments made by institutional investors*

e. *Shares were issued for a strategic transaction and investment made by institutional investors*
f. *Shares were issued for a strategic transaction and investment made by institutional investors*
g. *Shares were issued for the exercise of options, payments to vendors and a strategic transaction*
h. *Shares were issued for the payment of vendors and investments made by institutional investors*
i. *Shares were issued for the conversion of convertible notes, the exercise of options, the payment of vendors and investments made by institutional investors*
j. *Shares were issued for the exercise of options*
k. *Shares were issued in lieu of obligations to advisors and consultants*
l. *Shares were issued for strategic investors and institutional investors*
m. *Shares were issued for conversion of convertible notes, payment to the Executive Chairman for past performance (approved by shareholders), payment of vendors and a strategic investment*
n. *Shares were issued to non-executive directors for services (approved by shareholders) and payments to consultants*
o. *Shares were issued to strategic and institutional investors*
p. *Shares were issued for the acquisition of controlled entity and institutional investors*
q. *Shares were issued to strategic and institutional investors*
r. *Shares were issued for the acquisition of control entities and institutional investors*
s. *Shares were issued for the exercise of options and the issue of shares to sophisticated and professional investors*
t. *Shares were issued for the acquisition of TinyTap and Notre Game*
u. *Shares were issued to employees under LTIP, conversion of convertible notes by convertible noteholders into fully paid shares and settlement of amounts due to consultants by way of the issue of fully paid shares*
v. *Shares were issued as part of placement to sophisticated and professional investors*
w. *Shares were issued for the exercise of options*
x. *Shares were issued for the Tranche 2 Blowfish Consideration, the conversion of convertible notes, the exercise of options, payment to advisors and consultants and retention bonus to nWay executives*
y. *Shares were issued for the exercise of options, conversion of convertible notes into ordinary shares and payment of suppliers and vendors*
z. *Shares were issued for the exercise of options and the conversion of loan monies*
aa. *Shares were issued for the exercise of options*
ab *Shares were issued for a cash subscription*
ac *Shares were issued for executive employees, acquisition of tokens and consulting services*
ad *Exercise of options over ordinary shares at $1.10 per ordinary share*

Composition of capital raised

	Shares No	**$**
Cash proceeds from issue of shares	437,168,490	911,435,538
Cryptocurrencies received in lieu of cash from issue of shares	20,954,906	21,848,928
Non-cash issue of shares for acquisitions, investments and settlement of amounts due to vendors	235,879,733	215,983,144
	694,003,129	1,149,267,610

Likely developments and expected results of operations

As set out in 'Events after balance date' the Company has raised significant new equity and debt instruments (convertible notes and unsecured loans) and has made a number of acquisitions and investments. In addition, the Company has reduced its investment in *the SANDBOX*. The reduction in equity ownership of *The SANDBOX* will result in a charge to the profit or loss of around US$79.623 million as 30% of the equity interest was awarded to the founders for zero consideration.

In addition, the Company acquired Blowfish Studios, Grease Monkey Pty Ltd, DareWise SAS, Pixelyxn Inc and Tiny Tap Limited and has made a number of investments in other entities.

Risk management

The board of directors in conjunction with management undertake a half-yearly (since January 2022) assessment of the key business, operating, and financial risks.

The key risks identified by the board of directors and management that may impact by the consolidated entity are set out below.

A. *Cryptocurrencies are subject to an extensive and highly evolving regulatory landscape with changes to legislation and regulation potentially impacting the consolidated entity*

The global business of the consolidated entity is subject to laws, rules, regulations, policies, orders, determinations, directives, treaties, and legal and regulatory interpretations in the jurisdictions in which the consolidated entity operates.

Many of these legal and regulatory regimes were developed prior to the advent of the internet, mobile technologies, cryptocurrencies and related technologies such as blockchain. As a result, some laws and regulations do not contemplate or address unique issues associated with cryptocurrencies and are subject to uncertainty.

The complexity and evolving nature of the business of the consolidated entity and the uncertainty surrounding laws and regulations of cryptocurrencies requires the consolidated entity to exercise judgment as to whether certain laws, rules and regulations apply. In addition, new interpretations of existing laws and regulations may be issued to policymakers and the judiciaries in which the consolidated entity operates.

B. *As the consolidated entity expands and localises its international activities, its obligations to comply with laws, rules regulations and policies in a number of jurisdictions will increase and as a result, the consolidated entity will be subject to inquiries, investigations and changes to its business model.*

The consolidated entity has grown significantly in recent years and will continue to grow through acquisitions, strategic alliances and joint ventures and its obligations to comply with laws, rules, regulations, policies and legal interpretations in jurisdictions in which it operates will give rise to cross-border considerations.

C. *Cryptocurrency's status as "securities" in some jurisdictions is subject to a high degree of uncertainty and if the consolidated entity is unable to characterise a cryptocurrency asset with such an outcome properly may adversely affect the business of the consolidated entity*

The legal test for determining whether any given cryptocurrency asset is a security is a highly complex, fact-driven analysis that evolves over time and the outcome is difficult to predict. Various jurisdictions do not provide advance guidance or confirmation on the status of any particular cryptocurrency asset as a security.

D. *The consolidated entity needs to ensure that it has developed and implemented safeguards to manage cryptocurrencies to ensure its business, results, and financial conditions are not impacted.*

The consolidated entity deposits, transfers and holds custody of customer cryptocurrency assets in multiple jurisdictions. In such circumstances, the consolidated entity needs to safeguard customers' cryptocurrency using bank level-security standards applicable to wallets and maintain systems of the consolidated entity as well as financial management systems related to custodian activities.

The consolidated entities acquire, design and develop technologies to prevent, detect and mitigate inappropriate access to the consolidated entities through both internal and external threats. The consolidated entity has appropriate systems to safeguard deposits, transfers and custodian cash and cryptocurrencies to industry best practices.

E. The consolidated entity has an active acquisition and investment strategy that requires significant management resources to integrate and disrupt the existing business and may result in dilution to existing shareholders.

The consolidated entity has made and may continue to make acquisitions to add specialised employees, complementary entities, products, services, licences, or technologies.

The consolidated entity evaluates opportunities for possible acquisition, strategic investments, entries into new businesses, joint ventures and other transactions. As the consolidated entity grows, the pace and scale of acquisitions may increase and result in larger acquisitions than previously undertaken.

Acquisitions, strategic investments, joint ventures, and other transactions may not achieve the goals for return on investments and result in impairments that investors may view negatively.

The ability of the consolidated entity to acquire and integrate acquisition is evolving and success depends on devoting significant time and resources, which may undermine the existing business where opportunities for growth may be delayed or not undertaken.

The issuance of equity to fund acquisitions, strategic investments, joint ventures and other transactions is dilutive and undertaking large acquisitions with pure equity issues may be viewed negatively by investors.

F. The business of the consolidated entity requires the application of complex financial accounting rules, and there needs to be more guidance from accounting setting bodies such as the International Accounting Standards Board and the Australian Accounting Standards Board and changes to accounting standards may affect operating results.

The consolidated entity must comply with accounting rules and regulations set by the IASB and the Australian equivalent of International Financial Reporting Standards.

The concept that "one size fits all" can result in significant judgments on the application of accounting standards to the consolidated entity. For IFRS 15/AASB 15 requires recognition of revenue based on the delivery by the consolidated entity of services. The service obligations relate to how users realise gratification in digital games and the utilisation of platforms. The holders of cryptocurrencies of controlled entities, in many instances, are investors seeking capital growth from increases in the value of cryptocurrency rather than gratification from utilising games and platforms. Accordingly, the amortisation of deferred revenue to the profit and loss cannot be achieved in an orderly manner.

G. The consolidated entity has the potential to suffer losses due to exogenous shocks to market conditions

The cryptocurrency market has been characterised by significant volatility and unexpected price movements with the failure of entities such as FTX, BlockFi, Three Arrows Capital, Voyager Digital and Celsius Network (following the Terra and Luna collapses).

The recent failures of cryptocurrency entities have caused significant volatility in the prices of cryptocurrencies across the entire market, which may negatively impact the valuation of the consolidated entity's cryptocurrencies traded in primary and secondary markets by gamers and the valuation of third-party cryptocurrencies held by the consolidated entity.

H. The consolidated entity has in the past and is likely in the future to enter into collaborations, joint ventures, and strategic alliances with third parties and these arrangements and the relationships with third parties could be undermined if the arrangements do not have organisation and business structures to achieve operating results

The consolidated entity has entered into collaborations, joint ventures, partnerships and strategic alliances with third parties to develop, operate and enhance its platforms and products, acquire tokens and provide services.

Counterparties to any relationship may have economic or business interests or goals that are, or become, inconsistent with those of the consolidated entity's business interests or goals and therefore, risks may emerge to the extent that conflicts may arise in the interpretation of terms and conditions of agreements, the strategic direction of the arrangement and the decision-making processes.

I. The consolidated entity operates in a highly competitive industry and it competes against unregulated or less regulated entities and entities with greater financial and other resources accordingly, the business, results and financial position of the consolidated entity may be adversely impacted if the consolidated entity cannot respond to competitors effectively.

The cryptocurrency market is highly innovative, rapidly evolving and characterised by competition, experimentation, changing customer needs, and the constant flow of new products and services and subject to uncertain and evolving industry and regulatory requirements.

Competition is expected to increase as existing and new competitors introduce new or enhanced existing products and accordingly, the consolidated entity needs to compete and continually invest in the various businesses of the consolidated entity in order to make develop similar or superior products and technologies.

J. The consolidated entity has invested in a large number of start-ups at various stages of development of new products and new technologies and the carrying value of these investments is difficult to assess due to a lack of market-based information to assess values

The consolidated entity has invested in more than 50 start-ups and will continue to make such investments in the future and the success of these investments will depend on the consolidated entity as well as other industry-based institutions to continue to invest.

Start-up entities in the crypto economy must continually attract new monies to advance their development of products and technologies and therefore, exogenous shocks to the industry through failures and negative publicity undermine the capacity of start-ups to attract new monies. The consolidated entity can proactively assist through its own funds and its network of investors; however, there are limitations to assistance where dislocalities in the market can impact our industry for extended periods of time.

K. The consolidated entity may not be able to generate sufficient cash to service debt and other obligations and accordingly, be forced to exit lucrative financial assets earlier than it would otherwise wish to do

The ability of the consolidated entity to service its obligations as and when they fall due depends on its operating performance which is subject to prevailing economic and competitive conditions and financial, business and other factors beyond the control of the consolidated entity.

The consolidated entity has significant cryptocurrency positions which are unrecognised in its balance sheet due to accounting standards and servicing of debt instruments and the extinguishment of other obligations may require exiting cryptocurrency positions on unfavourable terms in order to ensure the continuation of the consolidated entity's business.

L. The operating costs of the consolidated entity increase in future years and the consolidated entity may not be able to achieve profitability or positive cash flow on a consistent basis

The operating costs of the consolidated entity may continue to increase in the future as the board of directors seek to attract and retain talent, expand sales and marketing efforts, develop new products and technologies and expand through acquisitions and organic growth.

Operating costs are higher than anticipated due to the need for the consolidated entity to address the managerial skills of the enlarged consolidated entity arising from acquisitions and investment in financial assets. The grant of performance rights to key executives and the application of specific accounting standards for financial liabilities will result in increased operating costs in future years. Further, the continuation of existing accounting policies to expense, as incurred, research and development costs rather than defer compounds the higher operating cost outcome.

M. Investors' expectation of the consolidated entity's performance with regard to environmental, social, and governance factors may impose additional costs and expose new risks

Institutions, globally, are increasingly focused on corporate responsibility. Some investors may use these non-financial performance factors to guide their investment strategies and, in some cases, may choose not to invest in the consolidated entity if they believe the policies and actions relating to corporate responsibility by the consolidated entity need to be revised.

The consolidated entity is aware of its corporate responsibilities and is presently specifically focused on governance and compliance and has put in place a process to address its shortcomings in compliance with Australian regulators during the current financial year.

N. The consolidated entity is likely to require additional capital to support business growth

The consolidated entity has funded its growth largely via equity issues and the use of equity to acquire controlled entities as operating cash flows have been negative for some years.

Additional funding by way of equity issues may not be available on the terms that the board of directors view as favourable due to the valuation of equity being less than valuations internally generated.

With the ultimate parent entity, Animoca Brands Corporation Limited unlisted on an exchange, some investors may be unwilling to subscribe to equity due to the lack of liquidity and in such circumstances reduce the opportunities available to the board of directors to issue new equity.

Favourable equity raising conditions that existed during and following the COVID pandemic with central banks reducing interest rates have changed. Supply-side shortages that emerged after most economies opened from the pandemic have resulted in central banks reversing previous interest rate settings due to inflation.

The increases in global interest rates and particularly, US interest rates have made the cost of borrowings increase significantly and other terms required by lenders are far more onerous. Accordingly, debt financing may not be available for the consolidated entity on terms and conditions attractive to the board of directors.

O. *Intellectual property rights of the consolidated entity are valuable and the inability of the consolidated entity to protect these rights could adversely impact business, results, and financial position.*

The business of the consolidated entity depends on its proprietary technology and brands. The consolidated entity relies on and will continue to rely on, on a combination of trademarks, domain names, developed technology trade secrets as well as confidentiality and licensing agreements with employees, contractors, consultants and third parties with whom the consolidated entity has developed relationships.

The consolidated entity has in place processes for the protection of intellectual property; however, more may be needed as a result of misappropriation or breach of confidentiality and licensing agreements.

P. *The loss of key executives or failure to attract and retain highly qualified personnel could adversely impact the consolidated entity's business, results, and financial position*

The consolidated entity operates in a relatively new industry that requires highly skilled and technical personnel.

The success of the consolidated entity has largely been driven by the management team led by Mr Yat Siu, the Executive Chairman of Animoca Brands Corporation Limited, and members of the executive team.

The future performance of the consolidated entity is dependent on continuing to motivate and reward the existing executive team as well as attract and develop new employees in an industry where the pool of qualified personnel is extremely limited.

Information on directors

Yat Siu	Executive Chairman (appointed 27 September 2019)
Qualifications	
Experience	Mr Siu is the founder and Chief Executive Officer of Outblaze Limited, a digital media company specialising in gaming, cloud technology and smartphone/tablet software development. In 2009, Mr Siu sold the messaging division of Outblaze Limited to IBM and successfully turned Outblaze Limited from B2B messaging services to B2B digital entertainment. Mr Siu is a director of Turn-out Ventures Limited, a partnership between Outblaze Investments Limited and Turner Entertainment Holdings Asia-Pacific Limited. Mr Siu is a co-founder of Appionics Holdings Limited from which Animoca Brands Corporation Limited emerged. In 2012, Mr Siu set up ThinkBlaze, a division of Outblaze Limited dedicated to investigating socially meaningful issues related

	to technology.
Interest in shares and options	62,573,561 fully paid ordinary shares and 3,000,000 options over ordinary shares (On 21 December 2021 shareholders approved the issue of 38,298.973 fully paid ordinary shares to Mr Siu in lieu of past performance and 89,364,270 performance rights. In addition, shareholders approved the acquisition by the Company of Sanrio Digital Corporation which resulted in entities related to Mr Siu being issued 7,585,197 fully paid ordinary shares as consideration for the acquisition.)
Directorships held in other listed entities in the last three years	OliveX Holdings Limited (appointed 24 August 2020 on the listing of OliveX Holdings Limited on the New Securities Exchange, Sydney)
David Brickler	Director (Non-executive) (appointed 24 December 2014)
Qualifications	BA (Princeton), EMBA (Kellogg-HKUST)
Experience	Mr Brickler provided IT software integration and technical support for several not-for-profit entities in Australia. Mr Brickler served as the ICT Manager for Baptcare – a provider of healthcare and family and community services throughout Victoria and Tasmania. Prior to this role, Mr Brickler was Senior Director of Applications for World Vision International, one of the largest not-for-profit organisations in the world. Before entering the not-for-profit sector, Mr Brickler held several executive technology-based roles throughout the Asia-Pacific region including CIO for Mizuho Securities Asia Ltd, Executive Director for Ernst & Young Hong Kong. Global CIO for Noble consolidated entity, one of the largest commodities traders in the world, Vice-President-Equity Technology at Goldman Sachs Securities Co Ltd, Japan and engineering roles at EDS and Fujitsu. Mr Brickler is fluent in Chinese and Japanese.
Interest in shares and options	108,000 fully paid ordinary shares (On 21 December 2021, shareholders approved the issue of 426,831 fully paid ordinary shares in lieu of directors' fees for the period 1 April 2019 to 31 December 2020.)
Directorships held in other listed entities in the three years	None
Holly Liu	Director (Non-executive) (appointed on 26 June 2019 and resigned on 30 September 2020)
Qualifications	BA (UCLA) MMIS (UCLA)
Experience	Ms Liu co-founded Kabam Inc, a venture-backed mobile gaming entity, where Ms Liu led the design of the award winning "Kingdoms of Camelot" franchise, Ms Liu was the mobile designer for the game extension "Battle for the North" which made "Kingdoms of Camelot" the highest gross application for iPhone in 2012.

	Following the sale of Kabam became the visiting partner at Y Combinator, an accelerator providing seed funding to 2,000 startups with a value of US$80 billion.
Interest in shares and options	400,000 fully paid ordinary shares and 200,000 options over ordinary shares (On 21 December 2021, shareholders approved the issue of 791,448 fully paid ordinary shares to Ms Liu in lieu of directors fees for the period 1 July 2019 to 30 September 2020.)
Directorships held in other listed entities in the last three years	None
Christopher Whiteman	Director (Non-executive)
Qualifications	BEc (Adelaide) Grad Dip Finance and Investment (FINSA)
Experience	Mr Whiteman is an executive with over twenty years of experience in commercial management, finance and strategic advisory roles across various industries including gaming and app development, energy and resources, and investment management. Mr Whiteman has a Degree in Economics from the University of Adelaide, a graduate diploma in Applied Finance and Investment from FINSIA. He is well versed in international affairs and has extensive experience in the culture and business dealings of Asia. Mr Whiteman has specific expertise in equity markets and deals structuring, investor and public relations and strategic planning in both the public and private entities in Australia, China, and the United Kingdom.
Interest in shares and options	None (On 21 December 2021, shareholders approved the issue of 617,561 fully paid ordinary shares to Mr Whiteman in lieu of directors fees for the period 1 July 2019 to 31 December 2020.)
Directorships held in other listed entities in the last three years	iCandy Limited (appointed 2 March 2021)

Meetings of directors

During the financial year, the board of directors held five meetings (including committee meetings of directors) with the remainder of the meetings conducted by way of written resolution. Attendances by each director during the year were as follows:

			Committee Meetings			
	Directors Meetings		**Audit & Risk Committee Meetings**		**Remuneration Committee Meetings**	
	No	Attended	No	Attended	No	Attended
Yat Siu	5	5	2	2	-	-
David Brickler	5	5	2	2	-	-
Holly Liu	5	5	-	-	-	-
Chris Whiteman	5	5	2	2	-	-

Audit services

Grant Thornton Audit Pty Ltd was appointed in accordance with s. 327 of the Corporations Act 2001 (Commonwealth) and was removed as the auditor on 21 December 2021 by way of approval by shareholders of a special resolution.

DFK Collins was appointed auditor on 21 December 2021 at the above-mentioned general meeting of shareholders with Mr Simon Bragg, the partner in charge of the audit. DFK Collins has retained other audits to undertake specific scopes of work in Hong Kong and other jurisdictions.

Non-Audit services

DFK Collins, in its capacity as an auditor for the Company, has yet to provide any non-audit services during the financial year. The Auditor's Independence Declaration for the financial year ended 31 December 2020 is set out on page 44 as required by s.307C of the Corporations Act 2001 (*Commonwealth*).

Indemnity and insurance of officers

The company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Environmental regulations

The consolidated entity's operations are not subject to any significant environmental regulations under the government legislation of the countries it operates in. The consolidated entity's environmental footprint is small and arises primarily from the energy used and materials consumed in its offices. The board of directors believe that the consolidated entity has adequate systems in place for the monitoring of environmental regulations.

Options and performance rights

At the date of this report, the unissued ordinary shares of the Company under options (listed and unlisted) are as follows:

Options over ordinary shares outstanding:

Grant date	Expiry date	Exercise Price	Option Number
4 April 2018	4 April 2023	$0.082	339,402
1 January 2019	1 January 2024	$0.185	683,868
4 April 2019	4 April 2024	$0.172	475,789
4 April 2020	4 April 2025	$0.238	207,534
4 April 2021	4 April 2026	$2.800	175,789
4 April 2022	4 April 2027	$4.500	42,860
12 May 2021	12 May 2023 (Tranche 1)	$1.100	15,216,269
10 December 2022	12 May 2023 (Tranche 2)	$1.100	15,289,479
			32,430,990

Performance rights outstanding:

Award date	Expiry date	Performance rights Price	Performance rights Number
21 December 2021	21 December 2026	Zero consideration	89,364,270
24 December 2021	24 December 2026	Zero consideration	42,471,504
			131,835,774

On 31 May 2023, the Company issued 20,693,132 fully paid ordinary shares at $1.10 per ordinary share pursuant to the exercise by shareholders of options over ordinary shares issued under the May 2021 share placement and extension of those rights to free-attaching options to subscribers to the December 2021 share placement.

On 21 December 2021, shareholders approved a revised Long-term Incentive Plan which provided the capacity for the board of directors to award performance rights. Mr Yat Siu, the Executive Chairman, was awarded 89,364,270 performance rights by shareholders. The performance rights are convertible into fully paid ordinary shares on achievement of various milestones. On 24 December 2021, Mr Evan Auyang, the consolidated entity President, was awarded 42,471,504 performance rights on the same terms and conditions of Mr Yat Siu.

Proceedings on behalf of the consolidated entity

No person has applied to the court under s.237 of the Corporations Act 2001 (Commonwealth) 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.

Bacasable Global Limited, a controlled entity of the Company, entered into a Settlement and Release Agreement with Bliss Concepts Limited (McDull) where Bacasable agreed to pay US$1,250,000 to settle a dispute over the calculation of royalties under a Content Distribution Licence and Services Agreement.

In addition, a controlled entity of Bacasable entered into Settlement and Release Agreements with two former employees in relation to claims for payments in exchange for services.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 44.

Remuneration

Policy
The remuneration policy of the consolidated entity has been designed to align director and management objectives with shareholder and business objectives by providing a fixed remuneration component, and offering specific long-term incentives based on key performance areas affecting the consolidated entity's financial results. The board of directors believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best management and directors to run and manage the consolidated entity, as well as create goal congruence between directors, executives and shareholders.

The policy of the board of directors for determining the nature and amount of remuneration for board members and senior executives of the consolidated entity is described in the following paragraphs.

The remuneration policy of the consolidated entity sets the terms and conditions for executive directors and other senior executives. Due to the rapidly changing circumstances of the consolidated entity in recent years, the policy is reviewed annually by the board of directors with the purpose of maintaining alignment of the board and management with the consolidated entity's strategic objectives. Management is also entitled to participate in employee share and option arrangements. All executives receive a base salary that takes into account such factors as length of service and experience and share based incentives such as options.

The board of directors review executive packages annually by reference to the performance of the consolidated entity, individual executives and relevant comparable remuneration data from similar listed companies and appropriate industry sectors.

Remuneration details for the financial years ended 31 December 2020 and 2019

Group KMP	Short-term benefits				Post-Employment Benefits	Long-term Benefits	Share-based payments		Total	% S-BP
	Salary/Fees	Profit share/ Bonuses	Non-monetary	Other	Super-annuation	Other	Equity	Options/ Performance Shares		
				For Financial Year Ended 31 December 2020						
Yat Siu	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
David Brickler	**23,959**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**23,959**	**-**
Holly Liu	**29,959**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**29,959**	**-**
Chris Whiteman	**87,510**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**87,510**	**-**
Robby Yung	**169,800**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**169,800**	**-**
Arnold Concepcion	**185,699**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**185,699**	**-**
John Madden	**-**	**-**	**-**	**58,910**	**-**	**-**	**-**	**-**	**58,910**	**-**
	496,927	**-**	**-**	**58,910**	**-**	**-**	**-**	**-**	**555,837**	**-**
				For Financial Year Ended 31 December 2019						
Yat Siu	-	-	-	-	-	-	-	-	-	-
David Brickler	22,500	-	-	-	-	-	-	-	22,500	-
Holly Liu	50,000	-	-	-	-	-	-	-	50,000	-
Chris Whiteman	50,000	-	-	-	-	-	-	-	50,000	-
Robby Yung	-	-	132,006	-	-	-	-	-	132,006	-
Arnold Concepcion	194,709	-	-	-	3,300	-	-	-	198,009	-
Julian Rockett	-	-	-	64,800	-	-	-	-	64,800	-
John Madden	-	-	-	13,359	-	-	-	-	13,359	-
	317,209	-	132,006	78,159	3,300	-	-	-	530,674	-

Notes to KMP Remuneration Table:

2020

Mr Siu waived his entitlement to Director's Fees in 2019 and 2020.

Service Agreements
All non-executive directors have been appointed pursuant to Letters of Appointment with the Company. Mr Siu, the Executive Chairman, has not executed at this time, any formal agreement with the Company.

The consolidated entity has executed two executive service agreements with Messrs Robert Yung and Arnoldo Concepcion

Mr Yung leads the Company in his capacity as Chief Executive Officer under a Consulting Agreement, 1 May 2017, with Animoca Brands Limited, a controlled entity of the Company and incorporated under the rules and regulations of Hong Kong. Under this agreement Mr Yung is paid a monthly salary of HK$60,000 and is reimbursed for travel and other expenses. The agreement can be terminated by either party with three months' notice to the other or the payment of salary in lieu of the notice period.

Mr Concepcion was appointed Chief Operating Officer on 1 September 2018 and is subject to an Employment Agreement between Animoca Brands Limited. Under this agreement Mr Concepcion is paid a monthly salary of HK$90,000 and is reimbursed for travel and other expenses. The agreement can be terminated by either party on two months' notice to the other or the payment of salary in lieu of the notice period.

Share-based compensation

a. Employee Share Option Plan

On 29 May 2017, shareholders of the Company approved an Employee Share Option Plan to provide incentives to eligible employees of the consolidated entity, including management and directors of the Company. The purpose of the ESOP is to retain and motivate key employees and management within the consolidated entity.

Under the LTIP, the board of directors have the capacity to issue up to 5% of the issued capital of the Company as options over ordinary shares, performance rights and shares issued under other employee incentive schemes.

As at the 31 December 2020, the Company issued 14,815,466 options over ordinary shares at an exercise price of 13.25 cents per option to employees of Animoca Brands Limited, a wholly owned controlled entity of the Company and incorporated in Hong Kong.

The number of options over ordinary shares outstanding as at the 31 December 2020 is 1,706,293 with an average exercise price of 16.71 cents per option.

No shares were issued to directors and management of the Company under the ESOP.

b. Director and Key Management Personnel Options

The Company has not issued any options over ordinary shares to directors and management of the Company under the LTIP. The options over ordinary shares set out in the Table below relate to options granted to directors and management in their capacity as shareholders participating in offers made by way of placements and offerings to all shareholders.

c. *Options of Animoca Brands Corporation Limited held by each KMP*

Group KMP	Balance at start of year No	Granted as remuneration during the year No	Exercised during the year No	Other changes during the year No	Balance at end of year No	Vested and exercisable No
2020						
Yat Siu	**3,000,000**	**-**	**-**	**-**	**3,000,000**	**-**
David Brickler	**-**	**-**	**-**	**-**	**-**	**-**
Holly Liu	**200,000**	**-**	**-**	**-**	**200,000**	**-**
Chris Whiteman	**-**	**-**	**-**	**-**	**-**	**-**
Robert Yung	**-**	**-**	**-**	**-**	**-**	**-**
Arnold Concepcion	**-**	**-**	**-**	**-**	**-**	**-**
Julian Rockett	**-**	**-**	**-**	**-**	**-**	**-**
John Madden	**-**	**-**	**-**	**-**	**-**	**-**
	3,200,000	**-**	**-**	**-**	**3,200,000**	**-**
2019						
Yat Siu	3,000,000	-	-	-	3,000,000	-
Maxime Barbot	-	-	-	-	-	-
David Brickler	-	-	-	-	-	-
Holly Liu	200,000	-	-	-	200,000	-
David Kim	-	-	-	-	-	-
Chris Whiteman	-	-	-	-	-	-
Robert Yung	-	-	-	-	-	-
Arnold Concepcion	-	-	-	-	-	-
Julian Rockett	-	-	-	-	-	-
Alyn Tai	-	-	-	-	-	-
	3,200,000	-	-	-	3,200,000	-

d. *Description of options and/or performance rights issued as remuneration*

No options over ordinary shares or performance rights have been issued to directors and management as remuneration.

Equity holdings of each KMP

Group KMP	Balance at start of year No	Received during the year as compensation No	Conversion of performance shares during the year No	Subscriptions to issues of shares No	Other changes during the year No	Balance at end of year No
2020						
Yat Siu	**64,073,561**	**-**	**-**	**-**	**135,600**	**64,209,161**
David Brickler	**108,000**	**-**	**-**	**-**	**-**	**108,000**
Holly Liu	**400,000**	**-**	**-**	**-**	**(200,000)**	**200,000**
Chris Whiteman	**-**	**-**	**-**	**-**	**-**	**-**
Robby Yung	**10,572,388**	**-**	**-**	**-**	**188,764**	**10,761,152**
Arnold Concepcion	**-**	**-**	**-**	**-**	**-**	**-**
Julian Rockett	**-**	**-**	**-**	**-**	**-**	**-**
John Madden	**-**	**-**	**-**	**-**	**-**	**-**
	75,153,949	**-**	**-**	**-**	**124,364**	**75,278,313**
2019						
Yat Siu	62,573,561	-	-	-	1,500,000	64,073,561
David Brickler	108,000	-	-	-	-	108,000
Holly Liu	400,000	-	-	-	-	400,000
Chris Whiteman	-	-	-	-	-	-
Robby Yung	181,000	10,391,388	-	-	-	10,572,388
Arnold Concepcion	-	-	-	-	-	-
Julian Rockett	-	-	-	-	-	-
John Madden	-	-	-	-	-	-
	63,262,561	10,391,388	-	-	1,500,000	75,153,949

Notes to equity holdings of each KMP

- *Aslya Investment Limited, an entity incorporated under the laws and regulations of the British Virgin Islands, is an entity controlled by Mr Yat Siu and holds his interest in the Company. At the annual general meeting of shareholders on 16 July 2020, the Company secured shareholder approval for Mr Siu to subscribe to 1,984,694 fully paid ordinary shares at 9.8 cents per share in the Company pursuant to his participation in a Share Placement on 25 January 2020 (see ASX Announcement). As at the date of this report, the ordinary shares have not been allotted.*

- *Ms Michelle Siu Chi Ging, the wife of Mr Siu, was issued 135,600 fully paid ordinary shares at 8 cents lieu of salary during the financial year and received 1,500,000 fully paid ordinary shares at 11.11 cents per share for services rendered as Manager-Human Resources over the previous three years.*

- *Mr Robert Yung was issued 188,764 fully paid ordinary shares at 8 cents during the financial year in lieu of services and in the previous financial year received 10,167,543 fully paid ordinary shares at 3.4 cents per share for services rendered from 6 September 2017 to 31 March 2019 and a further 223,845 fully paid shares at 11.11 cents per share for the period 1 April 2019 to 31 August 2019.*

- *At the general meeting of shareholders held on 16 July 2020 shareholders approved resolutions to issue Ms Liu 518,157 fully paid ordinary shares and Mr Whiteman 520,967 fully paid ordinary shares in lieu of services as directors of the Company. The shares to be issued to Ms Liu and Mr Whiteman represented emoluments from the date of appointment until the 31 December 2019. At the general meeting of shareholders on 21 December 2021, shareholders re-approved the issue of shares to Ms Liu and Mr Whiteman and, the directors' fees outstanding to Mr Brickler.*

- *On 31 December 2021, the Company issued 426,831 fully paid ordinary shares to Mr Brickler in lieu of $43,750 outstanding directors' fees and 791,448 fully paid ordinary shares to Ms Liu in lieu of $107,500 outstanding directors' fees and, on 4 January 2022, issued 617,561 fully paid ordinary shares to Mr Whiteman in lieu of $75,833 outstanding directors' fees.*

Interest-free loans to/from Key Management Personnel

There were no loans made to KMP of Animoca Brands Corporation Limited as at 31 December 2020 (2019: nil). At the balance date of 31 December 2019 and 31 December 2020, the following amounts were due to KMP $576,938 (2019: $262,233).

	31 December	
	2020	**2019**
	$	**$**
Yat Siu	**59,264**	29,587
David Brickler	**23,959**	22,500
Holly Liu	**105,653**	75,694
Chris Whiteman	**87,510**	75,833
Robby Yung	**161,564**	30,804
Julian Rockett	**-**	23,815
John Madden	**62,910**	4,000
	500,860	262,233

Notes to the Loans to/from key management personnel:

- *The amounts due to Mr Siu represents amounts paid for and on behalf of the consolidated entity as well as out-of-pocket expenses for travel.*
- *The amounts due to Messrs Brickler and Whiteman and Ms Liu represent directors' emoluments.*
- *The amounts due to Mr Yung relate to consulting services.*
- *Amount due to Mr Rockett is payable to Boardroom Pty Ltd, the employer of Mr Rockett.*
- *Amount due to Mr JM Madden relates to consulting fees*

Interest-bearing loans to/from Key Management Personnel

On 16 December 2019, the Company announced that it had entered into a series of unsecured loans with sophisticated and professional investors. Mr Siu contributed A$225,000 to the unsecured loan raising of A$3,444,614, in total.

Under the terms and conditions of the unsecured loan agreement all contributors were entitled to 8% per annum on monies provided to the Company. The loan monies contributed by Mr Siu accrued interest from 1 January 2021 and accordingly, no interest was paid/payable to Mr Siu in the financial year ended 31 December 2020.

On 21 December 2021, shareholders approved a resolution that enabled Mr Siu to receive interest payments on the loan monies he had advanced as part of the unsecured loan agreement.

	31 December	
	2020	**2019**
	$	**$**
Yat Siu	**225,000**	-

Other transactions with Key Management Personnel

Other Transactions with KMP relate to entities associated with Mr Siu.

On 1 August, the Company entered into a Service and Management Services Agreement with Outblaze, a company in which Mr Siu is a director. Under this agreement Outblaze provides the following services:

- Use of telephones, facsimile machines, broadband internet connection, photocopiers and printers at the principal office for Cyberport, Hong Kong; and

- Use computer workstations, information systems, furniture and fillings, fixtures, office equipment and pantry supplies.

Both Animoca Brands Limited, an entity controlled by Animoca Brands Corporation Limited, and Outblaze Limited are joint signatories to the lease agreement for the principal business premises at Cyberport Hong Kong. The growth of the Animoca business has resulted in Animoca being responsible for 67% of the lease agreement and Outblaze the balance.

A number of transactions were undertaken between the consolidated entity and entities related to Mr Yat Siu and are as follows:

	31 December 2020 $	31 December 2019 $
Service fees		
Outblaze Limited	**282,274**	289,710
Marketing and commissions		
Outblaze Venture Holdings Limited	**2,775,563**	2,320,508
	3,057,837	2,610,218
Receivables and (payables)		
Outblaze Limited	**370,891**	(9,712)
Outblaze Ventures Holdings Ltd	**(1,060,006)**	(1,274,473)
	(689,115)	1,284,185

During the course of the financial year, Outblaze Venture Holdings Ltd provided funding to the consolidated entity in order to acquire an interest in TalentHouse Inc.

TalentHouse Inc
The consolidated entity entered into a joint venture with TalentHouse Inc to provide Talenthouse services to gaming and media clients worldwide (including clients of iClick) and develop commercial opportunities for Talenthouse's services in Asian markets. Animoca Brands will make an investment of US$2,000,000 for 448,413 shares of preferred stock in Talenthouse, payable half in cash and half in newly issued shares of the Company with a value of 11 cents per share.

Mr Siu is the Chief Executive officer of Outblaze Limited. Mr Siu resigned as director of Outblaze Venture Holdings Limited on 1 July 2019; however, documentation setting out his resignation as a director was not lodged with authorities in Hong Kong until 2020.

OliveX Holdings Limited
As part of the listing of OliveX Holdings Limited on the new Securities Exchange, non-executive directors were granted options over ordinary shares in lieu of cash-based remuneration. The board of directors of the Company provided approval for OliveX Holdings Limited to issue to Mr Siu, directly, 750,000 options over OliveX Holdings Limited's ordinary shares. The options have an exercise price of 20 cents and a three-year expiry from the date of the grant.

Sanrio Digital Corporation
On 21 December 2021, shareholders approved the acquisition of Sanrio Digital Corporation. The Company's wholly owned subsidiary Animoca Brands Limited entered into the Share Sale and Purchase Agreement with Typhoon Games (Hong Kong) Limited (TGHK), Typhoon Games Partners Limited (TGP) and S2B Holding Limited (together the "Sellers"), pursuant to which ABL for a total consideration price of $8,278,201, which will be paid through the issue of a total number of 23,652,003 fully paid Shares in the Company at a price of $0.35 per share ("Upfront Consideration") to the Sellers. Under the Share Sale and Purchase Agreement, ABL also agreed to pay the Sellers US$1,000,000 (the "Earn-out Consideration") if Sanrio achieved a revenue milestone of US$3,000,000 for each 12-month period from the effective date of the Share Sale and Purchase Agreement. The Earn-out Periods are three discrete 12-month periods. In order for the Earn-out Consideration to be paid, Sanrio is also required to achieve a net profit equal to at least 5% of revenue.

Mr Yat Siu indirectly holds 45% shares in TGHK and indirectly holds 48% shares in TGP. Accordingly, Mr Siu indirectly holds, in total, a 32.07% beneficial equity interest in Sanrio and, at the date of the Share Sale and Purchase Agreement a director of Sanrio and the sole director of its controlled entity, Sanrio Digital (HK) Limited.

On 29 December 2021, the Company issued TGHK 12,062,521 fully paid ordinary shares and TGP 4,494,881 fully paid ordinary shares.

Mr Concepcion
Mr Arnoldo Concepcion is a subscriber to the TSB Gaming Ltd Token Purchases & SAFE Agreement with a US$15,000 contribution and a subscriber to the OliveX (HK) Limited SAFE Agreement with a US$20,000 contribution.

Mr Whiteman
Mr Christopher Whiteman is a subscriber to the Zeroth Fano Ventures Limited SAFE Agreement with a US$25,000 through his superannuation fund. Mr Whiteman has also invested US$10,000 in REVV Tokens.

This report of the directors is signed in accordance with a resolution of the Board of Directors.

Yat Siu	DL Brickler	CPW Whiteman
Executive Chairman	Non-executive director	Non-executive director
8 June 2023	8 June 2023	8 June 2023

DFK Collins Pty Ltd
Principal: Simon Bragg FCA

Suite 1, 13-25 Church Street
Hawthorn VIC 3122
TELEPHONE +61 3 9654 0100
www.dfkcollins.com.au
ACN 115 470 598

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 2020, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit, and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

DFK Collins
Chartered Accountants

Simon Bragg
Principal
Registered Company Auditor, Registration Number: 291536

Melbourne
8 June 2023

	Note	31 December 2020 $	31 December 2019 $
Net revenue			
Revenue from operating activities	7	**28,315,385**	16,150,893
Direct costs of revenue from operating activities		**(12,599,120)**	(9,051,467)
		15,716,265	7,099,426
Other income	8	**527,033**	716,416
Costs			
Employee benefits	9	**(20,102,433)**	(9,988,354)
Marketing		**(7,525,875)**	(4,263,328)
Research and development		**(3,617,065)**	(2,086,936)
Consultants and contractors		**(10,741,139)**	(6,136,585)
Amortisation of intellectual property		**(14,546,313)**	(2,299,601)
Impairment of intellectual property		**(16,631,130)**	
Impairment of goodwill on acquisition		**-**	(9,426,223)
Impairment of other loans		**(295,302)**	-
Net trading gains on digital assets		**3,528,718**	(527,044)
Fair value of financial assets recognised through profit and loss		**425,812**	(116,314)
Exchange fluctuation		**1,582,439**	(802,979)
Share-based payments		**(294,330)**	(177,768)
Token-based payments to employees	29	**(2,804,357)**	-
Doubtful debts		**941,996**	(1,042,206)
Depreciation		**(985,422)**	(483,019)
Interest expense		**(1,285,766)**	(799,905)
Other expenses	10	**(5,162,492)**	(2,572,842)
		(77,512,659)	(40,723,104)
Loss before income tax		**(61,269,361)**	(32,907,262)
Income tax expense	11	**2,037,331**	(284,488)
		(59,232,030)	(33,191,750)
Share of net loss after tax on investments accounted for under equity accounting		**(1,199,589)**	-
Net loss after tax		**(60,431,619)**	(33,191,750)
Loss attributable to			
Owners of Animoca Brands Corporation Limited		**(59,956,282)**	(32,101,546)
Non-controlling interests		**(475,337)**	(1,090,204)
		(60,431,619)	(33,191,750)
Earnings (loss) per share (cents)			
Basic	13	**(5.596)**	(3.998)
Diluted	13	**(5.596)**	(3.998)

The consolidated statement of profit or loss is to be read
in conjunction with the accompanying notes

	Note	31 December 2020 $	2019 $
Other comprehensive income (expense)			
Exchange fluctuation on translation of foreign currency financial statements		**(48,504)**	(508,090)
Change in accounting policy		**-**	9,029
Fair value of adoption of AASB 128 equity-based accounting for an associate		**3,077,575**	-
Fair value of financial assets recognised in comprehensive income		**9,291,833**	(555,616)
Deconsolidation of previous recorded controlled entity accounted for on equity basis		**3,262,093**	-
Transfer of other financial liabilities on settlement to accumulated losses		**39,693**	-
Other movements		**494,902**	147,424
Total comprehensive profit/(loss) for the year		**16,117,592**	(907,253)
Total comprehensive profit/(loss) attributable to			
Owners of Animoca Brands Corporation Limited		**15,304,948**	(990,786)
Non-controlling interests		**812,644**	83,533
		16,117,592	(907,253)

The consolidated statement of other comprehensive income is to be read in conjunction with the accompanying notes

	Note	31 December 2020 $	31 December 2019 $
Assets			
Current assets			
Cash and cash equivalents	**15**	**5,142,648**	8,817,733
Trade and other receivable	**16**	**3,960,976**	1,675,092
Inventories	**17**	**12,039,671**	25,095
Other financial assets	**18**	**2,174,760**	2,150,219
Other current assets	**19**	**2,375,386**	1,104,025
Total current assets		**25,693,441**	13,772,164
Non-current assets			
Other financial assets	**18**	**25,129,038**	13,721,305
Loans to other entities	**20**	**-**	2,197,012
Investment in associate entity	**21**	**3,727,615**	1,184,659
Interest in joint venture	**22**	**3,927,000**	-
Plant and equipment	**23**	**1,558,087**	809,518
Intellectual property	**24**	**10,817,065**	5,264,015
Deferred expenditure	**25**	**-**	1,365,632
Intangible assets (digital assets)	**26/27**	**523,376**	1,528,589
Total non-current assets		**45,682,181**	26,070,730
Total assets		**71,375,622**	39,842,894
Liabilities			
Current liabilities			
Trade and other payables	**28**	**18,593,243**	7,771,592
Deferred revenue	**29**	**5,278,044**	6,946,881
Loans from related entities	**30/35**	**1,878,175**	1,970,280
Provisions	**31**	**386,030**	318,848
Oher financial liabilities	**32**	**885,393**	1,639,358
Borrowings	**32/35**	**2,859,063**	6,187,473
Lease obligations	**34/35**	**1,542,423**	398,838
Milestone obligations due to vendors	**28**	**7,077,635**	3,132,047
Total current liabilities		**38,500,006**	28,365,317
Non-current liabilities			
Deferred revenue	**29**	**22,611,913**	-
Other financial liabilities	**32**	**2,833,320**	46,585
Borrowings	**33/35**	**7,815,526**	683,403
Lease obligations	**34/35**	**-**	210,250
Total non-current liabilities		**33,260,759**	940,238
Total liabilities		**71,760,765**	29,305,555
(Net liabilities)/net assets		**(385,143)**	10,537,339
Equity			
Paid-up capital	**36**	**111,946,930**	73,901,503
Other contributed capital	**37**	**1,797,667**	4,222,379
Reserves	**38**	**12,185,045**	(904,595)
Accumulated losses	**39**	**(125,612,878)**	(65,642,734)
		316,764	11,576,553
Non-controlling interests	**40**	**(701,907)**	(1,039,214)
(Total deficiency in equity)/total surplus in equity		**(385,143)**	10,537,339

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes

	Paid-up Capital	Other Contributed Capital	Reserves			Accumulated Losses	Total Group Equity	Non-Controlling Interests	Total Equity
			Financial assets	Share-based Payments	Translation				
	Note 36	Note 37	Note 38	Note 38	Note 38	Note 39		Note 40	
	$	$	$	$	$	$	$	$	$
Balance as at 1 January 2020	73,901,503	4,222,379	(1,030,627)	299,975	(173,943)	(65,642,734)	11,576,553	(1,039,214)	10,537,339
Adjustment to opening balances arising from prior Period Coorection	-	-	-	1,274,976	-	(3,798,476)	(2,523,500)	-	(2,523,500)
	73,901,503	4,222,379	(1,030,627)	1,574,951	(173,943)	(69,441,210)	9,053,053	(1,039,214)	8,013,839
Comprehensive income									
Loss for year after tax	-	-	-	-	-	(59,956,282)	(59,956,282)	(475,337)	(60,431,619)
Other comprehensive income/(loss)	-	-	12,369,408	-	(48,504)	2,574,339	14,895,243	727,447	15,622,690
Other movements	-	-	-	-	409,705	-	409,705	85,197	494,902
Total comprehensive income (loss) for the year	-	-	12,369,408	-	361,201	(57,381,943)	(44,651,334)	337,307	(44,314,027)
Transactions with owners in their capacity as owners									
Share issues									
Share issues for cash	7,118,649	-	-	-	-	-	7,118,649	-	7,118,649
Share-based payments	-	-	-	(915,945)	-	1,210,275	294,330	-	294,330
Shares issues pursuant to acquisition of controlled entities and financial assets	31,068,573	-	-	-	-	-	31,068,573	-	31,068,573
Shares to be issued	-	(2,424,712)	-	-	-	-	(2,424,712)	-	(2,424,712)
Transaction costs	(141,795)	-	-	-	-	-	(141,795)	-	(141,795)
Total transactions with owners	38,045,427	(2,424,712)	-	(915,945)	-	1,210,275	35,915,045	-	35,915,045
Balance as at 31 December 2020	111,946,930	1,797,667	11,338,781	659,006	187,258	(125,612,878)	316,764	(701,907)	(385,143)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes

	Paid-up Capital	Other Contributed Capital	Reserves Financial assets	Reserves Share-based Payments	Reserves Translation	Accumulated Losses	Total Group Equity	Non-Controlling Interests	Total Equity
	Note 36	Note 37	Note 38	Note 38	Note 38	Note 39		Note 40	
	$	$	$	$	$	$	$	$	$
Balance as at 1 January 2019	45,813,735	5,811,314	(475,011)	122,207	270,256	(33,550,217)	17,992,284	(32,543)	17,959,741
Comprehensive income									
Loss for year after tax	-	-	-	-	-	(32,101,546)	(32,101,546)	(1,090,204)	(33,191,750)
Other comprehensive income/(loss)	-	-	(555,616)	-	(444,199)	-	(999,815)	(63,891)	(1,063,706)
Change in accounting policy	-	-	-	-	-	9,029	9,029	-	9,029
Other movements	-	-	-	-	-	-	-	147,424	147,424
Total comprehensive income (loss) for the year	-	-	(555,616)	-	(444,199)	(32,092,517)	(33,092,332)	(1,006,671)	(34,099,003)
Transactions with owners in their capacity as owners									
Share issues									
Share issues for cash	17,578,558	-	-	-	-	-	17,578,558	-	17,578,558
Share placement and shares to be issued	10,781,247	-	-	177,768	-	-	10,959,015	-	10,959,015
Share-based payments	-	-	-	-	-	-	-	-	-
Shares issues pursuant to acquisition of controlled entities	2,060,036	-	-	-	-	-	2,060,036	-	2,060,036
Shares to be issued	-	(1,588,935)	-	-	-	-	(1,588,935)		(1,588,935)
Transaction costs	(2,332,073)	-	-	-	-	-	(2,332,073)	-	(2,332,073)
Total transactions with owners	28,087,768	(1,588,935)	-	177,768	-	-	26,676,601	-	26,676,601
Balance as at 31 December 2019	73,901,503	4,222,379	(1,030,627)	299,975	(173,943)	(65,642,734)	11,576,553	(1,039,214)	10,537,339

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes

	Note	31 December 2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		**45,650,211**	23,401,801
Payments to employees and suppliers		**(55,226,598)**	(30,748,483)
Interest received		**-**	28,210
Interest payments		**(228,676)**	-
Taxation paid		**2,037,331**	(284,488)
Other cash receipts		**-**	716,416
Net cash flows from (used in) operating activities	**41**	**(7,767,732)**	(6,886,544)
Cash flows from investing activities			
Plant and equipment proceeds		**(211,336)**	(120,845)
Digital inventories		**(9,779,738)**	(1,379,441)
Capitalised expenditure		**-**	(1,365,632)
Loans to other entities		**-**	(2,197,011)
Investment in associate entity		**(130,000)**	(1,184,659)
Proceeds from sale of investments		**1,012,827**	-
Payments for other financial assets		**(646,047)**	(9,419,270)
Net cash flows from (used in) investing activities		**(9,754,294)**	(15,666,858)
Cash flows from financing activities			
Proceeds from share issues		**7,118,649**	15,989,623
Equity raising costs		**(140,985)**	(584,574)
Drawdown of interest-bearing borrowings		**10,994,754**	1,456,703
Drawdown of non-interest bearing borrowing from related entity Zeroth SPC		**-**	1,970,280
Repayment of borrowings		**(3,842,829)**	(749,333)
Borrowings assumed on acquisition		**-**	1,143,797
Issue of convertible notes		**-**	513,828
Proceeds from the issue of SAFE		**-**	5,170,231
Lease payments		**(1,031,248)**	(398,794)
Net cash flows from financing activities		**13,098,341**	24,511,761
Net increase (decrease) in cash flows		**(4,423,685)**	1,958,359
Exchange fluctuation		**265,235**	(802,979)
Acquisition of controlled entities		**1,030,593**	-
Deconsolidation of controlled entity		**(547,228)**	-
Cash at the beginning of the year		**8,817,733**	7,662,353
Cash at the end of the year	**15**	**5,142,648**	8,817,733

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes

Note 1 Corporate information

These are the consolidated financial statements and notes of Animoca Brands Corporation Limited and controlled entities ("consolidated entity") Animoca Brands Corporation Limited is a company limited by shares, domiciled and incorporated in Australia.

The separate financial statements of the parent entity, Animoca Brands Corporation Limited, have yet to be presented with this financial report as permitted by the *Corporations Act 2001* (Cth) (Corporations Act).

a. *Basis of preparation*

i. Statement of compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about the transactions, events and conditions they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements were authorised for issue on 8 June 2023 by the directors of the Company.

ii. Financial position

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at the fair value of selected non-current assets, financial assets and financial liabilities.

iii. Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity incurred a loss for the year of $59,956,282 (2019: $32,101,546) and a net cash outflow from operating activities of $7,743,143 (2019: $6,886,544).

As at 31 December 2020, the consolidated entity had negative working capital of $12,806,565 (2019: negative working capital of $13,044,723). The negative working capital at the balance date of 31 December 2020 includes $7.077,635 (2019: $3,132,047) in amounts due to other parties that are to be extinguished through the issue of fully paid ordinary shares as well as contract liabilities related to deferred revenue of $5,278,044 (2019: $6,946,881). In addition, $2,242,340 in SAFE instruments issued by TSB Gaming Ltd were converted into Series A Preferred Shares of Bacasable Global Limited on 27 October 2021.

The consolidated entity has raised approximately $911.435 million in cash from new equity issues, $21.849 million in cryptocurrencies from new equity issues since the balance date 31 December 2020 as well as US$117 million in convertible notes (inclusive of the US$5 million received from Mitsui on 19 May 2023). In addition, US$93 million has also been raised by The *SANDBOX* group from subscribers to the Series B Preference Share issue since the balance date of 31 December 2020.

Based upon cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate, including meeting specific commitments. In addition, given the consolidated entity's history of raising funds to date, the directors are confident that the consolidated entity will be able to raise additional funds at an appropriate time

Should the consolidated entity be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they fall due.

iv. Use of estimates and judgements
The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of Australian Accounting Standards that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 2s Critical accounting estimates and judgments.

v. Comparative figures
Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Note 2 Basis of preparation and accounting policies

A controlled entity is any entity over which Animoca Brands Corporation Limited has the power to govern the financial and operating policies to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered. A list of controlled entities is contained in Note 6 Controlled entities in the financial statements.

All inter-consolidated entity balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated entity during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

a. Business combinations

Business combinations occur when an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired, and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at the acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of profit or loss and comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(i) The consolidated entity raising sufficient additional funding from shareholders or other parties;

(ii) The consolidated entity converting existing loans to equity and if necessary, deferring deferred payment arrangements; and

(iii) The consolidated entity reduces expenditure in line with available funding.

Non-controlling interest in the results and equity of controlled entities are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity of the consolidated entity and the notes to the financial statements. Losses incurred by the consolidated entity that is attributable to the non-controlling interest are recorded, in full, to the non-controlling interests, even if that results in a deficit balance.

b. Intangible assets

i. Deferred expenditure

Expenditure on the research phase of projects to develop games and software is recognised as an expense incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet all of the following recognition requirements:

(i) The development costs can be measured reliably;

(ii) the project is technically and commercially feasible;

(iii) the consolidated entity intends to and has sufficient resources to complete the project;

(iv) the consolidated entity has the ability to use or sell the game and software; and

(v) The game and software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed.

ii. Digital assets

The consolidated entity accounts for its digital assets, which comprise cryptocurrencies such as Bitcoin and Ethereum, as indefinite-life intangible assets. The IFRS Interpretations Committee concluded that cryptocurrencies that are not held for sale in the ordinary course of business meet the definition of an intangible asset. IFRS 38/AASB 138 states that an intangible asset is 'an identifiable non-monetary asset without physical substance'.

The consolidated entity has ownership of and control over its cryptocurrencies and uses third-party custodial services as well as its own wallets to store its cryptocurrencies.

The consolidated entity has determined the fair value of its cryptocurrencies at cost. It performs analysis at each balance date to identify whether events or changes in circumstances, principally a decrease in quoted prices on active exchanges, indicate that it is more likely than not that any of the assets are impaired. In determining if an impairment has occurred, the consolidated entity considers the lowest price of each cryptocurrency on the active exchange at any time since acquiring the specific cryptocurrency held. If the carrying value of the cryptocurrency exceeds that lowest price, an impairment loss is recorded equal to the difference between the carrying value and the lowest price.

Impairment losses are recognised as 'impairment of digital assets" in the profit or loss for the consolidated entity in the financial year in which the impairment occurs. The impaired digital assets are written down to their fair value at the date of the impairment and the fair value is not adjusted upward for subsequent increases in the fair value. Gains on digital assets are not recognised until realised upon sale, at which point they would be presented net of any impairment losses.

iii. Intellectual property

The consolidated entity recognises intellectual property on the acquisition of assets and in a business combination as the difference between the fair value of consideration and the fair value of net assets through assessment of the fair value of unrecorded but identifiable assets of the acquiree and includes trademarks, developed technology, technologies under development, key employees and customer relationships.

The consolidated entity amortises intellectual property over the period the consolidated entity will realise economic benefits from the intellectual property acquired. The dynamic nature of the consolidated entity and the industry in which it operates has resulted in the amortisation of intellectual property over a period of no more than three years.

iv. Goodwill on acquisition

Goodwill on acquisition represents the difference between the fair value of consideration on the acquisition of an acquiree and the fair value of the identifiable net assets (net of contingent liabilities) acquired.

The consolidated entity assesses at each balance date the fair value of goodwill on the acquisition and determines whether there has been an impairment in the carrying amount. Where the consolidated entity has determined that an impairment has occurred in the carrying value, the difference between the carrying value and the fair value is charged to the profit or loss.

c. Income tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the reporting date.

Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference cannot be controlled, and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d. Plant and equipment

i. Recognition and measurement

Each class of plant and equipment is measured at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is within the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset employment and subsequent disposal. The expected net cash flows have remained the same as their present values in determining recoverable amounts.

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below).

ii. Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment	20.00%
Computers	20.00%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings

e. Employee benefits

i. Superannuation and retirement funds
The consolidated entity does not operate a defined benefit fund or accumulation fund for the benefit of employees. Controlled entities within the consolidated entity contribute to government sponsored retirement funds.

ii. Short-term benefits
Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

iii. Long-term benefits
Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

iv. Award of tokens for zero consideration
Controlled entities within the consolidated entity have awarded employees with utility tokens such as SAND. In substance, the award of utility tokens to employees represents non-cash benefits for services provided by the employee and accordingly, are measured at the present value over the period in which the tokens awarded to employees vest.

f. Equity-settled compensation

The consolidated entity operates an employee share ownership scheme. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined that the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded in the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

g. Revenue and other income

The consolidated entity recognises revenue from the following major sources:

- InApp revenues for smartphones

- Advertising revenues;

- Service revenues and fees; and

- Blockchain revenues.

For each contract with a customer, the consolidated entity:

- identifies the contract with a customer;

- identifies the performance obligations in the contract;

- determines the transaction price which takes into account estimates of variable consideration and the time value of money;

- allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and

- recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

i. Determining the Estimated Offering Period

The offering period is the period in which the consolidated entity offers to provide future update rights and/or online hosting for the game and related extra content sold. Because the offering period is not an explicitly defined period, the consolidated entity must make an estimate of the offering period for the service-related performance obligations (i.e., future update rights and online hosting). Determining the Estimated Offering Period is inherently subjective and is subject to regular revision. Generally, the consolidated entity considers the average period of time customers are online when estimating the offering period. The consolidated entity also considers the estimated period of time between the date a game unit is sold to a reseller and the date the reseller sells the game unit to the customer (i.e., time in the channel). Based on these two factors, we then consider the method of distribution. For example, games and extra content sold at retail would have a composite offering period equal to the online gameplay period plus time in the channel as opposed to digitally distributed games and extra content which are delivered immediately via digital download and therefore, the offering period is estimated to be only the online gameplay period.

Additionally, the consolidated entity considers results from prior analyses, known and expected online gameplay trends, as well as disclosed service periods for competitors' games in determining the Estimated Offering Period for future sales. The consolidated entity believes this provides a reasonable depiction of the transfer of future update rights and online hosting to our customers, as it is the best representation of the time period during which our games and extra content are played. The consolidated entity recognises revenue for future update rights and online hosting performance obligations rateably on a straight-line basis over this period as there is a consistent pattern of delivery for these performance obligations.

Revenue for service-related performance obligations for games and extra content sold through retail are now recognised over an estimated 23-month period beginning in the month of sale, and revenue for service-related performance obligations for digitally distributed games and extra content are now recognised over the same period beginning in the month of sale, which results in revenue being recognised over a longer period of time.

ii. *Deferred revenue*
Revenue is generated from digital games and platforms which require the consolidated entity to perform services over time in order for users to utilise tokens mined by entities within the consolidated entity through the purchase of consumable virtual items and durable virtual items. The performance obligations of the consolidated entity are recognised over a period of 18 months. The deferred net revenue balance is material. This balance increases from period to period by the revenue being deferred for current sales with these service obligations and is reduced by the recognition of revenue from prior sales that were deferred.

iii. *Discounts, rebates and refunds and potential bonuses*
Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

iv. *Interest revenue*
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

v. *Other income*
Management fees are recognised on a portion of completion basis.

All revenue is stated net of the amount of value added taxes (see Note 2h Value-added taxes).

h. Value-added taxes

Value-added taxes (VAT) are the generic term for the broad-based consumption taxes that the consolidated entity is exposed to such as: Goods-and-Services Tax in Australia; Impuesto al Valor Agregado in Argentina; Valtioarainministero in Finland; and the Taxxa fuq il Valur Mizjud in Malta.

Revenues, expenses, and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the relevant country’s taxation authority. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of VAT.

Cash flows are presented in the statement of cash flows on a gross basis, except for the VAT component of investing and financing activities, which are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the taxation authority.

i. Inventories

The consolidated entity conducts broker-trader activities at two key controlled entities, Animoca Brands Limited (Hong Kong) and TSBMV Gaming Ltd (Cayman Islands). These entities buy and sell cryptocurrencies for others as well as for their own accounts. The amounts disclosed as inventories are principally acquired with the purpose of selling these cryptocurrencies in the near future in order to extinguish obligations in cryptocurrencies as well as fiat currencies. These entities also buy and sell to generate profits as well as for risk management purposes.

Cryptocurrencies held for broker-trading activities are valued at fair value less costs to sell and recognise profit or loss changes in fair value in the period of change.

Finished goods utilised by OliveX in its interactive wellbeing platform are stated at the lower of cost or net realisable value on a first-in, first-out basis. Cost comprises the cost of the finished goods, delivery costs and duties. (From 1 July 2020, the consolidated entity no longer consolidated OliveX as OliveX was listed on the New Securities Exchange and reduced its equity interest to 33%.)

j. Leases

With the exception of short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments is separately disclosed in financing activities. For lessor accounting, the remains the same change in how a lessor accounts for leases.

k. Investment in associate entities

Associate entities are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associate entities are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in the profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associate entities are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate entity and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, the fair value of the retained investment and proceeds from disposal are recognised in profit or loss. As incurred.

l. Financial instruments

i. Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.
Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as fair value through profit or loss.

Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately.

The consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

ii. Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

iii. Classification and subsequent measurement

(1) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at calls with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short borrowings in current liabilities on the Statement of financial position.

(2) Loans and borrowings

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Loans are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

(3) *Trade and other receivables*

Trade and other receivables are stated at amortised cost. Receivables are usually settled within 30 to 90 days.

Collectability of trade and other debtors is reviewed on an ongoing basis. An impairment loss is recognised for debts that are known to be uncollectible. An impairment provision is raised for any doubtful amounts.

(4) *Trade and other payables*

Trade payables and other payables are recognised when the consolidated entity becomes obligated to make future payments resulting from the purchase of goods and services which are unpaid and stated at their amortised cost.
The amounts are unsecured and are generally settled on 30-day terms.

(5) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

(6) *Share capital*

Ordinary issued capital is recorded at the consideration received. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Ordinary issued capital bears no special terms or conditions affecting the income or capital entitlements of the shareholders.

iv. Amortised cost

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

v. Fair value

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

vi. Effective interest method

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

vii. Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in the consolidated entity that shares similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the income statement.

viii. Derecognition

Financial assets are derecognised where the contractual rights to cash flow expire, or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of the consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

ix. Financial income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Financial expenses comprise interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

Foreign currency gains and losses are reported on a net basis.

m. Earnings per share (cents)

i. Basic earnings per share

Basic earnings (or loss) per share is determined by dividing the profit or loss attributable to equity holders of the parent company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

ii. Diluted earnings per share

Diluted earnings (or loss) per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares which comprise share options granted as share-based payments.

The consolidated entity does not report diluted earnings per share, as dilution is not applied to annual losses generated by the consolidated entity.

n. Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets comprising capitalised expenditure and intellectual property, other than deferred tax assets (Note 2c Income tax) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset consolidated entity that generates cash flows that largely are independent of other assets and the consolidated entity. Impairment losses are recognised in the income statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash- generating unit to which the asset belongs.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

o. Provisions

Provisions are recognised when the consolidated entity 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.

p. Foreign currency transactions and balances

i. Functional and presentation currency

The functional currency of each of the consolidated entity's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

ii. Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year- end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.
Exchange differences arising on the translation of monetary items are recognised in the profit or loss except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

iii. Consolidated entity

The financial results and position of foreign operations whose functional currency is different from the consolidated entity's presentation currency are translated as follows:

Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.

Income and expenses are translated at average exchange rates for the period. Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the consolidated entity's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed of.

q. Fair value estimation

A number of the consolidated entity's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Information about the assumptions made in determining fair values of assets and liabilities is disclosed in the notes specific to that asset or liability.

r. Fair value of assets and liabilities

The consolidated entity measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the consolidated entity would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e., unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset at its highest and best use or to sell it to another market participant that would use the asset at its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

i. Valuation techniques

In the absence of an active market for an identical asset or liability, the consolidated entity selects and uses one or more valuation techniques to measure the fair value of the asset or liability, the consolidated entity selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the consolidated entity are consistent with one or more of the following valuation approaches:

(1) Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

(2) Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

(3) Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the consolidated entity gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable

ii. Fair value hierarchy

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

(1) Level 1
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

(2) Level 2
Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

(3) Level 3
Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The consolidated entity would change the categorisation within the fair value hierarchy only in the following circumstances:

- if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa or

- if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the consolidated entity recognises transfers between levels of the fair value hierarchy (i.e., transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

s. Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and the 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 consolidated entity.

i. Key Judgements – Coronavirus (COVID-19) Pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had on the consolidated entity based on known information. The consolidated entity needs help with the integration of acquisitions, the capacity to launch new games, secure advisors (such as auditors in Australia and Hong Kong with Hong Kong continuing to be impacted) and manage staff in different geographical regions. The impacts resulted in the board of directors impairing acquisitions made in 2020 and significant delays to compliance obligations to the Australian Securities and Investments Commission.

ii. Key Judgments – Deferred revenue

The application of AASB 15 Revenue from contracts with customers requires the consolidated entity to determine the basis on which it delivers services to customers. The consolidated entity has implemented a strategy to transition its revenue from InApp Mobile-generated revenues to blockchain technology with tokenisation. Revenue is derived from gamers playing digital games and generating for the consolidated entity consumable and durable virtual items.

Revenue is derived from gamers purchasing durable virtual items which results in the game gratification being realised over time and accordingly, the consolidated entity is required to initially defer revenue generated from gamers purchasing durable virtual items and recognise the deferred revenue over time as the gamer realises gratification. The basis for amortisation of deferred revenue requires judgement as to the duration the consolidated entity delivers services to the gamer. The accounting estimates and assumptions impact revenue recognised in the profit or loss each year and the carrying amount of deferred revenue as a liability.

iii. Key Estimates – Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the balance date. Fair value adjustments on the finalisation of the business combination accounting are undertaken on a retrospective basis, where applicable, to the period the combination occurred and have the potential to impact assets and liabilities and depreciation and amortisation reported.

iv. Key Estimates – Capitalised expenditure

The consolidated entity decided during the financial year to discontinue the capitalisation of expenditure associated with the development of digital games and platforms costs as systems needed to be sufficiently developed to enable the determination of costs to be carried forward. In previous years, the consolidated entity carried forward expenditures directly related to the development of *The SANDBOX*.

The carrying value of capitalised expenditure at the reporting date is $ nil (2019: $1,365,632).

v. *Key Estimates – Intellectual property*
The consolidated entity undertakes investment in a highly competitive business sector that relies heavily on the retention of consumer demand for games and other services available from digital gaming. The consolidated entity assesses the carrying value of an acquired intellectual property based on expected future cash flows that can be secured from integration with the existing gaming portfolio of digital games as well as cashflows through growth by using its location within the Asian region to access ‘gamers” in this region.

The consolidated entity acknowledges the relatively short life of digital games and the constant need to enhance existing digital games and develop new digital games and accordingly, amortises intellectual property recorded from the acquisition on a schematic basis over 3 to 4, years depending on an assessment of the capacity of digital games to maintain consumer retention rates.

vi. *Key Estimates-Financial assets and financial liabilities*
The consolidated entity has made significant investments in start-up accelerator business opportunities. The consolidated entity evaluates the carrying value of each accelerator based on the year of initial investment, any subsequent investment by the consolidated entity or third parties and the pricing of the subsequent investments.

Where the accelerator continues to raise new funds and the pricing of new funds exceeds the investment made by the consolidated entity in the accelerator, the consolidated entity continues to record the investment at cost. Where the accelerator has yet to raise new funds, the consolidated entity will impair the carrying value of its investment. Investments in the accelerator made during the current financial year are carried at cost unless an event or outcome from activities of the accelerator results in the consolidated entity determining that impairment should be recorded.

The consolidated entity has recorded all financial liabilities on an amortised cost basis by determining an effective interest rate and discounting cash outgoings by the effective interest. The effective interest rate reflects the cost to the consolidated entity of raising funds from each type of financial instrument with effective interest rates varying from 4% to 26%.

vii. *Key Estimate – Impairment*
The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

The consolidated entity has recorded an impairment of intellectual property acquired through acquisitions at the balance of date 31 December 2020 of $16,631,130. In the previous year, the consolidated entity impaired goodwill on the acquisition of $9,426,223.

viii.Key Estimate – Lease term

The lease term is a significant component in the measurement of both the right-to-use asset and the obligations-to-pay. Accounting estimates and assumptions as to whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the period to be included in the lease terms. In determining the lease term, all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to be the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties market rates; existence of the leasehold improvements; and the costs and disruption to replace the asset. The consolidation entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

ix. Key Estimate – Share-based payments

The consolidated entity measures the cost of equity settled with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using Black-Scholes modelling (for options over ordinary shares granted to employees for time-based milestones) or Monte Carlo simulation (for performance rights awarded to employees on market-based milestones). Modelling/simulations take into account the terms and conditions upon which the instruments were granted/awarded. The accounting estimates and assumptions relating to equity-settled share-based payments have no impact on the carrying amounts of assets and liabilities; however, these accounting estimates and assumptions impact profit or loss and equity.

x. Key Estimate – Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof.

No adjustment has been made for pending or future taxation legislation. The current income tax position represents the directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions. Refer to Note 11 income tax.

xi. Key Estimate-Token-based payments

The consolidated entity measures the cost of token-settled with advisors, consultants and employees by reference to the fair value of the tokens instruments at the date at which they are granted. The fair value is determined by reference to prices of tokens quoted on www.coinmarketcap.com on the grant date. The accounting estimates and assumptions relating to token settled-based payments have an impact on the carrying amounts of liabilities and the fair value amortised to the profit or loss and equity.

xii. Correction of error

Errors were identified in the consolidated entity's accounts for the previous financial year (see Note 12). Both errors identified were material from an aggregate perspective of liabilities.

The correction to errors totalled A$3,798,476 (2019: nil).

t. New standards, interpretations and amendments adopted by the consolidated entity

A number of new standards, amendments to standards and interpretations issued by the AASB which still need to be mandatorily applicable to the consolidated entity have yet to be applied in preparing these financial statements. Those which may be relevant to the consolidated entity are set out below. The consolidated entity does not plan to adopt these standards early

Note 3 Financial risk management

i. Financial risk management objectives and policies

The consolidated entity's principal financial instruments comprise cash and short-term deposits and other financial assets.

The main purpose of these financial instruments is to invest funds raised by the consolidated entity until utilised in business activities.
The consolidated entity has other financial instruments such as current receivables and payables arising from corporate activities.

The main risks arising from the consolidated entity's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors is responsible for the management of the consolidated entity's financial risk. The board of directors is updated regularly on financial risk management measures that the consolidated entity undertakes to ensure that appropriate analysis of the risks has been considered.

For the Financial Year Ended 31 December 2020

	Floating Interest Rate	**Fixed Interest Rate**	**Non-interest Bearing**	**Total**
Financial assets				
Cash and cash equivalents	**5,142,648**	**-**	**-**	**5,142,648**
Receivables	**-**	**-**	**3,960,976**	**3,960,976**
Other financial assets-current	**-**	**-**	**2,174,760**	**2,174,760**
Other financial assets-non current	**-**	**-**	**25,129,038**	**25,129,038**
Loans to other entities	**-**	**-**	**-**	**-**
Other current assets	**-**	**-**	**2,375,386**	**2,375,386**
Intangible assets (Digital assets)	**-**	**-**	**-**	**-**
	5,142,648	**-**	**31,465,400**	**38,782,808**
Financial liabilities				
Payables	**-**	**-**	**(18,593,243)**	**(18,593,243)**
Borrowings-current	**-**	**(2,859,063)**	**-**	**(2,859,063)**
Borrowings-non current	**-**	**(7,815,526)**	**-**	**(7,815,526)**
Deferred revenue-current	**-**	**-**	**(5,278,044)**	**(5,278,044)**
Deferred revenue-non current	**-**	**-**	**(22,611,913)**	**(22,611,913)**
Other financial liabilities-current	**-**	**(885,393)**	**-**	**(885,393)**
Other financial liabilities-non current	**-**	**(2,833,320)**	**-**	**(2,833,320)**
Loans from other entities	**-**	**-**	**(1,878,175)**	**(1,878,175)**
Lease obligations-current	**-**	**(1,542,423)**	**-**	**(1,542,423)**
Lease obligations-non current	**-**	**-**	**-**	**-**
Net maturity	**5,142,648**	**(15,935,725)**	**(16,895,975)**	**(25,514,292)**

For the Financial Year Ended 31 December 2019

	Floating Interest Rate	Fixed Interest Rate	Non-interest Bearing	Total
Financial assets				
Cash and cash equivalents	8,817,733	-	-	8,817,733
Receivables	-	-	1,675,092	1,675,092
Other financial assets-current	-	-	2,150,219	2,150,219
Other financial assets-non current	-	-	13,721,305	13,721,305
Loans to other entities	-	-	2,197,012	2,197,012
Other current assets	-	-	1,104,025	1,104,025
Intangible assets (Digital assets)	-	-	1,528,589	1,528,589
	8,817,733	-	22,376,242	31,193,975
Financial liabilities				
Payables	-	-	(10,903,639)	(10,903,639)
Borrowings-current	-	(6,187,473)	-	(6,187,473)
Borrowings-non current	-	(683,403)	-	(683,403)
Deferred revenue	-	-	(6,946,881)	(6,946,881)
Other financial liabilities-current	-	(1,639,558)	-	(1,639,558)
Other financial liabilities-non current	-	(46,585)	-	(46,585)
Loans from other entities	-	-	(1,970,280)	(1,970,280)
Lease obligations-current	-	(398,838)	-	(398,838)
Lease obligations-non current	-	(210,250)	-	(210,250)
Net maturity	8,817,733	(9,166,107)	2,555,442	2,207,068

ii. Specific financial risk exposures and management

The main risk the consolidated entity is exposed to through its financial instruments is credit risk, liquidity risk and market risk consisting of interest rate, foreign currency risk and equity price risk.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. The board of directors has adopted practices designed to identify significant areas of business risk and to manage those risks in accordance with the risk profile effectively. This includes assessing, monitoring and managing risks for the consolidated entity and setting appropriate risk limits and controls. The consolidated entity, through acquisitions and business growth, is of a size and its affairs are increasing in complexity which has resulted in the establishment of a formal system for risk management and associated controls. Instead, the board of directors is provided on a regular basis with the consolidated entity's exposure to fiat and cryptocurrencies.

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the consolidated entity

The consolidated entity had previously identified a material credit risk exposure to iCandy Interactive Limited, an entity incorporated under the laws and regulations of Australia. The consolidated entity has, since the balance of ate 31 December 2020, actively restructured its contractual arrangements with iCandy and agreed to a settlement, in part, of amounts outstanding by way of the issuance by iCandy of fully paid ordinary shares.

Credit risk exposures

The maximum exposure to credit risk is that to its customers and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the consolidated entity in accordance with an approved policy. Such policy requires that surplus funds be only invested with financial institutions residing in Australia, Hong Kong, Europe and the Americas wherever possible.

Impairment losses

Consolidated entity's impaired during the year:

- $ nil (2019: $527,044) on inventories (previously disclosed as digital assets);

- $ nil (2019: $116,314) on financial assets as fair value through the profit and loss (FVPL);

- $ nil (2019: $655,616) on financial assets for fair value through other comprehensive income;

- $295,302 (2019: Nil) on loans provided to other parties; and

- $16,631,130 (2019: 9,426,223) on intellectual property and goodwill on the acquisition of controlled entities.

Liquidity risk
Liquidity risk arises from the possibility that the consolidated entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The consolidated entity manages liquidity risk by continuously monitoring the forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the consolidated entity. The board of directors constantly monitor the state of equity markets in conjunction with the consolidated entity's current and future funding requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

The financial liabilities of the consolidated entity are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Board meets on a regular basis and considers the consolidated entity's exposure currency and interest rate risk.

(1) *Interest rate risk*
Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The consolidated entity is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is not material to the consolidated entity as no debt arrangements have been entered into, and movement in interest rates on the consolidated entity's financial assets is not material.

(2) *Foreign exchange risk*
Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the consolidated entity holds financial instruments which are other than the Australian dollar functional currency of the consolidated entity.

With instruments being held by overseas operations, fluctuations in foreign currencies may impact the consolidated entity's financial results. The consolidated entity's exposure to foreign exchange risk is minimal; however, the Board continues to review this exposure regularly.

(3) *Price risk*
Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The consolidated entity is exposed to securities price risk and cryptocurrency price risk on investments held for trading or for medium to longer terms.

The investment in listed equities has been valued at the market price prevailing at the balance date. Management of this investment's price risk is by ongoing monitoring of the value with respect to any impairment.

(4) *Cryptocurrency risk*
Cryptocurrency risk relates to the risk that the fair value or the future cash flows from the conversion of cryptocurrencies into fiat currencies will cause fluctuation because of changes in coin exchange prices. In addition, the underlying asset backing of the cryptocurrency can vary as a result of changes in the value of the asset backing.

The consolidated entity holds a large proportion of its stable coins such as USDC or USDT with smaller holdings in BTC and ETH as well other cryptocurrencies.

iii. Sensitivity analysis
Interest rate risk
The consolidated entity has limited exposure to market interest rates on the money it has deposited with Australian and international banking institutions in the form of short-term deposits.

The main risks arising from the consolidated entity's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors are updated regularly on financial risk management measures to ensure compliance with policies.

At the end of the financial period, the consolidated entity had the following cash balances exposed to Australian dollars, Euros, HK dollars and US dollars variable interest rate risk:

	31 December	
	2020	**2019**
	$	**$**
Cash and cash equivalents	**5,142,648**	8,817,733

At the end of the financial period, the consolidated entity had no financial liabilities exposed to variable interest rate risks.

The consolidated entity's cash management policy is to invest surplus funds at the best available rate received from Hongkong and Shanghai Bank and Westpac Banking Corporation.

Set out below is a sensitivity analysis of the financial implications of interest rate risk exposure as at the end of the financial year. If interest rates had moved, with all other variables constant, profit after tax and equity would have been:

	31 December 2020	31 December 2019
	$	**$**
Profit after tax		
Higher/(lower)		
+1% (100 basis points)	**99,700**	82,755
-1% (100 basis points)	**(99,700)**	(82,045)
Equity		
Higher/(lower)		
+1% (100 basis points)	**99,700**	82,755
-1% (100 basis points)	**(99,700)**	(82,045)

The movement in equity is linked to the movement in the Statement of Comprehensive Income as the consolidated entity does not undertake any interest rate hedging.

Foreign currency risk
The consolidated entity has exposure to foreign currency risk as a result of conducting its business activities in a number of countries. The consolidated entity is exposed to Australian dollars, Argentine pesos, Czech Koruna, Euros, HK dollars and US dollars.

The following table illustrates sensitivities to the consolidated entity's exposures to changes in these exchange rates. The table indicates the impact on how profit and equity values of principal currencies reported at the balance sheet date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	31 December 2020	31 December 2019
	$	**$**
Loss after tax		
Higher/(lower)		
+10% AUD/Euro exchange rate	**392,064**	366,288
-10% AUD/Euro exchange rate	**(392,064)**	(366,288)
Equity		
Higher/(lower)		
+10% AUD/Euro exchange rate	**631,091**	411,288
-10% AUD/Euro exchange rate	**(631,091)**	(411,288)
Loss after tax		
Higher/(lower)		
+10% AUD/USD exchange rate	**(1,775,338)**	(2,852,423)
-10% AUD/USD exchange rate	**1,775,338**	2,852,423
Equity		
Higher/(lower)		
+10% AUD/USD exchange rate	**4,447,918**	831,733
-10% AUD/USD exchange rate	**(4,447,918)**	(1,315,138)

At the balance date, the consolidated entity does not hold financial instruments that would give rise to price risk

iv. Fair values

The fair values of financial assets and financial liabilities are presented in the table below and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term investments in nature whose carrying value is equivalent to fair value.

The methods and assumptions used in determining the fair values of financial instruments are disclosed in the accounting policy notes specific to the asset or liability.

Note 4 Segment reporting

i. Identification of reportable segments

The consolidated entity operates predominantly in the digital gaming and blockchain industry. These consolidated entity activities can be segmented by geographical location, comprising Asia, Americas and Europe.

Inter- segment transactions are priced at cost to the consolidated entity.

The consolidated entity has identified its operating segments based on the internal reports that are provided to the Board of Directors. Management has identified the operating segments based on the three principal geographical segments – Asia, the Americas and Europe. The consolidated entity also maintains a corporate function primarily responsible for the overall management of the operating segments, raising capital and distributing funds to operating segments. The corporate activities are undertaken in Australia and Hong Kong.

Segment assets include the costs to acquire businesses and the capitalised expenditure. Financial assets including cash and cash equivalents, and investments in financial assets, are reported in the corporate function.

ii. Basis of accounting for purposes of reporting by operating segments

(1) Accounting policies adopted

Unless stated otherwise, all amounts reported to the board of directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the consolidated entity.

(*2*) Inter-segment transactions

An internally determined transfer price is set for all inter-segment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the consolidated entity's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the consolidated entity. The board of directors believes this is representative of the likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans are payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

(3) Segment assets
Where an asset is used across multiple segments, the asset is allocated to that segment that receives the majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

(*4)* Segment liabilities
Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the consolidated entity as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

(*5)* Unallocated items
The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Impairment of assets and other non-recurring items of revenue or expense
- Income tax expense
- Deferred tax assets and liabilities
- Current tax liabilities
- Other financial liabilities

For the year ended 31 December 2020	**Asia** $	**Americas** $	**Europe** $	**Corporate** $	**Total** $
Revenue					
External customers	12,152,898	24,899,558	1,870,127	-	38,922,583
Group customers	(5,148,740)	(4,039,998)	(1,418,460)	-	(10,607,198)
	7,004,158	20,859,560	451,667	-	28,315,385
Segment result	(20,020,215)	(11,693,688)	(1,335,506)	(15,544,723)	(48,594,132)
Expenses not directly allocable to identifiable segments					
Gain on sale of mobile application games					-
Exchange fluctuation					1,582,439
Interest expense					(1,285,766)
Gains on cryptocurrencies and fair value financial assets					3,954,530
Impairment					(16,926,432)
Taxation					2,037,331
Share of net loss after tax from associate entities					(1,199,589)
Loss after income tax					(60,431,619)
As at 31 December 2020					
Segment assets	4,028,167	9,779,216	12,382,202	45,186,037	71,375,622
Unallocated assets					-
Total Assets					71,375,622
Segment asset increases for the period:					
Capital expenditure	211,336	16,643,177	9,758,380		26,612,893
Impairment of intellectual property and goodwill on acquisition	-	(165,466)	-	(129,836)	(295,302)
	-	16,643,177	9,758,380	129,836	-
Segment liabilities	32,799,800	18,967,596	6,874,209	13,119,160	71,760,765
Unallocated liabilities					-
Total liabilities					71,760,765

For the year ended 31 December 2019	**Asia**	**Americas**	**Europe**	**Corporate**	**Total**
	$	$	$	$	$
Revenue					
External customers	11,862,851	4,230,572	1,937,677	-	18,031,100
Group customers	-	-	(1,880,207)	-	(1,880,207)
	11,862,851	4,230,572	57,470	-	16,150,893
Segment result	(14,025,499)	(5,581,745)	(214,360)	(1,940,236)	(21,761,840)
Expenses not directly allocable to identifiable segments					
Gain on sale of mobile application games					-
Exchange fluctuation					(802,979)
Interest expense					(799,905)
FVPL					(116,315)
Impairment					(9,426,223)
Taxation					(284,488)
Loss after income tax					(33,191,750)
As at 31 December 2019					
Segment assets	3,505,283	6,410,346	1,745,178	28,182,087	39,842,894
Unallocated assets					-
Total Assets					39,842,894
Segment asset increases for the period:					
Capital expenditure					
Impairment of intellectual property and goodwill on acquisition	-	-	-	-	-
	-	-	-	-	-
Segment liabilities	12,248,812	6,048,096	(149,780)	11,158,427	29,305,555
Unallocated liabilities					-
Total liabilities					29,305,555
Segment liabilities	6,835,847	398,316	374,126	2,487,320	10,095,609
Unallocated liabilities					
Total liabilities					10,095,609

Note 5 Acquisitions

During the financial year, the consolidated entity acquired all the shares on issue in Gamee Limited, nWay Inc and Quidd Inc. The consolidated entity had also completed the acquisition of Latgala which was settled on July 2021 with the issue of 7,395,572 fully paid ordinary shares at 25 cents per share.

	Gamee Limited	Latgala Ou	nWay Inc	Quidd Inc	Total
	$	$	$	$	$
Net assets (liabilities) acquired					
Assets					
Cash and cash equivalents	109,496	179,387	683,498	58,212	1,030,593
Receivables	47,215	452,276	122,794	251,101	873,386
Other current assets	54,000	407,008	54,724	43,171	558,903
Property plant and equipment	-	-	-	149,117	149,117
Rights to use	-	-	1,594,696	-	1,594,696
	210,711	1,038,671	2,455,712	501,601	4,206,695
Liabilities					
Payables	101,764	9,540	1,604,865	569,979	2,286,148
Other financial liabilities	-	-	18,488	1,533,906	1,552,394
Deferred revenue	-	1,816,828	233,706	-	2,050,534
Obligations to pay	-	-	1,784,401	-	1,784,401
	101,764	1,826,368	3,641,460	2,103,885	5,745,345
Net assets/(liabilities) acquired	108,947	(787,697)	(1,185,748)	(1,602,284)	(1,538,650)
Intellectual property acquired					
Total consideration					
Upfront consideration	5,145,826	1,803,282	8,121,257	6,056,839	21,127,204
Deferred consideration	1,276,120	1,947,546	-	-	3,223,666
Contingent consideration	-	-	1,935,547	529,534	2,465,081
	6,421,946	3,750,828	10,056,804	6,586,373	26,815,951
(Net assets)/liabilities acquired	(108,947)	787,697	1,185,748	1,602,284	3,466,782
Intellectual property acquired	6,312,999	4,538,525	11,242,552	8,188,657	30,282,733

Gamee Limited

On 17 February 2021, the consolidated entity executed with the shareholders of Gamee Limited a Stock Purchase Agreement where it agreed to acquire all the ordinary and preferred shares as well as the convertible notes on the issue in Gamee Limited. The purchase price of Euros 4,000,000 was payable in two tranches with Tranche A of Euros 3,200,000 payable on Closing and Tranche B of Euros 800,000 payable 12 months from the date of Closing.The closing took place on 10 June 2020 following the completion by the shareholders of Gamee Limited of all the conditions precedent required to be fulfilled by the consolidated entity.

The consolidated entity also agreed to the shareholders and the founders of Gamee Limited on a 50:50 basis Earn-out Payments based on milestones achieved over a 12-month calculation period from the date of Closing: The thresholds are set out below:

	Earn-out Payment
(a) Revenues are at least Euros 1,000,000 (but less than Euros 2,000,000) and (b) Net Profit is at least Euros 100,000 (but less than Euros 200,000)	Euros 200,000
(a) Revenues are at least Euros 2,000,000 (but less than Euros 3,000,000) and (b) Net Profit is at least Euros 200,000 (but less than Euros 300,000)	Euros 400,000
(a) Revenues are at least Euros 3,000,000 (but less than Euros 4,000,000) and (b) Net Profit is at least Euros 300,000 (but less than Euros 400,000)	Euros 600,000
(a) Revenues are at least Euros 4,000,000 (but less than Euros 5,000,000) and (b) Net Profit is at least Euros 400,000 (but less than Euros 500,000)	Euros 800,000
(a) Revenues are at least Euros 5,000,000 and (b) Net Profit is at least Euros 500,000	Euros 1,000,000

The consolidated entity assessed the likelihood of Gamee Limited achieving the potential milestones and concluded that the lowest outcome was potentially feasible and recorded Euros 200,000 as contingent consideration.

GAMEE is a social casual gaming platform that provides over 80 proprietary games via its website and its mobile apps on the App Store and Google Play, providing users with an extensive game library served through a single access point. GAMEE has over 13 million registered users and has recorded more than 4 billion gameplay sessions to date. On average, each user plays games for 25 minutes a day. Users can take part in gaming tournaments, share their gaming activity, and compete with friends on different social media including Facebook, Telegram, and Viber. In addition to original games, GAMEE also develops games in collaboration with internationally well-known brands including NASA, Guinness World Records, Manchester City Football Club, and Cartoon Network.

Latgala Ou

The consolidated entity agreed to acquire Latgala Ou with effect from 1 December 2020. Under the Share Purchase Agreement, executed on 15 December 2020, the consolidated entity agreed to pay the shareholders, option holders, warrant holders and the SAFE investors, in total, US$1,000,000 by way of fully paid ordinary shares as well as US$1,500,000 based on mutually agreed revenue milestones.

The consolidated entity assessed the likelihood of Latgala Ou achieving the potential milestones and concluded that the lowest outcome was potentially feasible and recorded US$1,500,000 as contingent consideration.

As stated above, the acquisition of Latgala Ou was completed on 7 July 2021.

Latgala through its trade name Lympo operates a blockchain platform to motivate people to lead healthier lives by rewarding users with Lympo Tokens (LYM) when they exercise using the Lympo mobile app. LYM can be bought or sold on various cryptocurrency exchanges or used directly to purchase sporting goods on the Lympo Shop. Lympo has approximately 300,000 users, located primarily in the U.S. and South Korea, and a social media base of over 75,000 followers.

nWay Inc
On 19 December 2019, the consolidated entity announced that it had entered into a merger agreement to acquire nWay for US$7,690,000 (A$11,400,000) of which US$1,940,000 is payable in cash and US$5,750,000 (A$8,500,000) is payable in fully paid ordinary shares. The share consideration will be based on a price per share of the higher of A$0.18 per share and the cash consideration includes US$250,000 payable to the vendors and US$1,690,000 is to be invested in nWay for operating purposes.

On 24 December 2020, the consolidated entity renegotiated the acquisition.

Under the nWay Merger Agreement, the consolidated entity agreed to pay nWay US$250,000 in cash and issue to the convertible note holders in nWay US$5,750,000 in shares in the parent entity at an issue price of 18 cents per share. On 8 May 2020, the parent entity issued 49,110,544 fully paid shares to the convertible note holders in nWay Inc.

Separately, the consolidated entity entered into contracts of employment with four key executive officers of nWay which provided for retention bonuses, profit bonuses, share rewards and termination benefits. The profit bonuses and share rewards were subject to the achievement of specific milestones for revenue and profits.

The consolidated entity concluded that the retention and management bonuses and the termination benefits represented contingent consideration. The consolidated entity concluded that the profit share and share rewards were likely to be achieved outside the period specified and accordingly, did not provide for these entitlements as contingent consideration.

nWay has developed and published three games: *POWER RANGERS: Battle for the Grid*, the popular tag-team fighting game with cross play functionality on Nintendo Switch, Xbox One and PC; *POWER RANGERS: Legacy Wars*, the award-winning mobile fighting game on iOS and Android with over 50 million downloads; and *ChronoBlade*, nWay's original mobile action role-playing game.

nWay has a global license (with some territories excluded for some products) granted by Lionsgate and Hasbro to make use of the Power Rangers brand to develop and publish *POWER RANGERS: LegacyWars* and *POWER RANGERS: Battle for the Grid* on mobile (iOS, Android), Smart TV platforms, consoles (including handheld consoles), and PC. nWay pays a royalty for the use of the Power Rangers brand.

nWay has also recently announced nWayPlay, a platform in development that provides developers with complete backend and fully managed live-ops services to develop and operate competitive multiplayer cross-platform games quickly. nWayPlay's platform features include cross-play and cross-progression functionality, low-latency real-time multiplayer framework, live-ops tools, and geodistributed hosting with custom matchmaking logic that ensures optimal networked gaming experience with scalability and stability. nWayPlay also provides a unified player identity and friends system, which enables players to log in, connect and play together with friends across different platforms such as consoles, PC, and mobile.

Quidd Inc
On 7 August 2020, the consolidated entity announced that it had agreed with the shareholders of Quidd Inc and on 13 February 2020, the consolidated entity and the shareholders of Quidd Inc executed a Stock Purchase Agreement for US$5,000,000 plus specific earn-outs payments.

On 14 February 2020, the Stock Purchase Agreement was executed and on 3 December 2020, the acquisition was completed following Quidd having fulfilled the conditions precedent set out in the Stock Purchase Agreement and issued 37,855,247 fully paid ordinary shares in the parent entity for 16 cents per fully paid ordinary shares.

The Earn-out Payments comprised:

	Earn-out Payment
Calculation Period 1 Net profit equal to or greater than US$1,250,000 but less than US$1,500,000	US$1,000,000
Calculation Period 2 Net profit greater than US$1,500,000	US$1,000,000
Calculation Period 3 Net profit greater than US$2,000,000	US$1,000,000

A calculation period is defined as each 12-month period following the Closing Date (ie., 3 December 2020) and accordingly there are three discrete calculation periods.

Quidd has the world’s largest assortment of digital collectibles licences and partnerships (over 325 brands) featuring the world’s top content owners across multiple verticals - partners include Disney, Marvel, HBO (Game of Thrones), CBS (Star Trek) and NBA as well as many other digital collectibles.

Note 6 Controlled entities

The following Table sets out the controlled entities that form the Animoca Brands Corporation Limited consolidated entity as at 31 December 2020:

	Principal Activities	Country of Incorporation	Equity Interest 31 December 2020	2019
Animoca Brands Corporation	Holding Company	BVI	100%	100%
Animoca Brands Limited	Application game maker	Hong Kong	100%	100%
Pixowl SA	Application game maker	Argentina	100%	100%
OliveX Holdings Limited	Holding Company	Australia	100%	100%
OliveX Limited	Holding Company	BVI	100%	100%
Zeroth Fano Ventures Limited	Accelerator	BVI	100%	100%
Zeroth Fano Ventures II Limited	Accelerator	BVI	100%	100%
Zeroth Holdings III Limited	Accelerator	BVI	100%	100%
Animoca Brands Technology Shanghai Ltd	Investment	China	100%	100%
TicBits Oy	Application game maker	Finland	100%	100%
Tribeflame Oy	Application game maker	Finland	100%	100%
Benji Bananas Oy	Application game maker	Finland	100%	100%
Stryking Entertainment GmbH	Application game maker	Germany	100%	100%
Amazing Panther Limited	Accelerator	Hong Kong	100%	-
Concise Vision Limited	Investment	Hong Kong	100%	100%
Crowd Education Limited	Investment	Hong Kong	100%	100%
GA Mee Limited	Investment	Hong Kong	100%	-
Gorgeous Star Ventures Limited	Investment	Hong Kong	100%	-
Meta Global Limited	Investment	Hong Kong	100%	-
Bacasable Global Limited	Investment	Hong Kong	100%	-
TSB Gaming SA	Application game maker	Argentina	100%	-
TSB MV Gaming Ltd	Application game maker	Cayman Islands	100%	-
TSB Gaming Ltd	Application game maker	Malta	100%	100%
Moonrealm Entertainment Limited	Application game maker	Hong Kong	51%	51%
OliveX (HK) Limited	Application Health Care	Hong Kong	-	78%
Right Realm Limited	Investment	Hong Kong	100%	-
Right Talent Development Limited	Investment	Hong Kong	100%	-
Sandbox Corp	Investment	Hong Kong	100%	-
Venture Classic Limited	Fund Manager	Hong Kong	67%	67%

	Principal Activities	Country of Incorporation	Equity Interest 31 December 2020	2019
Latgala Ou	Token Holder	Latvia	100%	-
UAB ITSS	Application game maker	Latvia	100%	-
Gamee Limited	Investment	United Kingdom	100%	-
Gamee Mobile sro	Application game maker	Czech Republic	100%	-
Fuel Powered Inc	Application game maker	USA	60%	60%
Grantoo LLC	Application game maker	USA	60%	60%
Gamma Innovations Inc	Utilisation of idle computer time power	USA	100%	100%
Leade.rs Inc	Networking	USA	100%	100%
nWay Inc	Investment	USA	100%	-
nWay America LLC	Application game maker	USA	100%	-
nWay Korea Inc	Application game maker	Korea	100%	-
NW2020 Inc	Investment	BVI	100%	-
Pixowl Inc	Application game maker	USA	100%	100%
Pixowl SA	Application game maker	Argentina	100%	100%
Quidd Inc	Digital merchandise	USA	100%	-

Note 7 Revenue

	31 December 2020 $	2019 $
Major product lines		
Advertising	**226,067**	4,418,868
InApp games	**17,087,131**	7,897,267
Services	**10,829,686**	2,060,811
Virtual currencies	**120,980**	930,110
Other revenues	**51,520**	843,837
	28,315,384	16,150,893
Timing of revenue recognition		
Goods transferred at a point in time	**17,485,698**	14,090,082
Services transferred over time	**10,829,686**	2,060,811
	28,315,384	16,150,893

Note 8 Other income

	31 December 2020 $	31 December 2019 $
Gain on sale of mobile application games	**-**	-
Interest income	**6,200**	-
Other	**520,833**	716,416
	527,033	716,416

Note 9 Employee entitlements

	31 December 2020 $	31 December 2019 $
Salaries and other remuneration expenses	**19,180,669**	9,300,839
Earn-out entitlements due to vendors unders set out in Share Sale & Purchase Agreements	**-**	120,856
Retirement benefits	**111,489**	118,000
Other	**810,275**	448,659
	20,102,433	9,988,354
Share-based payments	**294,330**	177,768
	20,396,763	10,166,122

Note 10 Other expenses

	31 December 2020 $	31 December 2019 $
Secretarial costs	**367,597**	303,399
Travel	**142,276**	770,836
Insurances	**411,745**	152,759
Office costs	**975,365**	736,544
Communications and computing	**667,991**	108,209
Occupancy costs	**474,513**	260,342
Withholding taxes	**63,075**	54,440
Other	**2,059,930**	186,313
	5,162,492	2,572,842

The comparative figures for 2019 have been amended with professional fees being reclassified as consultants and contractors and additional disaggregation of the amount previously recorded as “other expenses” to disclose communications and computing charges and occupancy costs.

Note 11 Income tax expense (benefit)

	31 December 2020 $	31 December 2019 $
Reconciliation of income tax expense to prima facie tax payable		
Accounting profit/(loss)	**(61,269,610)**	(33,476,238)
Permanent differences		
Amortisation of intellectual property	**4,000,236**	689,880
Inventories	**553,533**	
Equity raising costs	**(261,593)**	(249,186)
Impairment	**4,627,884**	2,827,867
Interest expense	**108,380**	204,343
Obligations to pay under lease arrangements	**(113,608)**	9,015
Right to use under lease arrangements	**64,772**	64,161
	8,979,604	3,546,080
Adjusted accounting profit/(loss)	**(52,290,006)**	(29,930,158)
Tax (expense)/benefit @ 27.5% tax rate	**15,898,576**	8,230,793
Adjusted for jurisdiction differences	**(3,676,086)**	(1,782,410)
Tax expense @ actual tax rates	**12,222,490**	6,448,383
Adjusted accounting profit/(loss)	**(52,290,006)**	(29,930,158)
Temporary differences		
Deferred expenditure	**(484,979)**	.-
Digital asset losses	**-**	80,224
Doubtful debts	**161,495**	173,733
Exchange fluctuation	**53,999**	163,661
Fair value losses through profit or loss	**(54,192)**	4,951
Occupancy costs	**(71,361)**	(67,291)
Prepayments	**(187,176)**	(45,418)
Provisions	**7,528**	30,784
Rights to use	**64,772**	-
Share-based payments	**80,941**	-
Token-based payments to employees	**2,804,357**	-
Unearned revenue	**(202,985)**	370,230
Other	**(693,963)**	-
Carried forward losses	**50,562,201**	30,253,786
Taxable profit	**249,369**	1,034,502
Tax expense		
Tax paid	**(49,875)**	(284,488)
Relief provided by governments in jurisdictions the consolidated entity operates for COVID-19	**2,087,206**	-
	2,037,331	(284,488)

The applicable weighted average effective tax rates attributable to operating profit for the financial year were neg (2019: Nil).

The balance of the franking account at the end of the financial year was Nil (2019: Nil).

	31 December 2020	31 December 2019
	$	**$**
Deferred tax assets		
Financial assets	**934,938**	413,005
Provisions	**67,713**	30,545
Tax losses	**10,133,808**	8,979,089
Unearned revenue	**320,163**	569,589
	11,456,622	9,992,228
Set-off deferred tax liabilities	**-**	-
Net deferred tax assets	**11,456,622**	9,992,228
Deferred tax assets not recognised	**(11,456,622)**	(9,992,228)
Net tax assets	**-**	-
Deferred tax liabilities		
Capitalised expenditure	**-**	477,971
Depreciation	**6,276**	150,849
Doubtful debts	**31,930**	218,154
Prepayments	**1,052,588**	172,091
Net deferred tax liabilities	**1,090,794**	1,019,065
Deferred tax liabilities not recoignised	**(1,090,794)**	(1,019,065)
	-	-
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised that may be utilised to offset tax liabilities:		
Revenue losses	**10,133,808**	8,979,089
Capital losses	**2,827,867**	2,827,867
	12,961,675	11,806,956

Potential deferred tax assets attributable to tax losses and other temporary differences as well as potential to deferred tax liabilities attributable to temporary differences have not been brought to account at 31 December 2020 because the directors do not believe it is probable at this time to realise the deferred tax assets or deferred tax liabilities. These benefits will only be obtained if:

i. The consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions and losses from other items.

ii. The consolidated entity continues to comply with conditions for deductibility imposed by law.

viii. No changes in tax legislation adversely affect the consolidated entity in realising the benefits from the deductions for the loss and other items.

At the balance date, 31 December 2020, Animoca Brands Limited, the principal-controlled entity of Animoca Brands Corporation Limited, based in Hong Kong had estimated unused tax losses of approximately US$38,077,859 (2019: US$20,349,000). Under the Hong Kong tax regime tax losses can be carried forward indefinitely and accordingly, can be offset against future taxable income. Tax losses accrued by controlled entities acquired in Germany and USA are not expected to be available to the consolidated entity in future periods and accordingly, the recoverability of these tax losses will be dependent on future taxable income generated by the respective entities that have incurred then tax losses.

Tax losses incurred by Animoca Brands Corporation Limited, the ultimate parent entity of the consolidated entity, are not likely to be realisable in the foreseeable future due to Australian legislation relating to the continuation of the ownership test and the continuation of business tests.

The consolidated entity has not brought to account any deferred tax assets or liabilities.

As at the date of this annual report, the consolidated entity has retained advisors to review its policies and procedures for compliance with various tax jurisdictions on such matters as transfer pricing, the transfer of ownership of shares in controlled entities and intellectual property and other issues. There needs to be more work completed at this time to quantify any tax exposures on transactions undertaken, if any.

Note 12 Restatement of comparative

During the course of preparing the financial statements for the consolidated entity two material errors were identified as a result of incomplete communication of transactions and events.

The first material error related to an advisory service agreement made between the consolidated entity and Ms Katherine Yip. Under the terms of the agreement, Ms Yip is entitled to advisory fees of $2,523,500 for services performed up to the financial year ended 31 December 2018. On 10 December 2020, the board of directors resolved that the obligation to Ms Yip be extinguished through the issue of 25,750,000 fully paid ordinary shares at the price as at the date the services were rendered to the consolidated entity.

The second material error related to accurate and complete records for options over ordinary shares granted to employees under the Employee Share Option Plan. The ultimate parent entity recognised the grant of options over ordinary shares in 2018 and 2019. In 2018, 8,195,596 options over ordinary shares were issued to employees under the ESOP and in 2019 4,344,493 options over ordinary shares were issued to employees under the ESOP (see Note 42).

Employees are entitled to exercise the options over ordinary shares at any time up to the expiry date and accordingly, the Black-Scholes model assumes immediate vestiture. The fair value of the options over ordinary shares was $678,484 and $596,492 for 2018 and 2019, respectively.

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	Consoldiated Entity 31 December 2019 $ Reported	$ Adjustment	2019 $ Restated
Statement of comprehensive income extract			
Expenses			
Consultants and contractors	6,136,585	2,523,500	8,660,085
Share-based payments	177,768	1,274,976	1,452,744
	6,314,353	3,798,476	10,112,829
Loss before income tax	(32,907,262)	(3,798,476)	(36,705,738)
Income tax expense/(benefit)	-	-	-
Net loss after tax	(32,907,262)	(3,798,476)	(36,705,738)
Other comprehensive income/(expense), net of income tax expense/benefit	(907,785)	-	(907,785)
Total comprehensive loss for year	(33,815,047)	(3,798,476)	(37,613,523)
Total comprehensive loss attributable to:			
Shareholders of Animoca Brands Corporation Limited	(32,808,376)	(3,798,476)	(36,606,852)
Non-controlling interests	(1,006,671)	-	(1,006,671)
	(33,815,047)	(3,798,476)	(37,613,523)
Earnings per share			
Basic (cents per share)	(3.998)	(0.460)	(4.554)
Diluted (cents per share)	(3.998)	(0.460)	(4.554)
Statement of financial position extract			
Liabilities			
Current liabilities			
Trade and other payables	(7,771,582)	(2,523,500)	(10,295,082)
Total current liabilities	(28,365,317)	(2,523,500)	(30,888,817)
Total liabilities	(29,305,555)	(2,523,500)	(31,829,055)
Net assets	10,537,339	(2,523,500)	(8,013,839)
Equity			
Reserves	(904,585)	1,274,976	370,391
Accumulated losses	(65,642,734)	(3,798,476)	(69,441,210)
	(66,547,319)	(2,523,500)	(69,070,819)
Total equity	10,537,339	(2,523,500)	8,013,839

Note 13 Earnings per share

Basic earnings (loss) per share is calculated by dividing net profit (loss) for the financial year attributable to members of the parent entity by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings (loss) per share is calculated by dividing the net profit (loss) attributable to members of the parent entity by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be on the issue following conversion of all outstanding options over ordinary shares into ordinary shares.

As at the balance date 31 December 2019 and 2020 there were no dilutive options over ordinary shares outstanding.

	31 December 2020 $	31 December 2019 $
Loss from continuing operations for the year	**(59,956,282)**	(32,101,546)
	No	No
Weighted average number of ordinary shares outstanding during the year and used in the calculation of basic EPS	**1,071,415,590**	826,024,196
Basic and diluted earnings per share (cents per share)	**(5.596)**	(3.998)

Note 14 Dividends paid/payable

No dividends were paid during the financial year and no dividend is proposed to be paid at the end of the financial year, 31 December 2020.

Note 15 Cash and cash equivalents

	31 December 2020 $	31 December 2019 $
Cash in hand and cash at bank	**5,142,648**	8,817,733
Short-term deposits	**-**	-
	5,142,648	8,817,733

Note 16 Trade and other receivables

	31 December 2020 $	31 December 2019 $
Trade receivables	**3,603,403**	2,340,966
GST	**-**	-
Non trade receivables	**737,751**	656,272
	4,341,154	2,997,238
Provision for doubtful debts	**(380,178)**	(1,322,146)
	3,960,976	1,675,092

An amount of A$23,439 that is recorded as non-trade receivables for the financial year ended 31 December 2019 represents a related party receivable recognised in accordance with AASB 124 *Related Parties Disclosures*. The amount was non-interest bearing and settled with the 30-60 trading terms.

Trade receivables are amounts due from customers for goods and services performed in the ordinary course of business. Trade receivables are generally due for settlement within 30 days and therefore, are all classified as current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional unless an amount recorded as trade receivable contains a significant financing component in which case the trade receivable is recognised at fair value.

The consolidated entity holds trade receivables with the objective of collecting the contractual cash flows and accordingly, measures the trade receivables at amortised cost using the effective interest rate method where contractual terms are extended beyond the normal recoverable period.

Given the short-term nature of trade receivables and non-trade receivables, the carrying values represent the cost.

The consolidated entity provided for $92,238 (2019: $1,024,206) in doubtful debts during the financial year. The provision results from the board of directors reviewing the amount due from iCandy Interactive Limited. On 15 November 2017, the consolidated entity and iCandy entered into an agreement whereby iCandy acquired a portfolio of mobile games for a combination of shares and cash. On 25 June 2019, the agreement between the consolidated entity and iCandy was restructured and provided for the continuation by the consolidated entity of specific services.

The revised terms provided for the consolidated entity to continue to provide publishing rights if these rights could not be transferred (“maintenance services”). It was initially agreed that the consolidated entity’s costs for such services would be reimbursed by iCandy on a monthly basis. The revised agreement provided for these services to be satisfied by way of the issue of shares provided iCandy had sufficient placement capacity.

Both parties agreed to an initial handover period after closing the transaction and the consolidated entity would continue to publish, operate and maintain the game portfolio (“migration services’). iCandy originally agreed to reimburse the consolidated entity on a monthly basis for these services. The revised terms provide for these costs to be reimbursed by cash or shares.

On 4 June 2020, the consolidated entity agreed to convert, in part, some of the amount due from iCandy into fully paid ordinary shares. As a result, the consolidated entity received 30,208,415 fully paid ordinary shares in lieu of the $622,293 due. Amounts outstanding from iCandy relate to the maintenance and migration fees and these amounts due have been provided for as doubtful debts.

Note 17 Inventories

	31 December 2020 $	31 December 2019 $
Digital assets	**12,039,671**	-
Finished goods	**-**	25,095
	12,039,671	25,095

Under AASB 2 *Inventories*, inventory does not require to be in a physical form, but inventory should consist of assets that are held for sale in the ordinary course of business.

The consolidated entity has determined that part of its extensive holdings of digital assets it holds for sale in the ordinary course of business. The consolidated entity actively trades certain digital assets, purchasing the digital assets with a view to reselling the digital assets in the near future and generating a profit from fluctuations in the price or traders' margin.

The consolidated entity has over the years developed a trading function within its Hong Kong office with specific personnel undertaking trading of specific digital assets under policies and procedures approved by the board of directors. The *SANDBOX* group of entities also undertake trading activities within the limits set by the approved policies and procedures.

The specific digital assets that the consolidated entity has classified for trading activities are set out in the following table. (As at the balance of ate 31 December 2019, these digital assets were classified as intangible assets and have been reclassified as inventories following the commencement of broker-trader activities.)

	31 December 2020 $	31 December 2019 $
Composition of digital assets classified as inventory for broker/trader activities:		
Bitcoin	**1,256,924**	-
BNB	**762,632**	-
Decentraland	**-**	-
Etherium	**537,590**	-
Harmony	**-**	-
LYM	**234,127**	-
SilverPoint	**-**	-
USDC	**354,909**	-
USDT	**8,217,710**	-
WAX	**299,938**	-
Other	**375,841**	-
	12,039,671	-

Note 18 Financial assets

	31 December 2020 $	31 December 2019 $
Current financial assets		
Mandatorily at fair value through profit or loss		
Japan Keep It Simple Security (J-KISS Agreement)	**64,918**	71,365
Simple Agreements for Future Equity (SAFE Agreements)	**2,109,842**	1,988,673
Other financial assets	**-**	90,181
	2,174,760	2,150,219
Non-current financial assets		
Designated at fair value through other comprehensive income		
Convertible notes		
Listed equity securities	**5,124,031**	799,501
Unlisted equity securities	**9,649,292**	-
Unlisted participating securities	**620,945**	682,609
Unlisted preferred securities	**3,602,960**	2,673,352
Unlisted limited partnerships	**1,150,608**	909,107
	20,147,837	5,064,569
Mandatorily at fair value through the profit or loss		
Convertible notes	**3,670,505**	3,933,086
Unlisted preferred securities	**1,310,696**	4,723,650
	4,981,201	8,656,736
	25,129,038	13,721,305
Total other financial assets	**27,303,798**	15,871,524
Amounts recognised as		
Fair value gain (loss) through profit or loss	**425,812**	(116,314)
Fair value (loss) through other comprehensive income	**9,276,310**	(555,616)

Financial assets mandatorily fair value through the profit or loss

During the financial year, the consolidated entity recognised a fair value gain of $425,812 (2019: a fair value loss of $116,314 on financial assets classified as Mandatorily at fair value through the profit or loss).

The financial assets accounted for on this basis represent J-KISS and SAFE Agreements that provide the consolidated entity with the contractual right to receive equity instruments in start-up entities when a pre-determined “trigger” event occurs (i.e., a specific pricing round of funding above a threshold or liquidation. The number of equity instruments (i.e., shares in a specific start-up entity) on the conversion of the SAFE instrument is linked to the upfront cash subscription and the pricing round of funding that “triggers” the equity or liquidation event.

The consolidated entity has accounted for a convertible note instrument between its controlled entity, Zeroth Fano Ventures Limited, and Fano Labs Limited on an amortised cost basis. The convertible note represents a senior debt instrument with the consolidated entity entitled to priority repayment over any other indebtedness of Fano Labs Inc. The convertible notes entitle the consolidated entity to interest at the rate of 3% per year. On maturity (30 April 2020), the consolidated entity is entitled to convert both the convertible note and accrued interest into fully paid Equity Securities of Fano Labs Inc at the lower of (I) 80% of the price per share for Equity Securities by the investors at the date of a Qualifying Financing and (ii) the share price determined by dividing US$32,000,000 by the number of shares on the issue immediately prior to the closing of the Qualified Financing. A Qualified Financing is the raising of at least US$10,000,000 by Fano Labs Limited.

The consolidated entity subscribed to US$1,000,000 in convertible notes issued by Fano Labs Limited.

Following the end of the financial year 31 December 2020, the subscribers to the convertible note issuance and Fano Labs Limited agreed to extend the maturity date to 30 April 2021.

Financial assets designated fair value through other comprehensive income
During the financial year, the consolidated entity recognised a fair value gain of $9,276,310 (2019: a fair value loss of $555,626) on financial assets classified as designated at fair value through other comprehensive income.

The consolidated entity has designated since 1 January 2019 equity securities at fair value through other comprehensive income as those securities represent investments that the consolidated entity intends to hold for the long term due to their strategic nature to the business activities of the consolidated entity.

Fair value measurement
Financial assets are measured at fair value in the consolidated Statement of the Financial Position of the consolidated entity into three levels of the fair value hierarchy. The three levels are as follows:

Level 1
The fair value of financial instruments traded in active markets (i.e., publicly traded derivatives and equity instruments) is based on quoted market prices at the end of the financial period. The quoted market price used for financial assets held by the consolidated entity is the current bid price.

Level 2
The fair value of financial instruments that are not traded in an active market (i.e., over-the-counter derivatives) is determined using valuation techniques that maximise the use of observable market information and rely as little as possible on entity-specific estimates.

Level 3
The fair value of financial instruments under this level represents outcomes that occur if one or more of the significant inputs is not based on observable market information.

Note 19 Other current assets

	31 December 2020 $	31 December 2019 $
Bonds	**3,618**	6,169
Guarantees	**16,749**	46,958
Prepayments	**2,355,019**	1,050,898
	2,375,386	1,104,025

Note 20 Loans to other entities

	31 December 2020 $	31 December 2019 $
nWay Inc	**-**	570,920
Quidd Inc	**-**	1,472,416
Other	**-**	153,676
	-	2,197,012

At balance date, 31 December 2019, Merger Agreement between Animoca Brands Limited and nWay Inc and the Stock Purchase Agreement between Animoca Brands Limited and Quidd Inc remained unexecuted. Pursuant to the terms and conditions of the above agreements, the consolidated entity advanced nWay Inc and Quidd Inc US$400,000 and US$1,031,609, respectively, to satisfy working capital requirements.

On 19 February 2020 Animoca Brands Limited and the vendors of Quidd Inc executed the Share Purchase Agreement and on 24 February 2020, Animoca Brands Limited and the vendors of nWay Inc executed a renegotiated Merger Agreement. The execution of these agreements was undertaken subject to a number of Closing Conditions Precedents. With effect from 1 February 2020, the consolidated entity took control of these entities and the amounts advanced to these entities became shareholder advances which are eliminated on consolidation pursuant to AASB 10 *Consolidated Financial Statements*.

Note 21 Investment in the associate entity

	31 December 2020 $	31 December 2019 $
Helix One Limited	**1,077,642**	1,184,659
OliveX Holdings Limited	**2,649,973**	-
	3,727,615	1,184,659

Helix One Limited
On 15 October 2019, the consolidated entity entered into a strategic partnership with Mind Fund consolidated entity Ltd, a leading venture capital company, and Helix One Limited, an accelerator established by Mind Fund and Hedera Hashgraph Inc.

Helix One Limited will provide financial, intellectual and network support to developers and entrepreneurs and their companies and guide them as they build a new class of decentralised applications on the Hashgraph consensus protocol.

The consolidated entity proposes to restructure its ownership interest in Helix One Limited during the course of the financial year 1 January 2020 to 31 December 2020 by way of arranging for Helix One Limited buyback the shares it issued to the consolidated entity and the consolidated entity being issued participating interests in the specific portfolios that hold the accelerator investments.

Since the balance date, the consolidated entity has acquired a controlling interest in Helix One Limited and accordingly, has accounted for Helix One Limited as a controlled entity through the application of AASB 10 consolidated Financial Statements.

On 24 August 2020, OliveX Holdings Limited was listed on the New Securities Exchange in Sydney, Australia. Up until 30 June 2020, the consolidated entity accounted for OliveX Holdings Limited and its controlled entities as a controlled entity with the consolidated entity holding 78% of the shares on issue. Following the listing of OliveX Holdings Limited, the consolidated entity holds 33% of the shares on issue and accordingly has accounted for Olive Holdings Limited as an associate entity under AASB 128 *Investments in Associates and Joint Ventures*.

As at the balance of ate 31 December 2020, the carrying value of the investment by the consolidated entity in OliveX Holdings Limited comprised:

	31 December 2020 $	31 December 2019 $
HelixOne Limited		
Cost	**1,184,649**	1,184,649
Share of net loss for financial year'	**-**	-
Exchange fluctuation	**(107,007)**	-
	1,077,642	1,184,649
OliveX Holdings Limited		
Cost	**647,878**	-
Fair value at date of deconsoldiation	**1,959,227**	-
Fair value of performance rights	**1,496,056**	-
Share of net loss for the financial period 1 July 2020 to 31 December 2020	**(1,199,589)**	-
Share of Other comprehensive income	**(49,656)**	-
Exchange fluctuation	**(203,943)**	-
	2,649,973	-
	3,727,615	1,184,649
Equity-based accounting recognised as fair value through other comprehensive income		
Fair value at date of deconsoldiation	**1,959,227**	-
Fair value of performance rights	**1,496,056**	-
Exchange fluctuation	**(253,599)**	-
Other movements	**(124,109)**	-
	3,077,575	-

Note 22 Interest in a joint venture

	31 December 2020 $	31 December 2019 $
Animoca/Atari Venture	**3,927,000**	-

On 4 August 2020, the consolidated entity informed shareholders that it has entered, through its controlled entity, Animoca Brands Limited, into an amendment Licencing Agreement with Atari Interactive, Inc. The Amendment Licensing Agreement set out the basis for the consolidated entity to earn the right to develop and distribute globally 15 classic Atari® arcade games and to be a non-exclusive distributor in Asia but an exclusive provider of blockchain content globally for the Atari VCS console.

The Amendment Licensing Agreement expands the license held by the consolidated entity following an agreement with Atari on 18 December 2018 and provides for 15 iconic Atari titles on any platform and any distribution channel, inclusive of blockchain products, for a term extending through to 31 January 2025.

The Games include *Centipede®*, *Pong®*, *Breakout®*, *Asteroids®*, *Missile Command®*, *Crystal Castles®*, *Adventure®*, *Lunar Lander, Tempest, Millipede, Night Driver Agent X, Space Duel, Star Raiders and Major Havoc.* Animoca Brands has the right, until 31 December 2020, to swap the last five games for other Atari titles. Upon meeting revenue milestones, the consolidated entity will gain the rights to an additional 13 Atari games at no extra charge. The consolidated entity has the right to produce and distribute non-fungible tokens for all assets for the Games.

The Amendment grants Animoca Brands Limited the rights to distribute the Games through the platforms of its controlled entities and its associated entities.

The Amendment also grants the consolidated entity non-exclusive distribution rights in Asia (excluding Australia and New Zealand) for the upcoming Atari VCS game console. The consolidated entity will set up and operate its own online retail store covering the region through 30 September 2022.

The consolidated entity will be the exclusive blockchain gaming content provider for the Atari VCS console until 30 September 2022, including the right to incorporate its preferred blockchain technology solutions (such as a crypto wallet), which will make the VCS the world's first dedicated blockchain gaming game console.

On 13 December 2020, the ultimate parent entity issued Atari 18,700,000 fully paid ordinary shares at 21 cents per share for the expanded licensing arrangements provided by the Amendment Licensing Agreement. The licensing fee is subject to recoupment from royalties paid to Atari on the revenue generated by the Games.

For the exclusivity, the consolidated entity will be required to pay a minimum guarantee against future revenues to Atari of US$320,000, on or before 31 July 2022, at its discretion by way of a cash payment or the issue of 2,200,000 fully paid ordinary shares at 21 cents per share.

On 31 July 2021, the consolidated entity paid Atari US$320,000 for the exclusivity and the consolidated entity has not recorded any royalty offset.

Note 23 Plant and equipment

	31 December 2020 $	31 December 2019 $
Property plant and equipment owned by the consoldiated entity at Cost		
Opening balance	**455,759**	333,666
Acquired during the financial year	**211,339**	119,620
Exchange fluctuation	**(41,171)**	2,473
	625,927	455,759
Accumulated depreciation		
Opening balance	**(224,450)**	(125,795)
Depreciation for the year	**(215,147)**	(97,194)
Exchange fluctuation	**21,372**	(1,461)
	(418,225)	(224,450)
Net carrying value	**207,701**	231,309
Property plant and equipment leased by the consoldiated entity at fair value		
Opening balance	**1,157,475**	-
Adoption of new accounting policy	**-**	1,157,475
Acquired during the financial year	**-**	-
Acquired through business combinations	**2,736,160**	-
Exchange fluctuation	**(104,637)**	-
Other movements	**-**	-
	3,788,998	1,157,475
Accumulated depreciation		
Opening balance	**(579,266)**	-
Adoption of new accounting policy	**-**	(193,441)
Acquired through business combinations	**(1,141,399)**	-
Depreciation for the year	**(770,275)**	(385,825)
Exchange fluctuation	**52,328**	-
Other movements	**-**	-
	(2,438,612)	(579,266)
Net carrying value	**1,350,386**	578,209
Net carrying value of owned and leased property plant and equipment	**1,558,087**	809,518

The consolidated entity has adopted AASB 16 *Leases* from 1 January 2019. This standard replaces AASB 117 Leases and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments is separately disclosed in financing activities. For lessor accounting, the standard remains the same as how a lessor accounts for leases.

During the financial year, the consolidated entity acquired nWay Inc, an entity incorporated under the laws and regulations of the state of Delaware, USA, and applied AASB 16 to lease arrangements. The net increase in rights to use assets at the date of acquisition was $1,596,794.

Note 24 Intellectual property

	2020 $	2019 $
Cost		
Opening balance	**7,623,880**	5,323,371
Intellectual property acquired during the financial year	**30,282,733**	-
Reclassification of previous recorded goodwill under business combination accounting to intangible assets	**-**	(2,354,650)
Impairment	**(16,631,130)**	
Other movements	**-**	(111,044)
Exchange fluctuation	**2,013,054**	56,903
	23,288,537	7,623,880
Amortisation		
Opening balance	**(2,359,865)**	(309,169)
Amortisation charge for the year	**(14,546,313)**	(2,299,601)
Other movements	**1,044,158**	264,518
Exchange fluctuation	**3,390,548**	(15,613)
	(12,471,472)	(2,359,865)
Net carrying value	**10,817,065**	5,264,015
Comprising		
Trademarks	**5,799**	12,259
Developed technology	**10,196,256**	3,184,486
Technologies under development	**611,416**	2,039,611
Customer relationships	**3,594**	27,659
	10,817,065	5,264,015

Note 25 Deferred expenditure

	31 December 2020 $	31 December 2019 $
Opening balance	**1,365,632**	-
Expenditure capitalised for the financial year	**-**	1,365,632
Expenditure transferred to profit or loss	**(1,242,301)**	-
Exchange fluctuation	**(123,331)**	-
	-	1,365,632

At the balance date of 31 December 2019, the consolidated entity, for the first time, deferred expenditure that was directly related to the development of The SANDBOX platform. The Sandbox is a digital game under development following the acquisition of Pixowl Inc. The deferred costs related to employees and technical sub-contractors and specific consultants that were identified with supporting documentation to be directly involved in the software development. The Sandbox was launched on 29 November 2021 and the consolidated entity has decided to reverse the amount previously deferred as accounting systems are not sufficiently developed to ensure appropriate capitalisation of expenditures associated with the development of The SANDBOX platform.

Note 26 Intangible assets (Digital assets)

	31 December 2020 $	31 December 2019 $
Bitcoin	**-**	80,244
Datum	**-**	33,372
Decentraland	**-**	262,274
Etherium	**-**	80,210
FLOW	**213,648**	-
Harmony	**-**	410,093
iHouse	**-**	47
Kraken	**-**	103,225
Likecoin	**265,954**	130,375
Lympo	**-**	14,892
Musicoin	**-**	2,672
Nitro	**-**	1,085
OST	**61**	16,256
SilverPoint	**-**	243,582
WAX	**-**	150,263
Other	**43,712**	-
	523,375	1,528,589

At the balance of ate 31 December 2019, a number of digital assets were classified as intangible assets and have been reclassified as inventories from 1 January 2020 following the commencement of broker-trader activities by the consolidated entity in accordance with AASB 2 Inventories.

The digital assets that have been recorded as intangible assets have been valued at cost and are subject to impairment assessment at each balance date.

During the financial year, the consolidated entity did not impair any of its holdings in digital assets classified as intangible assets. The reduction in the carrying value of OST digital assets resulted from the sale of these digital assets.

Note 27 Goodwill on acquisition

	31 December 2020 $	31 December 2019 $
Opening balance	-	5,292,411
Acquisition made during the financial year accounted for as an acquisition of assets	-	5,668,928
Exchange fluctuation	-	819,534
Reclassification of previous recorded goodwill under business combination accounting to intangible assets	-	(2,354,650)
Impairment	-	(9,426,223)
	-	-

The consolidated entity impaired the carrying value of goodwill on acquisition arising from a number of acquisitions that were not accounted for under AASB 3 *Business Combinations* at the balance of ate 31 December 2020.

The impairment represents the goodwill on acquisition arising largely from the acquisition of TicBits Oy undertaken in 2016. In 2019, the consolidated entity considered the implications of Covid-19 on the capacity of the consolidated entity to integrate acquisitions made during the current financial year and determined that it was appropriate to impair the goodwill arising on the acquisition of these assets of $5,668,928.

Note 28 Trade and payables

	31 December 2020 $	31 December 2019 $
Trade payables	**5,376,279**	3,850,877
Non-trade payables	**3,988,662**	2,517,278
Accruals	**9,228,302**	1,403,437
	18,593,243	7,771,592

Trade payables are non-interest bearing and are normally extinguished or settled within 30 days of receipt of the invoice.

For purposes of providing meaningful comparatives Trade and other payables for the financial year 31 December 2019 have been amended from $10,903,639 to $7,771,592 with the difference of $3,132,047 classified as amounts due to vendors.

	31 December 2020 $	2019 $
Gamee Ltd	**1,276,120**	-
Gamma Innovations Inc	**-**	480,850
Latgala Ou	**3,336,434**	-
Leade.rs Inc	**-**	1,478,763
nWay Inc	**1,935,547**	-
Pixowl Inc	**-**	1,172,434
Quidd Inc	**529,534**	-
	7,077,635	3,132,047

The amount due to the vendors of Gamee Ltd represents the consolidated entity's assessment of the acquired entity to achieve revenue and profitability milestones.

The amount due to vendors and management of Latgala represents the acquisition price and the consolidated entity's assessment of the acquired entity to achieve revenue and profitability milestones.

The amounts accrued for nWay Inc and Quidd Inc related to management retention, performance bonuses based on a probability of achievement and agreed termination benefits following three years of service.

In the previous year, the amount due to vendors of Gamma Innovations Inc represented the acquisition costs; the amount due to the vendors of Leade.rs represented the consolidated entity's assessment of the achievement of specific milestones set out in the Share Purchase Agreement. During the current financial year, the consolidated entity adjusted the acquisition cost in accordance with AASB 3 *Business combinations*, key management resigned from the acquired entity with the specific milestones not being achieved.

The amount recorded as due to the key management of Pixowl Inc was extinguished during the current financial year by way of the issue of fully paid ordinary shares in the Company.

Note 29 Deferred revenue

	31 December 2020 $	31 December 2019 $
Current		
Opening balance	**6,946,881**	6,946,881
Bookings released to profit or loss	**(1,041,286)**	-
Exchange fluctuation	**(627,551)**	-
	5,278,044	6,946,881
Non-current		
Opening balance	**-**	-
Bookings recorded during the financial year	**13,075,216**	-
Bookings acquired during the financial year through the application of business combinations accountings	**3,385,596**	-
Token-based payments	**2,804,357**	
Reclassification (from)/to non-current to current bookings	**3,346,744**	-
Exchange fluctuation	**-**	-
	22,611,913	-
Deferred revenue	**27,889,956**	6,946,881

During the financial year, the consolidated entity determined that the delays to the full release of the SANDBOX platform required the reclassification of deferred revenue from a current liability to a non-current liability. The reclassification related to the recording in the previous financial year of the revenue component of Token Purchase & SAFE Agreements with sophisticated and professional investors. Under the terms and conditions of the Token Purchases & SAFE Agreements, the subscribers are entitled to a specific number of Tokens as well as either a Preferred Share on the occurrence of an Equity Financing or a cash payment on a Liquidity Event.

The Tokens issued under Token Purchase & SAFE Agreement are subject to a Lock-Up from the date of execution of the agreement until the expiry of 12 months following the date of Launch of *The SANDBOX*. The Tokens will be released from the Lock-Up in twelve equal tranches on the last day of each calendar until all the Tokens are released from the Lock-Up.

The consolidated entity released the Lock-Up Tokens during the current financial year; however, the release of the Lock-Up Tokens did not result in recognition of revenue under Australian equivalents to International Financial Reporting Standards. AASB 15 *Revenue from contracts with customers* the recognition of revenue arises through the consolidated entity delivering service obligations to users of the SANDBOX platform and to balance the date 31 of December 2020 the SANDBOX platform was not launched and therefore, the consolidated entity was not in a position to deliver any service obligations to users.

A component of the Token Purchase & SAFE Agreement represented a financing transaction under AASB 15 and accordingly, $3,346,744 of the amount raised from the Token Purchase & SAFE Agreement have been classified as a borrowing until such time as an Equity Financing or Liquidity Event or Dissolution Event occurs. An Equity Financing is defined in the Token Purchase & SAFE Agreement as a transaction or series of transactions with the principal purpose of raising capital and a Liquidity Event is defined as the change of control of TSB Gaming Ltd or an initial public offering of TSB Gaming Ltd.

If there is an Equity Financing before the termination of the Token Purchase & SAFE Agreements, TSB Gaming will issue to the investors the greater of (i) the number of Standard Preferred Stock equal to the amount subscribed under the Token Purchase & SAFE Agreement divided by the lowest price per share of Standard preferred Stock or (ii) the number of SAFE Preferred Stock equal to the amount subscribed under the Token Purchase & SAFE Agreement divided by the SAFE Price (the valuation cap of US$10,000,000 dividend by the diluted number of capital stock on the issue (excluding any dilution arising from the issue of convertible notes).

If there is a Liquidity Event before the termination of the Token Purchase & SAFE Agreements, TSB Gaming Ltd the investors will be entitled to (i) a portion of the Proceeds from the Liquidity Event equal to the greater of the amount subscribed under the Token Purchase & SAFE Agreement or (ii) the amount payable on the number of Common Stock equal to the amount subscribed under the Token Purchase & SAFE Agreement divided by the Liquidity Price.

In the event of a Dissolution or a Liquidation of TSB Gaming Ltd, the subscriber to the Token Purchase & SAFE Agreement will be entitled to receive a portion of the Proceeds equal to the amount subscribed under the Token Purchase & SAFE Agreement. On the occurrence of a Liquidation the subscriber will be entitled to standard non-participating Preferred Stock.

The consolidated entity has applied AASB 9 *Financial Instruments* to each Token Purchase & SAFE Agreement and apportioned the proceeds from between sales revenue and the embedded derivative that will result in the occurrence of a liquidity event.

During the financial year, the consolidated entity acquired Latgala Ou and nWay Inc and assessed the fair value of deferred revenue recorded by these entities as at the date of acquisition.

The consolidated entity also received A$3,346,744 (2019: A$2,119,450) from Totally Apps in advance of the supply of development services and mobile apps owned by Pixowl Inc.

Token-based payments to employees
During the financial year, TSBMV Limited issued 509,000,000 SAND tokens to employees and contractors with varying vesting dates from 14 August 2020. The consolidated entity accounts for the tokens as an employee benefit and amortises the fair value of the tokens to the profit or loss over the vesting period of the tokens issued to employees and contractors.

As the tokens only have value in the ultimate user purchasing consumable and durable virtual items the amount charged to the profit or loss is credited to deferred revenue and released from deferred revenue and recognised as revenue when the service obligations have been delivered to the ultimate holders of the tokens.

Note 30 Loans from other entities

	31 December 2020 $	31 December 2019 $
Opening balance	**1,970,280**	-
Drawdowns	**-**	1,970,280
Repayments	**-**	-
Exchange fluctuation	**(92,105)**	-
	1,878,175	1,970,280

Venture Classic Limited, a controlled entity of Animoca Brands Limited in which it has a 67% equity interest, is the manager of Zeroth SPC, a special purpose vehicle incorporated in the Cayman Islands to undertake investments in accelerator opportunities.

Venture Classic Limited is solely responsible for all the business and investment decisions of Zeroth SPC and each of its segregated portfolios pursuant to the Management Services Agreement, dated 27 September 2019. Venture Classic Limited holds all the Management Shares on the issue in Zeroth SPC. Under the Memorandum of Association, the management shares entitle Venture Classic to a 30% carried interest in profits and losses of the segregated portfolios held by Zeroth.

During the course of the financial year, Venture Classic Limited was advanced funds by Zeroth SPC to evaluate new opportunities for investment. The consolidated entity does not believe that this amount will be ultimately payable; however, as at the balance date the basis on which the consolidated entity will be relieved of payment has yet to be finalised by Venture Classic Limited and Zeroth SPC.

During the course of the 2021 financial year, the consolidated entity repaid the amount due to Zeroth SPC.

Note 31 Provisions

	31 December 2020 $	31 December 2019 $
Employee entitlements	**182,690**	214,234
Other	**203,340**	104,614
	386,030	318,848

Note 32 Other financial liabilities

	31 December 2020 $	31 December 2019 $
Current		
Opening balance	**1,639,358**	-
Recognition of other financial liabilities arising from accounting for borrowings and other financial instruments on an amortised cost bassis	**-**	1,627,029
Release of other financial liabilities on repayment	**-**	-
Deconsolidation of previously controlled entity accounted for on an equity basis	**(713,863)**	-
Exchange fluctuation	**31,943**	-
Other	**(72,045)**	12,329
Closing balance	**885,393**	1,639,358
Non-Current		
Opening balance	**46,585**	-
Recognition of other financial liabilities arising from accounting for borrowings and other financial instruments on an amortised cost bassis	**-**	46,585
Financial liabilities recorded on borrowings undertaken during the financial year accounted for on an amortised cost basis	**3,297,589**	-
Exchange fluctuation	**(501,104)**	-
Other	**(9,750)**	-
Closing balance	**2,833,320**	46,585
Total other financial liabilities	**3,718,713**	1,685,943

Note 33 Borrowings

Bank loans

	31 December	
	2020	**2019**
	$	**$**
Opening balance	**915,404**	-
Drawdowns	**-**	-
Assumed on acquisition of Stryking Entertainment GmbH	**-**	972,321
Interest expense	**31,715**	8,574
Other financial liabilities	**-**	(52,486)
Exchange fluctuation	**(2,113)**	(13,005)
Closing balance	**945,006**	915,404
Present value	**945,006**	915,404
Interest expense to be charged to the Statement of Profit or Loss and Other Comprehensive Income	**20,651**	20,700
Future value	**965,657**	936,104
Current liabilities	**-**	-
Non-current liabilities	**945,006**	915,404
	945,006	915,404

Following the acquisition of Stryking Entertainment on 18 September 2019, the consolidated entity assumed borrowings – a Euros 600,000 borrowing from the government sponsored InvestitionsBank Berlin (“IBB”) and a Euros 115,382 convertible note.

Stryking operates the award-winning fantasy sports platform Football Stars which provides football fans from all over the world gaming technology over the internet or by way of mobile devices.

The IBB loan is repayable in equal instalments of Euros 30,000 per month. The IBB facility comprises two tranches – tranche 1 Euro 224,750 and tranche 2 Euros 375,250 – which incur interest at a floating rate of 4.14% per year.

The IBB loan is unsecured.

The consolidated entity has entered into discussions with both IBB to extend the repayment terms and these discussions are ongoing.

Convertible notes

Animoca Brands Corporation Limited

During the financial year, the consolidated entity through Animoca Brands Corporation Limited, entered into a series of convertible notes with third parties. The consolidated entity has accounted for the convertible notes in accordance with AASB 9 *Financial Instruments* and AASB 132 *Financial Instruments-Presentation* and has recognised a conversion component as well as an interest component. The conversion feature was determined using the following assumptions:

	31 December 2020 $	31 December 2019 $
Proceeds from issue of convertible notes	**7,550,136**	-
Conversion feature		
Spot price (cents)	**0.18**	-
Exercise price (cents)	**0.18**	-
Risk free rate	**0.23%**	-
Time (years)	**2**	-
Volatility	**100%**	-
Value at drawdown date	**3,893,526**	-
Value as at balance date	**2,773,487**	-
Gain credited to profit or loss	**1,120,039**	-

The consolidated entity issued $7,550,136 in convertible notes with coupon rates of between 2% and 9% with a maturity date of 2 years from the date of issue. The convertible notes were convertible into fully paid ordinary shares of 18 cents per ordinary share.

	31 December 2020 $	31 December 2019 $
Amortised cost	**1,308,243**	-
Gain on conversion feature	**(1,120,039)**	-
	188,204	-

	31 December 2020 $	31 December 2019 $
Convertible notes		
Opening balance	**641,707**	-
Drawdowns	**7,556,836**	500,000
Assumed on acquisition of controlled entities	**-**	186,977
Deconsolidated of previously reported controlled entity accounted for using equity accounting	**(467,411)**	-
Interest expense	**1,331,477**	96,258
Other financial liabilities	**(3,890,849)**	(129,216)
Repayments	**(297,331)**	-
Other movements	**20,003**	-
Exchange fluctuation	**(820,326)**	(12,312)
Closing balance	**4,074,106**	641,707
Present value	**4,074,106**	641,707
Interest expense to be charged to the Statement of Profit or Loss and Other Comprehensive Income	**3,668,316**	37,499
Future value	**7,742,422**	679,206
Current liabilities	**-**	470,806
Non-current liabilities	**4,074,106**	170,901
	4,074,106	641,707

OliveX Holdings Limited

OliveX Holdings Limited Issued A$500,000 of convertible notes to subscribers at the close of business on 22 February 2019. The amount was immediately converted into US dollars with OliveX Holdings Limited recording proceeds of US$360,000. The accounts for OliveX Holdings Limited were maintained in US dollars during the financial year and therefore, translated into Australian dollars in accordance with AASB 121 *The Effects of Changes in Foreign Exchange Rates* which has given rise to a translation effect greater than the original Australian dollar proceeds.

Under the terms and conditions of the issue, the subscribers are entitled to convert the convertible notes into fully paid ordinary shares of OliveX Holdings Limited on its listing on a securities exchange.

The convertible notes were unsecured and provided the subscriber with the opportunity to convert convertible notes into fully paid ordinary shares of OliveX Holdings Limited at a 20% discount to the issue price. As at the balance of ate 31 December 2020, the consolidated entity has accounted for the convertible notes on an amortised cost basis in accordance with AASB 9 Financial Instruments and recorded the convertible notes on a present value basis.

During or around May 2020, OliveX and each noteholder entered into a note conversion letter pursuant to which each noteholder agreed to accelerate the conversion of the convertible notes. Each convertible note was converted into 2,500,000 shares in OliveX on the same terms as set out in the convertible note on the date of restructuring of the capital of OliveX for listing on the NSX Exchange.

As stated above, following the listing of OliveX Holdings Limited the convertible notes issued by OliveX Holdings Limited were deconsolidated.

Stryking Entertainment GmbH
The convertible loans assumed on the acquisition of Stryking relate to the issue of Euros 110,000 to the German equivalent of sophisticated and professional investors. The convertible notes incur interest at the rate of 4% per year. The convertible loan is convertible into shares in Stryking following an Investment Event.

In the event there is no such investment during the term of the convertible loan, Stryking is required to repay the subscribers to the convertible loan both principal and any accrued interest, only after taking into account the financial position of Stryking. Where the financial position would be detrimental to Stryking, Stryking and the subscribers are provided with the opportunity to agree on repayment by way of instalments or conversion of the convertible loan into shares on the basis of the current valuation of the Company. The convertible loan is unsecured.

The change of control provision set out in the Convertible Note Agreement states that where more than 75% of the shares on the issue are acquired by a third party prior to repayment in full or conversion of the Convertible Note Loan entitled the holder of the convertible note to:

- Secure repayment in cash of both principal and interest; and

- Convert principal and accrued interest into shares of Stryking Entertainment GmbH at a discount of 30% of the price paid by the acquirer of Stryking Entertainment GmbH.

As at the balance date of 31 December 2020, accrued interest outstanding on the convertible note is Euros 4,200 (2019: Euros 5,382) with the amount due to the note holders totalling Euros 119,582 (2019: Euros 115,382).

The consolidated entity is in discussions with the note holders to restructure the Convertible Note Agreement and these discussions still need to be resolved at the date of this annual report.

Institutional loans
Pixowl Inc has entered into a revolving facility with InFin Capital Inc to provide working capital. The revolving facility incurs interest at the rate of 2.235% and is repayable in equal instalments over ten months from the date of drawdown.

	31 December 2020 $	31 December 2019 $
Opening balance	**402,920**	341,500
Correction to opening balance	**-**	(128,980)
Drawdowns	**-**	990,189
Interest expense	**47,332**	157,082
Repayments	**(413,854)**	(749,333)
Other financial liabilities	**-**	(246,862)
Other movements	**-**	37,748
Exchange fluctuation	**(36,398)**	1,576
Closing balance	**-**	402,920
Present value	**-**	402,920
Interest expense to be charged to the Statement of Profit or Loss and Other Comprehensive Income	**-**	52,032
Future value	**-**	454,952
Current liabilities	**-**	402,920
Non-current liabilities	**-**	
	-	402,920

The consolidated entity repaid the loan at the commencement of the financial year.

Other loans

At the balance date of 31 December 2019, the ultimate parent entity had only drawn down $3,944,512 in proceeds and repaid A$500,000.

	31 December 2020 $	31 December 2019 $
Opening balance	**463,491**	-
Drawdowns	**3,444,618**	500,000
Interest expense	**148,869**	3,184
Repayments	**(775,569)**	-
Other financial liabilities	**526,779**	(39,693)
Other movements	**36,509**	-
Exchange fluctuation	**5,275**	-
Closing balance	**2,796,414**	463,491
Present value	**2,796,414**	463,491
Interest expense to be charged to the Statement of Profit or Loss and Other Comprehensive Income	**648,098**	36,509
Future value	**3,444,512**	500,000
Current liabilities	**-**	463,491
Non-current liabilities	**2,796,414**	-
	2,796,414	463,491

On 20 December 2019, the consolidated entity announced that it had entered into an unsecured loan agreement to raise $2,500,000 with sophisticated and professional investors as defined by the Corporations Act 2001. The funding arrangements involved the ultimate parent entity of the consolidated entity incurring interest at the rate of 8% per

year on the unsecured loan and repaying the unsecured loan within 12 months of the date of drawdown.

The consolidated entity raised A$3,444,618 in total. The funding arrangements involved the ultimate parent entity of the consolidated entity incurring interest at the rate of 8% per year on the unsecured loan and repaying the unsecured loan within 12 months from the date of drawdown.

SAFE Instruments
A Simple Agreement for Future Equity, or "SAFE" is a relatively new form of financial instrument. The seed funding platform "Y-Combinator" claims to have developed it in 2014 as a simple replacement for convertible notes and it has since been adopted widely. It is variously defined in different sources, but is commonly held to have the following features:

- no maturity date;
- no interest rate;
- automatic conversion on any priced share issue, and
- a valuation cap (the maximum value to which the SAFE will convert).

In exchange for the investment, an investor receives the right to purchase stock in a future equity round (when one occurs) subject to certain parameters set out in the SAFE. The SAFE satisfy the definition of a financial liability and the consolidated entity has determined that the rights attaching the SAFE instruments issued by both OliveX (HK) Limited and Zeroth Fano Ventures Limited provide the investor with an opportunity to convert the SAFE instrument into ordinary shares at a discount to the listing price and accordingly, the discount to the listing price represents the cost to the consolidated entity.

TSB Token Purchase & SAFE Agreement
In 2019, the consolidated entity entered into a number of Token Purchase & SAFE Agreements (Simple Agreement for Future Equity) with sophisticated and professional investors for *The SANDBOX* digital game. Under the terms and conditions of the Token Purchases & SAFE Agreements, the subscribers are entitled to a specific number of Tokens as well as either a Preferred Share on the occurrence of an Equity Financing or a cash payment on a Liquidity Event.

Under AASB 15 *Revenue from contracts with Customers* the Token Purchase & SAFE Agreement encapsulated both a revenue and financing component. The revenue component has been classified as a Contract Obligation whilst the financing component is a SAFE instrument with the conversion rights estimated at the average conversion rights made available by the consolidated entity to other subscribers to SAFE instruments.

The Tokens issued under Token Purchase & SAFE Agreement are subject to a Lock-Up from the date of execution of the agreement until the expiry of 12 months following the date of Launch of *The SANDBOX* (the Token Purchase & SAFE Agreement stated that the date of launch would be 1 June 2020). The Tokens will be released from the Lock-Up in twelve equal tranches on the last day of each calendar month until all the Tokens are released from the Lock-Up.

An Equity Financing is a transaction or series of transactions with the principal purpose of raising capital and a Liquidity Event is defined as the change of control of TSB or an initial public offering of TSB.

If there is an Equity Financing before the termination of the Token Purchase & SAFE Agreements, TSB will issue to the investors the greater of (i) the number of Standard Preferred Stock equal to the amount subscribed under the Token Purchase & SAFE Agreement divided by the lowest price per share of Standard preferred Stock or (ii) the number of SAFE Preferred Stock equal to the amount subscribed under the Token Purchase & SAFE Agreement divided by the SAFE Price (the valuation cap of US$10,000,000 dividend by the diluted number of capital stock on the issue (excluding any dilution arising from the issue of convertible notes).

If there is a Liquidity Event before the termination of the Token Purchase & SAFE Agreements, the investors will be entitled to (i) a portion of the Proceeds from the Liquidity Event equal to the greater of the amount subscribed under the Token Purchase & SAFE Agreement or (ii) the amount payable on the number of Common Stock equal to the amount subscribed under the Token Purchase & SAFE Agreement divided by the Liquidity Price.

In the event of a Dissolution or a Liquidation of TSB, the subscriber to the Token Purchase & SAFE Agreement will be entitled to receive a portion of the Proceeds equal to the amount subscribed under the Token Purchase & SAFE Agreement. On the occurrence of a Liquidation the subscriber will be entitled to standard non-participating Preferred Stock.

OliveX (HK) Limited
A number of controlled entities within the consolidated entity entered into SAFE instruments. OliveX (HK) Limited raised US$861,045 by way of a SAFE instrument which entitles the holder to convert the SAFE instrument into an equity instrument (i.e., ordinary shares) at a 20% discount to the listing price of OliveX (HK) Limited or the entity, in which OliveX (HK) Limited becomes a controlled entity, which lists on an exchange. Following the listing of OliveX Holdings Limited on the National Stock Exchange, the SAFE instruments issued by OliveX(HK) Limited have been deconsolidated as the consolidated entity does not control OliveX Holdings Limited.

Tranche 1 SAFE instruments, totalling US$150,000, provide the subscribers with a 20% discount on the listing price of OliveX (HK) Limited or its successor entity and Tranche 2 SAFE instruments, totalling US$861,045, provide the subscribers with a 15% discount to the listing price of OliveX (HK) Limited or its successor entity.

Under the terms and conditions of the Tranche 2 SAFE instrument:

(i) if there is an Equity Financing Event before the expiry or termination of the instrument, OliveX will automatically issue the Investor a number of SAFE Preferred Shares equal to the amount invested divided by the conversion price. The conversion price is the greater of the number of shares issued under either the price per share equal to the Valuation Cap divided by all shares on the issue prior to the Equity Financing or the discount price which represents a 15% discount to the pricing of shares to new investors at the Equity Financing closing;

(ii) if there is a Liquidity Event before the expiry or termination of the instrument OliveX will automatically issue the Investor a number of Ordinary Shares equal to the amount invested dividend by the liquidity price. The liquidity price is the Valuation Cap divided by the number of shares on issue, assuming the dilution of all outstanding vested and unvested options but excluding ordinary shares reserved for future incentive schemes, the SAFE instrument, other SAFE instruments and convertible notes; and

(iii) If there is a Dissolution Event before the instrument expires or terminates, OliveX will pay the investor the amount invested.

The SAFE instrument expires or terminates on the issue of shares to the investor, or the payment of the amount invested.

On 17 June 2020, the consolidated entity announced that it had lodged a prospectus with the NSX for the listing of a restructured OliveX consolidated entity whereby OliveX Holdings Limited acquired all the shares on issue in OliveX (HK) Limited and assumed the rights and obligations under the Tranche 1 and Tranche 2 of the SAFE instruments.

On the listing of OliveX Holdings Limited on the NSX, the equity interest of the consolidated entity in this entity will be substantially reduced; however, the consolidated entity will continue to be a long-term shareholder. The reduction in equity interest in OliveX Holdings Limited following its listing on the NSX will result in the de-consolidation of the OliveX consolidated entity.

Zeroth Fano Ventures Limited
Zeroth Fano Ventures Limited, a wholly owned controlled entity of the ultimate parent entity, entered into Investment and Nominee Service Agreements with sophisticated and professional investors as defined by the Corporations Act 2001 (Cth) during the course of the financial year. Zeroth Fano Ventures Limited acquired US$1,000,000 of SAFE instruments issued by Fano Labs Limited and sought sophisticated and professional investors to purchase a participating interest in the Fano Labs Limited SAFE Instrument.

Zeroth Fano Ventures Limited secured from sophisticated and professional investors US$475,000 in funds under the Investment and Nominee Service Agreements which entitled these investors to a participating 47.5% of the Fano Labs Limited SAFE instruments held by Zeroth Fano Ventures Limited.

Under the Investment and Nominee Service Agreement, the investors agreed that Zeroth Fano Ventures Limited:

- remain the registered holder of the Fano Labs Limited SAFE instruments;

- hold the investment for and on behalf of the investors; and

- upon conversion of the Fano Labs Limited SAFE instruments into equity securities, assist the investors in registering the equity securities in the name of the investors.

The investors agreed to indemnify Zeroth Fano Ventures Limited for any and all losses or liabilities incurred in the execution of its duties as a nominee for the investors.

Under the Fano Labs Limited SAFE instruments, investors are entitled to interest at the rate of 4% per annum with a maturity date being 30 April 2020. The parties to the Fano Labs Limited SAFE instrument agreed to extend the maturity date from 30 April 2020 to 30 April 2021 on the same terms and conditions.

The Investment and Nominee Service Agreement executed by Zeroth Fano Ventures Limited, and the investors satisfy the definition of a financial liability, and the consolidated entity has determined that Zeroth Fano Ventures Limited holds 47.5% of the SAFE instruments issued by Fano Labs Limited in trust for the investors.

Accordingly, a proportion of the interest payable on the SAFE instruments issued by Fano Labs Limited accrues to the account of the investors and not the consolidated entity. The consolidated entity has accounted for the Investment and Nominee Service Agreement on an amortised cost basis.

	31 December	
	2020	**2019**
	$	**$**
SAFE instruments		
Opening balance	**4,427,352**	212,524
Correction to opening balance	**-**	34,976
Drawdowns	**-**	4,960,779
Deconsolidated of previously reported controlled entity accounted for using equity accounting	**(1,689,230)**	-
Interest expense	**450,264**	474,664
Other financial liabilities	**-**	(1,203,614)
Other movements	**274,203**	(58,916)
Repayments	**(178,911)**	-
Exchange fluctuation	**(424,615)**	6,939
Closing balance	**2,859,063**	4,427,352
Present value	**2,859,063**	4,427,352
Interest expense to be charged to the Statement of Profit or Loss and Other Comprehensive Income	**435,129**	742,880
Future value	**3,294,192**	5,170,232
Current liabilities	**2,859,063**	4,427,352
Non-current liabilities	**-**	-
	2,859,063	4,427,352

Note 34 Lease obligations

	31 December 2020 $	31 December 2019 $
Opening balance	**609,088**	-
Adoption of accounting policy	**-**	955,005
Interest expense	**112,210**	54,209
Assumed on acquisition of a controlled entity	**1,784,401**	-
Repayments	**(910,511)**	(407,822)
Other movements	**2,257**	-
Exchange fluctuation	**(55,022)**	7,696
Closing balance	**1,542,423**	609,088
Present value	**1,542,423**	609,088
Interest expense to be charged to the Statement of Profit or Loss and Other Comprehensive Income	**-**	30,464
Future value	**1,542,423**	639,552
Current liabilities	**1,542,423**	398,838
Non-current liabilities		210,250
	1,542,423	609,088
Lease payments made by the Group and classified as a cash flow from financing activities in the Statement of Cash Flows	**1,031,248**	407,822

The Company has adopted AASB 16 *Leases* from 1 January 2020. This new standard replaces AASB 117 *Leases* and for lessees eliminates the classifications of operating leases and finance leases.

Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments is separately disclosed in financing activities. For lessor accounting, the standard remains the same as ow a lessor accounts for leases.

The consolidated entity has identified only one lease arrangement that satisfied the definition of Leases under AASB 16, and this lease relates to Brands Limited and the Hong Kong Cyberport Management Company Limited. Monthly payments are due under the terms and conditions of lease agreements and have been discounted at an effective interest rate of 6.98% with the profit or loss charged interest expense and lease payments recorded as a reduction in the presentation of lease obligations.

Note 35 Changes in liabilities arising from financial activities

	31 December 2020 $	31 December 2019 $
Loans from related entities		
Opening balance	**1,970,280**	-
Cash inflows	**-**	1,970,280
Cash outflows	**-**	-
Assumed on acquisition of controlled entities	**-**	-
Other financial liabilities	**-**	-
Interest expense	**-**	-
Other movements	**-**	-
Exchange fluctuation	**(92,105)**	-
Closing balance	**1,878,175**	1,970,280
Other financial liabilities		
Opening balance	**1,685,943**	-
Cash inflows	**-**	12,329
Cash outflows	**-**	-
Deconsolidation of controlled entity accounted for on an equity basis	**(713,863)**	-
Other financial liabilities	**3,297,589**	1,673,614
Other movements	**(81,795)**	-
Exchange fluctuation	**(469,161)**	-
Closing balance	**3,718,713**	1,685,943
Borrowings		
Opening balance	**7,479,964**	460,020
Adoption of accounting policy on leases	**-**	955,006
Cash inflows	**11,001,454**	7,140,762
Cash outflows	**(2,397,266)**	(1,148,127)
Deconsolidation of previously controlled entity accounted for on equity basis	**(2,156,641)**	-
Assumed on acquisition of controlled entities	**1,784,401**	1,159,298
Other financial liabilities	**(3,890,849)**	(1,673,614)
Interest expense	**2,121,867**	741,131
Other movements	**258,670**	(160,082)
Exchange fluctuation	**(1,322,723)**	5,570
	12,878,877	7,479,964
Total changes in liabilities from financing activities		
Opening balance	**11,136,186**	460,020
Adoption of accounting policy on leases	**-**	955,005
Cash inflows	**11,001,454**	9,123,371
Cash outflows	**(2,397,266)**	(1,148,127)
Deconsolidation of previously controlled entity accounted for on equity basis	**(2,870,504)**	-
Assumed on acquisition of controlled entities	**1,784,401**	1,159,298
Other financial liabilities	**(593,260)**	(1,685,943)
Finance costs	**2,121,867**	741,131
Other movements	**176,876**	(160,082)
Exchange fluctuation	**(1,883,989)**	5,570
Closing balance	**18,475,765**	11,136,186

	31 December 2020	31 December 2019
	$	$
Current liabilities		
Loans from related entities	**1,878,175**	1,970,280
Borrowings	**2,859,063**	6,187,473
Lease obligations	**1,542,423**	-
Non-current liabilities		
Borrowings	**7,815,526**	683,403
Lease obligations	**-**	609,088
	14,095,187	9,450,244

	2020	2019
Parent entity	**6,691,125**	463,491
Controlled entities		
Animoca Brands Limited	**2,071,585**	2,579,368
nWay Inc	**1,348,908**	-
OliveX group	**-**	1,883,163
Pixowl Inc	**-**	402,920
Stryking Entertainment GmbH	**1,124,507**	1,086,308
TSB Gaming Limited	**2,242,339**	2,365,464
Zeroth Fano II Limited	**616,723**	669,530
	14,095,187	9,450,244

	2020	2019
Currency		
Australian dollars	**2,796,520**	463,491
Euros	**3,366,846**	3,451,772
Hong Kong dollars	**1,878,175**	1,970,280
US dollars	**6,053,646**	3,564,701
	14,095,187	9,450,244

Note 36 Share Capital

		31 December 2020 No	31 December 2019 No
Shares on issue at beginning of financial year		**944,114,999**	683,033,962
Shares issued during the year			
25 January 2019	**a**	**-**	69,019,930
18 April 2019	**b**	**-**	32,553,202
4 June 2019	**c**	**-**	36,401,413
22 August 2019	**d**	**-**	75,466,018
17 October 2020	**e**	**-**	32,268,723
25 October 2020	**f**	**-**	5,500,000
27 December 2020	**g**	**-**	9,871,751
3 January 2020	**h**	**14,285,715**	-
23 January 2020	**i**	**12,188,995**	-
21 April 2020	**j**	**4,327,431**	-
23 April 2020	**k**	**23,163,982**	-
8 May 2020	**l**	**63,440,796**	-
10 June 2020	**m**	**28,587,924**	-
18 June 2020	**n**	**5,815,448**	-
28 July 2020	**o**	**26,016,610**	-
31 August 2020	**p**	**1,750,000**	-
30 September 2020	**q**	**13,934,062**	-
7 September 2020	**r**	**5,039,453**	-
7 October 2020	**s**	**12,024,819**	-
13 November 2020	**t**	**20,807,928**	-
1 December 2020	**u**	**138,890**	-
3 December 2020	**v**	**37,855,247**	-
		269,377,300	261,081,037
Shares on issue at end of financial year		**1,213,492,299**	944,114,999

		31 December 2020 $	31 December 2019 $
Paid-up capital at the beginning of financial year		**73,901,503**	45,813,735
Capital raising during the financial year			
25 January 2019	**a**		7,052,684
18 April 2019	**b**		3,190,185
4 June 2019	**c**		3,550,086
22 August 2019	**d**		10,936,877
17 October 2019	**e**		4,051,542
25 October 2019	**f**		385,000
27 December 2019	**g**		1,253,467
3 January 2020	**h**	**1,285,714**	-
23 January 2020	**i**	**2,437,799**	-
21 April 2020	**j**	**778,938**	-
23 April 2020	**k**	**2,742,492**	-
8 May 2020	**l**	**10,491,006**	-
10 June 2020	**m**	**5,145,826**	-
18 June 2020	**n**	**946,003**	-
28 July 2020	**o**	**1,678,754**	-
31 August 2020	**p**	**122,500**	-
30 September 2020	**q**	**975,384**	-
7 September 2020	**r**	**501,688**	-
7 October 2020	**s**	**854,234**	-
13 November 2020	**t**	**4,145,046**	-
1 December 2020	**u**	**25,000**	-
3 December 2020	**v**	**6,056,838**	-
		38,187,222	30,419,841
Transaction costs		**(141,795)**	(2,332,073)
		38,045,427	28,087,768
Paid-up capital at the end of the financial year		**111,946,930**	73,901,503

Notes on the issue of share capital:

- *(a) Issue of shares to institutional and professional investors and issue of shares pursuant to Mandate Letters to advisors*
- *(b) Issue of shares to institutional and professional investors*
- *(c) Issue of shares to advisors and consultants as well as the institution and professional investors*
- *(d) Issue of shares to institutional and professional investors*
- *(e) Issue of shares to advisors, consultants and employees; institutional and professional investors; Mandate Letters; and strategic partners*
- *(f) Issue of shares for the exercise of options and acquisition of entities;*
- *(g) Issue of shares to advisors, consultants and employees; institutional and professional investors; and strategic partners*
- *(h) Exercise of loyalty options over ordinary shares*
- *(i) Equity raises*
- *(j) Mutual investment agreement with Versus Systems Inc*
- *(k) Equity raises*
- *(l) Share issue for completion of Gamma Innovations Inc acquisition, conversion of the convertible note and share issue for completion of nWay Inc Acquisition*

(m) Share issue for completion of Gamee Limited acquisition
(n) Issue of shares pursuant to milestone achievements for previous acquisitions as well as the issue of shares to advisors
(o) Exercise of options over ordinary shares
(p) Issue of shares to advisors
(q) Issue of shares pursuant to milestone achievements
(r) Equity raises
(s) Issue of shares for services
(t) Issue of shares for strategic partnership with Atari and the issue of shares for services
(u) Issue of shares for services
(v) Share issue for completion of Quidd Inc Acquisition

Composition of capital raised

	31 December 2020 $	31 December 2019 $
Cash proceeds	**5,690,078**	17,232,246
Cryptocurrencies received	**1,428,571**	346,312
Non-cash issue of shares for acquisitions, investments and settlement of amounts due to	**31,068,573**	12,841,283
	38,187,222	30,419,841

Options over ordinary shares

	31 December 2020 No	31 December 2019 No
Unlisted options over ordinary shares	**16,922,862**	33,738,434

At the balance date, the ultimate parent entity had granted options over ordinary shares outstanding to employees and subscribers to share issues. Employee options over ordinary shares total 1,499,059 with an average exercise price of 15.7 cents per option over ordinary shares. The options held by subscribers to share issues total 15,216.269 options over ordinary shares with an exercise price of $1.10 per option over ordinary shares

2,976,755 options over ordinary shares were issued during the financial year to employees under the Employee Share Option Plan at an exercise price of 17.18 cents per option over ordinary shares. 2,184,121 options over ordinary shares were exercised during the financial year and 317,145 options over ordinary shares were cancelled due to resignations.

Capital management

Capital management policy
It is the directors' objective when managing capital to ensure that the consolidated entity can fund its operations and continue as a going concern so that the board of directors can continue to provide returns to shareholders and benefits for other stakeholders.

The strategy of the board of directors is to ensure appropriate liquidity in order to meet anticipated operating and investment requirements with a view to continuing to access debt markets until a relisting of the consolidated entity on another securities exchange is achieved.

Current ratio
The current ratio for the consolidated entity as at 31 December 2019 and 31 December 2020 was as follows:

	31 December	
	2020	**2019**
	No	**No**
Current ratio	**neg**	neg

Working capital position
The working capital position of the consolidated entity as at 31 December 2019 and 31 December 2020 was as follows:

	31 December	
	2020	**2019**
	$	**$**
Cash and cash equivalents	**5,142,648**	8,817,733
Trade and other receivables	**3,960,976**	1,675,092
Inventories	**12,039,671**	25,095
Other financial assets	**2,174,760**	2,170,260
Other current assets	**2,375,386**	1,104,025
Intangible assets (Digital assets)	**-**	1,528,589
Trade and other payables	**(18,593,243)**	(7,771,592)
Current portion of borrowings	**(2,859,063)**	(6,187,473)
Deferred revenue	**(5,278,044)**	(6,946,881)
Loans from related entities	**(1,878,175)**	(1,970,280)
Short-term provisions	**(386,030)**	(318,848)
Other financial liabilities	**(885,393)**	(1,639,558)
Current portion of lease obligations	**(1,542,423)**	(398,838)
Milestone obligations due to vendors	**(7,077,635)**	(3,132,047)
Net working capital (deficit)/surplus	**(12,806,565)**	(13,044,723)

Under the Corporations Act 2001 (*Cth*) the concepts of authorised capital and par value of shares were abolished and accordingly, the Company does not have authorised capital or par value of shares in respect of the shares on issue.

Each fully paid ordinary share carries one vote and carries rights to dividends (in the event a dividend is declared by the board of directors).

Note 37 Other contributed equity

	31 December 2020 $	31 December 2019 $
Other contributed equity	**1,797,667**	4,222,379

The amount recorded as other contributed equity relates to the issuance of shares that have not been made as at the balance date and the following allotment of shares this amount will be transferred to Paid-up capital.

The amount recorded as other contributed equity as at balance date 31 December 2020 relates to shares to be issued to vendors and other strategic partners whilst the amount recorded as other contributed equity as at balance date 31 December 2019 related to an institutional placement made in December 2019.

Note 38 Reserves

	31 December 2020 $	31 December 2019 $
Other comprehensive income reserve	**11,338,781**	(1,030,627)
Share-based payments	**659,006**	299,975
Translation	**187,258**	(173,943)
	12,185,045	(904,595)

Note 39 Accumulated losses

	31 December 2020 $	31 December 2019 $
Opening balance	**(65,642,734)**	(33,550,217)
Adjustment to opening balance	**(3,798,476)**	-
Net loss for year after tax	**(59,956,282)**	(32,101,546)
Deconsolidation of controlled entity accounted for on an equity basis from 1 July 2020	**2,534,646**	-
Share-based payments reserve for options over ordinary shares exercised during the financial year	**1,210,275**	-
Other movements	**39,693**	-
Change in accounting policy	**-**	9,029
	(125,612,878)	(65,642,734)

Note 40 Non-controlling interests

	31 December 2020 $	31 December 2019 $
Paid-up capital	**4,793,514**	4,793,514
Reserves	**(86,109)**	(150,478)
Accumulated losses	**(5,274,289)**	(5,685,810)
Other movements	**(135,023)**	3,560
	(701,907)	(1,039,214)

The non-controlling interests relate to Fuel Powered Inc, Moonrealm Entertainment Limited, Olive (HK) Limited and Venture Classic Limited. The consolidated entity holds a 60% equity interest in Fuel Powered, a 51% equity interest in Moonrealm a 67% equity interest in Venture Classic.

During the financial year, the consolidated entity de-consolidated the OliveX group of entities following the listing of OliveX Holdings Limited on the NSX which resulted in the consolidated entity reducing its equity interest in OliveX Holdings Limited from 78% to 33% and therefore, deconsolidation of OliveX Holdings Limited.

Note 41 Reconciliation of net loss after tax with net cash flows from operating activities

	31 December 2020 $	31 December 2019 $
Net loss after tax	**(60,431,619)**	(33,191,750)
Adjusted for:		
Amortisation of intellectual property	**14,546,313**	2,299,601
Deferred revenue	**17,920,539**	5,851,708
Depreciation and amortisation of property plant and equipment	**985,422**	483,019
Doubtful debts	**(941,996)**	1,042,206
Exchange fluctuation on cash balances	**(265,236)**	802,979
Exchange fluctuation on borrowings	**(1,317,204)**	-
Fair value of other financial assets recognised through the profit and loss	**(3,954,530)**	643,358
Impairment of goodwill on acquisition	**-**	9,426,223
Impairment of intellectual property	**16,631,130**	-
Impairment of other loans	**295,302**	-
Interest expense	**1,057,090**	828,115
Provisions	**67,182**	142,226
Research and development	**1,365,632**	-
Share-based payments		
Earn-out payments for employees of acquired entiti	**2,269,431**	3,988,276
Employee-based options	**294,330**	177,768
Token-based payments to employees	**2,804,357**	
Share of net loss in associates	**1,199,589**	-
Other	**(2,509,358)**	(835,134)
Changes in other current assets and current liabilities		
Current assets		
Receivables	**(585,711)**	1,399,201
Inventories	**-**	(25,095)
Other current assets	**(473,838)**	(317,998)
Current liabilities		
Payables	**3,383,180**	398,753
Other current liabilities	**(107,737)**	-
Net cashflows from (used in) operating activities	**(7,767,732)**	(6,886,544)

Note 42 Share-based payments

During the financial year 2020, the ultimate parent entity issued 2,275,377 options over ordinary shares to employees pursuant to the Employee Share Option Plan. The options over ordinary shares have an exercise price of 23.83 cents per option over ordinary shares and an expiry date of five years from the date of the grant.

The fair value of the options over ordinary shares was $294,330.

The ultimate parent entity also recognised for the first time by way of a Prior Period Correction the grant of options over ordinary shares in 2018 and 2019. In 2018, 8,195,596 options over ordinary shares were issued to employees under the ESOP and in 2019 4,344,493 options over ordinary shares were issued to employees under the ESOP (see Note 12).

Employees are entitled to exercise the options over ordinary shares at any time up to the expiry date and accordingly, the Black-Scholes model assumes immediate vestiture. The fair value of the options over ordinary shares was $678,484 and $596,492 for 2018 and 2019, respectively.

The fair value of the options was determined by applying a Black-Scholes model with the following inputs:

	2020	31 December 2019	2018
Issue date	**1 April 2020**	1 April 2019	1 January 2019
Expiry date	**1 April 2025**	1 April 2024	1 January 2024
Share price at measurement date	**18 cents**	7.3 cents	18.0 cents
Expected volatility	**100%**	100%	100%
Risk-free rate	**3.00%**	3.00%	3.25%
Exercise price	**23.8 cents**	10.4 cents	18.6 cents
Model used	**Black-Scholes**	Black-Scholes	Black-Scholes
Value per share	**12.9 cents**	8.2 cents	13.8 cents
Number of options	**2,275,377**	2,976,755	1,367,738
Total value	**294,330**	916,133	188,539

	31 December 2020		31 December 2019	
	Number of Options	**Weighted Average Price (cents)**	Number of Options	Weighted Average Price **(cents)**
Opening balance	**12,540,088**	**10.17**	-	-
Adjustment to opening balance	**-**	**-**	8,195,596	8.28
Options:				
Granted	**2,275,377**	**12.94**	4,344,492	13.73
Cancelled	**(1,502,942)**	**(9.62)**	-	-
Expired	**-**	**-**	-	-
Exercised	**(11,606,230)**	**(10.43)**	-	-
Closing balance	**1,706,293**	**12.56**	12,540,088	10.17

The consolidated entity accounted for the issue of options in 2018 and 2019 as a Prior Period Correction (see Note 12) and accordingly, the Black-Scholes modelling has been determined for each by applying assumptions applicable to those years.

Note 43 Key management personnel

The names and positions held by key management personnel are as follows:

Yat Siu	Executive Chairman
David Brickler	Non-executive Director
Holly Liu	Non-executive Director (resigned 30 September 2020)
Christopher Whiteman	Non-executive Director
Robert Yung	President-North America

Evan Auyang	Group President (appointed 7 October 2021)
Arnoldo Concepcion	Chief Operating Officer
Julian Rockett	Company Secretary (resigned 31 March 2020
John Madden	Company Secretary (appointed 1 April 2020)

The totals of key management personnel remuneration paid/payable for the financial year are as follows:

	31 December	
	2020	**2019**
	$	**$**
Short-term employee benefits	**496,927**	317,209
Post-employment benefits	**-**	3,300
Share-based payments in equity	**-**	132,006
Share-based payments in options	**-**	-
Other benefits	**-**	-
Termination benefits	**-**	-
Payments to contractors for accounting and secretarial services	**58,910**	78,159
	555,837	530,674

Note 44 Related party transactions

There were no loans made to Key Management personnel of Animoca Brands Corporation Limited as at 31 December 2020 (2019: nil). At the balance date, 31 December 2019 and 31 December 2020, the following amounts were due to key management personnel $425,166 (2019: $262,233).

	31 December	
	2020	**2019**
	$	**$**
Yat Siu	**59,264**	29,587
David Brickler	**23,959**	22,500
Holly Liu	**29,959**	75,694
Chris Whiteman	**87,510**	75,833
Robert Yung	**161,564**	30,804
Arnoldo Concepcion	**-**	-
Julian Rockett	**-**	23,815
John Madden	**62,910**	4,000
	425,166	262,233

A number of transactions were undertaken between the consolidated entity and entities related to Mr Yat Siu and are as follows:
Other Transactions with Key Management personnel relate to entities associated with Mr Siu.

Animoca Brands Limited, an entity controlled by the Company, entered into a Service and Management Services Agreement with Outblaze, a company in which Mr Siu is a director. Under this agreement Outblaze provides the following services:

- Use of telephones, facsimile machines, broadband internet connection, photocopiers and printers at the principal office for Cyberport, Hong Kong; and

- Use of computer workstations, information systems, furniture and fillings, fixtures, office equipment and pantry supplies.

Both Animoca Brands Limited, an entity controlled by Animoca Brands Corporation Limited, and Outblaze Limited are joint signatories to the lease agreement for the principal business premises at Cyberport Hong Kong. The growth of the Animoca business has resulted in Animoca being responsible for 67% of the lease agreement and Outblaze the balance.

Mr Siu is the Chief Executive officer of Outblaze Limited.

During the course of the financial year, Outblaze Venture Holdings Ltd provided funding to the consolidated entity in order to acquire an interest in TalentHouse Inc.

The consolidated entity entered into a joint venture with TalentHouse Inc to provide Talenthouse services to gaming and media clients worldwide (including clients of iClick) and develop commercial opportunities for Talenthouse's services in Asian markets. Animoca Brands will make an investment of US$2,000,000 for 448,413 shares of preferred stock in Talenthouse, payable half in cash and half in newly issued shares of the Company with a value of 11 cents per share.

	31 December	
	2020	**2019**
	$	**$**
Service fees		
Outblaze Limited	**282,274**	289,710
Marketing and commissions		
Outblaze Limited	**277,556**	2,320,508
	559,830	2,610,218
Receivables and (payables)		
Outblaze Limited	**370,891**	(9,712)
Outblaze Ventures Holdings Ltd	**(1,060,006)**	(1,274,473)
	689,115	1,284,185

Mr Siu resigned as director of Outblaze Venture Holdings Limited on 1 July 2019; however, documentation setting out his resignation as a director was lodged with authorities in Hong Kong in March 2020. Mr R Yung was also a director of Outblaze Venture Holdings Limited and resigned as a director on 1 July 2019.

Mr Arnoldo Concepcion is a subscriber to the TSB Gaming Ltd Token Purchases & SAFE Agreement with a US$15,000 contribution and Mr Christopher Whiteman is a subscriber to the Zeroth Fano Ventures Limited SAFE Agreement with a US$25,000 subscription to the SAFE through his superannuation fund. Mr Whiteman also subscribed for US$10,000 in REVV Tokens.

Note 45 Commitments

At the balance date, the total future minimum lease payments payable by the consolidated entity under non-cancellable operating leaders are as follows:

	31 December 2020 $	31 December 2019 $
Commitments < 1 year	**1,542,423**	398,836
Commitments > 1 year < 5 years	**-**	244,373
	1,542,423	643,209

Note 46 Contingent assets and contingent liabilities

As at the date of this annual report, the consolidated entity has retained advisors to review its policies and procedures for compliance with various tax jurisdictions on such matters as transfer pricing, the transfer of ownership of shares in controlled entities and intellectual property and other issues. There needs to be more work completed at this time to quantify any tax exposures on transactions undertaken, if any.

Note 47 Auditors remuneration

	31 December 2020 $	31 December 2019 $
Grant Thornton Australia	**-**	128,457
Grant Thornton Hong Kong	**-**	91,347
Grant Thornton Malta	**-**	8,794
Frank Rimerman & Co	**-**	42,819
	-	271,417

DFK Collins was appointed by the shareholder’s auditor on 21 December 2021. As of the balance date of 31 December 2020, no accrual has been made for the reworking of the entire audit by DFK Collins and auditors that DFK retained to complete scopes of work in Hong Kong and other jurisdictions.

Note 48 Parent entity disclosures

a. Financial position of Animoca Brands Corporation Limited

	31 December 2020 $	31 December 2019 $
Assets		
Current assets	**53,107**	208,921
Non-current assets	**3,231,129**	11,482,975
	3,284,236	11,691,896
Liabilities		
Current liabilities	**3,669,379**	1,154,557
Non-current liabilities	**9,449,781**	-
	3,669,379	1,154,557
(Net liabilities)/net assets	**(385,143)**	10,537,339
Equity		
Paid-up capital	**111,946,930**	96,401,211
Other contributed equity	**1,797,667**	4,222,379
Reserves	**88,847**	299,975
Accumulated losses	**(114,218,587)**	(90,386,226)
(Total deficiency)/total surplus	**(385,143)**	10,537,339

b. Financial assets of Animoca Brands Corporation Limited

	31 December 2020 $	31 December 2019 $
Advances to controlled entities	**112,326,165**	66,847,441
Shares in controlled entities	**15,000,000**	15,000,000
	127,326,165	81,847,441
Impairment	**(124,095,036)**	(70,364,466)
	3,231,129	11,482,975

c. Financial performance of Animoca Brands Corporation Limited

	31 December 2020 $	31 December 2019 $
Profit/(loss)	**(23,832,361)**	(33,709,045)
Total comprehensive profit/(loss)	**(23,832,361)**	(33,709,045)

d. Guarantees entered into by Animoca Brands Corporation Limited for the debts of its controlled entities

The parent entity has not guaranteed any debts of its controlled entities as at 31 December 2020 (2019: Nil).

e. Contingent assets and contingent liabilities of Animoca Brands Corporation Limited

The parent entity does not have any contingent assets or contingent liabilities as at 31 December 2020 (2019: Nil).

f. Commitments of Animoca Brands Corporation Limited

The parent entity does not have any commitments as at 31 December 2020 (2019: Nil).

Note 49 Subsequent events

F1® Delta Time
Animoca Brands announces that *F1® Delta Time*'s Final 2020 Key Sale starts on **4 February 2021**.

Keys are fungible tokens that can be used to obtain five official 2020 *F1® Delta Time* non-fungible tokens (NFTs). One of these NFTs is guaranteed to be a race car or a driver, and the others are randomised drops including car parts, tyres, and driver gear. Details of the *F1® Delta Time* 2020 Keys can be found at this Medium post.

After the Final Sale, 2020 Keys will no longer be sold by *F1® Delta Time* and will be obtainable only via secondary markets (such as OpenSea) or earned by participating in *F1® Delta Time*'s racing and staking events.

F1 Delta Time and *The Sandbox NFT*
On **16 April 2021,** the Company announced two sale events of non-fungible tokens (NFTs) for the blockchain games *F1 Delta Time* and *The Sandbox* have generated the equivalent of approximately US$9.28 million between 14-16 April 2021.

The two sales included the sale of 300 Epic tier segments of six official Formula 1® events in the game *F1® Delta Time*, and the sale (in progress) and auction of various premium LANDs and ESTATEs in the game *The Sandbox*.

The Sandbox is currently holding its Innovators LAND Sale, a sale and auction event that started on 14 April and will end on 21 April. In the first two days of the sale, the Animoca Brands subsidiary sold 1,206 Premium LANDs and 13 ESTATEs in direct sales for 5,760,122 SAND, and it sold 19 ESTATEs at auction on OpenSea for 2,918,451 SAND. The grand total generated thus far by this sale event is 8,678,573 SAND, worth approximately US$5.9 million at the time of writing.

F1® Delta Time they launched a direct sale for 300 Epic tier segments of six official Formula 1® events. The sale sold out within one and a half hours and raised 9,900,000 REVV, worth approximately US$3.4 million at the time.

LYMPO and PancakeSwap
On **28 April 2021**, Lympo, a subsidiary of Animoca Brand incorporated in Estonia, advised that PancakeSwap, a Binance Smart Chain-based decentralised exchange, had added Lympo's LMT token to its Syrup Pool. This will allow holders of the PancakeSwap token CAKE to earn bLMT tokens by staking CAKE, and a bLMT-BNB PancakeSwap farm will allow bLMT and BNB token holders to stake their tokens and earn CAKE tokens in return.

PancakeSwap also revealed that a total of 1,143,000 bLMT tokens will be distributed to CAKE token holders and approximately $66,000 (per day) worth of CAKE tokens will be distributed to bLMT-BNB farm participants.

LMT is a recently launched utility token empowering Lympo's ecosystem of sports-related non-fungible tokens (NFTs), including collectibles based on world-famous athletes, and is used on the Lympo NFT minting platform. During the initial LMT offering in March, $36 million worth of tokens were exchanged for the new LMT token.

Capital raising
On **13 May 2021**, the Company announced that it had completed a capital raise of US$88,888,888 (approximately A$113,500,000) at a price per share of A$1.10 based on a valuation of US$1 billion (approximately A$1.28 billion).

Investors in the round included Kingsway Capital, RIT Capital Partners (formerly Rothschild Investment Trust), HashKey Fintech Investment Fund, AppWorks Fund, LCV Fund, Huobi, Octava, Ellerston Capital, Perennial, Axia Infinity Ventures, SNZ, Liberty City Ventures, Metapurse, and other prominent investors. The funding is a strategic milestone that positions Animoca Brands for further aggressive growth as it continues to bring digital property rights to video gamers through the use of blockchain and non-fungible tokens (NFTs), enabling powerful benefits such as play-to-earn capabilities and digital asset interoperability.

The new capital will also be utilised to fund further acquisitions, develop new products, continue to make strategic investments, and secure additional licenses for popular intellectual properties to cement Animoca Brands' leadership and that of its various subsidiaries in the NFT and gaming spaces.

On **13 May 2021**, the Company also updated shareholders about developments taking place in the first quarter of the year, prior to the capital raise also announced today at a price per share of A$1.10. These previous developments include the completion of a round of funding for US$12.4 million; the completed acquisition of Helix Accelerator Limited; and the acquisition of Sanrio Digital (HK) Limited, subject to shareholders' approval.

Convertible note issue
In the first quarter of 2021, Animoca Brands secured a total of US$12.4 million (approximately A$16 million) in funding via a convertible loan facility and subscription agreements with institutional and sophisticated professional investors.

A Convertible Loan Agreement with True Global Ventures 4 Plus Fund PTE. LTD. ("TGV") resulted in a drawdown of US$3 million (approximately A$3.9 million) with a zero-coupon rate if the holder of the convertible note exercised their right to conversion of the convertible notes into fully paid ordinary shares. The amount drawn down is convertible by the issue of 11.1 million ordinary shares of Animoca Brands priced at A$0.35 per share.

Subscription agreement with sophisticated investors
On **28 May 2021**, the Company also entered into Subscription Agreements with Adit Ventures, Kingsway Capital, EVG Holdings and other sophisticated and professional investors to place 34.8 million new ordinary fully paid shares of Animoca Brands at a

subscription price of A$0.35 per share with the amount raised being US$9.4 million (approximately A$12.1 million).

Helix Accelerator acquisition
Animoca Brands Limited, a wholly owned subsidiary of Animoca Brands Corporation Limited, completed the acquisition of 60% of the issued capital in Helix Accelerator Limited ("Helix Accelerator"), including Helix Accelerator's entire 50% share ownership in Helix One Limited ("Helix One"), from Mind Fund consolidated entity Limited ("Mind Fund"), for an upfront consideration of US$2 million payable in approximately 7.3 million ordinary shares of Animoca Brands at a price of A$0.35 per share. The acquisition includes 100% of the Helix brand.

Helix is a fund manager and therefore, consideration needs to be given to whether the underlying assets of the fund need to be consolidated.
Helix Accelerator is a collaboration between Mind Fund and Hedera Hashgraph, and the first and only accelerator for developers and entrepreneurs building on the Hedera Hashgraph platform. During its 10-week acceleration programme in 2020, Helix provided financial, intellectual, and network support to founders and their companies, and guided them as they built a new class of decentralised applications on the Hashgraph consensus algorithm used in the Hedera blockchain platform.

Helix One is the fund vehicle established to hold the equity and tokens from all the start-ups and projects that were incubated in the first cohort of the Helix Accelerator in 2020, including The Sandbox, Tune: fm, Hashing Systems, Otrafy, and Ooniq.

Partnership with Cudos
On **4 June 2021**, the Company announced that it has invested in and partnered with the decentralised cloud computing network Cudos.

The Cudos Network is a layer-one blockchain and layer-two computation and oracle network that ensures decentralised, permissionless access to high-performance computing at scale and enables the scaling of computing resources to hundreds of thousands of nodes. Once bridged to Ethereum, Algorand, Polkadot, and Cosmos, Cudos will enable scalable compute and Layer 2 Oracles on all of the bridged blockchains.

By bridging the gap between gaming, blockchain, decentralised finance and NFTs, the partnership will further enhance Animoca Brands' ecosystem with a highly scalable, low-cost layer-one blockchain and layer-two scaling network for new or multi-chain strategy blockchain gaming and NFT projects.

Capital raising
On **1 July 2021**, the Company completed the second tranche in its 13 May 2021 equity raising with US$50 million with the new equity to be used to fund strategic investments and acquisitions, product development, and licences for popular intellectual properties. The US$138.9 million equity raise will result in the Company issuing 164,890,910 fully paid ordinary shares at A$1.10 per fully paid ordinary share.

Accelerator programme with Brinc
The Company and Brinc launched on **20 July 2021** a new accelerator programme to identify, mentor and invest in promising blockchain and NFT start-ups.

Acquisition of Blowfish Studios
On **29 July 2021**, the Company announced that it had agreed to acquire Fugu Raw Pty Ltd and its controlled entities (trading as Blowfish Studios) for an upfront consideration of A$9 million plus the payment of up to A$26 million on the continuation of employment of key officers of Blowfish Studios and achievement of performance targets. Blowfish is a Sydney-based developer and publisher of high-quality multi-platform games including Qbism, Siegecraft, Morphite, Projection: First Light and Storm Boy. Blowfish has extensive experience in developing, porting and publishing games for PC, Mac, PlayStation 4 and PlayStation 5, Xbox Series SIS, iOS and Android as well as expertise in Virtual Reality. The acquisition significantly enhances game development capabilities for the Animoca consolidated entity.

Sweet investment
The Company announced on **4 August 2021** that it had invested in Sweet, a US-based entity providing user-friendly, consumer and environmentally conscious solutions for the sale of digital collectibles.
Acquisition of Prosper tokens
The Company announced on **10 September 2021** that it had acquired the Prosper platform and its other asset (including its token reserve). Prosper is a non-custodial cross-chain prediction and hedging platform that allows users to forecast the outcome of specific events. Prosper is developing a unique technological infrastructure of on-chain liquidity aggregation to solve problems and includes interoperability elements from different networks across the blockchain ecosystem.

Acquisition of Bondly tokens
On **17 September 2021**, the Company announced that it had entered into an agreement to acquire a majority stake in Bondly. The strategic investment in Bondly will enable the Animoca consolidated entity to drive mass NFT adoption across its gamification portfolio in controlled entities.

Hex Trust capital raising with Animoca participation
Hex Trust, Asia’s leading digital asset custodian, announced on **5 October 2021** that it raised US$10 million in an investment round led by Animoca Brands, a leader in digital entertainment, blockchain, and gamification. Other investors include Ripple Labs, Algorand Foundation, BCW consolidated entity, Tessera Capital Partners, Mind Fund, Double Peak consolidated entity, and Token Bay Capital.

The funding comes at a time of rapid expansion for the company. With over 150 institutional clients, including banks, asset managers, exchanges, corporations and digital asset projects, Hex Trust has positioned itself as the leader in the region growing the business more than tenfold since the beginning of the year with assets under custody now exceeding US$2 billion.

Capital raising
On **20 October 2021**, the Company completed a capital raising which raised US$80 million from sophisticated and professional investors. Under the terms and conditions of the capital raising the Company will issue 43,850,317 fully paid ordinary shares at A$2 per fully paid ordinary share.

Meta Global/Bacasable reorganisation of SANDBOX ownership and Series A and Series B Preference Share Subscription

Bacasable Global Limited, an entity controlled by the Company and the holder of *the SANDBOX*, a leading open NFT metaverse platform, announced on **2 November 2021** that it has secured US$92,847,573 Series A and Series B Preference Shares fundraising round led by SoftBank Vision Fund 2, representing the fund's first investment in crypto assets. The investment will enable *The SANDBOX* team to scale the platform's growth as a prime entertainment destination where brands, IPs, and celebrities can engage with their fans through virtual experiences including games, live performances, and social experiences.

Other investors in the round included Animoca Brands, True Global Ventures, Liberty City Ventures, Galaxy Interactive, Kingsway Capital, Blue Pool Capital, LG Technology Ventures, Alpaca VC, Graticule Asset Management Asia, Com2uS, executives at GoldenTree Asset Management, Nokota, Sun Hung Kai &Co, Sound Ventures, Red Beard Ventures, SCB 10X, Polygon Studios, Samsung Next, Double Down Partners, StakeFish, SterlingVC, and HoldCo. Wedbush Securities acted as the exclusive placement agent and financial advisor for *The Sandbox*, and Rubicon Law provided legal counsel to *The Sandbox*.

The US$92,847,573 Series A and Series B Preference Share Subscription valued *The SANDBOX* at US$500,000,000, on a pre-money basis.
Immediately prior to the securing of the Series B Preference Share Subscription Agreement, the Company completed a restructuring of the ownership of *The SANDBOX* group of entities. The restructuring resulted in Meta Global Limited, the parent entity of Bacasable, awarding the two founders of *The SANDBOX* a 30% equity interest in Bacasable for zero consideration; however, on a fair value basis the consolidated entity will recognise in its profit or loss for the financial year ended 31 December 2021 a loss on awarding an equity interest to founders of US$56.2 million. It also resulted in Series A Preference Shareholders who subscribed to the Token Purchase & SAFE Agreements in May and June 2019 being awarded their equity interest.

Bacasable also granted 509,000,000 SAND Tokens to advisors, contractors and employees between August 2020 and January 2022. The consolidated entity has used www.coinmarketcap.com to determine the fair value for each issue of SAND tokens to advisors, contractors and employees. The consolidated entity has assessed the fair value at US$99.9 million with US$30.2 million to be charged to the profit or loss in the 2020 financial year and US$52.2 million to be charged to the profit or loss in the 2021 financial year and the balance over financial years 2022-2025.

The awarding of equity interests to the Series A and Series B Preference Shareholders and the award of 30% of the consolidated entity's interest in *The SANDBOX* group of entities (comprising Meta Global and its controlled entities Bacasable, TSB Gaming Ltd, TSBMV Global, TSB Gaming SA) to the founders of *The SANDBOX* has resulted in the consolidated entity reducing its equity interest from 96.9375% to 51.5672%.

The arrangement between the Company, the founders of *The SANDBOX* and the Series A and Series B Preference Shareholders provides the investors with rights of first and second refusal, a co-sale arrangement and a voting agreement that provides the Company with control over *The SANDBOX* entities.

The SANDBOX entities also granted on 2 November 2021 the Subscribers to the Series B Preference Shares warrants convertible into SAND tokens at 45.85 cents per SAND token on the basis of 1.9 SAND Tokens for every dollar invested in the Series B Preference Shares.

Forte partnership
Forte Labs Inc, a leading provider of blockchain solutions for game publishers, announced on **12 November 2021**, that it has secured an additional $725 million in the financing, closing its Series B. The Series B was led by Sea Capital and Kora Management with further support and funding from powerhouse game and media publishers including Animoca Brands, Big Bets (Huuuge Games), Overwolf, Playstudios, Warner Music consolidated entity, ventures (Razer), and blockchain partners Cosmos, Polygon Studios, and Solana Ventures, as well as investors including Griffin Gaming Partners, Andreessen Horowitz (a16z), and Tiger Global.

Forte's platform allows game publishers to integrate blockchain technologies into their games easily, enabling features such as seamless, embeddable token wallets, non-fungible token (NFT) minting and selling, payment rails, and other services built specifically for blockchain token economies and the management of digital and virtual assets. In blockchain-enabled games, players can truly own goods, rather than making pure entertainment expenditures. Players around the world can freely trade goods and services with each other, and can participate in community economies that reward creativity, collaboration, and skill. These new systems provide game players and communities all around the world with new creative and economic opportunities.

Quidd token launch
Quidd Inc, a controlled entity of the Company announced on **19 November 2021** that the QUIDD token has raised a total of US$5 million via private sale, pre-sale, and IDO and is now available on PancakeSwap.

Quidd is the first marketplace built for buying and selling limited-edition, individually serialised digital collectibles. With its easy-to-understand user interface and experience, Quidd is an appealing provider of digital collectibles for the general public. The QUIDD token is the ERC-20 utility token for the Quidd community of collectors, creators, and developers.

The QUIDD token initial DEX offering (IDO) took place on 18 November 2021 on Polkastarter.
The allotment of 2 million QUIDD tokens at a price of US$0.25 per token sold out in under an hour, raising US$500,000.

Subsequently, the QUIDD token listed on PancakeSwap paired with WBNB, REVV, TOWER, LMT, PROS, and BONDLY. The price of the token at the time of the agreement was US$1.26, representing a 404% increase from the IDO price of US$0.25.

These outcomes followed the private sale of the QUIDD token earlier in November 2021 which raised US$4 million from investors including Binance Smart Chain Growth Fund, Genesis Block Ventures, Kingsway, Mind Fund consolidated entity Ltd, Sanctor Capital, OneFootball, and other angel investors.

Animoca contributions to AMASA capital raising
On **21 November 2021**, the Company-led lead a US$1.5 million raising for AMASA to enable the latter to develop further its technology for the mass adoption of the earning potential web3 and DeFi platforms.

OliveX capital raising
OliveX Holdings Limited, an associate entity of the Company announced on **22 November 2021** that it had received binding commitments to place 8 million new fully paid ordinary shares in OliveX (Placement Shares) at an issue price of AUD$1.00 per Placement Share to raise AUD$8 million before costs (Share Placement).

Net proceeds from the Share Placement are intended to be put towards funding the development of OliveX's first fitness metaverse game, Dustland Runner and also to progress other fitness metaverse initiatives.

Animoca and Binance relationship
On **6 December 2021**, the Company announced that it had entered into the Binance Smart Chain's $1 billion Growth Program, the accelerator arm of the leading DeFi, NFT and GameFi infrastructure platform. Binance and the Company will inject up to US$100 million each in order
to accelerate shortlisted game projects in the multi-billion-dollar crypto niche of GameFi.

Animoca and Brinc relationship
On **15 December 2021**, Brinc, an entity in which the Company has invested, announced the closing of its US$30 million Series B fundraising and a further US$100 million for start-up investments.

The new capital will fuel Brinc's global platform expansion across new locations and verticals – allowing more investors and corporate partners to leverage funds, accelerators and bespoke-deal sourcing to access high-quality investment opportunities and emerging technologies in the food, health, energy, climate and deep tech. In addition, the capital will enable Brinc's expansion into Web 3.0 including the launch of new blockchain-focused accelerator programs across culture, music, art, collectibles, gaming, decentralised finance and data. Start-ups and corporates will also be supported in developing blockchain ventures to integrate sustainability, inclusion and equitability into their business models.

This investment represents strengthening the growing relationship between Brinc and the Company, which jointly unveiled the blockchain and NFT accelerator Launchpad Luna earlier this year. Its first cohort is in the process of closing investments into 30 game-changing Web 3.0 companies, supporting founders' with tokenisation, product development and fundraising. The program's panel of mentors and experts boasts leading names in the blockchain industry, including Binance, Dapper Labs, Enjin.

Brinc and Animoca Brands plan to accelerate over 100 companies through LaunchPad Luna.

Shareholder approval for issue of shares and performance rights to Executive Chairman
On **21 December 2021**, shareholders approved the issue of 38,298,973 fully paid ordinary shares to Mr Yat Siu for past performance and awarded 89,364,270 performance rights to Mr Yat Siu for future performance. At the same meeting referred to

above, shareholders approved the issue of 2,085,840 fully paid ordinary shares to non-executive directors pursuant to the extinguishment of outstanding directors' emoluments.

Shareholder approval of Sanrio acquisition
Further, shareholders also approved the Share Sale and Purchase Agreement with Typhoon Games (Hong Kong) Limited ("TGHK"), Typhoon Games Partners Limited ("TGP") and S2B Holding Limited ("S2B") (together with TGHK, TGP and S2B, the "Sellers"), pursuant to which ABL agreed to purchase 100% of the issued share capital in Sanrio Digital Corporation ("Sanrio") from the Sellers (being 51% from TGHK, 19% from TGP and 30% from S2B) at a total consideration price of A$8,278,201, which will be paid through the issue of a total number of 23,652,003 fully paid Shares in the Company at a price of A$0.35 per share ("Upfront Consideration").

Under the Share Sale and Purchase Agreement, ABL also agreed to pay the Sellers US$1,000,000 (the "Earn-out Consideration") if Sanrio achieved a revenue milestone of US$3,000,000 for each 12-month period from the effective date of the Share Sale and Purchase Agreement. The Earn-out Periods are three discrete 12-month periods. In order for the Earn-out Consideration to be paid, Sanrio is also required to achieve a net profit equal to at least 5% of revenue. The Earn-Out Consideration may be paid in cash or Shares in the Company (as determined by ABL). If it is to be paid in Shares, the price of such Shares will be based on a price per share equal to the higher of: (a) A$0.35; and (b) the 14-day volume-weighted average price of the Shares as of the date three days prior to the payment of the earn-out (or if the Company is not listed on a public exchange, the price at which the Shares were sold to investors in the most recent funding round of the Company prior to the payment of the earn-out).

The Company has assessed the potential of Sanrio to satisfy the earn-out milestones and believes Sanrio will need more revenues to justify accounting for contingent consideration.

Mr Yat Siu held a 32.07% equity interest in the entities that sold Sanrio to the Company and accordingly was entitled to receive 7,585,197 of the shares issued for the Upfront Consideration.

Capital raising
On **18 January 2022**, the Company announced that it had completed a capital raise of US$358,888,888 (approximately A$500.3 million) at a pre-money valuation of over US$5 billion.
Liberty City Ventures led the funding round, with other investors including 10T Holdings, C Ventures, DeltaFund, Gemini Frontier Fund, Gobi Partners Greater Bay Area, Kingsway, L2 Capital, Mirae Asset, Pacific Century consolidated entity, ParaFi Capital, Provident, Senator Investment consolidated entity, Sequoia China, Smile consolidated entity, Stable Asset Management, Soros Fund Management, Wildcat Capital Management, Winklevoss Capital, and others.

The new capital will be used to continue funding strategic acquisitions and investments, product development, and licenses for popular intellectual properties.

Acquisition of Notre Games
On **19 January 2022**, the Company announced that it had entered into an agreement to acquire Notre Game sro. Under the terms and conditions of the Share Purchase Agreement, the Company agreed to pay the shareholders of Notre Game for Euros

1,116,401 with Euros 1,040,000 payable in cash and Euros 76,401 payable in fully paid ordinary shares of the Company at the latest fund-raising price. In addition, the Company agreed to pay the founder of Notre Game specific milestone payments for revenues generated by Scratch Lords and, in the event the Company issues cryptographic tokens for the Scratch Lords game, a percentage of the total tokens minted.

Acquisition of Grease Monkey
On **6 February 2022**, the Company completed the acquisition of Monkey Grease Pty Ltd, an entity incorporated in the Commonwealth of Australia, a motorsport video game developer and publisher serving global car manufacturers such as Honda, Nissan, Toyota, GM, and Dodge. In 2014 the company shifted gears to developing its own original IP games, including *Torque Burnout* and *Torque Drift*, which have been downloaded more than 45 million times across mobile and PC. Grease Monkey Games has an extensive portfolio of licensed partnerships with vehicle manufacturers including Nissan, Toyota, Ford, and BMW, and aftermarket parts manufacturers including Link ECU, Wilwood, and Mishimoto.

The Company issued 819,583 fully paid ordinary shares for $4.50 per fully paid shares as well as paying the vendors US$3,800,000 on completion. The upfront consideration totalled A$9,116,685, The Share Purchase Agreement also provides the vendors with the potential to earn out entitlements based on revenue and profit milestones.

Animoca and Brinc partnership
On **14 February 2022,** the Company entered into a partnership with Brinc, an entity in which the Company has invested, to launch the Guild Accelerator Program to build and grow the play-to-earn (P2E) guild ecosystem globally. The new acceleration program offers a total investment capital of up to US$30 million over two years.

The Guild Accelerator Program aims to enable millions of people around the world to generate income by participating in P2E gaming via crypto gaming guilds. Admission to the program is prioritised for guilds with a commitment to sustainability. This includes projects that support and give back to player/scholar communities, place emphasis on energy-efficient proof-of-stake protocols and side chains and have lower overall physical footprints.

The Guild Accelerator Program will fund up to US$500,000 per guild. To optimise each guild’s performance and help scale growth, the program will foster innovation, set up management and operational systems, share best-in-class learnings from world-class mentors, expand each platform’s user base and assets, and help raise funds beyond the start-up phase.

Animoca Brands Japan incorporated and funding
On **15 February 2022**, the Company commenced business activities in Japan through the incorporation of Animoca Brands Japan KK with a US$10 million raising. The goal of Animoca Brands Japan is to build a platform based on blockchain technology to enable intellectual property (IP) holders in Japan to build and expand fan communities via the issue of their own NFTs and fungible tokens and participation in the broader Web3 ecosystem. Animoca Brands Japan will work with global professionals to help Japanese IP holders branch out into international markets.

In January 2022, the Company completed a seed round of ¥1.1 billion (approximately US$10 million) for Animoca Brands Japan with MCP IPX One Fund. Investors in MCP include Kodansha Ltd., Nishi-Nippon Railroad, as well as institutional investors from Japan and overseas including Sumitomo Mitsui Trust Bank, Limited.

Joint venture with Cube Entertainment
The Company and Cube Entertainment, a South Korean-based entity, announced on **22 February 2022** the establishment of a new joint venture, named AniCube Entertainment ("AniCube"). AniCube will build a music metaverse and issue NFTs and ecosystem tokens based on the intellectual property rights of Cube Ent's globally popular K-pop music artists and actors. AniCube will also bring Cube Ent's artists to the SANDBOX, a leading decentralised gaming virtual world and a subsidiary of the Company.

Acquisition of Darewise Entertainment SAS
On 23 March 2022, the Company completed the acquisition of 70% of the diluted share capital on issue in Darewise Entertainment SAS for US$15 million comprising US$9 million in cash and US$6 million in fully paid ordinary shares at $3.07 per fully paid ordinary shares. The parties also agreed to a series of earn-outs based on the launch of Life Beyond NFT and tokens as well as accumulative token sales targets.

Animoca-led funding of Aradena
On **29 March 2022**, the Company led a US$14 million equity raising for Aradena. Aradena is pioneering the next generation of blockchain gaming by making play-to-earn games as fun to play as traditional gaming titles.

Acquisition of Eden Games SAS
On **11 April 2022**, the Company announced that it had acquired Eden Games SAS, a French-based entity. Eden Games is a highly respected and successful racing game studio with products ranging from pure racing to open-world and management racing games.

Blowfish launch of Phantom Galaxies NFT
The Company and its controlled entity Blowfish Studios announced on 18 May 2022 that they had successfully closed an oversubscribed Planet Private Sale for Phantom Galaxies, one of the most anticipated AAA blockchain games. The companies estimate that 7,734 Planets and Asteroids were sold for a total of US$19.3 million.

Acquisition of TinyTap Limited
On **27 April 2022**, the Company acquired 80.45% of TinyTap Limited, an entity incorporated in the state of Israel. TinyTap is a social platform that empowers families, teachers and students to learn from each other by creating their own personalised learning apps and playing thousands of new ones shared daily by a worldwide community of educators and learners worldwide.

Under the terms and conditions of the acquisition the Company issued 2,289,395 fully paid ordinary shares at $4.50 per fully paid ordinary shares as well as cash consideration totalling US$27,181,033 (net of amounts payable to the Company and its controlled entities of US$4,335,083).

Exercise of options and the issue of shares to sophisticated shareholders
On **5 May 2022**, the Company issued 2,439,686 fully paid ordinary shares for the exercise of options over ordinary shares at 11 cents per option and the issue of 1,542,556 shares for $44.50 per fully paid ordinary share.

Acquisition of TinyTap and Notre Games
On **15 May 2022**, the Company issued 2,289,395 fully paid ordinary shares to shareholders in TinyTap pursuant to the acquisition agreement and 25,195 shares to a vendor of the Notre Games. The shares were issued at $4.50 per fully paid ordinary share.

Conversion of convertible notes into ordinary shares, the exercise of options and settlement of amounts due to consultants
On **11 July 2022**, the Company issued 38,952,584 fully paid ordinary shares on the conversion of convertible notes issued in 2020 and 2021 at a conversion price of an average price of 10 cents. 8,942 options over ordinary shares issued were exercised pursuant to the LTIP were to an employee at 90 cents per option. The Company issued 2,188,782 fully paid shares at an average price of 90 cents per share.

Equity raising from sophisticated and professional investors
On **13 July 2022**, the Company raised 23,237,058 fully paid ordinary shares at $4.50 per fully paid share to raise $104,566,756 before costs.

Acquisition of BeMedia
On **16 August 2022**, the Company acquired BeMedia Pty Ltd, a digital marketing agency focusing on key opportunities in Australia centred around blockchain development.

Under the terms and conditions of the Share Purchase Agreement and the Subscription Agreement, the Company acquired 61% of the shares on the issue on completion of the Share Purchase Agreement and increased its equity in BeMedia to 6% following its subscription to new shares for A$1,000,000.

The Company paid the vendors $719, 444 upfront and a further payment of $719,444 six months following the date of acquisition. In addition, the Company agreed to pay the vendors of BeMedia Earn-outs on the achievement of specific revenue milestones over three years following the date of acquisition.

The Company also committed to lending BeMedia up to $2,000,000 on an interest-bearing basis.

BeMedia is an Australian digital marketing agency BeMedia to focus on key opportunities in Australia centred around blockchain development. BeMedia will spearhead partnerships with major Australian brands as its parent company pursues the goals of advancing the emergence of the open metaverse and delivering digital property rights to online users via blockchain and NFTs.

Animoca Brands KK equity raising
On **26 August 2022,** Animoca Brands KK raised a total of US$45 million from its ultimate parent entity and MUFG Bank, Ltd. which valued Animoca Brands KK at US$500 million on a pre-money basis.

The funds raised will be used by Animoca Brands KK to continue to secure licenses for popular intellectual properties, develop internal capabilities, and promote the adoption of Web3 to multiple partners, increasing the value and utility of their branded content while fostering the development of a safe and secure NFT ecosystem in Japan.

Issue of convertible notes
The Company announced on **8 September 2022**, that it had closed a strategic funding round for US$110 million (approximately A$159 million) through the issuance of convertible notes to institutional investors at a conversion price of A$4.50 per fully paid ordinary share.

The key terms of the convertible notes include a conversion/repayment date of 3 years from the date of issue with a coupon rate of 10% only payable if the convertible note holder elects not to convert and accordingly, requests repayment. In addition. there is a down round term that increases the coupon rate from 10% to 15% in the event of the Company raising equity at a price below A$4.50 per fully paid ordinary share.

The convertible note holders are also entitled to a 1:2 warrant over ordinary shares with a three-year expiry date from the date of issue and an exercise price of A$4.50 per warrant over ordinary shares.

Convertible note holders include Temasek Holdings Limited, Boyu Capital, and GGV Capital, as well as existing investors Mirae Asset Management and True Global Ventures.

Investment in Revolving Games
On **9 September 2022,** the Company announced that it and Pantera Capital, Polygon, Dapper Labs, Permanens Capital Partners, Kenetic, Sarmayacar, and DWeb3 Capital agreed to invest US$13.2 million in Revolving Games, a AAA Web3 blockchain game.

Revolving Games is a mobile Free to Play game company now consists of two studios and working on blockchain games across North America, Europe, and Asia. Its first games released in June 2022, is a Battlestar Galactica-themed blockchain game in partnership with Gala Games and NBC Universal. Its second game, Skyborne Legacy, is a social world exploration and trading RPG that will be deployed on the Polygon network.

Membership Interest Purchase Agreement with WePlay Media
On **16 September 2022**, the Company entered into a Membership Interest Purchase Agreement for the acquisition of WePlay Media Holdings LLC, the sole shareholder of XXL Racing LLC, an official licensee of MotoGP™, and WePlay Media LLC, the developer of the highly popular *MotoGP™ Championship Quest*. The Company agreed to pay the sellers of the membership Interest (the equity security underlying a limited liability company) in WePlay Media Holdings LLC for US$50,000.

The acquisition of WePlay Media will allow Animoca Brands to expand on its existing relationship with Doran Sports as a sponsor, NFT licensor, collectible cards provider, and blockchain game developer and publisher. With *MotoGP™ Championship Quest* - the official MotoGP™ mobile racing game - in its stable, the company will be able to develop an integrated experience for *MotoGP™ Ignition* players and beyond.

Investment in Wanderers
The Company announced on **28 November 2022** that it led a funding round for Wanderers, the sci-fi media brand behind the Wanderers NFT collection. The Company contributed to Wanderers US$2,000,000 capital raising from investors.

Investment in Roboto Games
The Company led a fundraising for Roboto Games which closed on **29 November 2022**. The funds raised, US$15 million, will be used by Roboto Games to advance its games on the Web3 platform. The Company contributed to the equity raising.

Acquisition of *PIXELYNX*
On **6 December 2022**, the Company advised shareholders that it had acquired *a controlling interest in PIXELYNX*. Under the terms and conditions of various documents that formed the basis of the acquisition, the Company agreed to:

(i) convert a series of Convertible Promissory Notes held by entities controlled by the Company into Series A Preferred Stock;

(ii) inject US$6,000,000 into PIXELYNX by way of the issue of Series A Preferred Stock;

(iii) purchase US$3,000,000 of Common Stock held by the founders for both cash and shares in the Company; and

(iv) provide PIXELYNX with US$26,500,000 to PIXELYNX with the principal amount collateralised by crypto tokens of an equivalent amount.

The various transaction between the Company and PIXELYNX have resulted in the Company holding around 61% of the Capital Stock on a diluted basis and three of the five directors of the PIXELYNX are representatives of the Company.

PIXELYNX is a Los-Angeles-based music and gaming entity operating across five countries. It is creating a physical and digital ecosystem for artists and fans by building products that blur the lines between music, gaming, and Web3 (a decentralised ecosystem based on blockchain technologies). *PIXELYNX*'s ecosystem will provide artists control over how they build experiences with fans, partners, and platforms to create new ways for music lovers to develop, share, and monetise music.

The goal of the Company is to build, invest in, and acquire studios, infrastructure, and technologies that will power the future of the music industry through integration with gaming and Web3 technologies and communities.

PIXELYNX operates LynxLabs to develop the next wave of music and entertainment ventures by offering entrants access to funding, artists, celebrities, token design and technical support.

LynxLabs has already invested into Volta XR and Oorbit.

PIXELYNX's upcoming debut game ELYNXIR is a next-generation mobile gaming platform that will bring fans closer to their favourite artists through exclusive music content, in-game collectibles, and playable immersive experiences.
Powered by Niantic Lightship augmented reality technology, ELYNXIR leverages advanced augmented reality and geolocation for players to discover games, music, artists, collectibles, and community-made content. As an entirely new level of creative immersion and gameplay in the music metaverse. ELYNXIR aims to facilitate a new type of artist-to-fan collaboration that will transform how the music industry engages

communities and monetises content, giving fans the opportunity to be collectors, collaborators, influencers, and investors.

MoviePass fund raising
The Company led the funding for MoviePass Inc. which closed on **12 January 2023**. MoviePass provides the technology platform for enhancing the exploration of film and the moviegoing experience. MoviePass Inc raises, in total, US$2,500,000 from investors.

MoviePass will use the new funding to accelerate the beta relaunch of its movie theatre subscription service, and to develop and implement the company's Web3 strategy, including virtual reality cinema experiences and using technology to drive traffic to theatres. MoviePass will also collaborate with theatre exhibitors and studios to offer variable ticket pricing to movie fans.

Animoca Brands Japan
The Company announced on **13 January 2023**, that its controlled entity, Animoca Brands KK, had made a strategic investment of JP¥100 million (approximately A$1,000,000) into Psychic VR Lab's JP¥1 billion fundraising round in December 2022.

Animoca Brands Japan and Psychic VR (virtual reality) Lab have been collaborating since June 2022. Psychic VR is a leader in the XR (extended reality) field in Japan, operating the XR creative platform "STYLY" which is used by artists worldwide. XR has become an important feature where the virtual world and the real-world merge.

The investment followed a collaboration with Psychic VR Lab in June 2022. With the vision of 'realising the world where people wear a space, Psychic VR is a leader in the XR (extended reality) field in Japan, operating the XR creative platform "STYLY" that is used by more than 50,000 artists worldwide with a viewer app that has been downloaded 5 million times. It has become an important part of the infrastructure in the XR era, where the virtual world and the real-world merge.

Acquisition of WePlay Media
On **17 January 2023**, the Company announced that it had completed the acquisition of the Membership interests in WePlay Media Holdings LLC, the digital property rights for gaming and the open metaverse, for US$3,500,000.

Animoca Brands KK makes a strategic investment in Brave Group Co Ltd
Animoca Brands KK and Brave Group Co Ltd announced a strategic investment on **25 January 2023** where Animoca Brands KK will invest JP¥300 million (approximately A$3 million) in Brave Group.

The Brave group runs various businesses in the Metaverse area, such as the IP business that operates 'RIOT MUSIC'(virtual music production) and 'Vspo!' (The next-generation Virtual eSports) project and the Platform business that utilises its own metaverse engine, 'Brave Engine'. Brave is now focusing on global expansion around its own IP. .

Intella X
The consolidated entity announced on 18 January 2023 that it had contributed to the US$12 million equity raising by IntellaX.

Intella X is a next-gen Web3 gaming platform that aims to bridge the gap between Web2 and Web3 via innovative business models and services. Intella X offers both developers and end users all the necessary applications and support in relation to Web3 gaming.

Animoca Brands Japan invests in Virtual Arts
On **16 February 2023**, the Company announced that its controlled entity, Animoca Brands KK, had invested US$1,200,000 in Virtual Arts, Inc to support Virtual Arts' expansion in Japan and to provide content for *DanceFight*, a dance battle app published by Virtual Arts for the street dance community globally, with bracket-style tournaments, crowd and celebrity judge voting, and more.

Animoca Brands Japan invests in Passion Labs
The Company agreed on **24 February 2023** to invest in Passion Labs, a platform providing customer experience and community engagement tools to empower users with data ownership and help brands build communities. The investment was subject to finalisation as at the date of this post-balance date event statement.

SANDBOX expands into Germany
The *SANDBOX* announced on **28 February 2023**, that it had acquired Sviper GmbH, the German game development studio founded and noted for its excellence with major brand partners and its management. Sviper adds development, engineering, and creative talent to *The SANDBOX*'s global team and will empower the creator generation to build more engaging and fun forms of experiences focusing on social features, new multiplayer gameplay options, and new Game Maker possibilities for creators. The acquisition terms were subject to finalisation as at the date of this post-balance date event statement.

The SANDBOX joint ventures with Brinc
The SANDBOX entities announced on **28 February 2023** that they had entered into a joint venture with Brinc, a leading global venture accelerator, to launch BharatBox, a cultural hub featuring key partners from India's entertainment, art, and sports sectors, including Bollywood. The joint venture terms were subject to finalisation as at the date of this post-balance date event statement.

MocaMint with sales increased to US$5.5 million
The Company announced on **2 March 2023** the successful completion of Mocaverse's MocaMint, an event during which shareholders, employees, investees, partners, and supporters minted a total of 8,888 Mocaverse NFTs.

Sales volume of Mocaverse NFTs reached 3,552 ETH (approximately US$5.5 million) at a floor price of 1.6 ETH.

Mocaverse is an initiative by Animoca Brands that aims to unite the Web3 community to exchange ideas, learn, connect, play games, cultivate a resilient Web3 culture, and build a better future for Web3. The collection comprises 8,888 NFTs of characters called Mocas, each belonging to one of five tribes: Dreamers, Builders, Angels, Connectors, and Neo-Capitalists. Each tribe represents the diverse yet complementary personas of changemakers in Web3.

Joint venture with Planet Hollywood
The Company and Planet Hollywood Group announced on **9 March 2023** that their joint venture Meta Hollywood, will launch CLUB 3, a private, members-only club that will act

as the physical meeting place for the greater global community involved in Web3, NFTs, and open metaverse industries.

The first CLUB 3 location will open in the heart of the famed Sunset Boulevard in Los Angeles, California, in the second half of 2023. It will be a 10,000-square-foot facility consisting of diverse dining options, including a main dining room and a rooftop restaurant, eclectic bars and a cocktail lounge, meeting rooms, karaoke rooms, and other facilities in addition, CLUB 3 will offer fully programmable areas for experiential events that will be available both in person and virtually, such as industry events, community meetups, talks, experiences and seminars. Following the opening of its first location, CLUB 3 plans to expand in multiple iterations in the world's most popular cities, including New York, Miami, Tokyo, London, Paris, and Hong Kong.

Nuqtah seed funding
Animoca announced on **15 March 2023**, that it had led a seed funding round for Nuqtah, Saudi Arabia's first NFT marketplace platform. The new funding will be used to scale up the business of Nuqtah over the next 12 months.

Nuqtah is the first NFT marketplace in Saudi Arabia and the first to be licensed by the Ministry of Communications and Information Technology and the Ministry of Investment.

OP3N financing
The Company announced on **21 March 2023** that it had led the US$28,000,000 Series A Financing for OP3N, a Web3 AI-powered chat Superapp that is bridging the differences between Web2 and Web3 technologies by using blockchain and decentralised technologies to build a cohesive consumer-friendly Web3 platform. The Company agreed to provide OP3N with US$5,000,000 in funding and at the date of this Directors' Report has provided OP3N with US$2,000,000.

Gryfyn launch
The Company and Hex Trust announced on **21 March 2023** the public launch of Gryfyn – a joint venture to provide an innovative custodial wallet solution focused on onboarding users to Web3.

Gryfyn has completed fundraising of US$7.5 million from investors, including the Company.

Animoca Brands Japan investment
Animoca Brands Japan announced on **30 March 2023** that it had invested JP¥150 million into LMI GROUP Inc. ("LMI"). The investment will assist LMI in accelerating its growth and expanding its reach in the retail media sector in Japan.

Honjo Investments LLC subscription deed
The Company and Honjo Investments LLC entered into a subscription deed whereby the latter agreed to acquire US$750,000 fully paid ordinary shares at $4.50 per fully paid ordinary share on **21 April 2023.**

Remuneration for Animoca Brands Limited executives
The Company issued 120,042 fully paid ordinary shares to executives at the principal-controlled entity, Animoca Brands Limited, for a fair value of A$4.50 per fully paid ordinary share on **21 April 2023**. Executives received the shares for zero consideration;

however, under AASB 2 Share-based Payments at a fair value of $4.50 per fully paid ordinary shares.

Settlement of contractual arrangements by way of issue of fully paid ordinary shares for $4.50 per fully paid ordinary share
The Company issued 444,117 fully paid shares at $4.50 per fully paid ordinary share to Alpha Bravo 1 Limited for equity raising services and 110,558 fully paid ordinary shares at $4.50 per fully paid ordinary share to Sun Life Capital LLC for strategic and business development services on **21 April 2023**.

Acquisition of tokens
Through a controlled entity the Company agreed to acquire 12,500,000 IX tokens for US$0.04 per IX token from Novaflow Labs Ltd by way of the issue of 158,889 fully paid ordinary shares at A$4.50 per fully paid ordinary share on **21 April 2023**.

Loan to OneFootball
On **17 May 2023**, Animoca Brands Limited, a controlled entity of the Company provided OneFootball with a Euro 12 million unsecured loan as part of a restructuring arrangement. The Company had previously subscribed to Euros 30 million in convertible securities.

Mitsui subscribes to convertible notes.
On **19 May 2023**, Mitsui subscribed to US$5,000,000 in convertible notes on the same terms and conditions as subscribers to the 2022 Convertible Note Issue.

Exercise of options
On **31 May 2023**, the Company issued 20,693,132 fully paid ordinary shares at $1.10 per ordinary share following the exercise by option holders of options over ordinary shares pursuant to the 2021 capital raising initiatives.

Transak
The Company announced on **31 May 2023** that it had subscribed to US$1,500,000 in SAFE instruments in Transak, a web3 payments and onboarding infrastructure provider.

SANDBOX agreements
In addition to specific matters set out above in relation to post-balance date events relating to the SANDBOX entities, the SANDBOX entities entered into the following material agreements since the balance date:

- Service Agreement with Binance Holdings Limited to pay US$100,000 in advertising and promotions and issue 48,000,000 SAND tokens as a success fee and 72,000,000 SAND tokens as an Advisory Fee
- Service Agreement with WoW Studio Limited to support the creation of content for women in the SANDBOX where the SANDBOX entities paid US$1,000,000 in SAND tokens and an additional payment of US$5,000,000 in SAND tokens prior to termination of the agreement
- Education Services Agreement with Coinbase Inc where the SANDBOX entities agreed to pay 3,000,000 SAND tokens to Coinbase in exchange for the distribution of 7,000,000 SAND tokens to users of the Coinbase educational tools.
- Loan Agreement with Odyssey Technologies Limited where the SANDBOX entities loaned US$3,000,000 in SAND tokens for the purposes of facilitating liquidity and marketing of SAND across exchanges.

- Services Agreement with Unity Technologies ApS to provide dedicated engineering services and resources related to the development of a mobile version of the SANDBOX for US$2,600,000 over 11 months
- Content Distribution License and Services Agreement with Skybound Interactive LLC to licence certain marks and intellectual property associated with The Walking Dead for US$2,000,000 as well as royalties comprising 50% of gross revenue from sales of the non-fungible tokens
- Development Services Agreement with Fiurefly Games Inc for US$1,372,000 for software development services
- Content Distribution License and Services Agreement with Spanky's Clothing to pay US$900,000 over three years in the form of USD, SAND tokens and LAND to licence certain marks and other intellectual property associated with Snoop Dogg as well as royalties comprising 50% of gross revenue from sales of the non-fungible tokens
- 10-year lease agreement for office space in Los Angeles.

Summary table of equity issues

The following Table sets out the number of shares issued, and the equity raised since 31 December 2020 up to 31 May 2023:

		Number	$
Balance as at 31 December 2020		1,213,492,299	111,946,930
Date of issue:			
15 February 2021	a	11,756,263	1,716,077
28 April 2021	b	17,223,391	2,124,368
28 May 2021	c	42,159,117	14,755,690
15 June 2021	d	110,072,510	115,782,480
7 July 2021	e	21,013,228	6,743,441
27 July 2021	f	52,172,708	57,389,971
19 August 2021	g	2,807,272	1,313,548
6 September 2021	h	15,407,619	5,490,080
26 October 2021	i	45,964,940	80,860,543
4 November 2021	j	18,676,255	24,161,012
17 December 2021	k	299,043	328,947
20 December 2021	l	33,805,937	55,743,832
31 December 2021	m	61,666,833	83,617,952
4 January 2022	n	7,713,162	2,559,293
31 January 2022	o	63,304,964	271,828,014
24 February 2022	p	8,611,221	37,523,869
14 March 2022	q	40,498,442	182,242,989
26 April 2022	r	2,629,634	8,072,974
5 May 2022	s	2,439,686	7,928,345
12 May 2022	t	2,314,590	10,415,657
11 July 2022	u	41,150,308	8,825,614
13 July 2022	v	23,237,058	104,566,756
13 October 2022	w	200,000	220,000
9 November 2022	x	8,560,817	19,372,496
11 December 2022	y	33,694,989	14,107,240
12 December 2022	z	14,221	24,006
29 December 2022	aa	4,837,085	3,935,803
21 April 2023	ab	245,098	1,102,941
21 April 2023	ac	833,606	3,751,227
31 May 2023	ad	20,693,132	22,762,445
		694,003,129	1,149,267,610
31 May 2023		1,907,495,428	1,261,214,540

The issue of shares on the above dates relates to the following:

a. *Shares were issued for the exercise of options, payments to consultants and vendors and investments made by strategic investors and institutional investors*
b. *Shares were issued for the exercise of options and payments to vendors*
c. *Shares were issued for investment by institutional investors*

- *d.* *Shares were issued for the exercise of options and investments made by institutional investors*
- *e.* *Shares were issued for a strategic transaction and investment made by institutional investors*
- *f.* *Shares were issued for a strategic transaction and investment made by institutional investors*
- *g.* *Shares were issued for the exercise of options, payments to vendors and a strategic transaction*
- *h.* *Shares were issued for the payment of vendors and investments made by institutional investors*
- *i.* *Shares were issued for the conversion of convertible notes, the exercise of options, the payment of vendors and investments made by institutional investors*
- *j.* *Shares were issued for the exercise of options*
- *k.* *Shares were issued in lieu of obligations to advisors and consultants*
- *l.* *Shares were issued for strategic investors and institutional investors*
- *m.* *Shares were issued for conversion of convertible notes, payment to the Executive Chairman for past performance (approved by shareholders), payment of vendors and a strategic investment*
- *n.* *Shares were issued to non-executive directors for services (approved by shareholders) and payments to consultants*
- *o.* *Shares were issued to strategic and institutional investors*
- *p.* *Shares were issued for the acquisition of controlled entity and institutional investors*
- *q.* *Shares were issued to strategic and institutional investors*
- *r.* *Shares were issued for the acquisition of control entities and institutional investors*
- *s.* *Shares were issued for the exercise of options and the issue of shares to sophisticated and professional investors*
- *t.* *Shares were issued for the acquisition of TinyTap and Notre Game*
- *u.* *Shares were issued to employees under LTIP, conversion of convertible notes by convertible noteholders into fully paid shares and settlement of amounts due to consultants by way of the issue of fully paid shares*
- *v.* *Shares were issued as part of placement to sophisticated and professional investors*
- *w.* *Shares were issued for the exercise of options*
- *x.* *Shares were issued for the Tranche 2 Blowfish Consideration, the conversion of convertible notes, the exercise of options, payment to advisors and consultants and retention bonus to nWay executives*
- *y.* *Shares were issued for the exercise of options, conversion of convertible notes into ordinary shares and payment of suppliers and vendors*
- *z.* *Shares were issued for the exercise of options and the conversion of loan monies*
- *aa.* *Shares were issued for the exercise of options*
- *ab* *Shares were issued for a cash subscription*
- *ac* *Shares were issued for executive employees, acquisition of tokens and consulting services*
- *ad* *Exercise of options over ordinary shares at $1.10 per ordinary share*

Composition of capital raised

	Shares No	$
Cash proceeds from issue of shares	437,168,490	911,435,538
Cryptocurrencies received in lieu of cash from issue of shares	20,954,906	21,848,928
Non-cash issue of shares for acquisitions, investments and settlement of amounts due to vendors	235,879,733	215,983,144
	694,003,129	1,149,267,610

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

In the opinion of the board of directors:

(a) financial statements, the accompanying notes to the financial statements and the additional disclosures set out in the Directors' Report 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 2020 and of their performance for the period ended on that date; and

(ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standard Board, as disclosed in Note 1a; and

(c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed on behalf of the Board of Directors

Yat Siu	DL Brickler	CPW Whiteman
Executive Chairman	Non-executive Director	Non-executive Director
8 June 2023	8 June 2023	8 June 2023

DFK Collins Pty Ltd
Principal: Simon Bragg FCA

Suite 1, 13-25 Church Street
Hawthorn VIC 3122
TELEPHONE +61 3 9654 0100
www.dfkcollins.com.au
ACN 115 470 598

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANIMOCA BRANDS CORPORATION LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Animoca Brands Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies and the declaration by those charged with governance.

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended; and
(ii) 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates the Group incurred a loss after tax attributable to the owners of the Group of $59,956,282 during the year ended 31 December 2020 and as of that date, the cash outflow from operations was $7,767,732. As stated in Note 1 these events or conditions along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In our opinion, the Group's ability to continue as a going concern is dependent upon:

(i) the Company raising new equity funds as and when required;
(ii) the support from the convertible note holders and specifically the convertible note holders that subscribed to the 2022 issuance;
(iii) the conversion of cryptocurrencies into fiat currencies as and when required and at conversion rates that are comparable to the prevailing rates as at the date of this audit report; and
(iv) the Group complying with laws and regulations in each and every jurisdiction that the Company and controlled entities are incorporated and the jurisdictions in which they operate.

Our opinion is not modified in respect of this matter.

Other Information

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 2020 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 accordingly 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 ability of the Group 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 has no realistic alternative but to do so.

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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.

DFK Collins
Chartered Accountants

Simon Bragg
Principal
Registered Company Auditor, Registration Number: 291536

Melbourne
8 June 2023

Introduction

Animoca Brands Corporation Limited is an Australian incorporated entity with its principal office located at Cyberport in Hong Kong. In addition, Animoca conducts its business in Asia, Europe, North America and South America.

Its business encompasses leveraging gamification, blockchain and artificial intelligence technologies to develop and publish a broad portfolio of mobile products, including games, as well as products based on popular intellectual property. The Company also has a portfolio of blockchain investments and partnerships and exclusive distribution rights for a number of games.

The Board of Directors resolved on 14 July 2022 to adopt this Corporate Governance Statement as well as a Board Charter, Audit & Rick Committee Charter and Remuneration Committee.

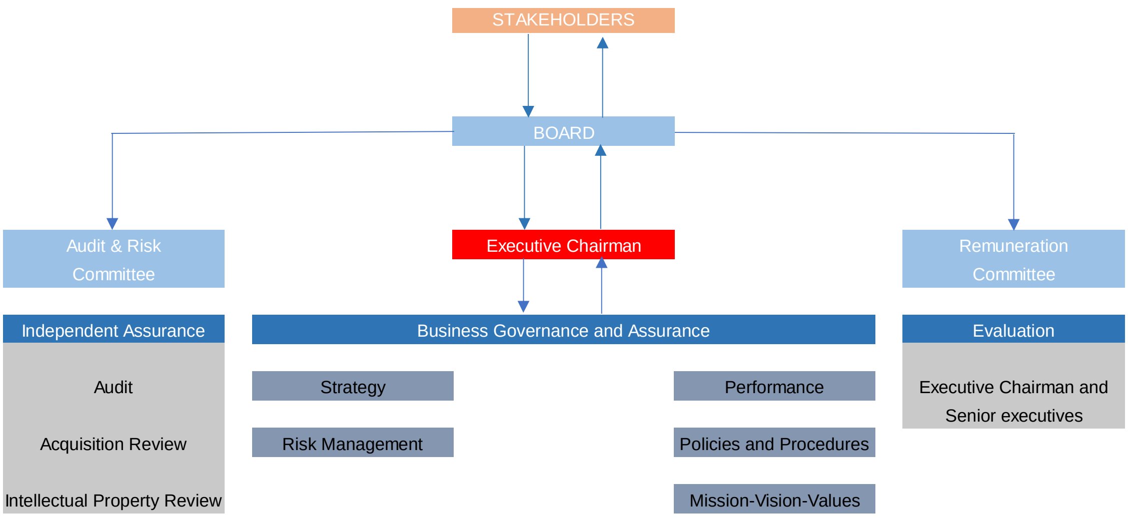
The Board of Directors have reviewed and adopted a number of policies to enhance its corporate governance processes, including Bribery Corruption and Fraud and Whistle-blower policies.

This Corporate Governance Statement sets out key governance principles and practices. The Board of Directors has determined that these principles and practices set out in this Corporate Governance Statement will be reviewed on a biannual basis or earlier if developments in the external environment arising from changes in law and best practices in corporate governance demand such a review.

Management and oversight of the Company

Figure 1 sets out Animoca's Strategic Framework, the core of its governance. The Strategic Framework sets the mission, vision and strategic direction and values of the Company. The AMS sets out the way Animoca works to enable it to understand and manage its businesses to achieve its objective of creating value for stakeholders.

Figure 1
Animoca Management System



Board of Directors that is effective and adds value

Board role and responsibilities

The Constitution provides that the business and affairs of the Company are to be managed by or under the direction of the Board of Directors. The Board of Directors, through its own consultative processes, has considered and approved a formal Board Charter which details the role, powers, duties and functions of the Board. Other than as specifically reserved to the Board in the Board Charter, responsibility for the management of Animoca's business activities is delegated to the Executive Chairman who is accountable to the Board. The Board Charter and the delegation of Board authority to the Executive Chairman are reviewed annually by way of a Board of Directors meeting. This meeting also enables the Board of Directors to review the performance of the Executive Chairman and itself.

The central role of the Board of Directors is to set the company's strategic direction, supervise the use of equity monies raised from shareholders, select and appoint key management personnel and cover the Company's advancement of its business.

In addition to matters required by law to be approved by the Board, the Board of Directors has reserved the following powers to the Board for decision:

- led the Company by defining its purpose and setting strategic objectives;
- approving the statement of values and code of conduct to develop and maintain the culture desired by the Board of Directors;
- overseeing the implementation and biannual review of risk management and setting the risk appetite of the Company within which the board expects management to operate;
- ensuring the integrity of the Company's accounting and financial reporting systems, including, the approval of annual and half-year reports and disclosures to the market that contains or relate to acquisitions and financial projections, statements as to future financial performance or changes to the policy or strategy of the Company;
- developing and overseeing processes for the timely and balanced disclosure of all material information that can materially affect the price or value of the Company;
- overseeing management in its implementation of strategic plans and budgets;
- approving the acquisition and disposal of businesses and intellectual property;
- challenging management on performance in all aspects of strategy, acquisitions, compliance and reporting;
- appointing and replacing the Executive Chairman, any other executive Directors and the Company Secretary and determination of their remuneration and conditions of service;
- approving succession plans and significant changes to organisational structure;
- authorising the issue of shares, options, equity instruments or other securities;
- authorising, if necessary, borrowings and the granting of security over the undertakings of the Company or any of its assets;

- authorising expenditures which exceed the Executive Chairman's delegated authority levels;
- approving dividends (although such a decision is not required at this time due to the nature of the business of the Company);
- appointing the Chairman of the Board;
- appointing Directors who will come before shareholders for election at the next annual general meeting; and
- establishing procedures that ensure that the Board has the capacity to exercise its powers and discharge its responsibilities as set out in the Board Charter.

<u>Board composition</u>

The Board of Directors is comprised of three non-executive Directors and an Executive Chairman. Details of the Directors, including their qualifications, experience, date of appointment and independent status, are set out in Table 1. Detailed biographies are available in the Annual Report 2020 on pages 31 to 33.

The Board and its committees (Audit & Risk and Remuneration) actively seek to ensure that the Board continues to have the right balance of skills, knowledge, experience and diversity necessary to direct the Company in accordance with high standards of corporate governance and to oversee Animoca's management and business activities.

In assessing the composition of the Board, the Directors have regard to the following principles:

- the Executive Chairman being a full-time employee of the company;
- the majority of the Board should comprise Directors who are both non-executive and independent; and
- the Board should represent a broad range of qualifications, experience and expertise considered of benefit to the company.

The Board acknowledges that, at this time, the position of Chairman and Managing Director is filled by one person and therefore, the Company still needs an independent Chairman. Whilst the Company looks to separate the roles as it grows, the Board of Directors do not believe having one person fill both roles impact the corporate governance of the Company.

The Board of Directors collectively have a combination of skills and experience in the competencies outlined in Table 1. These competencies are set out in the skills matrix that the Board uses to assess the skills and experience of each Director and the combined capabilities of the Board. The Board considers that collectively the Directors represent the skills, knowledge and experience necessary and desirable to direct the company.

The non-executive Directors contribute operational and international experience, an understanding of the industry in which Animoca operates, knowledge of financial markets and an understanding of innovation in technologies gamification, blockchain and artificial intelligence technologies. The Executive Chairman brings an additional perspective to the Board through a thorough understanding of Animoca's business and, significantly, experience in creating value in innovative technologies.

Table 1
Directors of the Company

Name of director	Term in office	Qualifications	Status
Yat Sui Executive Chairman	24 December 2014		Executive
David Brinkler	24 December 2014	BA (Princeton), MBA (Kellogg-HKUST)	Independent
Chrstopher Whiteman	25 June 2018	Bec (Adelaide). Grad Dip in Applied Finance and Investment FINSIA	Independent

The Directors on the Board represent a diverse range of backgrounds as outlined in Table 2.

Table 2
Areas of Competence and Skills of the Board of Directors

Areas of Competence and Skills	Description	Representation on Board
Leadership	Demonstrated effective senior leadership in large/medium-sized public listed entities and not-for-profit entities	
Business strategy	Successful record of development and implementation of strategies and competitive business analysis	
Commercial	Experience in mergers and acquisitions, diverse legal and compliance jurisdictions and identifying and mitigating risks	
Finance	Professional qualifications, high level of financial acumen, experience in taxation, treasury and equity and debt markets	
Gamiification, blockchain and artificial intellence technologies	Senior executive positions in technology industries from start-up entities through to multi-national entities	
Governance	Commitment to the highest standards of governance with previous organisations that were public listed entities as well as not-for-profit entities and development and implementation of governance policies and procedures	
Human resources	Experience in human resource management, succession planning, remuneration policies and applications in diverse jurisdictions, industrial relations and setting and achieving measure targets for management responsibility units	
International	Experience working in diverse geopolitical and cultural environments	
Public policy	Demonstrated skills in government affairs in diverse jurisdictions and public and regulatory policy	

Most of the board directors have a high-level knowledge and experience
More than half of the board of directors have a high level of knowledge and experience

Executive Chairman

The Executive Chairman of the Board, Mr Yat Siu, has been appointed to act as the Executive Chairman and is a resident of the Hong Kong Special Administrative Region. Mt Yat Siu is an Austrian citizen. As Executive Chairman, Mr Siu is responsible for the leadership of the management and for the maintenance of relations between Directors and management that are open, cordial and conducive to productive cooperation.

Mr Siu is also a Director of Outblaze Limited, Outblaze Investments Limited, TurnOut Investments Limited and Turner Entertainment Holdings Asia-Pacific Limited.

Mr Siu has more than 20 years of experience in the digital industry specifically, the digital gaming industry.

Director independence

The independence of a director is assessed in accordance with Animoca's Policy on Independence of Directors.

In accordance with the policy, the Board of Directors assesses independence with reference to whether a Director is non-executive, not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with materially, the independent exercise of their judgement.

In making this assessment, the Board considers all relevant facts and circumstances.

Relationships that the Board will take into consideration when assessing independence are whether a director:

- is a substantial shareholder (as defined by the Corporations Act 2001 (*Cth*)) of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or a controlled entity of the Company, and the former executive has not held an executive position for no less than three years between ceasing such employment and serving on the Board;
- is, or has within the last three years been, a partner, Director or a senior employee of a material professional adviser to the Company or a substantial shareholder;
- is, or has been within the last three years, in a material business relationship with the Company or a controlled entity of the Company, or an officer of, or otherwise associated with, someone with such a relationship;
- has a material contractual relationship with the company or a controlled entity of the Company other than as a director;
- has close family ties with any person who falls within any of the categories described above; or
- has been a Director of the Company for such a period that their independence may have been compromised (see policy on Independence of Directors).

The test of whether a relationship or business is material is based on the nature of the relationship or business and on the circumstances and activities of the Director. Materiality is considered from the perspective of the Company and its controlled entities, the persons or organisations with which the Director has an affiliation and from the perspective of the Director.

To assist in assessing the materiality of a customer or supplier the Board has adopted the materiality threshold for a supplier if the supplier accounts for more than 10% of Animoca's costs recorded in the Statement of Comprehensive Income but excluding non-cash charges. The Company proposes to review the structure of materiality and the current threshold on an ongoing basis.

The Board reviews the independence of Directors before they are appointed, at each meeting of the Board of Directors as a pre-determined agenda item for consideration and approval and at any other time when the circumstances of a director change, such as to require reassessment. The Board has reviewed the independence of each of the Directors in office at the date of this report and has determined that three of the four Directors are independent. Mr Siu is not considered independent as he is the Executive Chairman and a member of management.

The independent status of Directors standing for election or re-election is identified in the notice of the annual general meeting. If the Board's assessment of a director's independence changes, the change is disclosed to the market.

Conflicts of interest

The Board has approved the Directors' Conflict of Interest Policy which applies if there is, maybe, a conflict between the personal interests of a director the duties a director owes to another company, and the duties the Director owes to Animoca.

Directors are required to disclose immediately the circumstances that may affect, or be perceived to affect, their ability to exercise independent judgement so that the Board can assess independence on a regular basis.

Unless the Board agrees otherwise, a director with an actual or potential conflict of interest in relation to a matter before the Board does not receive the Board papers relating to that matter and when the matter comes before the Board for discussion, the Director withdraws from the meeting for the period the matter is considered and takes no part in the discussions or decision-making process. Minutes reporting on matters in which a director is considered to have a conflict of interest are not provided to that Director. However, the Director is given notice of the broad nature of the matter for discussion and is updated in general terms on the progress of the matter.

Board succession planning

The Board manages its succession planning. Each year by way of a notification set out on the Board calendar of pre-determined agenda matters for consideration and approval, the Board reviews the size, composition and diversity of the Board and the mix of existing and desired competencies across members and reports its conclusions to the Board. In conducting the review, the skills matrix referred to above is used to enable the committee to assess the skills and experience of each Director and the combined capabilities of the Board.

The results of this review are considered in the context of Animoca's operations and strategy. Where the Board identifies existing or projected competency gaps, it will implement a succession plan to address those gaps.

The Board needs to consider that there are no existing or projected competency gaps. Recognising the importance of Board renewal, the Board takes each Director's tenure into consideration in its succession planning. As a general rule, a director would not usually be expected to nominate for re-election once they have more than ten years on the Board.

Exceptions to this principle may be made where the Board considers that an individual Director brings special skills to the Board which are difficult to replace at that time, or to facilitate the orderly changeover of Directors having regard to anticipated retirements, and the Board has assessed the Director as remaining independent.

The Board is responsible for evaluating candidates for appointment to the Board. The Board evaluates prospective candidates against a range of criteria including the skills, experience, expertise and diversity that will best complement Board effectiveness at the time. The Board may engage an independent recruitment firm to undertake a search for Suitable candidates.

In its evaluation of candidates for the Board will have regard to normally accepted nomination criteria, including:

- honesty and integrity;
- the ability to exercise sound business judgement;
- appropriate experience and professional qualifications;
- absence of conflicts of interest or other legal impediments to serving on the Board;

- willingness to devote the required time; and + availability to attend Board and committee meetings.

In considering overall Board balance, the Board will give consideration to the value of a diversity of backgrounds and experiences among the members.

There was one change to the composition of the Board during the financial year 31 December 2020.

Animoca undertakes appropriate background and screening checks prior to nominating a director for election by shareholders and provides to shareholders all material information in its possession concerning the Director standing for election or re-election in the explanatory notes accompanying the notice of meeting

<u>Directors' retirement and re-election</u>

With the exception of the Executive Chairman, Directors must retire at the third annual general meeting of shareholders following their election or the most recent re-election. At least one Director must stand for election at each general meeting of shareholders. Any Director appointed to fill a casual vacancy since the date of the previous AGM must submit themselves to shareholders for election at the next AGM.

Board support for a Director's re-election is not automatic and is subject to satisfactory Director performance (in accordance with the evaluation process described in section 2.9 below).

<u>Directors' appointment, induction training and continuing education</u>

All new non-executive Directors are required to sign a letter of appointment which sets out the key terms and conditions of their appointment, including duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding their involvement with committee work. The only executive Director has entered into an employment agreement that governs the terms of his employment.

Induction training is to be provided to new Directors appointed from the date of this corporate governance Statement. The induction will include a comprehensive induction manual, discussions with the consolidated entity President and senior executives and, if there are sufficient funds, the option to visit Animoca's businesses either upon appointment or with the consolidated entity President. The induction materials and discussions include information on Animoca's strategy, culture and values; key corporate and Board policies; the company's financial, operational and risk management position; the rights and responsibilities of Directors; the role of the Board and its committees; and meeting arrangements.

All Directors are expected to maintain the skills required to discharge their obligations to the company. Animoca provides professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively. The Company has contributed to the costs of Directors to attend continuing professional education sessions including industry seminars and approved education courses. In addition, the company provides the Board with regular educational information papers and presentations on industry related matters and new developments with the potential to affect Animoca.

<u>Board performance evaluation</u>

The Board still needs to develop, this time, mechanisms for determining the process for evaluating Board performance.

<u>Board access to information and independent advice</u>

Subject to the Directors' Conflict of Interest Guidelines referred to above, Directors have direct access to members of company management and to company information in the possession of management.

Subject to pre-consultation and approval by the Chairman and the independent Director, a director is entitled to obtain independent legal, accounting or other professional advice at the company's expense. In the case of a request made by the Chairman, approval is required by a majority of the non-executive Directors.

<u>Directors' remuneration</u>

Details of remuneration paid to Directors (executive and non-executive) are set out in the 2020 Remuneration Report on pages 36 to 43 of the annual report. The Remuneration Report also contains information on the company's policy for determining the nature and amount of remuneration for Directors and senior executives and the relationship between the policy and company performance. Shareholders will be invited to consider and approve the 2020 Remuneration Report at the 2020 annual general meeting of shareholders.

<u>Board meetings</u>

During 22 July 2021, the Board held seven Board meetings. At each board meeting, the Board is provided with a strategy update and on an annual basis the board conducts a strategic planning session.

Details of Directors' attendance at Board meetings are set out on page 33 of the 2020 annual report. The Chairman, in conjunction with the Company Secretary, sets the agenda for each meeting. Any Director may request matters be included on the agenda.

At Board meetings the agenda will include:

- declaration of interests;
- minutes of the previous meeting (and committees) and matters arising;
- the consolidated entity's President's report;
- the CFO's report;
- the reports from businesses;
- Strategic issues
- Governance; and
- General business.

Outcomes from Committees are also presented following their meetings during the course of the financial year.

The Company Secretary, who also performs the role of CFO, attend meetings. Other members of senior management attend Board meetings when a matter under their area of responsibility is being considered or as otherwise requested by the Board.

Company secretary

The appointment and removal of a Company Secretary is a matter for decision by the Board. The Company Secretary is responsible for ensuring that Board procedures are complied with and that governance matters are addressed. All Directors have direct access to the Company Secretary who is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Diversity

The Company is committed to inclusion at all levels of the organisation, regardless of gender, marital or family status, sexual orientation, gender identity, age, disabilities, ethnicity, religious beliefs, cultural background, socio-economic background, perspective and experience.

The Diversity Policy can be viewed on the Company's website under the landing Governance.

The Board of Directors and management are committed to diversity and has set about implementing a Diversity policy through:

- recognising and respecting the unique attributes of each individual in the workplace;
- providing training and guidance, where possible, to assist in the understanding and promotion of diversity throughout the Company;
- recognising an individual's domestic responsibilities or cultural/religious obligations and adopt flexible work practices that will assist individuals in meeting those responsibilities;
- ensuring recruitment practices at all levels are managed free from bias on the basis of a person's competencies, skills and experience;
- preventing discrimination, harassment and bullying in the workplace and emphasising that such behaviours cannot and will not be tolerated; and
- continuing to develop policies, procedures and practices to manage and monitor diversity throughout the Company.

Committees of the Board

Board committees and charters

Under the constitution of the Company, the Board has the capacity to delegate its powers and responsibilities to committees. The Board has presently established two standing committees to assist in the discharge of its responsibilities.

The Board of Directors has established two sub-committees:

- Audit & Risk Committee; and
- Remuneration Committee.

As the Company grows the board will consider expanding the number of committees to comply with Australian standards and Corporate Governance Guidelines Recommendations.

Each of the existing standing committees has a charter, detailing its role, duties and membership requirements. The committee charters are reviewed and updated as required.

Membership of the committees is limited to the non-executive Directors of the Company with the chair of the committees appointed from the membership. Papers considered by the committees are also available to all Directors and minutes of the committee meetings are provided to all Directors and the proceedings of each meeting are reported by the chair of the committee at the next meeting of the Board. Each committee is entitled to seek information from any employee of the company and to obtain any professional advice it requires to perform its duties.

Audit & Risk Committee

The role of the Audit & Risk Committee is to assist the Board in meeting its oversight responsibilities in relation to the Company's financial reporting, compliance with legal and regulatory requirements, internal control structure and external audit function. The Audit & Risk Committee meets twice yearly.

The Audit & Risk Committee's charter is set out as an attachment to this Corporate Governance Statement.

Members of the Audit & Risk Committee have accounting and financial expertise and an understanding of the industry in which the Company operates. The chair of the Audit & Risk Committee is an independent non-executive Director of the Company with appropriate accounting and financial expertise.

Key activities undertaken by the Audit & Risk Committee include:

- monitoring developments in accounting, financial reporting and taxation relevant to the Company and its controlled entities;
- reviewing accounting policies and practices and internal control framework;
- reviewing and making recommendations to the Board for the adoption of the consolidated entity's half-year and annual financial statements;
- approval of the scope, plan and fees for the external audit, including those of its controlled entities operating in other jurisdictions;
- reviewing the independence and performance of the external auditor;
- monitoring matters arising under the Code of Conduct and the Anti-Bribery Fraud and Corruption and Whistle-blower Policies and reviewing and making recommendations to the Board on amendments to these policies; and
- reviewing the risk management strategy, ensuring that the risk management strategy is updated and presented to the committee on a six-monthly basis and making recommendations to the Board for additional risk management practices to be considered.

The external auditors attend the meeting and the Executive Chairman, and the Chief Financial Officer attend the Audit & Risk Committee meetings by way of invitation from the chair of the committee. Prior to the conclusion of each meeting of the Audit & Risk Committee, the committee meets without management present time is scheduled for the committee to meet without management present to discuss matters on a confidential basis with the external auditors.

The Board has determined that the Company needs to be of sufficient size at this time to warrant an internal audit function and accordingly, works with the external auditor in key areas to ensure appropriate internal controls are adhered to.

Pursuant to s.295A of the Corporations Act, prior to approving the financial statements for a financial period (ie., half-year and full year), the Executive Chairman and the CFO must provide the Audit & Risk Committee with a declaration that, in their opinion, the financial records of the Company (and the consolidated entity) have been properly maintained and the financial statements comply with appropriate accounting standards and provide a true and fair view of the financial position and performance of the Company.

Controlled entities within the consolidated entity operating in other jurisdictions, will provide a similar declaration prior to the approval of the consolidated entity financial statements by the Audit & Risk Committee.

The Audit & Risk Committee oversees the terms of engagement of the external Auditor of the Company. An External Auditor Policy sets out the processes for the maintenance of the independence of the external Auditor and assesses whether the provision of any non-audit services by the external Auditor that may be proposed is appropriate.

The External Auditor Policy contains a set of controls that address threats to the independence of the external Auditor and specifically, any threat which may arise by reason of self-interest, self-review, advocacy, familiarity or intimidation.

The External Auditor Policy classifies a range of non-audit services that could potentially be provided by the external Auditor:

- acceptable within limits;
- requiring the approval of the CFO;
- requiring the approval of the Audit & Risk Committee; or not acceptable.

The services considered not acceptable for the provision by the external auditor include:

- internal audit (once the Company considers its size justifies the establishment of this risk management function;
- acquisition accounting due diligence where the external auditor is also the auditor of the other party;
- transactional support for acquisitions or divestments where the external auditor is also the auditor of the other party;
- book-keeping and financial reporting activities to the extent such activities require decision-making ability and/or posting entries to the ledger;
- the design, implementation, operation or supervision of information systems and provision of systems integration services;

- independent expert reports;

- financial risk management; and

- taxation planning and taxation transaction advice.

The External Auditor Policy requires rotation of the audit partner and audit review partner at least every five years and prohibits the reinvolvement of a previous audit partner in the audit service for two years following rotation.

In addition to incorporating safeguards to ensure compliance with sections 324CI and 324CK of the Corporations Act in respect of employment of a former partner of the audit firm or member of the audit team as a Director or senior employee of the Company.

<u>Remuneration Committee</u>

The role of the Remuneration Committee is to assist the Board in establishing key performance measures and determining appropriate compensation for the achievement of performance to enable the Company to attract and retain high quality executive Directors and senior executives who achieve operational excellence and create value for shareholders.

The Remuneration Committee determines policies and practices for remunerating non-executive Directors and executive Directors separately and ensures non-executive Directors' remuneration reflects time commitments and responsibility rather than performance or incentive based.

Key activities of the Remuneration Committee are:

- considering changes to the executive remuneration framework of the Company to better align with shareholder experience and expectations;

- monitoring legislative and corporate governance developments in relation to employment and remuneration matters relevant to the Company;

- reviewing the Company's remuneration policies and practices and, if necessary, approving the use of remuneration consultants to provide recommendations in respect of the remuneration;

- reviewing the company's recruitment and retention strategies; and

- reviewing and making recommendations to the Board on:

    - remuneration for non-executive Directors;

    - the remuneration of the Executive Chairman and other senior executives;

    - the criteria for the evaluation of the performance of the Executive Chairman and senior executives;

- incentives payable to the Executive Chairman and other senior executives;

- employee-equity based plans for senior executives and other employees; and
- the annual Remuneration Report.

The Board of Directors does not permit executive Directors or senior executives to enter into derivative instruments to limit economic risks.

The Charter of the Remuneration Committee is set out in the attachments to this Corporate Governance Statement.

Establishing and maintaining a culture of acting lawfully, ethically and responsibly

The Board of Directors is committed to observing the highest standards of corporate practice and business conduct and accordingly, has adopted a Code of Conduct, Anti-Bribery and Corruption Policy and Whistle-blower Policy.

Code of Conduct

The Code of Conduct is set out as an attachment to this Corporate Governance Statement. The Code of Conduct cover matters such as compliance with laws and regulations, responsibilities to shareholders and the community, sound employment practices, confidentiality, privacy, conflicts of interest, giving and accepting business courtesies and the protection and proper use of the Company's assets.

Failure to comply with the Code of Conduct is a serious breach of the Company's policy and will be investigated. Breaches may result in disciplinary action ranging from a formal warning through to termination of employment. All breaches are required to be recorded.

All Directors, executives and employees are required to comply with the Code of Conduct. Executives are expected to take reasonable steps to ensure that employees, contractors and consultants under their supervision are aware of the Code to foster an environment that encourages ethical behaviour and compliance with the Code.

All Directors and executives are expected to complete a questionnaire distributed by the Company Secretary, on an annual basis, which includes questions on compliance by the employees under their direct supervision and contractors and consultants within their area of responsibility with the Code of Conduct, the Securities Dealing Policy, the ABFC Policy, the Continuous Disclosure and Market Communications Policy.

The responses to the questionnaire, together with a report on breaches of the Code of Conduct and matters raised are considered by the Audit & Risk Committee

Anti-Bribery, Fraud and Corruption Policy (ABFC Policy)

The Company will not tolerate any incident of Bribery or Corruption, committed by employees of the Company and its controlled entities and associated parties, either within or outside the Company, and will take consistent and swift action against those persons committing Bribery, Fraud or Corruption, irrespective of the length of service or position.

The Company seeks to comply, in full, with the laws and regulations of the countries in which it conducts its business and in which it seeks to raise equity finance and therefore, this Policy Statement specifically incorporates measures set out in the Australian Criminal Code Act 1995, the 1997 Convention on Fighting Corruption Involving Officials of the European Union or Officials of Member States and the 2003 Framework Decision on Combating Corruption in the Private Sector and the 1975 US Foreign Corrupt Practices Act.

The characteristics of the Bribery, Fraud and Corruption prevention framework are set out in Table 5.2

Table 5.2 **Bribery and fraud prevention, detection and response framework**			
Governance and Control Structures	**Prevention**	**Detection**	**Response**
Board	Management and Code of Conduct oversight	Identification	Reports on investigations and implementation of recommendations
Management	Policies and procedures development	Auditing and monitoring	Investigations, enforcement and accountability
	Third Party Due Diligence Standards	Mechanisms for reporting	Corrective actions
Business principles	Training		
Bribery, Fraud and Corruption Policy	Communications		
Internal Control Mechanism	Audit and risk assessment processes		

<u>Securities ownership and dealing the Company's Securities Dealing Policy applies to all Directors, executives, employees, contractors, consultants and advisers</u>

Under the Securities Dealing Policy the Directors and employees are prohibited from dealing in the Company's securities when they are in possession of price-sensitive information that is not generally available to the market.

Directors and certain restricted employees are also prohibited from dealings during "black-out" periods, including during the periods between the end of the financial half-year and the day following the announcement of the half-year results and the end of the financial full-year and the day following the announcement of the full-year results.

Directors are required to seek the approval of the Chairman (or in the case of the Chairman/Chief Executive Officer, the Chairman of the Audit & Risk Committee) before dealing in the company's securities or entering into any financial arrangement by which securities of the Company are used as collateral. Restricted employees are required to notify the Chief Executive Officer before dealing in the company's securities. In addition, executives reporting directly to the consolidated entity President, and the Company Secretary, have notification requirements in respect of entering into any financial arrangement by which the Company's securities are used as collateral.

Any dealing in securities of the Company by Directors must be notified to the Company Secretary within five business days of the dealing. It is a condition of the Securities Dealing Policy that Directors, and officers participating in an equity-based incentive plan, are prohibited from entering into any transaction which would have the effect of hedging or otherwise transferring to any person the risk of any fluctuation in the value of any unvested entitlement in securities.

Payments to political parties

The Code of Conduct prohibits donations to any political campaign, politician or candidate for public office in any country where the Company operates.

Where policy matters impact the Company, the Executive Chairman will represent the Company in any debate on these matters. In certain circumstances representatives of the Company may attend a political function in Australia which charges an attendance fee. Attendance at these functions is subject to approval by the Chief Executive Officer.

Timely and balanced disclosure

Shareholder communication

Directors recognise that shareholders, as the ultimate owners of the Company, are entitled to receive timely and relevant high-quality information about their investment. Similarly, prospective new investors are entitled to be able to make informed investment decisions when considering the purchase of shares.

The Continuous Disclosure and Market Communications Policy of the Company, set out as an attachment to this Corporate Governance Statement, encourages effective communication with the Company's shareholders by requiring:

- the disclosure of accurate, balanced and timely information about the Company's activities in accordance with the disclosure requirements contained in the Corporations Act;
- all information released to the market is to be placed on the Company's website promptly following release;
- the Company's market announcements to be maintained on the Company's website for at least three years; and
- that all disclosures, including notices of meetings and other shareholder communications, are drafted clearly and concisely.

The Continuous Disclosure and Shareholder Communications Policy is available on the Company's website. Financial results and other briefings with investors and analysts relating to new material information are released to the market prior to the briefing being made.

The Executive Chairman and Company Secretary manages compliance with market disclosure obligations and are responsible for implementing and monitoring reporting processes and controls and setting guidelines for the release of information.

The Board approves any announcement relating to the annual and half year financial reports and any other information for disclosure to the market that contains or relates to financial matters, statements as to future performance or changes to the policy or strategy of the Company (taken as a whole).

Respecting the rights of shareholders

The Company encourages direct electronic contact from shareholders – the Company's website has a "Investors" section which allows shareholders to submit an electronic form with questions or comments directly under the landing page "IR Contact."

The Company recognises the importance of shareholder participation in general meetings and supports and encourages that participation. The company has direct voting arrangements in place, allowing shareholders unable to attend the AGM to vote on resolutions without having to appoint someone else as a proxy. Shareholders are also able to register their voting instructions electronically.

The outcome of voting on the items of business is disclosed to the market and posted to the Company's website after the AGM. All Directors of the Company attended the Company's AGM and are expected to attend the 2020 AGM. The Company's external auditor attends the company's AGM, by way of telephone link, to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the company and the independence of the auditor in relation to the conduct of the audit.

The Company proposes to establish with its share registry procedures for all resolutions to be voted on at general meetings of shareholders by way of a poll. The Company will also look to make other substantive resolutions not subject to the Listing Rules to be decided by poll.

To enhance shareholder participation the Company will conduct live webcasts of general meetings. The Company will also provide opportunities for shareholders to provide questions ahead of meetings with responses to be made at the general meetings by questions being either read out and answered or providing a transcript of the question or a written response.

Risk management and internal control

Approach to risk management and internal control

The Board recognises that risk management and internal compliance and control are key elements of good corporate governance. The company's Risk Management Policy describes the manner in which the Company:

- provides a consistent process for the recognition and management of risks across the Company's business; and

- confers responsibility on staff at all levels to proactively identify, manage, review and report on risks relating to the objectives those staffs are accountable for delivering.

The Company recognises that risk is inherent to its business and that effective management of risk is vital to delivering on its objectives, success and continued growth. The Company is committed to managing all risks in a proactive and effective manner.

Risks are identified, assessed and prioritised using a common methodology. Assessed risk is escalated to increasingly senior levels of management based on corporate materiality thresholds.

Risk management roles and responsibilities

The Board is responsible for reviewing and approving the Company's risk management strategy, policy and key risk parameters, including determining the Company's appetite for country risk and major investment decisions. The Board is also responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control. The Board has delegated oversight of the Risk Management (encompassing political, technical, operational, financial, health and safety, environment and security) to the Audit & Risk Committee. The Audit & Risk Committee is also responsible for reviewing the effectiveness of the internal control system and risk management process.

Management is responsible for promoting and applying the Risk Management Policy. This responsibility involves identifying and assessing business and operational risks, developing and implementing appropriate risk treatment strategies and controls including insurance strategy and activities, monitoring the effectiveness of risk controls and reporting on risk management capability and performance.

The development of risk management capability and providing risk management reports to the Audit & Risk Committee on the corporate risk profile and the Company's risk management performance is the responsibility of the Chief Executive Officer and the Company Secretary.

The Company does not have an internal audit function at this time due to its size; however, it agrees each year with its external Auditor to undertake a review of financial risk processes to ensure these are effective and efficient. The Company expects to develop an internal audit function to achieve sustained profitability.

ANIMOCA BRANDS CORPORATION LIMITED
Top 20 Registered Shareholders
31 May 2023

	Holder Name	Holding	% IC
1	KINGSWAY FCI CO-INVESTMENT SPC SEGREGATED PORTFOLIO SEVEN	101,340,310	5.31%
2	SIGNIFICANT SINGULAR LIMITED	88,277,088	4.63%
3	LCV 2021 14 LLC	58,923,998	3.09%
4	FCI CO INVESTMENT SPC SEGREGATED PORTFOLIO EIGHT	50,545,489	2.65%
5	CITICORP NOMINEES PTY LIMITED	47,950,537	2.51%
6	MR PAUL JOHN PHEBY	47,639,668	2.50%
7	KOTTER GLOBAL LIMITED	38,298,973	2.01%
8	ASYLA INVESTMENTS LIMITED	37,603,243	1.97%
9	PS STRATEGIC INVESTMENT LIMITED	28,015,844	1.47%
10	OUTBLAZE ASIA INVESTMENTS LIMITED	26,790,012	1.40%
11	HARBOUR RAINBOW LIMITED	25,750,000	1.35%
12	OBOE DEVELOPMENT TRADING LIMITED	25,729,731	1.35%
13	LCV FUND VIII LP	24,031,297	1.26%
14	ALPHA WAVE VENTURES II LP	24,002,202	1.26%
15	NATIONAL NOMINEES LIMITED	22,960,008	1.20%
16	SUN HUNG KAI STRATEGIC CAPITAL LIMITED	20,028,878	1.05%
17	PONDEROSA INVESTMENTS (WA) PTYLTD <PONDEROSA INVESTMENT A/C>	18,544,779	0.97%
18	TOTAL PERIPHERALS NO2 PTY LIMITED <TOTAL PERIPHERALS NO2 PL SF>	18,245,952	0.96%
19	10T A HOLDINGS LLC	17,452,456	0.91%
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,399,507	0.86%
	Top 20 shareholders	**738,529,972**	**38.77%**
	Remaining shareholders	**1,168,965,456**	**61.23%**
	Total number of shares on issue	**1,907,495,428**	**100.00%**