



**Animoca Brands Corporation Limited  
(ACN 122 921 813)**

**Annual Report for the financial year ended  
31 December 2019**

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# **Animoca Brands Corporation Limited**

## **Corporate directory**

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### **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
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](http://www.animocabrands.com)

### **Investor services**

Ibrahim El-Mouelhy  
[ir.animoca.com](http://ir.animoca.com)

### **Registered office**

211 McIlwraith Street  
Princes Hill Victoria 3054

### **Principal office**

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

## Animoca Brands Corporation Limited Chairman's Letter

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Dear Shareholders and Friends of Animoca Brands,

Over the course of 2019 we made significant progress in establishing the strong foundation that enabled Animoca Brands to grow into a notable and respected leader in today's Web3 industry.

As a global and complex company operating on the frontier not just of new technology but also of an entirely new economy that represents a society-defining generational shift, there are several aspects of doing business that require special attention and effort. One such aspect that emerged as a significant challenge during the high-growth phase that started in 2019 is accounting.

Animoca Brands had to adopt appropriate accounting standards that could function under both global and Australian accounting rules and practices. 2019 was a pivotal year for the Company, in great part because it was the first time that we sold NFTs and [issued fungible tokens](#) via SAFTE (simple agreement for future tokens or equity) notes. This, along with some of our other activities, resulted in a high level of complexity for the purposes of financial reporting.

The Company's financial auditing process required breaking entire swathes of new ground. How should we account for token sales? What should be subject to deferral? How should we account for NFTs? How should we account for reserves of tokens? What principles should be used to value a portfolio of investments that, as of mid-2022, includes over 340 investments and continues to expand?

When confronted with uncertainties in accounting processes, it is typical to look at how other companies address similar challenges. But there were no other companies to which we could compare ourselves. Animoca Brands is, at least for the time being, a unique and special case. We were forced to define and address novel issues in accounting and reporting, and we think that our efforts in this area may well inform others in the still emerging blockchain and Web3 industry.

During the last three years we have worked very hard to set new standards that properly account for our business operations with clarity and transparency. Today, we are at last in a position to issue a complete set of 2019 audited accounts that provides clear accounting for our blockchain, cryptocurrency, NFTs, and token issuance activities.

We wish to thank all of our shareholders for their considerable patience. We are growing accounting and finance team (now consisting of 22 people) to produce future reports that will follow as soon as possible.

With gratitude,



Yat Siu

Co-Founder and Executive Chairman  
Animoca Brands Corporation Limited

## Animoca Brands Corporation Limited

### Review of results

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2019 was a landmark year for Animoca Brands, as we solidified a leading position in the burgeoning field of blockchain games, continuing to acquire and take stakes in some of the leading companies in the field.

While the consolidated entity generated the highest revenues and customer receipts in its history in 2019, this process of acquisition and integration also resulted in both cash and non-cash expenses that impacted the unaudited financial results. As we have noted in our presentations, blockchain gaming is a segment of the A\$220+ billion global gaming industry<sup>1</sup> and one that we strongly believe in - but a segment still in an early stage of development. 2019 was a watershed year in blockchain gaming, for the consolidated entity and for the industry as a whole. While we have accomplished a great deal during FY2019, we believe that the financial results of these investments will only be truly reflected in the coming years.

In FY2019, the consolidated entity generated \$16.2 million in unaudited revenues (up 27% year on year) as well as \$6.9 million in deferred revenues (mainly from Animoca Brands Limited, Pixowl, and TSB Gaming), with record receipts from customers of \$24.9 million.

Notwithstanding the growth in revenues and receipts, the consolidated entity generated a net loss for the year as a result of significant expenditure on game development, acquisitions, and investments with significant non-cash related transactions detailed below.

Throughout the year the Company engaged in a number of strategic investments and acquisition initiatives (including nWay and Quidd which were completed post year-end), which have significantly contributed to an increase of \$11.8 million in the total assets of the Company from the prior year to \$39.8 million in FY2019. The strategic investments and acquisitions have also contributed to the higher cost structure as the consolidated entity starts an integration program.

An increase in professional fees associated with these transactions, as well as increased interactions with the ASX requiring multiple legal counsels, increased consulting expenditures from \$0.9 million in 2018 to \$6.1 million in 2019; some of these costs are one-off in nature.

The Income Statements include a number of non-cash charges, including impairment of goodwill on acquisition and amortisation of intellectual property associated with the acquisitions the consolidated entity has undertaken over the last two years, totalling \$11.7 million. While the impairment of goodwill on acquisition is a one-off non-cash charge, the consolidated entity is aggressively amortising intellectual properties acquired over three years. The Board of Directors believe that the accounting policy taken in relation to both impairment and amortisation represents a prudent approach to the recording of assets.

The major expense items for 2019 fall loosely into four buckets:

1. marketing initiatives that drove growth.
2. an increase in development resources driven by overall business expansion, particularly, through its subsidiaries Pixowl and TSB Gaming (*The Sandbox*).
3. a variety of non-cash accounting adjustments including those set out above as well as accounting provisions.
4. Accounting for Financial Instruments including digital assets on the fair value basis through the Profit and Loss in accordance with accounting standards.

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<sup>1</sup> "The Global Games Market Will Generate \$152.1 Billion in 2019 as the U.S. Overtakes China as the Biggest Market," 18 June 2019, [Newzoo Global Games Market Report](#)

## Animoca Brands Corporation Limited

### Review of results

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A table on the following page provides further detail on these four expenses consolidated entity.

	\$000s	\$000s
<b>Net loss in 2018</b>		<b>(3,109)</b>
<b>Increase in Gross Revenue in the current year</b>		<b>3,381</b>
<b>Marketing Growth</b>		<b>(5,790)</b>
Cost of sales related to more intense marketing to drive revenues	(5,032)	
Marketing expenses	(758)	
<b>Increased Development Resources</b>		<b>(12,601)</b>
Development of The Sandbox	(1,365)	
Increased manpower arising from acquisitions and business growth	(5,438)	
Consultants, contractors, and other outsourcing	(5,258)	
Travel	(540)	
<b>Non-Cash Charges</b>		<b>(13,763)</b>
One-time write-off of past acquisitions to bring the consolidated entity into line with current accounting practices	(9,924)	
Amortisation of intellectual property associated with acquisitions of entities	(1,991)	
Provision for doubtful accounts relating to iCandy	(763)	
Adoption of new accounting standards	(435)	
Exchange losses	(650)	
<b>Fair Value Accounting</b>		<b>(85)</b>
Fair value accounting for financial assets	(116)	
Profit in the market value of digital assets	864	
Finance costs	(833)	
<b>Taxation</b>		<b>(284)</b>
<b>Other</b>		<b>(908)</b>
<b>Net Loss for the Current Year</b>		<b>(33,192)</b>

## **Animoca Brands Corporation Limited**

### **Review of results**

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The acquisition-led growth in 2019 also involved a variety of innovative financing structures, such as the SAFE notes issued by the Company's subsidiary, TSB Gaming, and a number of share-swap investments into strategic partnerships. As a result, the balance sheet includes \$5.0 million in "borrowings" which represents the funds raised by TSB Gaming and OliveX via the SAFE notes as well as borrowings assumed on acquisition of entities.

The consolidated entity ended the year with \$8.8 million in cash and cash equivalents as well as \$1.6 million in digital assets.

As previously announced, as part of the acquisition of nWay, the Company announced unsecured loan agreements of \$2.5 million with attached 12-month options, of which \$2 million are to be raised following the end of FY2019.

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 2019.

**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 and transparency in the management and ownership of digital assets.

**Operating Results**

The consolidated entity recorded a net loss after tax of \$32,101,546 the year ended 31 December 2019 (the net loss after tax for the previous financial year was A\$3,274,825). The significant increase in the net loss after tax are set out in the Table under 'Review of Results.'

**State of affairs of the Company**

During the 2019 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 \$15.990 million in cash-based new equity and the balance through the issue of fully paid shares for acquisitions, consultants, employees and strategic partnerships. The ultimate parent entity issued, in total, 261,081,037 fully paid ordinary shares for a total value of \$30,419,841 (before costs) for both cash-based new equity and non-cash-based new equity.

In addition, the consolidated entity raised \$500,000 by way of a convertible note issue and \$1,911,579 by way of the issue of Simple Agreements for Future Equity (SAFE) instruments and a \$3,049,200 by way of a Token Purchase & SAFE Agreement. The SAFE were issued by OliveX (HK) Limited and the Token Purchase & SAFE Agreement by TSB Gaming Limited. An entity incorporated and the laws and regulations of the Republic of Malta, which holds the consolidated entity's interest in the SANDBOX. The amount TSB recorded as a SAFE instrument reflected the financing component of the total amount raised under the Token Purchase & SAFE Agreement. The total amount raised under the Token Purchase & SAFE Agreement was \$6,644,307.

The consolidated entity made \$963,578 drawdowns in working capital loans and repaid \$757,618 in working capital loans and assumed \$1,159,298 in bank loans and convertible notes through its acquisition of Stryking Entertainment GmbH.

The consolidated entity invested a further \$10,889,710 (including \$1,470,440 by way of the issue of fully paid ordinary shares) in technology start-ups in Asia and North America.

The consolidated entity is in the process of separately listing its equity interest in the OliveX consolidated entity by way of an IPO on the National Stock Exchange in Australia. The consolidated entity reorganised its ownership interest in OliveX HK Limited with all



shareholders, including the non-controlling interests, swapping shares held in OliveX Limited, an entity incorporated under the laws and regulations of the British Virgin Islands, for shares in OliveX Holdings Limited, an entity incorporated under the laws and regulations of the Commonwealth of Australia. It is this entity, OliveX Holdings Limited, that will be listed on the National Stock Exchange.

As part of the restructuring of the OliveX consolidated entity, holders of all SAFE instruments issued by OliveX HK Limited agreed to transfer their SAFE instruments to OliveX Holdings Limited and converted their SAFE instruments into ordinary shares in OliveX Holdings Limited.

### **Dividends**

No dividends were declared and paid during the year.

### **Events After Balance Date**

#### *Exercise of options*

**On 3 January 2020**, the Company issued to option holders who exercised options over ordinary shares 14,285,715 fully paid ordinary shares. The options over ordinary shares expired on 5 December 2019 at an exercise price of 9 cents per option over ordinary share. The Company received \$1,285,714 in proceeds from the exercise of the options over ordinary shares.

#### *Stryking collectibles*

**On 14 January 2020**, Stryking has launched the first prints of its Epic tier FC Bayern Munich digital collectibles, with bidding at. The Epic tier is the second rarest available after the Legendary tier. Over the recent Christmas and New Year holiday period, Stryking sold official Legendary tier collectibles of FC Bayern Munich for a total of 552.37 ETH (approximately US\$80,000).

Stryking had been virtually shut down following its acquisition due to the loss of key employees as well as unresolved issues over a loan from German government authorities supporting technological start-ups. As a result of the issues that emerged on acquisition, Stryking was not accounted for as a business combination but as an acquisition of assets with the difference between the net assets acquired and the consideration charged to the profit or loss.

#### *F1® Delta Time*

**On 21 January 2020**, the F1® Delta Time the auction for the ultra-rare "China Edition 2019 Azure Dragon" commenced for the latest official Formula 1® (F1®) non-fungible token (NFT) digital collectible race car.

The "China Edition 2019 Azure Dragon" NFT is the first of the F1® Delta Time "Four Guardians" race cars. The Azure Dragon (Qinglong in Chinese) is a mythological creature representing the East and the season of spring.

The other three cars in the "Four Guardians" limited series, namely "White Tiger," "Black Tortoise," and "Vermillion Bird," are to be released during the financial year. The "Four Guardians" race cars are based on the four mythological symbols of China, which are the guardians of the four cardinal directions.

All race cars produced by F1® Delta Time are officially licensed by Formula 1®.

Every car is an NFT digital collectible that can be used in the upcoming F1® Delta Time multiplayer racing game. The authenticity, rarity, and true digital ownership of these NFTs are guaranteed via blockchain.

F1® Delta Time has previously completed auctions of four unique and official Formula 1® NFTs of the Apex rarity level, starting with the landmark "1-1-1" digital car collectible that sold on 28 May 2019 for a record price of 415.9 ether (worth approximately US\$113,000 at the time of sale); this was followed by the "Monaco Edition 2019", "France Edition 2019", and "Japan Edition 2019".

In addition, F1® Delta Time auctioned the first 10 official F1® team cars simultaneously in the Pole Position Auction held from 28 November to 1 December 2019, which fetched a total of 121.5172 ether (worth approximately US\$18,608 at the time of sale). The team cars were all of the Epic rarity level.

#### *Issue of shares and options*

**On 24 January 2020**, the Company issued 12,188,995 fully paid ordinary shares as well as 3,047,248 options over ordinary shares. The shares and options over ordinary shares formed part of a capital raising previously announced to the market on 8 August 2019. In this announcement, the Company sought to raise A\$8 million from strategic investors, Australian institutional investors, and existing shareholders at 20 cents per fully paid ordinary shares.

The attaching 1:4 loyalty options were priced at 25 cents per option over ordinary shares and were offered subject to a vesting condition that investors in the capital raising hold the shares subscribed to for a period of twelve months with an ultimate expiry date for the options over ordinary shares on 17 February 2021.

#### *Pandemic*

**On 30 January 2020**, the World Health Organisation declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. The operations of the Company could be negatively impacted by the regional and global outbreak of COVID-19 and may impact the Company's revenues, its results, and its ability to source funding for the next reporting year.

#### *SANDBOX Land presale*

**On 13 February 2020**, TSB Gaming Ltd announced that the second round of the LAND Presale for its forthcoming decentralized blockchain gaming platform *The Sandbox*, totalling 6,192 unique LAND parcels, generated 800 ETH of sales. Ten limited edition user-created game ASSETS (items or digital collectible NFTs) are also available for purchase in the marketplace until stock is depleted.

The Sandbox vision is to provide a blockchain Metaverse where players can build, own, and control a decentralized, player-run set of gaming worlds. The platform aims to reach millions of users, offering true ownership and value for players and their creations through an environment that facilitates collaboration and sharing. LAND makes up the individual blocks of the game world that can be purchased and owned by players and accessed through a virtual map where the locations of LANDs and proximity to larger Estates and key positions will play a role in the gameplay, economy, and visibility of games. LAND will have the capability to be rented out to other players, and owners can invite other creators into their LAND to help create an experience collaboratively. Players can combine LANDS into a larger shared space to create a richer, larger gaming or social experience.

The LAND Presales offer players, creators, and crypto enthusiasts the chance to obtain a piece of The Sandbox metaverse at a favourable early adopter price. During the event, participants buy LAND (with ether), and purchase exclusive ASSETS, which are NFT game items such as characters, animals, monuments, buildings, trees, and tools to populate game experiences. The first LAND presale for *The Sandbox* was held in December 2019 and offered more than 3,000 LANDs that sold out in 4 hours. The second presale opened on 11 February 2020 and offered 6,192 LANDs (representing 5% of total parcels available for sale on The Sandbox map) and is nearly sold out after one day. This confirms the strong interest from gamers, creators, and artists for the decentralized gaming platform that will empower creators through the use of blockchain technology and non-fungible tokens.

LANDs can be combined into larger consolidated entity (ESTATES) to permit more ambitious game experiences. There are 166,464 LANDs in The Sandbox, with the scarcity and uniqueness of each LAND verifiable through blockchain technology.

Each of the 166,464 LANDs is tokenized as an ERC-721 non-fungible token (NFT) that uses the transparency of public distributed ledger technology to track its uniqueness and enable true digital ownership, including the ability to sell or rent out LANDs.

Players can benefit from LAND ownership in multiple ways, including by monetizing game experiences on their LAND, developing virtual real estate, renting their LAND, and staking.

The actual launch of The Sandbox game has not occurred and therefore, the accounting for the LAND sales do represent unearned revenue notwithstanding the statement made in the Animoca announcement that customers can sell or rent-out LANDs. I would have thought that renting out the LANDs could only occur once a gamer had access to the launched game.

#### *Gamee, nWay and Quidd acquisitions*

**On 17 February 2020**, Animoca Brands Limited and the vendors of Gamee Limited executed a Share Purchase Agreement. On 19 February 2020 Animoca Brands Limited and the vendors of Quidd Inc executed the Share Purchase Agreement. On 25 February 2020 Animoca Brands Limited and the vendors of nWay Inc executed the Share Purchase Agreement. As a result of the execution of these documents Gamee Limited, Quidd Inc and nWay Inc became wholly owned controlled entities of the Company. However, there were significant conditions precedent to fulfil before the Animoca consolidated entity consolidated these entities and therefore, achieved Completion pursuant to the legal documentation.

#### *F1® Delta Time*

**On 24 February 2020**, the Company announce that the official crate sale for F1® Delta Time starts on 25 February 2020. Users will be able to buy crates containing officially licensed Formula 1® (F1®) non-fungible tokens (NFTs) of drivers, driver gear, and tyres for use in the game *F1® Delta Time*. See for auction details.

Crates in *F1® Delta Time* are ERC-20 tokens and are available in 4 tiers: Common, Rare, Epic, and Legendary. Purchases can be made using cryptocurrencies such as ETH, DAI, OST, USDC, USDT, and others. Players can choose to open their crates, sell them to other players, or hold on to them for future use. Each tier of crates has a limited supply:

- Common crates: 2,500
- Rare crates: 2,000
- Epic crates: 1,500
- Legendary crates: 500

Each crate contains 5 NFT, including race cars, drivers, car components, driver gear, or tyres. The contents of crates are random, with cars and drivers being the rarest to obtain.

In *F1® Delta Time* there are 5 rarity levels for NFT: Apex, Legendary, Epic, Rare, and Common, with Apex being the scarcest NFT. The rarity levels of the NFTs in each crate are determined based on the tier of the crate:

- Common crates: 1 Rare and 4 Common NFTs
- Rare crates: 2 Common and 3 Rare NFTs
- Epic crates: 3 Common, 1 Rare, and 1 Epic NFTs
- Legendary crates: 3 Common, 1 Rare, and 1 Legendary NFTs

Crates can randomly contain an item that is one level higher than the tier of the crate - for example, a rare crate may contain 2 Common, 2 Rare, and 1 Epic NFTs (instead of the normal 2 Common and 3 Rare NFTs).

Gamers can enjoy an early bird discount when buying crates in the first week of the sale. Players will receive a 5% discount on every 5th crate purchased from the same rarity tier.

Period	Common Crate	Rare Crate	Epic Crate	Legendary Crate
25 Feb - 2 Mar	\$18	\$36	\$135	\$450
3 Mar - 9 Mar	\$20	\$40	\$150	\$500

After registering an account each player will receive a unique referral link, allowing them to earn 2.5% of the value of any crate purchases that happen through their referral links.

*Apex "China Edition 2019" cars lucky draw*

Players will receive "Car Tickets" for all crate purchases; the number of car tickets players will receive depends on the tier of crate purchased:

- Common crate: 1 car ticket
- Rare crate: 2 car tickets
- Epic crate: 3 car tickets
- Legendary crate: 5 car tickets

The car tickets give players a chance to win rare unique cars: three of the cars from the "Four Guardians" collection celebrating Chinese New Year will be randomly awarded to three different players after the crate sale. These cars, named "White Tiger," "Black Tortoise," and "Vermillion Bird," are of the highest rarity level: Apex. The first of the Four Guardians cars - "China Edition 2019 Azure Dragon" - was recently sold at auction for 91 ETH.

The Four Guardians Apex cars will be unlocked upon reaching crate purchase milestones, with the first race car being made available once 2,000 crates are sold, the second car after 4,000 crates are sold, and the third after all 6,500 crates are sold.

A lucky draw will be conducted to determine the winner of each car. The more car tickets a player has, the higher the chance to win one of the Four Guardians Apex cars.

*ASX delisting*

The Company was advised by the Australian Securities Exchange that, despite the Company's thorough and detailed case made to the contrary, ASX removed the Company from the Official List pursuant to Listing Rule 17.12 with effect on and from the commencement of trading on Monday, **9 March 2020**.

The Company's operations continue on a business-as-usual basis.

On 18 December 2019, ASX issued a letter to the Company detailing what ASX believed to be breaches of the listing rules (the "Letter"). The Letter placed emphasis on some elements of the Company's business including:

- certain governance items (many of which the Company had already taken significant actions toward rectifying prior to the Letter);
- "involvement in cryptocurrency related activities" (which the Company notes is an unsettled topic between the Company and ASX, and not clearly defined); and
- "substantial use of SAFEs issued by subsidiaries" (although the Company has not initiated new transactions utilising SAFEs since being advised by ASX that SAFEs constituted a concern).

ASX advised the Company that it would be removed from the Official List unless the Company could make a good case to the contrary.

Upon receipt of the Letter, the Company set to work on addressing the concerns and working on a strategy that would allow ASX to be comfortable in lifting the Company from suspension. The Company committed considerable time and resources to address the concerns of ASX, including engaging various consultants and advisors as well as the law firms King & Wood Mallesons, Sidley Austin, and DLA Piper.

On 28 February 2020, the Company submitted to ASX a detailed and comprehensive 39-page response to factually address the items in the Letter, and also attached a number of supporting legal opinions from highly regarded legal firms concerning the status of certain cryptographic tokens that ASX had cited as concerns. The Company acknowledged some of the alleged breaches and issues with respect to its operations, noting that the Company had already taken various remedial actions and had corrected breaches before receipt of the Letter. The Company objected to some other points raised by ASX, including ASX's claim that the Company was in breach of Listing Rule 12.5.

*F1® Delta Time*

The first official *F1® Delta Time* crate sale, held on **25 February to 9 March 2020** was completed. The Company sold a total of 2,375 crates, including over 94% of top tier (Legendary) crates. The crate sale generated over US\$364,000 (approx. A\$555,000).

Many of the *F1® Delta Time* digital collectibles are also trading on public marketplaces such as OpenSea, where *F1® Delta Time* became the second highest ranked DApp by volume on the platform (with the game's goods generating trades of over 320 ETH or approximately A\$100,000).

Crates in *F1® Delta Time* are ERC-20 tokens and are available in 4 tiers: Common, Rare, Epic, and Legendary. Each crate contains 5 NFTs, including race cars, drivers, car components, driver gear, or tyres. The contents of crates are random, with cars and drivers being the rarest

to obtain. Players can choose to open their crates, sell them to other players, or hold on to them for future use.

Each tier of crates has a limited supply, and the total numbers of crates sold are:

- Common Crates: 678 sold
- Rare Crates: 517 sold
- Epic Crates: 706 sold
- Legendary Crates: 474 sold

All unsold crates were destroyed and the NFTs inside these crates will never be available again.

### *SANDBOX Land presale*

**On 11 April 2020**, TSB Gaming Ltd announced that the third LAND Presale round for its forthcoming decentralized social multiplayer gaming platform, *The Sandbox*, completely sold out within 5 hours, generating more than 3,400 ETH (equivalent to \$450,000 USD at exchange rate time) via the sale of 12,384 unique LAND parcels.

### *Mutual investment with Versus Systems Inc*

**On 27 April 2020**, the consolidated entity completed the mutual investment with Versus Systems Inc., (a company listed on the Canadian Securities Exchange"). Under the terms and conditions of the Mutual Investment Agreement. Additionally, Animoca Brands Limited, an entity incorporated under the laws and regulations of Hong Kong and a controlled entity of Animoca Brands Corporation Limited, the ultimate parent entity got the consolidated entity, received 3,036,739 shares of Versus priced at C\$0.23 per share at an exchange rate of USD/CAD = 0.7159 and Versus received 4,327,431 shares of Animoca Brands priced at A\$0.18 per share at an exchange rate of USD/AUD = 0.6419, each issuance being the equivalent in value to USD \$500,000.

Animoca Brands Limited also completed a Master Services Agreement (the "Integration Agreement") to integrate proprietary in-game rewards technology of Versus in certain games developed and published by Animoca Brands.

Versus enables game publishers and developers to offer in-game prizes across mobile, console, PC games, and streamed media, helping to increase the value for end-users and boosting retention rates.

Pursuant to the Integration Agreement, Animoca Brands Limited and Versus will work together to integrate the real-world in-game rewards technology developed by Versus into selected Animoca Brands games. As consideration for the integration, Animoca Brands received US\$250,000 in the form of 1,293,426 shares of Versus priced at C\$0.27 per share on 14 April 2020.

All shares issued in connection with the Integration Agreement and Mutual Investment are free from lockup or other restrictions on their sale or transfer, except as required under Canadian Securities Exchange policies.

### *Crazy Defense Heroes has launches NFT*

**On 8 May 2020**, the Company announces that its popular mobile game *Crazy Defense Heroes* has launched a sale of Super Value Chests containing non-fungible tokens (NFTs) and 150% more in-game premium currency. *Crazy Defense Heroes* is a popular tower defense and collectible card mobile game with approximately 2 million downloads. From today until 15 May

2020, a total of just 100 Super Value Chests will be available for purchase at. All Super Value Chests contain collectible card NFTs, Gems (the in-game premium currency of *Crazy Defense Heroes*), and VIP points. Notably, the Super Value Chests provide 150% more Gems than the standard in-game pricing.

There are three types of Super Value Chests that players and collectors can purchase during the sale: Rare, Epic and Legendary, with Legendary being the scarcest (only 5 Legendary chests are available). Note that NFTs contained in Super Value Chests are collectible items and not in-game items.

Super Value Chests contents			
	Rare Chest	Epic Chest	Legendary Chest
Price	US\$20	US\$50	US\$100
Availability	60	35	5
NFT	2-star collectible NFT	3-star collectible NFT	4-star collectible NFT
Gems	6,000 (3,700 extra)	15,120 (9,120 extra)	32,400 (19,400 extra)
VIP Points	600	1,500	3,000

Non-fungible tokens, or NFT, are digital assets and collectibles powered by blockchain technology. The authenticity, scarcity, and other properties of NFT are independently guaranteed, verified, and secured on blockchain, the decentralized ledger technology. NFTs can be rare or even unique in a way that other digital assets are not.

NFTs are fully owned by their buyers, regardless of any decisions taken by the game's or the NFT's publisher. Because NFT confer the quality of true digital ownership, players are free to do anything they want with them, including selling them for real money.

This true digital ownership of NFT is markedly different from the standard model used to manage in-game assets, which relies on licensing assets rather than true ownership. In traditional games, a publisher grants players certain limited licenses to utilise the game and the assets therein, but those licenses can be revoked at any time (for example, when the game shuts down). Effectively, gamers do not truly own any of the assets inside traditional games - despite the fact that gamers invest significant time and money in games. The adoption of blockchain and NFTs could change all this.

Additionally, NFT can be highly valuable as digital collector items, similarly to physical collectibles like rare baseball cards. For example, last year *F1® Delta Time*, the blockchain game also developed and published by Animoca Brands, sold the one-of-a-kind "1-1-1" digital car NFT collectible for a record price of 415.9 ether (worth approximately US\$113,000 at the time of sale). Their resale value as collectibles or in-game items allows owners of NFTs to sell them for a profit.

With the current Super Value Chests sale, *Crazy Defense Heroes* is exploring the potential of non-fungible tokens attached to a traditional mobile game, challenging the standard model of game licensing, and allowing the players of *Crazy Defense Heroes* for the first time to truly own digital assets.

*iCandy additional investment*

The Animoca consolidated entity finalised an agreement with iCandy Interactive Limited for the \$5 million sale of its mobile games portfolio. Originally announced in November 2017, the agreement would see iCandy acquire 318 mobile casual games from Animoca Brands, through a combination of cash and shares.

Under the terms of the transaction, the Animoca consolidated entity transferred business and assets related to the portfolio and managed a handover period during which it would continue to publish, operate, and maintain the games until iCandy was ready to take over.

However, a series of technical issues during handover resulted in the software source codes for some games not transferring across to iCandy. The delays meant iCandy could not settle a remaining cash consideration of \$622,293.34 via the issue of new shares to Animoca Brands.

Animoca Brands subsequently agreed to extend the settlement date for the shares and associated maintenance and migration fees.

The entities announced on **4 June 2020** that the technical issues had been resolved and iCandy would finalise the outstanding share issue.

Animoca Brands will receive a total of 30,208,415 iCandy shares, increasing its stake in the company from 7.9% to 15.5%.

*Gamee acquisition completion*

The Company completed the acquisition of Gamee sro on **10 June 2020** by way of a Share Purchase Agreement. Under the terms and conditions of the acquisition, Animoca Brands Limited, a wholly owned controlled entity of the Company incorporated in Hong Kong, will acquire all the common stock on issue in Gamee by way of:

- the issue of fully paid ordinary shares in the Company at 18 cents per share for the Australian dollar equivalent of Euros 3,200,000 with the Australian dollar equivalent of Euros 3,026,734 payable in fully paid ordinary shares to non-founding shareholders of Gamee subject to a contractual escrow period of 12 months and the Australian dollar equivalent of Euros 173,266 payable in fully paid ordinary shares to founding shareholders of Gamee subject to a contractual escrow period of 24 months;
- the issue of fully paid ordinary shares at the higher of 18 cents or the 14-day VWAP per share for the Australian dollar equivalent of Euros 800,000 to non-founding shareholders of Gamee 12 months following the date of execution of the Share Purchase Agreement; and
- the payment in cash or the issue of fully paid ordinary shares in the Company, at the sole discretion of the Company, of up to Euros 1,000,000 on Gamee achieving specific milestone revenue and profit milestones with the payment of cash or the issue of shares payable to founding shareholders and specific non-founding shareholders (Earn-out Entitlements).

If the Company elects to extinguish the Earn-out Entitlements by way of the issue of fully paid ordinary shares, the shares are to be issued at the 14-day VWAP three days immediately prior to the specific date of settlement of the Earn-out Entitlement set out in the Share Purchase Agreement.



*Convertible note issue*

**On 3 July 2020**, the Company inform 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 (collectively, the "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 the interest payable every 6 months. The principal and any unpaid interest on the Convertible Notes are due and payable on 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 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 Animoca Brands 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 Q2 2022).

*nWay acquisition completed*

**On 7 July 2020**, Animoca advise that it has completed the acquisition of 100% of the issued capital in nWay, Inc.

*SANDBOX SAND Sale on Binance*

**On 5 August 2020**, TSB Gaming Ltd launch a US\$3 million sale of SAND tokens on Binance Launchpad, Binance's exclusive token launch platform for transformative blockchain projects. SAND is the main utility token for *The Sandbox*.

The SAND sale will start on Binance Launchpad on 13 August 2020 with 360 million SAND tokens (being 12% of the total supply of SAND) being made available for purchase at a price of US\$0.0083 per token.

*Strategic partnership with RightBridge*

**On 18 August 2020**, RightBridge Ventures AB ("RightBridge Ventures") and Animoca Brands Corporation Limited have initiated a strategic partnership with the acquisition of Gamma Innovations Inc. ("Gamma") by RightBridge Ventures.

RightBridge Ventures will acquire from Animoca Brands Limited the entire issued capital in Gamma Innovations Inc., being 9,000,000 ordinary shares, for a consideration of US\$1 million, payable in fully paid shares of RightBridge Ventures.

Animoca will become a strategic shareholder of RightBridge Ventures with a fully diluted ownership stake of approximately 5%.

The transaction is due to be closed within 31 August 2020.

If RightBridge Ventures does not list on a public exchange by the end of Q1 2021, Animoca Brands has the right to terminate the deal and take back ownership of the shares in Gamma. The RightBridge Ventures shares that Animoca Brands is receiving as consideration for the sale of Gamma are subject to a lockup ending six months after RightBridge Ventures' public listing.

On 7 October 2020, the transaction was terminated.

RightBridge Ventures had not issued the shares as consideration despite the earlier announcement stating that the completion would be 31 August 2020.

*SANDBOX SAND Tokens on Binance platform*

**On 21 August 2020**, the Company announced that Binance platform was utilized to establish allocation of the 360 million SAND tokens to interested buyers. SAND began trading on Binance on 14 August 2020 at and over the first 24 hours, Binance users traded over US\$140 million worth of SAND tokens. At that time, the SAND price ranged between US\$0.05 and 0.07, which represented an increase of approximately +600% from the opening sale price of US\$0.008333.

*OliveX IPO*

**On 24 August 2020**, OliveX listed on the NSX with the Animoca consolidated entity holding 33% of the shares on issue. OliveX will need to be de-consolidated and accounted for under. Further, there was a change to the terms and conditions of the convertible note issue prior to the listing of OliveX which suggests the convertible note took on the structure of an equity instrument. As a consequence, the accounting for the convertible previously as a financial liability may require a reversal of entries.

*REVV Token launch*

**On 2 September 2020**, the Company advised that it launched its REVV token on Uniswap, the automated liquidity protocol for exchanging ERC-20 tokens on the Ethereum blockchain. REVV is the main utility token and in-game currency of the branded motorsports games produced by Animoca Brands, including *F1® Delta Time*, an upcoming title based on MotoGP™ intellectual property, and a third title to be announced soon (collectively, the “Motorsport Games”).

REVV tokens will be paired with ether (ETH) on the Uniswap platform.

REVV is the ERC-20 utility token that serves as the primary currency in certain blockchain games developed and published by Animoca Brands. These games include *F1® Delta Time* (aspects of which are currently available in beta stage), an upcoming blockchain game based on MotoGP (initial features releasing in Q4 2020), and a third blockchain game based on a global racing franchise that will be announced soon.

REVV is a fungible token (a type of cryptographic token that is non-unique and mutually interchangeable with others of its kind), the game content within the Motorsport Games is primarily provided in the form of non-fungible tokens (NFTs), which are a special type of cryptographic token representing pieces of digital content that are unique. For example, in *F1® Delta Time* most critical game content is comprised of NFTs, including Cars, Drivers, and even Tracks.

#### *SANDBOX and Binance*

**On 8 September 2020**, TSB Gaming Ltd announce the expansion of the collaboration between its subsidiary decentralized gaming platform The Sandbox and blockchain ecosystem Binance. Binance will acquire 4,012 LAND non-fungible tokens (NFTs) in The Sandbox ahead of the gaming metaverse's fourth LAND presale, scheduled for September 15, 2020.

The Sandbox recently completed a US\$3M Token Raise on Binance Launchpad, the exclusive token launch platform for transformative blockchain projects.

Binance will use its LANDS to engage with its community through social gaming experiences within *The Sandbox* virtual worlds; organizing future NFT creation contests, supported by VoxEdit and *The Sandbox* NFT marketplace.

#### *Acquisition of NinjaStickers*

**On 23 September 2020**, the Company announced it had acquired the business and trade name of NinjaStickers™ from SingularCK Limited.

#### *Sale of shares in iCandy*

**On 25 September 2020**, Animoca consolidated entity sold 11,150,000 shares in iCandy.

#### *F1® Delta Time*

**On 23 November 2020**, the Company and *F1® Delta Time* announce that the 2020 Content Pre-Sale will start 30 November 2020, offering players the only opportunity to obtain new 2020 content for the official Formula 1® blockchain game at a potential discount of up to 50% off.

All transactions in the 2020 Content Pre-Sale will be conducted in REVV, the ERC-20 utility token that serves as currency in branded motorsports games produced by Animoca Brands. In order to participate in the Pre-Sale, players must deposit REVV by 3 December 2020.

There are two periods in the Pre-Sale: the Deposit Period (30 November to 3 December 2020) and the Purchase Period (4 to 11 December 2020). During the Deposit Period, players are

required to deposit any REVV they intend to spend during the Purchase Period. Any unspent REVV will be returned to players after the end of the Pre-Sale.

The discount applied to the 2020 Content Pre-Sale is based on community participation. The total amount of REVV deposited by all players during the Deposit Period will determine the extent of the discount to be applied: 10%, 25%, or 50% off.

On 27 November 2020, the Company and F1® Delta Time announced the upcoming auctions for the game's first racetrack segment and the latest ultra-rare digital collectible race car. The auction for the Apex segment 1A of the world-famous Formula 1 Grand Prix de Monaco track starts on 29 November 2020; the segment is an NFT representing fractional ownership of the track inside the blockchain game *F1® Delta Time*. Additionally, the "Bahrain Edition 2020" Apex car NFT auction starts on 1 December 2020.

On 2 December 2020 the Animoca consolidated entity announced that *F1® Delta Time*'s first Apex race event segment "Formula 1 Grand Prix de Monaco 2020 1A" has sold at auction for the record-setting price of approximately US\$223,000. The event segment is a non-fungible token (NFT) representing a fractional ownership of 5% in the Formula 1 Grand Prix de Monaco event inside the blockchain game *F1® Delta Time*. Separately, the auction for *F1® Delta Time*'s "Bahrain Edition 2020" Apex car NFT is currently in progress.

The winning bid for the "Formula 1 Grand Prix de Monaco 2020 1A" event segment was 9,081,752 REVV, equivalent to 375.56 ether or approximately US\$223,000 at the time of sale. This is the highest price ever paid for a game based NFT, branded game NFT, and, potentially, any NFT. The sale significantly exceeds the sum paid for the very first official Formula 1 NFT, the 1-1-1 Apex car, which was bought in May 2019 for the equivalent of approximately US\$111,111, making the car the most expensive NFT sold in 2019.

*F1® Delta Time* consists of multiple segments, each of which is an NFT. These segments are distributed in four tiers of descending rarity: Apex, Legendary, Epic, and Rare (Apex being the rarest and most valuable). The Formula 1 Grand Prix de Monaco event consists of a total of 330 segments, five of which are Apex. Each Apex segment of the Formula 1 Grand Prix de Monaco event represents a 5% share of ownership in the entire in-game event. Ownership of *F1® Delta Time* event segments entitle owners to passively earn a share of all REVV entry fees collected for all races held on that event in-game, and to a yield based on the REVV staked during Elite Events, held periodically inside the game.

The first Apex segment of Formula 1 Grand Prix de Monaco event auction began on OpenSea on 29 November and ended on 2 December 2020, with bidding exclusively in REVV, which is the ERC-20 utility token that serves as currency in branded motorsports games produced by Animoca Brands.

*F1® Delta Time* player Metakovan, who in 2019 bought the 1-1-1 NFT for the equivalent of US\$111,111 (for details, refer here), won the final bid for the 1A event segment after an intense competition against the SuperFast racing team of politician and championship poker player Tony G (Antanas Guoga).

#### *Quidd acquisition completed*

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

*F1® Delta Time*

On 4 December 2020, the Animoca consolidated entity announced that *F1® Delta Time's* Apex digital car "Bahrain Edition 2020" had sold at auction for approximately US\$77,414. The item is a unique non-fungible token (NFT) in the highest rarity and power tier for the blockchain game *F1® Delta Time*.

Politician and championship poker player Tony G (Antanas Guoga) acquired the "Bahrain Edition 2020" car NFT for his SuperFast racing esports team with a final bid of 2,650,000 REVV, equivalent to 138.72 ether or approximately US\$77,414 at the time of sale.

The auction for the ultra-rare "Bahrain Edition 2020" Apex car NFT began on 1 December 2020 and ended on 4 December 2020. Bidding was conducted in REVV, Animoca Brands' token for blockchain motorsports.

The "Bahrain Edition 2020" auction ended just two days after Animoca Brands sold the first Apex segment of the Formula 1 Grand Prix de Monaco 2020 track at auction for approximately US\$223,000, which was the highest price ever paid for a game-based NFT, branded game NFT, and, potentially, any NFT (refer to announcement of 2 December 2020).

On 8 December 2020, Animoca announced that *F1® Delta Time's* 2020 Content Pre-Sale on 4 December 2020 sold out within 5 hours, during which participants spent 44,480,000 REVV, equivalent to about US\$1.3 million. The 2020 Content Pre-Sale, which offered players new 2020 content for the official Formula 1® blockchain game at a 50% discount, was the highest-grossing non-fungible token (NFT) sale event of 2020, to the best of the Company's knowledge.

The pre-sale concluded a remarkable week of NFT-related sales for *F1® Delta Time*, which also auctioned the first Formula 1 Grand Prix de Monaco track segment, breaking all previous NFT price records, and the "Bahrain Edition 2020" Apex race car. Altogether, *F1® Delta Time* sold a total of 56,211,752 REVV (about US\$1.6 million) in NFT goods in the first week of December 2020.

All transactions in the 2020 Content Pre-Sale were conducted in REVV, the ERC-20 utility token that serves as currency in branded motorsports games produced by Animoca Brands. The 50% discount applied to the 2020 Content Pre-Sale was based on community participation: a total of 74,853,255 REVV was pre-deposited by all players to secure the discount. The amount that was actually spent in the pre-sale was 44,480,000 REVV (~US\$1.3 million). Users who deposited REVV for the pre-sale can claim back any unspent REVV starting on 11 December 2020.

#### *Acquisition of Latgala*

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 US\$1.38 million.

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 2019, 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 2019 to inspire thousands of users to build healthy habits.

As a result of the acquisition, Animoca Brands will obtain 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 capitalization 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.

Upon acquiring Lympo, Animoca Brands proposed to support LYM within its existing token ecosystems including the REVV Token, the utility token for blockchain motorsports that powers *F1® Delta Time* and the upcoming games based on MotoGP™ and Formula E. Animoca Brands will also leverage Lympo's existing partnerships, customers, and token holders to grow engagement for sports-related NFT collectibles. Among various other post-acquisition initiatives, Animoca Brands and Lympo will work on the production of a gamified "hero" collectible system that will tokenise accomplished athletes; the collectibles will be obtainable and upgradeable using LYM.

If Lympo achieves certain revenue milestones during the one-year period following the closing date of the Acquisition, Animoca Brands will pay the Sellers up to US\$1.5 million earnout payments, payable in cash or shares of Animoca Brands, at the Company's sole discretion. If Animoca Brands elects to make the earnout payments by shares, the shares of the Company will be based on a price per share of the higher of A\$0.25 or the 14-day volume weighted average price of shares of Animoca Brands as of the date when the calculation period for the revenue milestones ends.

#### *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 5 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 randomized 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 on 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 time of writing.

On 14 April 2021, *F1® Delta Time* 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\$3.38 million at the time.

#### *LYMPO and PancakeSwap*

**On 28 April 2021**, Lympo, a subsidiary of Animoca Brand incorporated in Estonia, advise that PancakeSwap, a Binance Smart Chain-based decentralized 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 token 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, which was just launched yesterday. 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 has 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 utilized 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 the drawdown of US\$3 million (approximately A\$3.9 million) with a zero coupon rate if the convertible holder notes 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*

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 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 2019, Helix provided financial, intellectual, and network support to founders and their companies, and guided them as they built a new class of decentralized 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 2019, including The Sandbox, Tune.fm, Hashing Systems, Otrafy, and Ooniq.

*Sanrio acquisition*

Animoca Brands Limited entered into an agreement to acquire 100% of the issued capital in Sanrio Digital (HK) Limited ("Sanrio Digital") for an upfront consideration of HK\$49,428,000 (approximately A\$8.3 million) payable in fully paid ordinary shares of Animoca Brands priced at A\$0.35 each. The acquisition of Sanrio Digital includes the rights to use Sanrio intellectual property, including world-famous brands such as Hello Kitty®.

Sanrio Digital was created to develop Sanrio® intellectual property assets into various digital and online media, leveraging an extensive library of original material that includes world-famous brands such as Hello Kitty®, Badtz-Maru™, Chococat™, My Melody™, Keroppi™, and others. The assets of Sanrio Digital include approximately 40 officially licensed digital products on various platforms including consoles, smartphones, PC, and Web including Sanriotown.com; the license and game assets related to the online multiplayer world Hello Kitty® Online; the



animated TV series The Adventures of Hello Kitty & Friends; and various other titles including Hello Kitty: Roller Rescue, Hello Kitty: Birthday Adventures, the Nintendo Wii exclusive title Hello Kitty Seasons, and several others. Sanrio Digital has generated lifetime revenues of approximately US\$14.8 million.

*Partnership with Cudos*

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

The Cudos Network is a layer-one blockchain and layer-two computation and oracle network that ensures decentralized, permissionless access to high-performance computing at scale and enables 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, decentralized 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 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 enhanced game development capabilities to 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 solution 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 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** 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 with 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** 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 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](https://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 (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 Preference Shareholders provides the investors with rights of first and second refusal, a co-sale arrangement and voting agreement which 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, zVentures (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 easily integrate blockchain technologies into their games, 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 serialized 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, Sancto Capital, OneFootball, and other angel investors.

*Animoca contribution to AMASA capital raising*

**On 21 November 2021**, the Company lead a US\$1.5 million raising for AMASA to enable the latter to further develop 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 holds 26% announced on **22 November 2021** that it has 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). The Company contributed sufficient to holds its existing equity position.

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 \$1B 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 fundraise 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 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, decentralized 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 a strengthening of the growing relationship between Brinc and the Company, who 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 tokenization, 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 the awarded of 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 3 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 does not believe Sanrio will generate sufficient 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 has completed a capital raise of US\$358,888,888 (approximately A\$500.3 million) at a pre-money valuation of over US\$5 billion.

The funding round was led by Liberty City Ventures, 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 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 operate as a dedicated track within Launchpad Luna, the accelerator launched in mid-2021 as a partnership between Brinc and Animoca Brands. Online applications are open at [brinc.io/guild](https://brinc.io/guild) until 27 February 2022, and the first cohort is scheduled to start in May 2022.

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.

*New jointure 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 decentralized gaming virtual world and a subsidiary of the Company.

*Acquisition of Darewise Entertainment SAS*

**On 23 March 2022**, the Company completed the acquisition of 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 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. By doing this, whilst decentralising gaming assets and providing players full digital ownership.

*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. The Company announced on 19 April 2022 that it will acquire Australian digital marketing agency Be Media to focus on key opportunities in Australia centred around blockchain development. Be Media 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.

*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 which empowers families, teachers and students to learn from each other by creating their own personalized 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 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 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 game*

**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 Game. The shares were issued at \$4.50 per fully paid ordinary share.

*Conversion of convertible notes into ordinary shares, 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.

*Summary table of equity issues*

The following Table sets out the number of shares issued, and the equity raised since 31 December 2019 up to 13 July 2022:



# DIRECTORS' REPORT

		Number	\$
Balance as at 31 December 2019		944,114,999	73,901,503
Date of issue:			
3 January 2020	a	14,285,715	1,285,714
23 January 2020	b	12,188,995	2,437,799
21 April 2020	c	4,327,431	778,938
23 April 2020	d	23,163,982	2,742,492
8 May 2020	e	63,440,796	10,491,006
10 June 2020	f	28,587,924	5,145,826
18 June 2020	g	5,815,448	946,003
28 July 2020	h	26,016,610	1,678,754
August 2020	i	1,750,000	122,500
September 2020	j	13,934,062	975,384
7 September 2020	k	5,039,453	501,688
7 October 2020	l	12,024,819	854,234
13 November 2020	m	20,807,928	4,145,046
1 December 2020	n	138,890	25,000
15 February 2021	o	49,611,510	7,774,916
28 April 2021	p	17,223,391	2,124,368
28 May 2021	q	42,159,117	14,755,690
15 June 2021	r	110,072,510	115,782,480
7 July 2021	s	21,013,228	6,743,441
27 July 2021	t	52,172,708	57,389,971
19 August 2021	u	2,807,272	1,313,548
6 September 2021	v	15,407,619	5,490,080
26 October 2021	w	45,964,940	80,860,543
4 November 2021	x	18,676,255	24,161,012
17 December 2021	y	299,043	328,947
20 December 2021	z	33,805,937	55,743,832
31 December 2021	aa	61,666,833	83,617,952
4 January 2022	ab	7,713,162	2,559,293
31 January 2022	ac	63,304,964	271,828,014
24 February 2022	ad	8,611,221	37,523,869
14 March 2022	ae	40,498,442	182,242,989
26 April 2022	af	2,629,634	8,072,974
5 May 2022	ag	2,439,686	7,928,345
12 May 2022	ah	2,314,590	10,415,657
11 July 2022	ai	41,150,308	8,825,614
13 July 2022	aj	23,237,058	104,566,756
		894,301,482	1,122,180,676
13 July 2022		1,838,416,481	1,196,082,179

The issue of shares on the above dates relate to:

- a. *Exercise of options*
- b. *Placement of shares to sophisticated and professional investors*
- c. *Shares were issued to strategic investments*
- d. *Shares were issued for strategic investments and investments made by institutional investors*
- e. *Shares were issued for investments made by institutional investors*
- f. *Shares were issued for acquisition of controlled entity and investments made by strategic and institutional investors*
- g. *Shares were issued for exercise of options and investments made by strategic and institutional investors*
- h. *Shares were issued for payment of consultants and investments made by strategic investors*
- i. *Shares were issued for the exercise of options*
- j. *Shares issued for strategic investments, payments of advisors and consultants and investments made by strategic investors*
- k. *Shares were issued for payment of advisors and consultants*
- l. *Shares were issued for payment of consultants and investments made by strategic investors and institutional investors*
- m. *Shares were issued for acquisition of controlled entity and investments made by strategic and institutional investors*
- n. *Shares were issued for the exercise of options*
- o. *Shares were issued for the exercise of options, payments to consultants and vendors and investments made by strategic investors and institutional investors*
- p. *Shares were issued for the exercise of options and payments to vendors*
- q. *Shares were issued for the investment by institutional investors*
- r. *Shares were issued for the exercise of options and investments made by institutional investors*
- s. *Shares were issued for a strategic transaction and investment made by institutional investors*
- t. *Shares were issued for a strategic transaction and investment made by institutional investors*
- u. *Shares were issued for the exercise of options, payments to vendors and a strategic transaction*
- v. *Shares were issued for the payment of vendors and investments made by institutional investors*
- w. *Shares were issued for the conversion of convertible notes, the exercise of options, the payment of vendors and investments made by institutional investors*
- x. *Shares were issued for the exercise of options*
- y. *Shares were issued in lieu of obligations to advisors and consultants*
- z. *Shares were issued for strategic investors and institutional investors*
- aa. *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*
- ab. *Shares were issued to non-executive directors for services (approved by shareholders) and payments to consultants*
- ac. *Shares were issued to strategic and institutional investors*
- ad. *Shares were issued for acquisition of controlled entity and institutional investors*
- ae. *Shares were issued to strategic and institutional investors*
- af. *Shares were issued for acquisition of controlled entity and institutional investors*
- ag. *Shares were issued for exercise of options and issue of shares to sophisticated and professional investors*
- ah. *Shares were issued for the acquisition of TinyTap and Notre Game*
- ai. *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*
- aj. *Shares were issued as part of placement to sophisticated and professional investors*

**Composition of capital raised**

	Shares No	\$
Cash proceeds from issue of shares	427,358,308	714,872,844
Cryptocurrencies received in lieu of cash from issue of shares	30,648,332	22,266,481
Non-cash issue of shares for acquisitions, investments and settlement of amounts due to vendors	436,294,842	385,041,351
	<u>894,301,482</u>	<u>1,122,180,676</u>

**Likely developments and expected results of operations**

Likely developments in the operations of the consolidated entity that were not finalised at the date of this annual report include the acquisition of a number of entities the were announced in 2019 but not completed by the end of the financial year.

As set out in 'Events after balance date.' The Company has raised significant new equity and debt instruments (convertible notes) and has made a number of acquisitions and investments. In addition, the consolidated entity 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\$143 million as 30% of the equity interest was awarded to the founders for zero consideration.

Since the end of the financial year the consolidated entity has raised \$602.4 million in cash proceeds from new equity issues to sophisticated and professional investors, \$22.3 million in cryptocurrencies from new equity issues, and issued convertible notes \$12.4 million and US\$93 million through *The SANDBOX* group.

**Information on directors**

<b>Yat Siu</b>	Executive Chairman (appointed 27 September 2018)
Qualifications	
Experience	<p>Mr Siu is founder and Chief Executive Officer of Outblaze Limited, a digital media company specializing 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.</p> <p>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 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.</p>
Interest in shares and options	<p>62,573,561 fully paid ordinary shares and 3,000,000 options over ordinary shares</p> <p>(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</p>

	Digital Corporation which resulted in entities related to Mr Siu received 7,585,197 fully paid ordinary shares as consideration for the acquisition.)
Directorships held in other listed entities in last 3 years	None
<b>David Brickler</b>	Director (Non-executive) (appointed 24 December 2014)
Qualifications	BA (Princeton), EMBA (Kellogg-HKUST)
Experience	<p>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.</p> <p>Before entering the not-for-profit sector, Mr Brickler was held several executive technology-based roles throughout the Asia-Pacific region including CIO for Mizuho Securities Asia Ltd, Executive Director for Ernst &amp; 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.</p> <p>Mr Brickler is fluent in Chinese and Japanese.</p>
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 2018 to 31 December 2019.)
Directorships held in other listed entities in last 3 years	None
<b>Holly Liu</b>	Director (Non-executive) (appointed 26 June 2018 and resigned 30 September 2020)
Qualifications	BA (ULCA) MMIS (ULCA)
Experience	<p>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.</p> <p>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.</p>
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 2018 to 30 September 2020.)

Directorships held in other listed entities in last 3 years	None
<b>Christopher Whiteman</b>	Director (Non-executive)
Qualifications	BEC (Adelaide) Grad Dip Finance and Investment (FINSIA)
Experience	<p>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.</p> <p>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.</p> <p>Mr Whiteman has specific expertise in equity markets and deal structuring, investor and public relations and strategic planning in both the public and private entities in Australia, China, and the United Kingdom.</p>
Interest in shares and options	<p>None</p> <p>(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 2018 to 31 December 2019.)</p>
Directorships held in other listed entities in last 3 years	None

### Meetings of directors

During the financial year, the board of directors held 8 meetings (including committee meetings of directors) with the remainder of 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	8	8	3	3	-	-
David Brickler	8	5	3	2	-	-
Holly Liu	8	7	-	-	-	-
Chris Whiteman	8	7	3	3	-	-

### Audit services

Grant Thornton Audit Pty Ltd has been 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 an 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 auditor for the Company, has not provided any non-audit services during the financial year. The Auditor's Independence Declaration for the financial year ended 31 December 2019 is set out on au 45 as required by s.307C of the Corporations Act 2001 (*Commonwealth*).

### **Indemnifying officers or auditor**

No indemnity has been paid to auditors of the consolidated 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:**

<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise Price</b>	<b>Option Number</b>
7 Dec 2018	7 Sep 2020	\$0.070	33,823,543
4 April 2018	4 April 2023	\$0.080	339,402
4 April 2019	4 April 2024	\$0.172	475,489
4 April 2020	4 April 2025	\$0.238	1,049,562
4 April 2021	4 April 2026	\$2.223	113,147
			<u>34,162,945</u>

#### **Performance rights outstanding:**

<b>Award date</b>	<b>Expiry date</b>	<b>Exercise Price</b>	<b>Option Number</b>
21 December 2021	Various	-	89,364,270
24 December 2021	Various	-	42,471,504
			<u>131,835,774</u>

No person entitled to exercise an option over ordinary shares has or has any rights by virtue of the option over ordinary shares to participate in any share issue of any other body corporate. 5,000,000 unlisted options over ordinary shares were issued to brokers of the consolidated entity in relation to a capital raising in January 2018. These options over ordinary shares were accounted for in accordance with AASB 2 Share-based Payment which resulted in \$122,207 being recorded as equity raising costs.

27,323,543 unlisted options over ordinary shares were issued in December 2018 pursuant to a Share Placement in July 2018. The options over ordinary shares were issued on a 1:2 basis as attaching loyalty options with the condition for issuance being the holding of Share Placement shares for no less than 90 days from the date of issue of the Placement Shares.

6,500,000 options over ordinary shares issued as loyalty options have been exercised since the date of issue pursuant to the Share Placement loyalty option entitlement.

The Company issued 8,195,596, 2,976,755, 2,275,377 and 113,147 options over ordinary shares to employees on 4 April 2018, 4 April 2019, 4 April 2020 and 4 April 2021, respectively. As at the date of this report, 10,916,642 options over ordinary shares have been exercised and 1,466,633 options over ordinary shares have been cancelled following as a result of employees granted options resigning without exercising the options.

The fair value of the options over ordinary shares is amortised to the Statement of Comprehensive Income over five years in accordance with AASB 2 Share-based payments.

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.327 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.

The proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under s. 237 of the Corporations Act 2001 (Commonwealth).

#### **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 report (audited)**

#### *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 which takes into account such factors as length of service and experience and share based incentive 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 REPORT

### Remuneration details for the financial years ended 31 December 2019 and 2018

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 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	-
For Financial Year Ended 31 December 2018										
Yat Siu	-	-	-	-	-	-	-	-	-	-
Maxime Barbot	47,144	-	-	-	1,286	-	-	-	48,430	-
David Brickler	13,575	-	-	-	1,425	-	-	-	15,000	-
Nigel Finch	25,000	-	-	-	-	-	45,100	-	70,100	-
David Kim	-	-	-	-	-	-	-	-	-	-
Holly Liu	25,694	-	-	-	-	-	-	-	25,694	-
Chris Whiteman	25,833	-	-	-	-	-	-	-	25,833	-
Robby Yung	123,431	-	-	-	-	-	-	-	123,431	-
Arnold Concepcion	61,715	-	-	-	1,029	-	-	-	62,744	-
Julian Rockett	-	-	-	1,935	-	-	-	-	1,935	-
Alyn Tai	-	-	-	58,065	-	-	-	-	58,065	-
	322,392	-	-	60,000	3,740	-	45,100	-	431,232	-

*Notes to KMP Remuneration Table:*

2019

*Mr Siu waived his entitlement to Director's Fees in 2019*

*Mr R Yung was issued fully paid ordinary shares in lieu of cash-based consulting services.*

2018

*Mr Siu waived his entitlement to Director's Fees in 2018.*

*Mr Barbot resigned as Finance Director on 31 May 2018.*

*Dr Finch was appointed a director of the Company on 28 December 2016 and resigned as a director of the Company on 25 June 2018. Directors fees due to Dr Finch were paid to Saki Partners (Services) Pty Ltd, an entity controlled by Dr Finch. Dr Finch was entitled to \$50,000 in Director's Fees each year. In addition, Saki Partners (Services) Pty Ltd and Animoca Brands Limited entered into a Consulting Services Agreement on 25 September 2017. The fees payable under the Consulting Services Agreement was extinguished through the issue by Animoca Brands Corporation Limited of fully paid ordinary shares.*

*Ms Tai resigned as Company Secretary of Animoca Brands Corporation Limited on 19 December 2018 and Mr Julian Rockett was appointed Company Secretary on 19 December 2018. Both Ms Tai and Mr Rockett are fulltime employees of Boardroom Pty Ltd.*

### **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 on 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. Incentive Option Scheme***

On 29 May 2017, shareholders of the Company approved a Long-Term Incentive Plan to provide incentives to eligible employees of the consolidated entity, including management and directors of the Company. The purpose of the LTIP is to retain and motivate key employees and management within the consolidated entity.

Under the LTIP, the board of directors have 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.

On 22 August 2020, the Company issued 5,617,600 fully paid ordinary shares at 11.11 cents per share to employees of Animoca Brands Limited, a wholly owned controlled entity of the Company and incorporated Hong Kong.

The value of the fully paid ordinary shares was \$624,115.

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

**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
<b>2019</b>						
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	-	-	-	-	-	-
	<b>3,200,000</b>	-	-	-	<b>3,200,000</b>	-
<b>2018</b>						
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	-	-	-	-	-	-
	<b>3,200,000</b>	-	-	-	<b>3,200,000</b>	-

**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
<b>2019</b>						
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	-	-	-	-	-	-
	<b>63,262,561</b>	<b>10,391,388</b>	-	-	<b>1,500,000</b>	<b>75,153,949</b>
<b>2018</b>						
Yat Siu	43,368,436	-	-	19,205,125	-	62,573,561
Maxime Barbot	-	-	-	-	-	-
David Brickler	108,000	-	-	-	-	108,000
Nigel Finch	-	-	-	-	-	-
David Kim	785,000	-	-	-	(785,000)	-
Holly Liu	-	-	-	400,000	-	400,000
Chris Whiteman	-	-	-	-	-	-
Robby Yung	181,000	-	-	-	-	181,000
Arnold Concepcion	-	-	-	-	-	-
Julian Rockett	-	-	-	-	-	-
John Madden	-	-	-	-	-	-
	<b>44,442,436</b>	-	-	<b>19,605,125</b>	<b>785,000</b>	<b>63,262,561</b>

**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 2019, 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 2019 (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 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 10,167,543 fully paid ordinary shares 3.4 cents per share for services rendered over a 23-month period from 6 September 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 2019 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 2018. As at the date of this annual report these shares have not been issued to Ms Liu and Mr Whiteman.*

**Loans to/from Key Management Personnel**

There were no loans made to KMP of Animoca Brands Corporation Limited as at 31 December 2019 (2018: nil). At balance date 31 December 2018 and 31 December 2019, the following amounts were due to KMP \$262,233 (2018: \$312,540).

## REMUNERATION REPORT

	31 December	
	2019	2018
	\$	\$
Yat Siu	29,587	15,588
David Brickler	22,500	7,500
Holly Liu	75,694	25,694
Chris Whiteman	75,833	25,833
Robby Yung	30,804	220,010
Arnold Concepcion	-	-
Julian Rockett	23,815	17,915
John Madden	4,000	-
	<b>262,233</b>	<b>312,540</b>

*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*

### 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 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.

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

## REMUNERATION REPORT

	31 December	
	2019	2018
	\$	\$
<i>Service fees</i>		
Outblaze Limited	289,710	237,787
<i>Marketing and commissions</i>		
Outblaze Venture Holdings Limited	2,320,508	2,274,089
	<u>2,610,218</u>	<u>2,511,876</u>
 <i>Receivables and (payables)</i>		
Outblaze Limited	(9,712)	23,438
Outblaze Ventures Holdings Ltd	(1,274,473)	(1,814)
	<u>1,284,185</u>	<u>25,252</u>

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 AB1 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 2018; however, documentation setting out his resignation as a director was not lodged with authorities in Hong Kong until 2019.

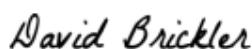
Mr Arnaldo Concepcion is a subscriber to the TSB Gaming Ltd Token Purchases & SAFE Agreement with a US\$15,000 contribution and a subscriber to the OliveX (HK) Limited SAFE Agreement with a US\$20,000 contribution.

Mr Christopher Whiteman is a subscriber to the Zeroth Fano Ventures Limited SAFE Agreement with a US\$25,000 through his superannuation fund.

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



Yat Siu  
Executive Chairman



DL Brickler  
Non-executive director



CPW Whiteman  
non-executive director

14 July 2022



DFK Collins Pty Ltd  
Principal: Simon Bragg FCA

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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 2019, 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.

A handwritten signature in blue ink that reads 'DFK Collins'.

DFK Collins  
Chartered Accountants

A handwritten signature in blue ink that reads 'Simon Bragg'.

Simon Bragg  
Principal  
Registered Company Auditor, Registration Number: 291536

Melbourne  
14 July 2022

# Animoca Brands Corporation Limited and its controlled entities

## consolidated income statement

	Note	31 December 2019 \$	2018 \$
<b>Net revenue</b>			
Revenue from operating activities	7	16,150,893	12,769,667
Direct costs of revenue from operating activities		<u>(9,051,467)</u>	<u>(4,018,922)</u>
		7,099,426	8,750,745
<b>Other income</b>	8	<u>716,416</u>	<u>3,015,802</u>
<b>Costs</b>			
Employee benefits	9	(9,988,354)	(4,550,475)
Marketing		(4,263,328)	(3,504,703)
Research and development		(2,086,936)	(2,587,232)
Consultants		(6,136,585)	(879,492)
Impairment of goodwill on acquisition		(9,426,223)	-
Amortisation of intellectual property		(2,299,601)	(309,169)
Impairment of digital assets		(527,044)	(1,391,169)
Fair value of financial assets recognised through profit and loss		(116,314)	747,752
Exchange fluctuation		(802,979)	(153,095)
Share-based payments		(177,768)	-
Doubtful debts		(1,042,206)	(279,940)
Depreciation		(483,019)	(47,809)
Interest expense		(799,905)	-
Other expenses	10	<u>(2,572,842)</u>	<u>(1,920,352)</u>
		(40,723,104)	(14,875,684)
<b>Loss before income tax</b>		(32,907,262)	(3,109,137)
<b>Income tax expense</b>	11	<u>(284,488)</u>	-
<b>Loss after tax</b>		<u>(33,191,750)</u>	<u>(3,109,137)</u>
<b>Loss attributable to</b>			
Owners of Animoca Brands Corporation Limited		(32,101,546)	(3,274,825)
Non-controlling interests		<u>(1,090,204)</u>	<u>165,688</u>
		(33,191,750)	(3,109,137)
<b>Earnings (loss) per share (cents)</b>			
Basic	12	(3.998)	(0.600)
Diluted	12	(3.998)	(0.600)

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



**Animoca Brands Corporation Limited and its controlled entities**  
**consolidated statement of comprehensive income**

---

	Note	31 December 2019 \$	2018 \$
<b>Other comprehensive income (expense)</b>			
Exchange fluctuation on translation of foreign currency financial statements		(508,090)	650,166
Change in accounting policy		9,029	-
Fair value of financial assets recognised in comprehensive income		(555,616)	(475,011)
Other movements		147,424	-
<b>Total comprehensive loss for the year</b>		(907,253)	175,155
<b>Total comprehensive loss attributable to</b>			
Owners of Animoca Brands Corporation Limited		(990,786)	9,467
Non-controlling interests		83,533	165,688
		(907,253)	175,155

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

**Animoca Brands Corporation Limited and its controlled entities**  
**consolidated statement of financial position**

	Note	31 December 2019 \$	2018 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	8,817,733	7,662,353
Trade and other receivable	15	1,675,092	4,086,216
Inventories	16	25,095	-
Other financial assets	17	2,150,219	1,020,119
Other current assets	18	1,104,025	775,637
<b>Total current assets</b>		<u>13,772,164</u>	<u>13,544,325</u>
<b>Non-current assets</b>			
Other financial assets	17	13,721,305	3,348,714
Loans to other entities	19	2,197,012	-
Investment in associate entity	20	1,184,659	-
Plant and equipment	21	809,518	207,871
Intellectual property	22	5,264,015	5,014,202
Deferred expenditure	23	1,365,632	-
Intangible assets (digital assets)	24	1,528,589	647,827
Goodwill	25	-	5,292,411
<b>Total non-current assets</b>		<u>26,070,730</u>	<u>14,511,025</u>
<b>Total assets</b>		<u>39,842,894</u>	<u>28,055,350</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	26	10,903,639	6,344,552
Deferred revenue	27	6,946,881	1,087,115
Loans from related entities	28/33	1,970,280	-
Provisions	29	318,848	176,622
Other financial liabilities	30	1,639,358	353,444
Borrowings	31/33	6,187,473	-
Lease obligations	32/33	398,838	-
Milestone obligations due to vendors		-	1,933,296
<b>Total current liabilities</b>		<u>28,365,317</u>	<u>9,895,029</u>
<b>Non-current liabilities</b>			
Other financial liabilities	30	46,585	-
Borrowings	31/33	683,403	200,580
Lease obligations	32/33	210,250	-
<b>Total non-current liabilities</b>		<u>940,238</u>	<u>200,580</u>
<b>Total liabilities</b>		<u>29,305,555</u>	<u>10,095,609</u>
<b>Net assets</b>		<u>10,537,339</u>	<u>17,959,741</u>
<b>Equity</b>			
Paid-up capital	34	73,901,503	45,813,735
Other contributed capital	35	4,222,379	5,811,314
Reserves	36	(904,595)	(82,548)
Accumulated losses	37	(65,642,734)	(33,550,217)
		11,576,553	17,992,284
Non-controlling interests	38	(1,039,214)	(32,543)
<b>Total equity</b>		<u>10,537,339</u>	<u>17,959,741</u>

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

**Animoca Brands Corporation Limited and its controlled entities**  
**consolidated statement of changes in equity**

	Paid-up Capital	Other Contributed Capital	Financial assets	Reserves Share-based Payments	Translation	Accumulated Losses	Total Group Equity	Non- Controlling Interests	Total Equity
	Note 34	Note 35	Note 36	Note 36	Note 36	Note 37		Note 38	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at 1 January 2019</b>	45,813,735	5,811,314	(475,011)	122,207	270,256	(33,550,217)	17,992,284	(32,543)	17,959,741
<b>Comprehensive income</b>									
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)
<b>Transactions with owners in their capacity as owners</b>									
<i>Share issues</i>									
Share issues for cash	17,578,558	-	-	-	-	-	17,578,558	-	17,578,558
Share-based payments	10,781,247	-	-	177,768	-	-	10,959,015	-	10,959,015
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
<b>Balance as at 31 December 2019</b>	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

**Animoca Brands Corporation Limited and its controlled entities**  
**consolidated statement of changes in equity**

	Paid-up Capital Note 34 \$	Other Contributed Capital Note 35 \$	Financial assets Note 36 \$	Reserves Share-based Payments Note 36 \$	Translation Note 36 \$	Accumulated Losses Note 37 \$	Total Group Equity \$	Non- Controlling Interests Note 38 \$	Total Equity \$
<b>Balance as at 1 January 2018</b>	31,121,237	-	-	-	(379,910)	(30,275,392)	465,935	-	465,935
<b>Comprehensive income</b>									
Loss for year after tax	-	-	-	-	-	(3,274,825)	(3,274,825)	165,688	(3,109,137)
Other comprehensive income/(loss)	-	-	(475,011)	-	650,166	-	175,155	-	175,155
<b>Total comprehensive income (loss) for the year</b>	-	-	(475,011)	-	650,166	(3,274,825)	(3,099,670)	165,688	(2,933,982)
<b>Transactions with owners in their capacity as owners</b>									
<i>Share issues</i>									
Share issues for cash	10,944,947	-	-	-	-	-	10,944,947	-	10,944,947
Share placement and shares to be issued	-	5,811,314	-	-	-	-	5,811,314	-	5,811,314
Share-based payments	-	-	-	-	-	-	-	-	-
Shares issues pursuant to acquisition of controlled entities	4,271,852	-	-	-	-	-	4,271,852	-	4,271,852
Transaction costs	(524,301)	-	-	122,207	-	-	(402,094)	-	(402,094)
Non-controlling interest recognised on acquisition	-	-	-	-	-	-	-	(198,231)	(198,231)
<b>Total transactions with owners</b>	14,692,498	5,811,314	-	122,207	-	-	20,626,019	(198,231)	20,427,788
<b>Balance as at 31 December 2018</b>	45,813,735	5,811,314	(475,011)	122,207	270,256	(33,550,217)	17,992,284	(32,543)	17,959,741

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

**Animoca Brands Corporation Limited and its controlled entities**  
**consolidated statement of cash flows**

	Note	31 December 2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		23,401,801	13,557,650
Payments to employees and suppliers		(30,748,483)	(16,905,465)
Interest received		28,210	7,415
Taxation paid		(284,488)	-
Other cash receipts		716,416	-
<b>Net cash flows from (used in) operating activities</b>	<b>39</b>	<u>(6,886,544)</u>	<u>(3,340,400)</u>
<b>Cash flows from investing activities</b>			
Proceeds from the sale of application games		-	625,000
Payments for the acquisition of controlled entities, net of cash acquired		-	(715,331)
Plant and equipment acquired		(120,845)	(52,185)
Digital assets		(1,379,441)	-
Capitalised expenditure		(1,365,632)	-
Loans to other entities		(2,197,011)	-
Investment in associate entity		(1,184,659)	-
Payments for other financial assets		(9,419,270)	(3,951,948)
<b>Net cash flows from (used in) investing activities</b>		<u>(15,666,858)</u>	<u>(4,094,464)</u>
<b>Cash flows from financing activities</b>			
Proceeds from share issues		15,989,623	14,704,201
Equity raising costs		(584,574)	(412,059)
Drawdown of interest-bearing borrowings		1,456,703	-
Drawdown of non-interest bearing borrowing from related entity Zeroth SPC		1,970,280	-
Repayment of borrowings		(749,333)	-
Borrowings assumed on acquisition		1,143,797	-
Issue of convertible notes		513,828	-
Proceeds from the issue of SAFE		5,170,231	270,658
Lease payments		(398,794)	-
<b>Net cash flows from financing activities</b>		<u>24,511,761</u>	<u>14,562,800</u>
<b>Net increase (decrease) in cash flows</b>		1,958,359	7,127,936
Exchange fluctuation		(802,979)	(153,095)
Cash at the beginning of the year		7,662,353	687,512
<b>Cash at the end of the year</b>	<b>14</b>	<u>8,817,733</u>	<u>7,662,353</u>

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

# Animoca Brands Corporation Limited and its controlled entities

## Notes to the consolidated financial statements

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### Note 1 Corporate information

These are the consolidated financial statements and notes of Animoca Brands Corporation Limited and controlled entities ("consolidated entity" or "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 not been 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 transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as 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 14 July 2022 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 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 \$32,101,546 (2018: \$3,274,825) and a net cash out-flow from operating activities of \$6,886,544 (2018: \$3,340,400).

As at 31 December 2019, the consolidated entity had negative working capital of \$13,044,723 (2018: positive working capital of \$4,297,127). The negative working capital at balance date 31 December 2019 includes \$4,918,158 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 unearned revenue of \$6,946,881.

The consolidated entity has raised in excess of A\$602.4 million in cash from new equity issues, \$22.3 million in cryptocurrencies from new equity issues since balance date 31 December 2019 as well as \$12.4 million in convertible notes. (\$93 million has also been raised by The *SANDBOX* group from preference share issues.)

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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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 the meeting of specific commitments. In addition, given the consolidated entity's history of raising funds to date, the directors are confident of the consolidated entity's ability to raise additional funds as and when they are required.

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 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

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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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 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 reducing expenditure in line with available funding.

Non-controlling interest in the and 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 are 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 game and software is recognised as an expense as 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;



## Animoca Brands Corporation Limited and its controlled entities

### Notes to the consolidated financial statements

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- (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 as the consolidated entity has capitalised development expenditures directly associated with *The Sandbox* through a special purpose vehicle incorporated to hold the intellectual property.

#### *ii. Digital assets*

The consolidated entity accounts for its digital assets, which comprise cryptocurrencies such as Bitcoin and Ethereum, as indefinite-lived 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 state that intangible asset is 'an identifiable non-monetary asset without physical substance'.

The consolidated entity has ownership of and control over its cryptocurrencies and uses its 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 an analysis at each balance date to identify whether events or changes in circumstances, principally decreases 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 acquisition of asset and in a business combination as the difference between 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.

## Animoca Brands Corporation Limited and its controlled entities

### Notes to the consolidated financial statements

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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 has resulted amortised 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 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 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 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.

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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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 not in excess of 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 not been discounted to 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 re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings

#### **e. Employee benefits**

For the period ending 31 December 2019 the consolidated entity had 177 employees.

##### *i. Defined contribution superannuation funds*

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions onto a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

*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.* **Other 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.

**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 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 to 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;

## Animoca Brands Corporation Limited and its controlled entities

### Notes to the consolidated financial statements

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- 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 the 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 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 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 recognized 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*

*Because the majority of our sales transactions include future update rights and online hosting performance obligations, which are subject to a recognition period of 23-months, 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

## Animoca Brands Corporation Limited and its controlled entities

### Notes to the consolidated financial statements

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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 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; Valtioarainministerio 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**

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 cost of the finished goods, delivery costs and duties.

**j. Leases**

With the exception 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

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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(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 are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change 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, fair value of the retained investment and proceeds from disposal is 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 transactions costs where the instrument is not classified as at 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

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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transactions 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 call 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 which are known to be uncollectible. An impairment provision is raised for any doubtful amounts.

##### *(4) Trade and other payables*

Trade payables and other payable 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 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.



## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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**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 share 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 expires, 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 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

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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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 from 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.

## Animoca Brands Corporation Limited and its controlled entities

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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.

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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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.

#### **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 in its highest and best use or to sell it to another market participant that would use the asset in 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

## Animoca Brands Corporation Limited and its controlled entities

### Notes to the consolidated financial statements

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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.

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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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 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 has experienced difficulties with 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 2019 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 is 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 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 defer 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

## Animoca Brands Corporation Limited and its controlled entities

### Notes to the consolidated financial statements

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estimated by the consolidated entity taking into consideration all available information at 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 has potential to impact assets and liabilities and depreciation and amortisation reported.

#### iv. *Key Estimates – Capitalised expenditure*

Capitalised expenditure costs are carried forward relates to expenditures determined to be directly related to the development of *The SANDBOX*. These costs are carried forward represent software under development and will be matched against revenues on launching of *The SANDBOX* platform in Note 2b capitalised expenditure.

The carrying value of capitalised expenditure at reporting date is \$1,365,632 (2018: nil).

#### v. *Key Estimates – Intellectual property*

The consolidated entity undertakes investment in a highly competitive business sector that relies heavily on retention of consumer demand for games and other services available from digital gaming. The consolidated entity assesses the carrying value of acquired intellectual property based 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 relative 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 on 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.

Until the acquisition of *The SANDBOX* digital game platform, the consolidated entity has not deferred expenditure and recorded all development expenditure on an incurred basis in the Statement of profit or loss. The consolidated entity determined that certain third-party expenditures incurred on the continued development of *The SANDBOX* justified a decision to deferral until its launch on 1 June 2020.

#### vi. *Key Estimates-Financial assets and financial liabilities*

The consolidated entity has made significant investment 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 not raised new funds, the consolidated entity will impair the carrying value of its investment. Investments in 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 an 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

## Animoca Brands Corporation Limited and its controlled entities

### Notes to the consolidated financial statements

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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.

*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; incurrence of significant penalties; existence of the leasehold improvements; and the costs and disruption to replace the asset. The consolidated 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 that 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



## Animoca Brands Corporation Limited and its controlled entities

### Notes to the consolidated financial statements

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at the date at which they are granted. The fair value is determined by reference to prices of tokens quoted on [www.coinmarketcap.com](http://www.coinmarketcap.com) on the grant date. The accounting estimates and assumptions relating to token settled-based payments have impact 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. The errors relate to the amount outstanding at balance date on institutional loans acquired and the amount received by way of a SAFE instrument. The notes to the financial statements and specifically, Note 31. The errors identified were not material from an aggregate perspective of liabilities.

**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 are not yet mandatorily applicable to the consolidated entity have not been 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

*i. AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

However, their application has no effect on the consolidated entity's financial position and performance as the consolidated entity has no deductible temporary differences or assets that are in the scope of the amendments.

*ii. AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

The amendments clarify that the disclosure requirements in AASB 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal consolidated entity that is classified) as held for sale.

However, their application has no effect on the consolidated entity's financial position and performance as the consolidated entity has no deductible temporary differences or assets that are in the scope of the amendments.

**Note 3 Financial risk management**

*i. Financial risk management objectives and policies*

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

**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

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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 he implements.

**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

	Floating Interest Rate	Fixed Interest Rate	Non-interest Bearing	Total
For the Financial Year Ended 31 December 2019				
<b>Financial assets</b>				
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
	<u>8,817,733</u>	<u>-</u>	<u>22,376,242</u>	<u>31,193,975</u>
<b>Financial liabilities</b>				
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	<u>8,817,733</u>	<u>(9,166,107)</u>	<u>2,555,442</u>	<u>2,207,068</u>

For the Financial Year Ended 31 December 2018

	Floating Interest Rate	Fixed Interest Rate	Non-interest Bearing	Total
<b>Financial assets</b>				
Cash and cash equivalents	7,662,353	-	-	7,662,353
Receivables	-	-	4,086,216	4,086,216
Other financial assets-current	-	-	1,020,119	1,020,119
Other financial assets-non current	-	-	3,348,714	3,348,714
Loans to other entities	-	-	-	-
Other current assets	-	-	775,637	775,637
Intangible assets (Digital assets)	-	-	647,827	647,827
	<u>7,662,353</u>	<u>-</u>	<u>9,878,513</u>	<u>17,540,866</u>
<b>Financial liabilities</b>				
Payables	-	-	(6,344,552)	(6,344,552)
Borrowings-current	-	-	-	-
Borrowings-non current	-	(200,580)	-	(200,580)
Deferred revenue	-	-	(1,087,115)	(1,087,115)
Other financial liabilities	-	(353,444)	-	(353,444)
Loans from other entities	-	-	-	-
Milestone payments	-	-	(1,933,296)	(1,933,296)
Net maturity	<u>7,662,353</u>	<u>(554,024)</u>	<u>513,550</u>	<u>7,621,879</u>

*ii. Specific financial risk exposures and management*

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

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### **Notes to the consolidated financial statements**

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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 effectively manage those risks in accordance with the risk profile. This includes assessing, monitoring and managing risks for the consolidated entity and setting appropriate risk limits and controls. The consolidated entity is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for risk management and associated controls. Instead, the Board approves all expenditure, is intimately acquainted with all operations and discuss all relevant issues at the Board meetings. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

#### *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 has 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 balance date 31 December 2019, actively restructuring 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.

Notwithstanding the settlement arrangements agreed since balance date, the consolidated entity has provided against amounts due from iCandy and classified as trade receivables by \$1,042,206 (2018: \$296,611).

#### *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:

- \$527,044 (2018: \$1,391,169) on digital assets;
- \$116,314 (2018: \$747,742 gain) on financial assets as fair value through the profit and loss (FVPL); and
- \$555,616 (2018: \$475,011) on financial assets for fair value through other comprehensive income.

#### *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.

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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The consolidated entity manages liquidity risk by continuously monitoring 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 dollars functional currency of the consolidated entity.

With instruments being held by overseas operations, fluctuations in foreign currencies may impact on 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 on investments held for trading or for medium to longer terms.

## Animoca Brands Corporation Limited and its controlled entities

### Notes to the consolidated financial statements

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

#### iii. Sensitivity analysis

##### *Interest rate risk*

The consolidated entity is exposed to market interest rates on moneys it has deposited with Australian banking institutions in form of short-term deposits.

At the end of the financial period, the consolidated entity had the following financial assets exposed to Australian variable interest rate risk:

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 that he implements.

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	<b>8,817,733</b>	7,662,353

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:

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Profit after tax</b>		
<b>Higher/(lower)</b>		
+1% (100 basis points)	<b>82,755</b>	-
-1% (100 basis points)	<b>(82,045)</b>	-
<b>Equity</b>		
<b>Higher/(lower)</b>		
+1% (100 basis points)	<b>82,755</b>	-
-1% (100 basis points)	<b>(82,045)</b>	-

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

# Animoca Brands Corporation Limited and its controlled entities

## Notes to the consolidated financial statements

### *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, Euros and US dollars. The following table illustrates sensitivities to the consolidated entity's exposures to changes in these exchange rate. The table indicates the impact on how profit and equity values reported at 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.

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Loss after tax</b>		
<b>Higher/(lower)</b>		
+10% AUD/Euro exchange rate	366,288	-
-10% AUD/Euro exchange rate	(366,288)	-
<b>Equity</b>		
<b>Higher/(lower)</b>		
+10% AUD/Euro exchange rate	411,288	-
-10% AUD/Euro exchange rate	(411,288)	-
<b>Loss after tax</b>		
<b>Higher/(lower)</b>		
+10% AUD/USD exchange rate	(2,852,423)	-
-10% AUD/USD exchange rate	2,852,423	-
<b>Equity</b>		
<b>Higher/(lower)</b>		
+10% AUD/USD exchange rate	831,733	-
-10% AUD/USD exchange rate	(1,315,138)	-

At 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*

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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The consolidated entity operates predominantly in the digital gaming and blockchain industry. This 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, Americas and Europe. The consolidated entity also maintains a corporate function primarily responsible for 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 to 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 likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans 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 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



**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

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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

**Animoca Brands Corporation Limited and its controlled entities**  
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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)
	<u>11,862,851</u>	<u>4,230,572</u>	<u>57,470</u>	<u>-</u>	<u>16,150,893</u>
<b>Segment result</b>	<u>(14,025,499)</u>	<u>(5,581,745)</u>	<u>(214,360)</u>	<u>(1,940,236)</u>	<u>(21,761,840)</u>
<i>Expenses not directly allocable to identifiable segments</i>					
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)
<b>Loss after income tax</b>					<u>(33,191,750)</u>
<b>As at 31 December 2019</b>					
<b>Segment assets</b>	<u>3,505,283</u>	<u>6,410,346</u>	<u>1,745,178</u>	<u>28,182,087</u>	<u>39,842,894</u>
<i>Unallocated assets</i>					-
<b>Total Assets</b>					<u>39,842,894</u>
Segment asset increases for the period:					
Capital expenditure					
Impairment of intellectual property and goodwill on acquisition	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Segment liabilities</b>	<u>12,248,812</u>	<u>6,048,096</u>	<u>(149,780)</u>	<u>11,158,427</u>	<u>29,305,555</u>
<i>Unallocated liabilities</i>					-
<b>Total liabilities</b>					<u>29,305,555</u>

**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

For the year ended 31 December 2018	Asia \$	Americas \$	Europe \$	Corporate \$	Total \$
Revenue					
External customers	11,560,148	1,135,595	73,924	-	12,769,667
Group customers	-	668,583	1,940,336	-	2,608,919
	11,560,148	1,804,178	2,014,260	-	15,378,586
<b>Segment result</b>	(5,041,615)	(480,566)	512,845	(265,096)	(5,274,432)
Amounts not included in segment results but reviewed by the board:					
<i>Expenses not directly allocable to identifiable segments</i>					
Gain on sale of mobile application games					2,788,704
Cryptocurrency differences					(1,391,169)
Exchange fluctuation					(153,095)
Interest (expense)/income					7,415
FVPL					747,752
Impairment					-
Other					-
Taxation					-
Non-controlling interests					165,688
<b>Loss after income tax</b>					(3,109,137)
<b>As at 31 December 2019</b>					
<b>Segment assets</b>	11,895,753	680,587	2,799,997	12,679,013	28,055,350
<i>Unallocated assets</i>					-
<b>Total Assets</b>					28,055,350
Segment asset increases for the period:					
Capital expenditure	-	-	-	-	-
Impairment of intellectual property and goodwill on acquisition	-	-	-	-	-
	-	-	-	-	-
<b>Segment liabilities</b>	6,835,847	398,316	374,126	2,487,320	10,095,609
<i>Unallocated liabilities</i>					-
<b>Total liabilities</b>					10,095,609

# Animoca Brands Corporation Limited and its controlled entities

## Notes to the consolidated financial statements

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### Note 5 Acquisitions

During the financial year, the consolidated entity acquired all the shares on issue in Gamma Innovations Inc, Leade.rs Inc and Stryking Entertainment GmbH pursuant to Sale and Purchase Agreements.

The consolidated entity has accounted for the acquisitions under AASB 10 *consolidated Financial Statements* as each acquisition did not satisfy the test under AASB 3 *Business Combinations*. In such circumstances, the consolidated entity has accounted for the acquisitions as an acquisition of assets with the difference between the consideration and the net assets as intellectual property with the amount recorded as intellectual property to be amortised over three years from the date of acquisition.

#### **Gamma Innovations Inc**

The consolidated entity completed the acquisition of Gamma Innovations Inc on 2 August 2019. Gamma is focused on developing the GammaNow computing engine, a desktop application that allows users to leverage their computers idle processing power to generate Gamma Points, which are used to acquire in-game rewards for their favourite digital games.

Under the terms and conditions of the Share Purchase Agreement, the consolidated entity acquired 100% of the shares on issue in Gamma for an upfront payment of US\$350,000. The Company issued 2,913,600 fully paid ordinary shares at a share price of 17.5 cents. At balance date, 31 December 2019, the consolidated entity has accounted for Gamma as a controlled entity notwithstanding the conversion of outstanding convertible notes into equity, Conditions Precedent for Completion, which remain outstanding by the Vendors.

The consolidated entity also agreed to pay the Vendors of Gamma Earn-out Payments equal to US\$2.5 million in the event that Gamma achieves a cumulative revenue milestone of US\$5 million over a three-year period from the date of acquisition. The consolidated entity has not accrued any contingent consideration for the Earn-out entitlements, based on its assessment of future revenue streams.

#### **Leade.rs Inc**

The consolidated entity completed the acquisition of Leade.rs Inc on 3 May 2019. Leade.rs is a platform built by event organisers to source and match available qualified speakers in the technology industry from around the world for a variety of high-profile events. Leade.rs has a network of high-profile speakers in blockchain, artificial intelligence, digital healthcare, digital transformation, branding and design, consumer products, exponential organisations, entrepreneurship, investment, social impact and media.

Under the terms and conditions of the Share Purchase Agreement, the consolidated entity acquired 100% of the shares on issue in Leade.rs for an upfront consideration of US\$505,908, consisting of US\$165,972 in cash and the issue of 3,130,187 fully paid ordinary shares in the Animoca Brands Corporation Limited at a share price of 15.47 cents per fully paid ordinary share.

The consolidated entity also agreed to pay the vendors a loyalty payment equal to 3,3130,187 fully paid ordinary shares at 15.47 cents per ordinary share if the vendors held their shares for more than a 12-month period.

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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The consolidated entity also agreed to pay the Vendors of Leads over two years a Performance payment of US\$1,000,000. As at balance date, 31 December 2019, the consolidated entity has accrued no Earn-out for the second milestone period and an Earn-out of US\$500,000 for the second milestone period.

The consolidated entity has accrued contingent consideration equal to \$1,478,763.

#### **Stryking Entertainment GmbH**

The consolidated entity completed the acquisition of Stryking on 18 September 2019. 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.

Under the terms and conditions of the Share Purchase Agreement, the consolidated entity acquired all the shares on issue in Stryking as well as assumed its debt obligations. The upfront consideration payable was Euros 1 million which was settled by way of the issue of 15,757,958 fully paid ordinary shares at a share price of 10 cents per fully paid ordinary share.

The consolidated entity also agreed to pay the Vendors of Stryking a maximum of Euros 2 million in shares or cash subject to milestones in Earn-out payments. As at balance date, 31 December 2019, the consolidated entity has accrued no contingent consideration.

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**Notes to the consolidated financial statements**

	Gamma Innovations Inc	Leade.rs Inc	Stryking Entertainment GmbH	Total
	\$	\$	\$	\$
<b>Net assets (liabilities) acquired</b>				
<b>Assets</b>				
Cash and cash equivalents	-	223,038	42,986	266,024
Receivables	2,601	3,638	2,243	8,482
Other financial assets	-	-	128,959	128,959
Other current assets	-	-	72,023	72,023
Plant and equipment	-	-	3,476	3,476
Deferred expenditure	-	-	-	-
	2,601	226,676	249,687	478,964
<b>Liabilities</b>				
Payables	-	4,551	694,155	698,706
Other financial liabilities	-	-	4,810	4,810
Borrowings	-	-	1,159,303	1,159,303
	-	4,551	1,858,268	1,862,819
Net assets (liabilities) acquired	2,601	222,125	(1,608,581)	(1,383,855)
<b>Goodwill on acquisition acquired</b>				
Total consideration				
Upfront consideration	509,880	720,634	1,575,796	2,806,310
Contingent consideration	-	1,478,763	-	1,478,763
	509,880	2,199,397	1,575,796	4,285,073
(Net assets)/liabilities acquired	(2,601)	(222,125)	1,608,581	1,383,855
Goodwill on acquisition acquired	507,279	1,977,272	3,184,377	5,668,928

# Animoca Brands Corporation Limited and its controlled entities

## Notes to the consolidated financial statements

### Note 6      Controlled entities

The following Table sets out the controlled entities that form the Animoca Brands Corporation Limited consolidated entity.

	Principal Activities	Country of Incorporation	Equity Interest 31 December 2019	2018
OliveX Holdings Limited	Holding Company	Australia	100%	-
Animoca Brands Corporation	Holding Company	BVI	100%	100%
OliveX Limited	Holding Company	BVI	100%	100%
Zeroth Fano Ventures Limited	Accelerator	BVI	100%	-
Zeroth Fano Ventures II Limited	Accelerator	BVI	100%	-
Zeroth Holdings III Limited	Accelerator	BVI	100%	-
Animoca Brands Limited	Application game maker	Hong Kong	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%
Gorgeous Star Ventures Limited	Investment	Hong Kong	100%	-
Moonrealm Entertainment Limited	Application game maker	Hong Kong	51%	51%
OliveX (HK) Limited	Application Health Care	Hong Kong	78%	78%
Venture Classic Limited	Fund Manager	Hong Kong	67%	67%
Zeroth Holdings II Limited	Accelerator	Hong Kong	100%	-
Animoca Brands Technology Shanghai Ltd	Application game maker	China	100%	-
Stryking Entertainment GmbH	Application game maker	Germany	100%	-
Benji Bananas Oy	Application game maker	Finland	100%	100%
TicBits Oy	Application game maker	Finland	100%	100%
Tribeflame Oy	Application game maker	Finland	100%	100%
TSB Gaming Limited	Blockchain Platform	Malta	100%	-
Pixowl SA	Application game maker	Argentina	100%	100%
Gamma Innovations Inc	Utilisation of idle computer time power	USA	100%	-
Fuel Powered Inc	Application game maker	USA	60%	60%
Grantoo LLC	Application game maker	USA	60%	60%
Leade.rs Inc	Networking	USA	100%	-
Pixowl Inc	Application game maker	USA	100%	100%

**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

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**Note 7      Revenue**

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Major product lines</i>		
Advertising	4,418,868	1,596,403
InApp games	7,897,267	6,906,887
Services	2,060,811	4,266,377
Virtual currencies	930,110	-
Other revenues	843,837	-
	<u>16,150,893</u>	<u>12,769,667</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	14,090,082	8,503,290
Services transferred over time	2,060,811	4,266,377
	<u>16,150,893</u>	<u>12,769,667</u>

**Note 8      Other income**

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Gain on sale of mobile application games	-	2,788,704
Interest income	-	7,415
Other	716,416	219,683
	<u>716,416</u>	<u>3,015,802</u>

**Note 9      Employee entitlements**

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Salaries and other remuneration expenses	9,300,839	2,946,350
Earn-out entitlements due to vendors unders set out in Share Sale & Purchase Agreements	120,856	1,322,299
Retirement benefits	118,000	244,253
Other	448,659	37,573
	<u>9,988,354</u>	<u>4,550,475</u>
Share-based payments	177,768	-
	<u>10,166,122</u>	<u>4,550,475</u>



**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

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**Note 10      Other expenses**

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Secretarial costs	<b>303,399</b>	50,185
Travel	<b>770,836</b>	230,722
Insurances	<b>152,759</b>	106,696
Office costs	<b>736,544</b>	193,897
Communications and computing	<b>108,209</b>	21,473
Occupancy costs	<b>260,342</b>	719,741
Withholding taxes	<b>54,440</b>	113,484
Other	<b>186,313</b>	484,154
	<b>2,572,842</b>	1,920,352

The comparative figures for 2018 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)**

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**Notes to the consolidated financial statements**

	31 December	
	2019	2018
	\$	\$
<b><i>Reconciliation of income tax expense to prima facie tax payable</i></b>		
Accounting profit/(loss)	<b>(33,476,238)</b>	.-
Permanent differences		
Amortisation of intellectual property	689,880	-
Equity raising costs	(249,186)	-
Impairment	2,827,867	-
Interest expense	204,343	-
Obligations to pay under lease arrangements	9,015	-
Right to use under lease arrangements	64,161	-
	<b>3,546,080</b>	-
Adjusted accounting profit/(loss)	<b>(29,930,158)</b>	-
Tax (expense)/benefit @ 27.5% tax rate	8,230,793	-
Adjusted for jurisdiction differences	(1,782,410)	-
Tax expense @ actual tax rates	<b>6,448,383</b>	-
Adjusted accounting profit/(loss)	<b>(29,930,158)</b>	-
Temporary differences		
Digital asset losses	80,224	-
Doubtful debts	173,733	-
Exchange fluctuation	163,661	-
Fair value losses through profit or loss	4,951	-
Occupancy costs	(67,291)	-
Prepayments	(45,418)	-
Provisions	30,784	-
Unearned revenue	370,230	-
Carried forward losses	30,253,786	-
Taxable profit	<b>1,034,502</b>	-
Tax payable	<b>(284,488)</b>	-

The applicable weighted average effective tax rates attributable to operating profit for the financial year was neg (2018: Nil).

The balance of the franking account at the end of the financial year was Nil (2018: Nil)

**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

	31 December	
	2019	2018
	\$	\$
<b>Deferred tax assets</b>		
Financial assets	413,005	-
Provisions	30,545	-
Tax losses	8,979,089	-
Unearned revenue	569,589	-
	<u>9,992,228</u>	-
Set-off deferred tax liabilities	-	-
Net deferred tax assets	9,992,228	-
Deferred tax assets not recognised	<u>(9,992,228)</u>	-
Net tax assets	<u>-</u>	-
<b>Deferred tax liabilities</b>		
Capitalised expenditure	477,971	-
Depreciation	150,849	-
Doubtful debts	218,154	-
Prepayments	172,091	-
Net deferred tax liabilities	1,019,065	-
Deferred tax liabilities not recognised	<u>(1,019,065)</u>	-
	<u>-</u>	-
<b>Tax losses</b>		
<i>Unused tax losses for which no deferred tax asset has been recognised that may be utilised to offset tax liabilities:</i>		
Revenue losses	8,979,089	-
Capital losses	2,827,867	-
	<u>11,806,956</u>	-

Potential deferred tax assets attributable to tax losses and other temporary differences as well as potential deferred tax liabilities attributable to temporary differences have not been brought to account at 31 December 2019 because the directors do not believe it is probable at this time realise of 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 for the loss 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 balance date, 31 December 2019, Animoca Brands Limited, the principal-controlled entity of Animoca Brands Corporation Limited, based in Hong Kong had estimated unused tax losses of approximately US\$20,349,000 (2018: US\$14,608,000). 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

# Animoca Brands Corporation Limited and its controlled entities

## Notes to the consolidated financial statements

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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 continuation of ownership test and continuation of business tests.

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

As at the date of publication of this annual report, the consolidated entity is 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 has not been sufficient work completed at this time to quantify any tax exposures on transactions undertaken, if any.

### **Note 12 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 issue following conversion of all outstanding options over ordinary shares into ordinary shares.

As at balance date 31 December 2018 and 2019 there were no dilutive options over ordinary shares outstanding.

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Loss from continuing operations for the year	<b>(32,101,546)</b>	(3,274,825)
	<b>No</b>	No
Weighted average number of ordinary shares outstanding during the year and used in the calculation of basic EPS	<b>826,024,196</b>	546,672,738
Basic and diluted earnings per share (cents per share)	<b>3.998</b>	0.600

### **Note 13 Dividends paid/payable**

No dividends were paid during the financial year and no dividend is proposed to be paid as at the end of the financial year, 31 December 2019.

**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

**Note 14 Cash and cash equivalents**

	31 December	
	2019	2018
	\$	\$
Cash in hand and cash at bank	8,817,733	7,662,353
Short-term deposits	-	-
	8,817,733	7,662,353

**Note 15 Trade and other receivables**

	31 December	
	2019	2018
	\$	\$
Trade receivables	2,340,966	4,337,103
GST	-	5,614
Non trade receivables	656,272	23,439
	2,997,238	4,366,156
Provision for doubtful debts	(1,322,146)	(279,940)
	1,675,092	4,086,216

An amount A\$23,439 recorded as non-trade receivables for the financial year ended 31 December 2018 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 to collect 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 fair value.

The consolidated entity provided for \$1,024,206 (2018: \$296,611) 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 combination of shares and cash. On 25 June 2018, the agreement between the consolidated entity and iCandy was restructured and provided for the continuation by the consolidated entity of specific services.

## Animoca Brands Corporation Limited and its controlled entities

### Notes to the consolidated financial statements

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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 ay of the issue of shares provided iCandy had sufficient placement capacity.

Both parties agreed to an initial hand-over 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 of 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 \$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 16     Inventories**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Finished goods (Mirrors manufactured for OliveX Group)	<b>25,095</b>	<b>-</b>

#### **Note 17     Financial assets**

**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

	31 December	
	2019	2018
	\$	\$
<b>Current financial assets</b>		
<b>Mandatorily at fair value through profit or loss</b>		
Japan Keep It Simple Security (J-KISS Agreement)	71,365	-
Simple Agreements for Future Equity (SAFE Agreements)	1,988,673	1,020,119
Other financial assets	90,181	-
	<u>2,150,219</u>	<u>1,020,119</u>
<b>Non-current financial assets</b>		
<b>Designated at fair value through other comprehensive income</b>		
Convertible notes		-
Listed equity securities	799,501	1,245,431
Unlisted participating securities	682,609	-
Unlisted preferred securities	2,673,352	1,098,045
Unlisted limited partnerships	909,107	-
	<u>5,064,569</u>	<u>2,343,476</u>
<b>Mandatorily at fair value through the profit or loss</b>		
Convertible notes	3,933,086	141,683
Unlisted preferred securities	4,723,650	863,555
	<u>8,656,736</u>	<u>1,005,238</u>
	<u>13,721,305</u>	<u>3,348,714</u>
<b>Total other financial assets</b>	<u>15,871,524</u>	<u>4,368,833</u>
<i>Amounts recognised as</i>		
Fair value gain (loss) through profit or loss	(116,314)	747,752
Fair value (loss) through other comprehensive income	(555,616)	(475,011)

**Financial assets mandatorily fair value through the profit or loss**

During the financial year, the consolidated entity recognised a fair value loss of \$116,314 (2018: a fair value gain of \$747,752 on financial assets classified as Mandatorily at fair value through the profit or loss).

The financial assets accounted for on this basis represents J-KISS and SAFE Agreements that provide the consolidated entity 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 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 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

## Animoca Brands Corporation Limited and its controlled entities

### Notes to the consolidated financial statements

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Qualifying Financing and (ii) the share price determined by dividing US\$32,000,000 by the number of shares on 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 2019, 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 loss of \$555,626 (2018: a fair value loss of \$475,011) on financial assets classified as designated at fair value through other comprehensive income.

The consolidated entity has designated since 1 January 2018 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 measured at fair value in the consolidated Statement of Financial Position of the consolidated entity into three levels of 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 which 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 18 Other current assets**

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Bonds	6,169	-
Guarantees	46,958	-
Prepayments	1,050,898	775,637
	1,104,025	775,637



# Animoca Brands Corporation Limited and its controlled entities

## Notes to the consolidated financial statements

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### Note 19      Loans to other entities

	31 December	
	2019	2018
	\$	\$
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 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 execution of the Share Purchase Agreements, the amounts advanced to these entities will be classified as inter-consolidated entity transactions and will be eliminated on consolidation. Accordingly, the advances will no longer be classified as loans to other entities.

On 19 February 2020 Animoca Brands Limited and the vendors of Quidd Inc executed the Share Purchase Agreement and on 25 February 2020, Animoca Brands Limited and the vendors of nWay Inc executed the Share Purchase Agreement. The execution of these Share Purchase Agreements was undertaken subject to a number of Closing Conditions Precedents.

#### *nWay Merger Agreement*

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 (A\$29,00,000) 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 (A\$369,000) is payable to the vendors and a US\$1,690,000 (A\$2,500,000) is to be invested in nWay for operating purposes. nWay is a game developer and publisher of high-quality AAA games on console, PC, and mobile platforms.

Under the nWay Merger Agreement, nWay is required to deliver to the consolidated entity a number of documents and declarations, including but not limited to:

- (1) executed Lock-Up Agreements between the ultimate parent entity of Animoca Brands Limited and by the vendors of nWay Inc;
- (2) a certificate of the Secretary of nWay certifying that (A) attached thereto are true and complete copies of (1) all resolutions adopted by nWay Board authorizing the execution, delivery and performance of this Agreement, the Plan of Merger and the Ancillary Documents and the consummation of the transactions contemplated hereby and thereby and (2) special resolutions of the Shareholders approving the Merger and adopting this Agreement and the Plan of Merger, and (B) all such

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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- resolutions are in full force and effect and are all the resolutions adopted in connection with the transactions contemplated hereby and thereby;
- (3) such other documents or instruments as Parent reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

Similarly, Animoca Brands Limited is required to undertake a number of actions, including but not limited to the following:

- (1) the payment of the Cash Consideration of USD\$250,000 (which took place in May 2020);
- (2) the issue of fully paid ordinary shares in the ultimate parent entity of the consolidated entity (which took place in May 2020); and
- (3) such other documents or instruments as nWay reasonably requests and are reasonably necessary to consummate the transactions contemplated by this Agreement.

#### *Quidd Inc*

On 7 August 2019, the consolidated entity announced that it had agreed with the vendors of Quidd Inc to acquire the latter for US\$5,000,000 (A\$7,250,000) payable upfront and up to US\$3,000,000 (A\$4,350,000) in earn-out payments based on achieving a yearly net profit milestones of US\$1,250,000, US\$1,500,000 and US\$2,000,000, respectively, over 3 years.

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.

Completion of the acquisition is subject to both the consolidated entity and Quidd satisfying a number of Conditions Precedents, including an adjustment to the upfront payment of US\$5,000,000 for working capital provided to Quidd from the date of the announcement of the transaction on 7 August 2019 until the date of delivery by Quidd of the Working Capital Statement.

Under the Share Purchase Agreement, Animoca Brands Corporation Limited will issue fully paid ordinary shares at 16 cents per ordinary share based on the Working Capital adjustment being deducted from the upfront payment.

The upfront payment and the net profit milestone payments are payable by way of the issue of fully paid ordinary shares in Animoca Brands Corporation Limited.

On satisfaction of the conditions precedents as described above, nWay and Quidd will become wholly owned controlled entities of Animoca Brands Limited, an entity incorporated under the laws and regulations of Hong Kong and the loans provided as at balance date 31 December 2019 will be classified as inter-company loans and eliminated on consolidation of these entities within the consolidated entity.

The amount recorded as other relates to advances made to the founders of Pixowl Inc prior to the acquisition of Pixowl Inc by the consolidated entity and are subject to discussion with the founders on the process for reimbursement.

# Animoca Brands Corporation Limited and its controlled entities

## Notes to the consolidated financial statements

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**Note 20      Investment in associate entity**

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Helix One Limited	<b>1,184,659</b>	<b>-</b>

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 decentralized 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 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.

**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

**Note 21 Plant and equipment**

	31 December	
	2019	2018
	\$	\$
<b>Property plant and equipment owned by the Group at Cost</b>		
Opening balance	333,666	195,757
Acquired during the financial year	119,620	39,172
Acquired through business combinations	-	99,539
Exchange fluctuation	2,473	(802)
Other movements	-	-
	<u>455,759</u>	<u>333,666</u>
<b>Accumulated depreciation</b>		
Opening balance	(125,795)	(78,787)
Depreciation for the year	(97,194)	(47,809)
Exchange fluctuation	(1,461)	801
Other movements	-	-
	<u>(224,450)</u>	<u>(125,795)</u>
Net carrying value	<u>231,309</u>	<u>207,871</u>
<b>Property plant and equipment leased by the Group at fair value</b>		
Opening balance	-	-
Adoption of new accounting policy	1,157,475	-
Acquired during the financial year	-	-
Acquired through business combinations	-	-
Exchange fluctuation	-	-
Other movements	-	-
	<u>1,157,475</u>	<u>-</u>
<b>Accumulated depreciation</b>		
Opening balance	-	-
Adoption of new accounting policy	(193,441)	-
Depreciation for the year	(385,825)	-
Exchange fluctuation	-	-
Other movements	-	-
	<u>(579,266)</u>	<u>-</u>
Net carrying value	<u>578,209</u>	<u>-</u>
<b>Net carrying value of owned and leased property plant and equipment</b>	<u>809,518</u>	<u>207,871</u>

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).

# Animoca Brands Corporation Limited and its controlled entities

## Notes to the consolidated financial statements

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 are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

### Note 22 Intellectual property

	31 December	
	2019	2018
	\$	\$
<b>Cost</b>		
Opening balance	5,323,371	-
Intellectual property acquired during the financial year	-	5,323,371
Reclassification of previous recorded goodwill under business combination accounting to intangible assets	2,354,650	-
Other movements	(111,044)	-
Exchange fluctuation	56,903	-
	7,623,880	5,323,371
<b>Amortisation</b>		
Opening balance	(309,169)	-
Amortisation charge for the year	(2,299,601)	(309,169)
Other movements	264,518	-
Exchange fluctuation	(15,613)	-
	(2,359,865)	(309,169)
 Net carrying value	 5,264,015	 5,014,202
 Comprising		
Trademarks	12,259	18,010
Developed technology	3,184,486	4,945,201
Technologies under development	2,039,611	-
Customer relationships	27,659	50,991
	5,264,015	5,014,202

### Note 23 Deferred expenditure

	31 December	
	2019	2018
	\$	\$
Deferred expenditure	1,365,632	-

The consolidated entity, for the first time, deferred expenditure that was directly related to the development of The Sandbox. 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 2011 and accordingly, the amount recorded as deferred

# Animoca Brands Corporation Limited and its controlled entities

## Notes to the consolidated financial statements

expenditure will be charged to the accounts in the financial statements for the year ended 31 December 2021.

### Note 24 Intangible assets (Digital assets)

	31 December	
	2019	2018
	\$	\$
Bitcoin	80,244	40,932
Datum	33,372	33,897
Decentraland	262,274	316,793
Ethereum	80,210	6,819
Harmony	410,093	-
iHouse	47	-
Kraken	103,225	-
Likecoin	130,375	42,222
Lympo	14,892	26,020
Musicoin	2,672	17,646
Nitro	1,085	30,849
OpenST	16,256	132,649
SilverPoint	243,582	-
WAX	150,263	6,819
	<b>1,528,589</b>	<b>647,827</b>

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

During the financial year, the consolidated entity recognised A\$527,044 (2018: A\$1,391,169) in unrealised fair value movements arising from changes in observable market prices.

### Note 25 Goodwill on acquisition

	31 December	
	2019	2018
	\$	\$
Opening balance	5,292,411	1,140,896
Acquisition made during the financial year accounted for as an acquisition of assets	5,668,928	4,031,574
Exchange fluctuation	819,534	119,941
Reclassification of previous recorded goodwill under business combination accounting to intangible assets	(2,354,650)	-
Impairment	(9,426,223)	-
	<b>-</b>	<b>5,292,411</b>

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 balance date 31 December 2019. The impairment represents the goodwill on acquisition arising largely on the acquisition of TicBits Oy undertaken in 2016 as well as the consolidated entity considering the implications of Covid-19 on the

# Animoca Brands Corporation Limited and its controlled entities

## Notes to the consolidated financial statements

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capacity of the consolidated entity to integrate acquisition made during the current financial year (see Note 5). The consolidated entity determined that it was appropriate to impair the goodwill arising on the acquisition of these assets of \$5,668,928.

### Note 26 Trade and payables

	31 December	
	2019	2018
	\$	\$
Trade payables	3,850,877	2,391,589
Non trade payables	2,517,278	-
Accruals	1,403,437	858,421
Consideration payable for acquisitions	3,132,047	3,094,542
	10,903,639	6,344,552

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

As at balance date 31 December 2019, the consolidated entity has accrued an amount of \$1,653,284 as due to the vendors of Pixowl Inc which is payable in fully paid ordinary shares on the achievement of milestones. The consolidated entity has also accrued amount of \$1,478,763 as due to vendors of Leade.rs Inc which is payable in either cash or fully paid ordinary shares, at the election of the consolidated entity, on the achievement of specific milestones set out in the Share Purchase Agreement.

In the previous year ended 31 December 2018, the consolidated entity accrued an amount of \$1,322,299 as due to the founders of TicBits Oy on the achievement of specific milestones set out in the Share Purchase Agreement. On 14 April 2019, the consolidated entity extinguished the milestone obligations to the founders of TicBits by way of cash and shares. The consolidated entity also accrued an amount of \$1,641,122 as due to the vendors of Pixowl Inc on the basis set out in above.

### Note 27 Deferred revenue

	2019	2018
	\$	\$
Deferred revenue	6,946,881	1,087,115

During the financial year, the consolidated entity entered into a number of Token Purchase & SAFE Agreements 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 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.

## Animoca Brands Corporation Limited and its controlled entities

### Notes to the consolidated financial statements

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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 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 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 standard non-participating Preferred Stock.

The consolidated entity has not amortised deferred revenue for *The SANDBOX* for the financial year.

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 on the occurrence of a liquidity event. The unearned revenue recognised on the Token Purchase & SAFE Agreements was A\$3,595,108.

The consolidated entity also received A\$2,119,450 from Totally Apps in advance of supply of development services with a residual unearned income recorded by Animoca Brands Limited and Pixowl Inc.

#### **Note 28      Loans from other entities**

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Venture Classic fund management clearing	<b>1,970,280</b>	-

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.



# Animoca Brands Corporation Limited and its controlled entities

## Notes to the consolidated financial statements

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 2018. Venture Classic Limited holds all the Management Shares on 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 balance date the basis on which the consolidated entity will be relieved of payment has not been 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 29 Provisions

	31 December	
	2019	2018
	\$	\$
Employee entitlements	214,234	176,622
Other	104,614	-
	<u>318,848</u>	<u>176,622</u>

### Note 30 Other financial liabilities

	31 December	
	2019	2018
	\$	\$
Current:		
Recognition of other financial liabilities arising from accounting for borrowings and other financial instruments on an amortised cost basis	1,627,029	-
Other	12,329	353,444
Closing balance	<u>1,639,358</u>	<u>353,444</u>
Non-Current		
Recognition of other financial liabilities arising from accounting for borrowings and other financial instruments on an amortised cost basis	46,585	-
	<u>1,685,943</u>	<u>353,444</u>

#### *TSB Token Purchase & SAFE Instrument*

During the financial year, 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 a specific number of Tokens as well as an equity instrument on the occurrence of a liquidity event.

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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#### *SAFE Instruments*

A number of controlled entities within the consolidated entity have also entered into SAFE instruments. Olive (HK) Limited raised \$1,228,969 (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. Zeroth Fano Ventures Limited raised \$678,062 (US\$475,000) by way of a SAFE instrument which entitled the holder to 3% interest plus an equity event.

The discount to the listing price for OliveX (HK) Limited SAFE instrument and the interest on the Zeroth Fano Ventures Limited SAFE instrument have accounted for on an amortised cost basis. At balance date 31 December 2019, the consolidated entity has applied AASB 9 *Financial Instruments* and recorded these borrowings on an amortised cost basis with \$316,402 recorded as other financial liabilities on these SAFE instruments which will be transferred to other contributed equity on the achievement of a liquidity event.

#### *Interest-bearing borrowings*

The consolidated entity has also accounted for interest-bearing borrowings on an amortised cost basis, including a borrowing undertaken by Pixowl Inc of \$963,428 (US\$675,000) and the ultimate parent entity, Animoca Brands Corporation Limited of \$500,000. At balance date 31 December 2019, the consolidated entity has applied AASB 9 *Financial Instruments* and recorded these borrowings on an amortised cost basis with \$120,324 recorded as other financial liabilities on these borrowings which will be transferred to other contributed equity on repayment.

#### *Convertible Notes*

OliveX Holdings Limited issued \$500,000 (US\$360,000) in convertible notes during the financial year with the convertible notes convertible into ordinary shares on the listing of OliveX Holdings Limited. The subscribers to the convertible note issue are entitled to a 20% discount to the issue price of OliveX Holdings Limited on listing. As at balance date 31 December 2019, the consolidated entity has applied AASB 9 *Financial Instruments* and recorded these borrowings on an amortised cost basis with \$115,115 recorded as other financial liabilities on the convertible notes which will be transferred to other contributed equity on repayment.

**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

**Note 31**      **Borrowings**  
**Bank loans and working capital loans**

	31 December 2019 \$	2018 \$
<b>Bank loans</b>		
Opening balance	-	-
Drawdowns	-	-
Assumed on acquisition of Stryking Entertainment GmbH	972,321	-
Interest expense	8,574	-
Other financial liabilities	(52,486)	-
Exchange fluctuation	(13,005)	-
Closing balance	915,404	-
Present value	915,404	-
Interest expense to be charged to the Statement of Profit or Loss and Other Comprehensive Income	20,700	-
Future value	936,104	-
<b>Institutional loans</b>		
Opening balance	341,500	-
Correction to opening balance	(128,980)	-
Drawdowns	990,189	-
Assumed on acquisition of Pixowl group	-	341,500
Interest expense	157,082	-
Repayments	(749,333)	-
Other financial liabilities	(246,862)	-
Other movements	37,748	-
Exchange fluctuation	1,576	-
Closing balance	402,920	341,500
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	341,500
<b>Other loans</b>		
Opening balance	-	-
Drawdowns	500,000	-
Interest expense	3,184	-
Repayments	-	-
Other financial liabilities	(39,693)	-
Exchange fluctuation	-	-
Closing balance	463,491	-
Present value	463,491	-
Interest expense to be charged to the Statement of Profit or Loss and Other Comprehensive Income	36,509	-
Future value	500,000	-
<b>Total</b>	<b>1,781,815</b>	<b>341,500</b>
Current liabilities	1,269,316	341,500
Non-current liabilities	512,499	-
	<b>1,781,815</b>	<b>341,500</b>

*Stryking Entertainment GmbH*

Following the acquisition of Stryking Entertainment on 18 September 2019, the consolidated entity assumed to borrowings – a Euros 600,000 borrowing from the

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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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 Euros 224,750 and tranche 2 Euros 375,250 – incurs 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 on-going.

#### *Pixowl Inc*

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 10 months from the date of drawdown.

The InFin Capital loan is secured against the intellectual property of Pixowl Inc.

#### *Animoca Brands Corporation Limited*

On 20 December 2019, the consolidated entity announcement 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.

At balance date 31 December 2019, the ultimate parent entity had only drawn down \$500,000.

The above borrowings have been accounted for on an amortised cost basis in accordance with AASB 9 Financial Instruments with an amount of \$392,565 recorded as other financial liabilities which will be transferred to other contributed equity on maturity or conversion of convertible instruments into ordinary shares.

# Animoca Brands Corporation Limited and its controlled entities

## Notes to the consolidated financial statements

### Convertible notes

	31 December	
	2019	2018
	\$	\$
Opening balance	-	-
Drawdowns	500,000	-
Assumed on the acquisition of Stryking Entertainment GmbH	186,977	-
Interest expense	96,258	-
Repayments	-	-
Other financial liabilities	(129,216)	-
Exchange fluctuation	7,691	-
Closing balance	661,710	-
Present value	661,710	-
Interest expense to be charged to Statement of Profit or Loss and Other Comprehensive Income	36,599	-
Future value	698,309	-
Current liabilities	490,806	-
Non-current Liabilities	170,904	-
	661,710	-

#### *OliveX Holdings Limited*

OliveX Holdings Limited issued A\$500,000 of convertible notes to subscribers on 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 Olive 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 are unsecured and provide the subscriber with the opportunity to convert convertibles notes subscribed to into fully paid ordinary shares of OliveX Holdings Limited at a 20% discount to the issue price. As at balance date 31 December 2019, the consolidated entity has accounted for the convertible notes on an amortised cost basis in accordance with AASB 9 Financial Instruments and recorded the convertibles 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 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.

The terms of the conversion:

- Each note will convert into 2,500,000 fully paid ordinary share; and

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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- Noteholders will be issued, in aggregate, 10,000,000 performance rights comprising 3,333,334 Class A performance rights, 3,333,333 Class B performance rights and 3,333,333 Class C performance rights

The note conversion resulted in the OliveX convertible note being reclassified as an equity instrument with the amounts charged to the profit or loss in the financial year ended 31 December 2019 being resulted as part of the reclassification of the convertible notes from a financial liability instrument to an equity instrument.

#### ***Stryking Entertainment GmbH***

The convertible loans assumed on acquisition of Stryking relate to the issue of Euros 110,000 to the German equivalent of sophisticated and professional investors. The convertibles 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 the opportunity to agree a repayment by way of instalments or conversion of the convertible loan into shares on the basis of 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 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 balance date 31 December 2019, accrued interest outstanding on the convertible loan is Euros 5,382 with the amount due to the note holders totalling Euros 115,382.

The consolidated entity is in discussions with the note holders to restructure the Convertible Note Agreement and these discussions have not been resolved at the date of this annual report.

#### **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 copied widely. It is variously defined in different sources, but is commonly held to have the following features:

- no maturity date;
- no interest rate;

# Animoca Brands Corporation Limited and its controlled entities

## Notes to the consolidated financial statements

- 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.

	31 December	
	2019	2018
	\$	\$
Opening balance	212,524	-
Correction to opening balance	34,976	
Drawdowns	4,960,779	212,524
Interest expense	474,664	-
Repayments	-	-
Other financial liabilities	(1,203,614)	-
Other movements	(58,916)	
Exchange fluctuation	6,939	
Closing balance	4,427,352	212,524
Present value	4,427,352	-
Interest expense to be charged to the Statement of Profit or Loss and Other Comprehensive Income	742,880	-
Future value	5,170,232	212,524
Current liabilities	4,427,352	212,524
Non-current liabilities	-	-
	4,427,352	212,524

### *OliveX (HK) Limited*

OliveX (HK) Limited issued US\$861,045 of SAFE instruments during the financial year to sophisticated and professional investors as defined by the Corporations Act 2001. As at balance date 31 December 2019, OliveX (HK) Limited has issued, in total, US\$1,011,045 in SAFE instruments.

Tranche 1 SAFE instruments, totalling US\$150,000, provide the subscribers with a 20% discount to 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 issue

## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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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 divided 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 National Stock Exchange 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 OliveX consolidated entity.

#### *TSB Token Purchase & SAFE Instrument*

During the financial year, 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 as 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 until all the Tokens are released from the Lock-Up.



## **Animoca Brands Corporation Limited and its controlled entities**

### **Notes to the consolidated financial statements**

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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 divided by the diluted number of capital stock on 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 standard non-participating Preferred Stock.

#### *Zeroth Fano Venture 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.

## Animoca Brands Corporation Limited and its controlled entities

### Notes to the consolidated financial statements

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. As stated in Note 31, 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, 47% 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.

#### Note 32      Lease obligations

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Opening balance	-	-
Adoption of accounting policy	<b>955,005</b>	-
Interest expense	<b>54,209</b>	-
Repayments	<b>(407,822)</b>	-
Other movements	-	-
Exchange fluctuation	<b>7,696</b>	-
Closing balance	<b>609,088</b>	-
Present value	<b>609,088</b>	-
Interest expense to be charged to the Statement of Profit or Loss and Other Comprehensive Income	<b>30,464</b>	-
Future value	<b>639,552</b>	-
Current liabilities	<b>398,838</b>	-
Non-current liabilities	<b>210,250</b>	-
	<b>609,088</b>	-
Lease payments made by the Group and classified as a cash flow from financing activities in the Statement of Cash Flows	<b>407,822</b>	-

The Company has adopted AASB 16 Leases from 1 January 2019. 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

**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

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interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The consolidated entity has identified only one lease arrangements that satisfied the definition of Leases under AASB 16, and this lease relates to the between Animoca Brands Limited and the Hong Kong Cyberport Management Company Limited. Monthly payments due under the terms and conditions of lease agreements 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 present of lease obligations.

**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

**Note 33      Changes in liabilities arising from financial activities**

	31 December	
	2019	2018
	\$	\$
<b><i>Loans from related entities</i></b>		
Opening balance	-	-
Cash inflows	1,970,280	-
Cash outflows	-	-
Assumed on acquisition of controlled entities	-	-
Other financial liabilities	-	-
Interest expense	-	-
Other movements	-	-
Exchange fluctuation	-	-
Closing balance	<u>1,970,280</u>	-
<b><i>Other financial liabilities</i></b>		
Opening balance	-	-
Cash inflows	12,329	-
Cash outflows	-	-
Other financial liabilities	1,673,614	-
Finance costs	-	-
Other movements	-	-
Exchange fluctuation	-	-
Closing balance	<u>1,685,943</u>	-
<b><i>Borrowings</i></b>		
Opening balance	460,020	-
Adoption of accounting policy on leases	955,006	-
Cash inflows	7,140,762	212,524
Cash outflows	(1,148,127)	-
Assumed on acquisition of controlled entities	1,159,298	341,500
Other financial liabilities	(1,673,614)	-
Interest expense	741,131	-
Other movements	(160,082)	-
Exchange fluctuation	5,570	-
	<u>7,479,964</u>	<u>554,024</u>
<b><i>Total changes in liabilities from financing activities</i></b>		
Opening balance	460,020	-
Adoption of accounting policy on leases	955,005	-
Cash inflows	9,111,042	212,524
Cash outflows	(1,148,127)	-
Assumed on acquisition of controlled entities	1,159,298	341,500
Other financial liabilities	(1,685,943)	-
Finance costs	741,131	-
Other movements	(160,082)	-
Exchange fluctuation	5,570	-
Closing balance	<u>11,123,857</u>	<u>554,024</u>

**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

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	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Current liabilities		
Loans from related entities	<b>1,970,280</b>	-
Borrowings	<b>6,187,473</b>	554,024
Non-current liabilities		
Borrowings	<b>683,403</b>	-
Lease obligations	<b>609,088</b>	-
	<b>9,450,244</b>	554,024
Parent entity	<b>463,491</b>	-
Controlled entities		
Animoca Brands Limited	<b>2,579,368</b>	-
OliveX group	<b>1,883,163</b>	212,524
Pixowl Inc	<b>402,920</b>	341,500
Stryking Entertainment GmbH	<b>1,086,308</b>	-
TSB Gaming Limited	<b>2,365,464</b>	-
Zeroth Fano II Limited	<b>669,530</b>	-
	<b>9,450,244</b>	554,024
<i>Currency</i>		
Australian dollars	<b>463,491</b>	-
Euros	<b>1,086,308</b>	-
Hong Kong dollars	<b>2,579,368</b>	-
US dollars	<b>5,321,077</b>	554,024
	<b>9,450,244</b>	554,024

**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

**Note 34 Share capital**

		31 December	
		2019	2018
		No	No
<b>Shares on issue at beginning of financial year</b>		<b>683,033,962</b>	434,098,804
Shares issued during the year			
1 February 2018		-	54,197,788
21 June 2018		-	11,538,460
21 June 2018		-	1,666,665
22 June 2018		-	2,048,424
19 July 2018		-	83,600,000
7 September 2018		-	21,428,573
16 November 2018		-	13,854,880
16 November 2018		-	126,288
16 November 2018		-	6,400,000
13 December 2018		-	54,074,080
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 2019	e	32,268,723	-
25 October 2019	f	5,500,000	-
27 December 2019	g	9,871,751	-
		<b>261,081,037</b>	248,935,158
<b>Shares on issue at end of financial year</b>		<b>944,114,999</b>	683,033,962

		31 December	
		2019	2018
		\$	\$
<b>Paid-up capital at the beginning of financial year</b>		<b>45,813,735</b>	31,121,237
Capital raising during the financial year			
1 February 2018		-	3,251,867
21 June 2018		-	194,960
21 June 2018		-	100,000
19 July 2018		-	4,180,000
7 September 2018		-	1,500,000
16 November 2018		-	1,385,488
16 November 2018		-	12,629
16 November 2018		-	320,000
13 December 2018		-	4,271,855
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	-
		<b>30,419,841</b>	15,216,799
Transaction costs		<b>(2,332,073)</b>	(524,301)
		<b>28,087,768</b>	14,692,498
<b>Paid-up capital at the end of the financial year</b>		<b>73,901,503</b>	45,813,735

# Animoca Brands Corporation Limited and its controlled entities

## Notes to the consolidated financial statements

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### *Notes to the issue of share capital:*

- (a) *Issue of share 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 fo shares to advisors and consultants as well as institutionand professor 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 of advisors, consultants and employees; institutional and professional investors; and strategic partners*

### **Composition of capital raised**

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash proceeds	<b>17,232,246</b>	-
Cryptocurrencies received	<b>346,312</b>	-
Non-cash issue of shares for acquisitions, investments and settlement of amounts due to vendors	<b>12,841,283</b>	-
	<b>30,419,841</b>	-

### **Options over ordinary shares**

	<b>2019</b>	<b>2018</b>
	<b>No</b>	<b>No</b>
Unlisted options over ordinary shares	<b>33,738,434</b>	60,252,116

At balance date, the ultimate parent entity had granted options over ordinary shares outstanding under to separate series. Series 1 relates to 27,323,543 options over ordinary shares issued on 7 December 2018 with an expiry date being 7 September 2020 and an exercise price of 7 cents per option over ordinary shares. Series 2 relates to 5,600,000 options over ordinary shares issued on 22 June 2018 as a loyalty option with an expiry date being 21 June 2021 and an exercise price of 9 cents per option over ordinary share.

The options issued under Series 1 and Series 2 have been exercised.

At balance date, 814,891 options over ordinary shares issued pursuant to the Employee Share & Option Plan were outstanding.

### **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 that the directors can continue to provide returns to shareholders and benefits for other stakeholders.

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The suspension of the ultimate parent entity on 2 September 2019 and the delisting of the ultimate parent entity on 9 March 2020 from the Australian Securities Exchange initially impacted the consolidated entity's primary source of capital. The focus of the consolidated entity's capital management has been to enhance revenues and reduce costs as well as access to private equity and debt markets to fund its business activities. Since balance date 31 December 2019, the consolidated entity has raised \$269.1 million by way of new equity from private equity as well as sophisticated and professional investors and \$12.4 million in convertible notes.

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 continue 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 2018 and 31 December 2019 was as follows:

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>No</b>	<b>No</b>
Current ratio	<u>neg</u>	<u>2.29</u>

#### *Working capital position*

The working capital position of the consolidated entity as at 31 December 2018 and 31 December 2019 was as follows:

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	<b>8,817,733</b>	7,662,353
Trade and other receivables	<b>1,675,092</b>	4,086,216
Inventories	<b>25,095</b>	-
Other financial assets	<b>2,170,260</b>	1,020,119
Other current assets	<b>1,104,025</b>	775,637
Intangible assets (Digital assets)	<b>1,528,589</b>	647,827
Trade and other payables	<b>(10,903,639)</b>	(6,344,552)
Current portion of borrowings	<b>(6,187,473)</b>	-
Deferred revenue	<b>(6,946,881)</b>	(1,087,115)
Loans from related entities	<b>(1,970,280)</b>	-
Short-term provisions	<b>(318,848)</b>	(176,622)
Other financial liabilities	<b>(1,639,558)</b>	(353,444)
Current portion of lease obligations	<b>(398,838)</b>	-
Milestone obligations due to vendors	-	(1,933,296)
Net working capital (deficit)/surplus	<b><u>(13,044,723)</u></b>	<u>4,297,123</u>

Under the Corporations Act 2001 (*Cth*) the concepts of authorised capital and par value of shares was abolished and accordingly, the Company does not have authorised capital or par value of shares in respect of the shares on issue.



# Animoca Brands Corporation Limited and its controlled entities

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Each fully paid ordinary share carries one vote and carry rights to dividends (in the event a dividend is declared by the board of directors).

### Note 35 Other contributed equity

	31 December	
	2019	2018
	\$	\$
Other contributed equity	4,222,379	5,811,314

The amount recorded as other contributed equity relates to the issuance of shares that have not been made as at balance date and 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 2019 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 2018 related to an institutional placement made in December 2018.

### Note 36 Reserves

	31 December	
	2019	2018
	\$	\$
Other comprehensive income reserve	(1,030,627)	(475,011)
Share-based payments	299,975	122,207
Translation	(173,943)	270,256
	<u>(904,595)</u>	<u>(82,548)</u>

### Note 37 Accumulated losses

	31 December	
	2019	2018
	\$	\$
Opening balance	(33,550,217)	(30,275,392)
Net loss for year after tax	(32,101,546)	(3,274,825)
Change in accounting policy	9,029	-
	<u>(65,642,734)</u>	<u>(33,550,217)</u>

### Note 38 Non-controlling interests

	31 December	
	2019	2018
	\$	\$
Paid-up capital	4,793,514	-
Reserves	(150,478)	-
Accumulated losses	(5,685,810)	-
Other movements	3,560	-
	<u>(1,039,214)</u>	<u>-</u>

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The non-controlling interests relates 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, 51% equity interest in Moonrealm, 78% equity interest in Olive (HK) and a 67% equity interest in Venture Classic.

### **Note 39      Reconciliation of net loss after tax with net cash flows from operating activities**

	31 December	
	2019	2018
	\$	\$
Net loss after tax	(33,191,750)	(3,109,137)
<i>Adjusted for:</i>		
Amortisation of intellectual property	2,299,601	309,169
Deferred revenue	5,851,708	-
Depreciation and amortisation of property plant and equipment	483,019	47,809
Digital assets		1,391,169
Doubtful debts	1,042,206	279,940
Exchange fluctuation	802,979	153,095
Earn-out provisions to Vendors of acquired businesses	-	1,051,475
Fair value of other financial assets recognised through the profit and loss	643,358	(747,752)
Impairment of goodwill on acquisition	9,426,223	-
Interest expense	828,115	-
Gains on sale of mobile application games	-	2,788,704
Provisions	142,226	(24,305)
Share-based payments		
Earn-out payments for employees of acquired entities	3,988,276	-
Employee-based options	177,768	-
Other	(835,134)	-
<i>Changes in other current assets and current liabilities</i>		
Current assets		
Receivables	1,399,201	(1,363,528)
Inventories	(25,095)	-
Other current assets	(317,998)	-
Current liabilities		
Payables	398,753	2,563,761
Net cashflows from (used in) operating activities	<u>(6,886,544)</u>	<u>(3,340,400)</u>

### **Note 40      Share-based payments**

During the financial year 2018, the ultimate parent entity issued 5,000,000 options over ordinary shares to brokers in connection with services rendered in relation to capital raisings. The options over ordinary shares have an exercise price of 9 cents per option over ordinary share and an expiry date of 12 June 2021.

The fair value of the options over ordinary shares was \$122,207.

The fair value of the options was determined by applying a Black-Scholes model with the following inputs:

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	31 December 2019	2018
Issue date	<b>3 April 2019</b>	-
Expiry date	<b>3 April 2023</b>	-
Share price at measurement date	<b>7.3 cents</b>	-
Expected volatility	<b>109%</b>	-
Risk-free rate	<b>3.00%</b>	-
Exercise price	<b>10.4 cents</b>	-
Model used	<b>Black-Scholes</b>	-
Value per share	<b>8.2 cents</b>	-
Number of options	<b>11,172,351</b>	-
Total value	<b>916,133</b>	-

	31 December 2019		31 December 2018
	Number of Options	Weighted Average Price	Number of Options
Opening balance	-	-	-
Options:			
Granted	<b>11,172,351</b>	<b>8.20</b>	-
Cancelled	<b>(1,438,043)</b>	<b>(8.20)</b>	-
Expired	-	-	-
Exercised	<b>(8,919,417)</b>	<b>(8.20)</b>	-
Closing balance	<b>814,891</b>	<b>8.20</b>	-

**Note 41 Key management personnel**

The names and positions held by key management personal 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:

**Animoca Brands Corporation Limited and its controlled entities**  
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	31 December 2019	2018
	\$	\$
Short-term employee benefits	317,209	322,392
Post-employment benefits	3,300	3,740
Share-based payments in equity	132,006	45,100
Share-based payments in options	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Payments to contractors for accounting and secretarial services	78,159	60,000
	530,674	431,232

**Note 42     Related party transactions**

There were no loans made to Key Management personnel of Animoca Brands Corporation Limited as at 31 December 2019 (2018: nil). At balance date, 31 December 2018 and 31 December 2019, the following amounts were due to key management personnel \$262,233 (2018: \$312,540).

	31 December 2019	2018
	\$	\$
Yat Siu	29,587	15,588
David Brickler	22,500	7,500
Holly Liu	75,694	25,694
Chris Whiteman	75,833	25,833
Robert Yung	30,804	220,010
Arnoldo Concepcion	-	-
Julian Rockett	23,815	17,915
John Madden	4,000	-
	262,233	312,540

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.

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 of computer workstations, information systems, furniture and fittings, 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

# Animoca Brands Corporation Limited and its controlled entities

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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 Talenthous services to gaming and media clients worldwide (including clients of iClick) and develop commercial opportunities for Talenthous's services in Asian markets. Animoca Brands will make an investment of US\$2,000,000 for 448,413 shares of preferred stock in Talenthous, payable half in cash and half in newly issued shares of AB1 with a value of 11 cents per share.

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<i>Service fees</i>		
Outblaze Limited	<b>289,710</b>	237,787
<i>Marketing and commissions</i>		
Outblaze Limited	<b>2,320,508</b>	2,274,089
	<b>2,610,218</b>	2,511,876
<i>Receivables and (payables)</i>		
Outblaze Limited	<b>(9,712)</b>	23,438
Outblaze Ventures Holdings Ltd	<b>(1,274,473)</b>	(1,814)
	<b>1,284,185</b>	25,252

Mr Siu resigned as director of Outblaze Venture Holdings Limited on 1 July 2018; however, documentation setting out his resignation as a director was not lodged with authorities in Hong Kong until March 2019. Mr R Yung was also a director of Outblaze Venture Holdings Limited and resigned as a director on 1 July 2018.

Mr Arnaldo 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 through his superannuation fund.

### **Note 43 Commitments**

At balance date, the total future minimum lease payments payable by the consolidated entity under non-cancellable operating leases is as follows:

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Commitments < 1 year	398,836	380,396
Commitments > 1 year < 5 years	244,373	527,018
	<b>643,209</b>	<b>907,414</b>

# Animoca Brands Corporation Limited and its controlled entities

## Notes to the consolidated financial statements

### Note 44 Contingent assets and contingent liabilities

As at the date of this annual report, the consolidated entity is 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 has not been sufficient work completed at this time to quantify any tax exposures on transactions undertaken, if any.

### Note 45 Auditors remuneration

	31 December	
	2019	2018
	\$	\$
Grant Thornton Australia	128,457	45,464
Grant Thornton Hong Kong	91,347	81,567
Grant Thornton Malta	8,794	-
Frank Rimerman & Co	42,819	63,756
	<u>271,417</u>	<u>190,787</u>

DFK Collins was appointed by shareholders auditor on 21 December 2021. As at balance date 31 December 2019, 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 46 Parent entity disclosures

#### a. Financial position of Animoca Brands Corporation Limited

	31 December	
	2019	2018
	\$	\$
<b>Assets</b>		
Current assets	208,921	5,215,870
Non-current assets	<u>11,482,975</u>	<u>12,994,295</u>
	<u>11,691,896</u>	<u>18,210,165</u>
<b>Liabilities</b>		
Current liabilities	1,154,557	250,424
Non-current liabilities	-	-
	<u>1,154,557</u>	<u>250,424</u>
<b>Net assets</b>	<u>10,537,339</u>	<u>17,959,741</u>
<b>Equity</b>		
Paid-up capital	96,401,211	68,703,401
Other contributed equity	4,222,379	5,811,314
Reserves	299,975	122,207
Accumulated losses	<u>(90,386,226)</u>	<u>(56,677,181)</u>
	<u>10,537,339</u>	<u>17,959,741</u>

# Animoca Brands Corporation Limited and its controlled entities

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*b. Financial assets of Animoca Brands Corporation Limited*

	31 December	
	2019	2018
	\$	\$
Advances to controlled entities	66,847,441	36,153,775
Shares in controlled entities	15,000,000	15,000,000
	81,847,441	51,153,775
Impairment	(70,364,466)	(38,159,480)
	11,482,975	12,994,295

*c. Financial performance of Animoca Brands Corporation Limited*

	31 December	
	2019	2018
	\$	\$
Profit/(loss)	(33,709,045)	(3,109,143)
Total comprehensive profit/(loss)	(33,709,045)	(3,109,143)

*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 2019 (2018: 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 2019 (2018: Nil).

*f. Commitments of Animoca Brands Corporation Limited*

The parent entity does not have any commitments as at 31 December 2019 (2018: Nil).

### **Note 47 Subsequent events**

*Exercise of options*

**On 3 January 2020**, the Company issued to option holders who exercised options over ordinary shares 14,285,715 fully paid ordinary shares. The options over ordinary shares expired on 5 December 2019 at an exercise price of 9 cents per option over ordinary share. The Company received \$1,285,714 in proceeds from the exercise of the options over ordinary shares.

*Stryking collectibles*

**On 14 January 2020**, Stryking has launched the first prints of its Epic tier FC Bayern Munich digital collectibles, with bidding at. The Epic tier is the second rarest available after the Legendary tier. Over the recent Christmas and New Year holiday period, Stryking sold official Legendary tier collectibles of FC Bayern Munich for a total of 552.37 ETH (approximately US\$80,000).

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Stryking had been virtually shut down following its acquisition due to the loss of key employees as well as unresolved issues over a loan from German government authorities supporting technological start-ups. As a result of the issues that emerged on acquisition, Stryking was not accounted for as a business combination but as an acquisition of assets with the difference between the net assets acquired and the consideration charged to the profit or loss.

#### *F1® Delta Time*

**On 21 January 2020**, the F1® Delta Time the auction for the ultra-rare “China Edition 2019 Azure Dragon” commenced for the latest official Formula 1® (F1®) non-fungible token (NFT) digital collectible race car.

The “China Edition 2019 Azure Dragon” NFT is the first of the F1® Delta Time “Four Guardians” race cars. The Azure Dragon (Qinglong in Chinese) is a mythological creature representing the East and the season of spring.

The other three cars in the “Four Guardians” limited series, namely “White Tiger,” “Black Tortoise,” and “Vermillion Bird,” are to be released during the financial year. The “Four Guardians” race cars are based on the four mythological symbols of China, which are the guardians of the four cardinal directions.

All race cars produced by F1® Delta Time are officially licensed by Formula 1®.

Every car is an NFT digital collectible that can be used in the upcoming F1® Delta Time multiplayer racing game. The authenticity, rarity, and true digital ownership of these NFTs are guaranteed via blockchain.

F1® Delta Time has previously completed auctions of four unique and official Formula 1® NFTs of the Apex rarity level, starting with the landmark “1-1-1” digital car collectible that sold on 28 May 2019 for a record price of 415.9 ether (worth approximately US\$113,000 at the time of sale); this was followed by the “Monaco Edition 2019”, “France Edition 2019”, and “Japan Edition 2019”.

In addition, F1® Delta Time auctioned the first 10 official F1® team cars simultaneously in the Pole Position Auction held from 28 November to 1 December 2019, which fetched a total of 121.5172 ether (worth approximately US\$18,608 at the time of sale). The team cars were all of the Epic rarity level.

#### *Issue of shares and options*

**On 24 January 2020**, the Company issued 12,188,995 fully paid ordinary shares as well as 3,047,248 options over ordinary shares. The shares and options over ordinary shares formed part of a capital raising previously announced to the market on 8 August 2019. In this announcement, the Company sought to raise A\$8 million from strategic investors, Australian institutional investors, and existing shareholders at 20 cents per fully paid ordinary shares.

The attaching 1:4 loyalty options were priced at 25 cents per option over ordinary shares and were offered subject to a vesting condition that investors in the capital raising hold the shares subscribed to for a period of twelve months with an ultimate expiry date for the options over ordinary shares on 17 February 2021.



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#### *Pandemic*

**On 30 January 2020**, the World Health Organisation declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 10, 2020, declared COVID-19 a pandemic. The operations of the Company could be negatively impacted by the regional and global outbreak of COVID-19 and may impact the Company's revenues, its results, and its ability to source funding for the next reporting year.

#### *SANDBOX Land presale*

**On 13 February 2020**, TSB Gaming Ltd announced that the second round of the LAND Presale for its forthcoming decentralized blockchain gaming platform *The Sandbox*, totalling 6,192 unique LAND parcels, generated 800 ETH of sales. Ten limited edition user-created game ASSETS (items or digital collectible NFTs) are also available for purchase in the marketplace until stock is depleted.

The Sandbox vision is to provide a blockchain Metaverse where players can build, own, and control a decentralized, player-run set of gaming worlds. The platform aims to reach millions of users, offering true ownership and value for players and their creations through an environment that facilitates collaboration and sharing. LAND makes up the individual blocks of the game world that can be purchased and owned by players and accessed through a virtual map where the locations of LANDs and proximity to larger Estates and key positions will play a role in the gameplay, economy, and visibility of games. LAND will have the capability to be rented out to other players, and owners can invite other creators into their LAND to help create an experience collaboratively. Players can combine LANDS into a larger shared space to create a richer, larger gaming or social experience.

The LAND Presales offer players, creators, and crypto enthusiasts the chance to obtain a piece of The Sandbox metaverse at a favourable early adopter price. During the event, participants buy LAND (with ether), and purchase exclusive ASSETS, which are NFT game items such as characters, animals, monuments, buildings, trees, and tools to populate game experiences.

The first LAND presale for *The Sandbox* was held in December 2019 and offered more than 3,000 LANDs that sold out in 4 hours. The second presale opened on 11 February 2020 and offered 6,192 LANDs (representing 5% of total parcels available for sale on The Sandbox map) and is nearly sold out after one day. This confirms the strong interest from gamers, creators, and artists for the decentralized gaming platform that will empower creators through the use of blockchain technology and non-fungible tokens.

LANDs can be combined into larger consolidated holdings (ESTATES) to permit more ambitious game experiences. There are 166,464 LANDs in The Sandbox, with the scarcity and uniqueness of each LAND verifiable through blockchain technology.

Each of the 166,464 LANDs is tokenized as an ERC-721 non-fungible token (NFT) that uses the transparency of public distributed ledger technology to track its uniqueness and enable true digital ownership, including the ability to sell or rent out LANDs.

Players can benefit from LAND ownership in multiple ways, including by monetizing game experiences on their LAND, developing virtual real estate, renting their LAND, and staking.

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The actual launch of The Sandbox game has not occurred and therefore, the accounting for the LAND sales do represent unearned revenue notwithstanding the statement made in the Animoca announcement that customers can sell or rent-out LANDS. I would have thought that renting out the LANDS could only occur once a gamer had access to the launched game.

#### *Gamee, nWay and Quidd acquisitions*

**On 17 February 2020**, Animoca Brands Limited and the vendors of Gamee Limited executed a Share Purchase Agreement. On 19 February 2020 Animoca Brands Limited and the vendors of Quidd Inc executed the Share Purchase Agreement. On 25 February 2020 Animoca Brands Limited and the vendors of nWay Inc executed the Share Purchase Agreement. As a result of the execution of these documents Gamee Limited, Quidd Inc and nWay Inc became wholly owned controlled entities of the Company. However, there were significant conditions precedent to fulfil before the Animoca consolidated entity consolidated these entities and therefore, achieved Completion pursuant to the legal documentation.

#### *F1® Delta Time*

**On 24 February 2020**, the Company announce that the official crate sale for F1® Delta Time starts on 25 February 2020. Users will be able to buy crates containing officially licensed Formula 1® (F1®) non-fungible tokens (NFTs) of drivers, driver gear, and tyres for use in the game *F1® Delta Time*. See for auction details.

Crates in *F1® Delta Time* are ERC-20 tokens and are available in 4 tiers: Common, Rare, Epic, and Legendary. Purchases can be made using cryptocurrencies such as ETH, DAI, OST, USDC, USDT, and others. Players can choose to open their crates, sell them to other players, or hold on to them for future use. Each tier of crates has a limited supply:

- Common crates: 2,500
- Rare crates: 2,000
- Epic crates: 1,500
- Legendary crates: 500

Each crate contains 5 NFT, including race cars, drivers, car components, driver gear, or tyres. The contents of crates are random, with cars and drivers being the rarest to obtain.

In *F1® Delta Time* there are 5 rarity levels for NFT: Apex, Legendary, Epic, Rare, and Common, with Apex being the scarcest NFT. The rarity levels of the NFTs in each crate are determined based on the tier of the crate:

- Common crates: 1 Rare and 4 Common NFTs
- Rare crates: 2 Common and 3 Rare NFTs
- Epic crates: 3 Common, 1 Rare, and 1 Epic NFTs
- Legendary crates: 3 Common, 1 Rare, and 1 Legendary NFTs

Crates can randomly contain an item that is one level higher than the tier of the crate - for example, a Rare crate may contain 2 Common, 2 Rare, and 1 Epic NFTs (instead of the normal 2 Common and 3 Rare NFTs).

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Gamers can enjoy an early bird discount when buying crates in the first week of the sale. Players will receive a 5% discount on every 5th crate purchased from the same rarity tier.

Period	Common Crate	Rare Crate	Epic Crate	Legendary Crate
25 Feb - 2 Mar	\$18	\$36	\$135	\$450
3 Mar - 9 Mar	\$20	\$40	\$150	\$500

After registering an account each player will receive a unique referral link, allowing them to earn 2.5% of the value of any crate purchases that happen through their referral links.

#### *Apex "China Edition 2019" cars lucky draw*

Players will receive "Car Tickets" for all crate purchases; the number of car tickets players will receive depends on the tier of crate purchased:

- Common crate: 1 car ticket
- Rare crate: 2 car tickets
- Epic crate: 3 car tickets
- Legendary crate: 5 car tickets

The car tickets give players a chance to win rare unique cars: three of the cars from the "Four Guardians" collection celebrating Chinese New Year will be randomly awarded to three different players after the crate sale. These cars, named "White Tiger," "Black Tortoise," and "Vermillion Bird," are of the highest rarity level: Apex. The first of the Four Guardians cars - "China Edition 2019 Azure Dragon" - was recently sold at auction for 91 ETH.

The Four Guardians Apex cars will be unlocked upon reaching crate purchase milestones, with the first race car being made available once 2,000 crates are sold, the second car after 4,000 crates are sold, and the third after all 6,500 crates are sold.

A lucky draw will be conducted to determine the winner of each car. The more car tickets a player has, the higher the chance to win one of the Four Guardians Apex cars.

#### *ASX delisting*

The Company was advised by the Australian Securities Exchange that, despite the Company's thorough and detailed case made to the contrary, ASX removed the Company from the Official List pursuant to Listing Rule 17.12 with effect on and from the commencement of trading on Monday, **9 March 2020**.

The Company's operations continue on a business-as-usual basis.

On 18 December 2019, ASX issued a letter to the Company detailing what ASX believed to be breaches of the listing rules (the "Letter"). The Letter placed emphasis on some elements of the Company's business including:

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- certain governance items (many of which the Company had already taken significant actions toward rectifying prior to the Letter);
- “involvement in cryptocurrency related activities” (which the Company notes is an unsettled topic between the Company and ASX, and not clearly defined); and
- “substantial use of SAFEs issued by subsidiaries” (although the Company has not initiated new transactions utilising SAFEs since being advised by ASX that SAFEs constituted a concern).

ASX advised the Company that it would be removed from the Official List unless the Company could make a good case to the contrary.

Upon receipt of the Letter, the Company set to work on addressing the concerns and working on a strategy that would allow ASX to be comfortable in lifting the Company from suspension. The Company committed considerable time and resources to address the concerns of ASX, including engaging various consultants and advisors as well as the law firms King & Wood Mallesons, Sidley Austin, and DLA Piper.

On 28 February 2020, the Company submitted to ASX a detailed and comprehensive 39-page response to factually address the items in the Letter, and also attached a number of supporting legal opinions from highly regarded legal firms concerning the status of certain cryptographic tokens that ASX had cited as concerns. The Company acknowledged some of the alleged breaches and issues with respect to its operations, noting that the Company had already taken various remedial actions and had corrected breaches before receipt of the Letter. The Company objected to some other points raised by ASX, including ASX’s claim that the Company was in breach of Listing Rule 12.5.

#### *F1® Delta Time*

The first official *F1® Delta Time* crate sale, held on **25 February to 9 March 2020** was completed. The Company sold a total of 2,375 crates, including over 94% of top tier (Legendary) crates. The crate sale generated over US\$364,000 (approx. A\$555,000).

Many of the *F1® Delta Time* digital collectibles are also trading on public marketplaces such as OpenSea, where *F1® Delta Time* became the second highest ranked DApp by volume on the platform (with the game’s goods generating trades of over 320 ETH or approximately A\$100,000).

Crates in *F1® Delta Time* are ERC-20 tokens and are available in 4 tiers: Common, Rare, Epic, and Legendary. Each crate contains 5 NFTs, including race cars, drivers, car components, driver gear, or tyres. The contents of crates are random, with cars and drivers being the rarest to obtain. Players can choose to open their crates, sell them to other players, or hold on to them for future use.

Each tier of crates has a limited supply, and the total numbers of crates sold are:

- Common Crates: 678 sold
- Rare Crates: 517 sold
- Epic Crates: 706 sold
- Legendary Crates: 474 sold

All unsold crates were destroyed and the NFTs inside these crates will never be available again.

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#### *SANDBOX LAND Presale*

**On 11 April 2020**, TSB Gaming Ltd announced that the third LAND Presale round for its forthcoming decentralized social multiplayer gaming platform, *The Sandbox*, completely sold out within 5 hours, generating more than 3,400 ETH (equivalent to \$450,000 USD at exchange rate time) via the sale of 12,384 unique LAND parcels.

#### *Mutual investment with Versus Systems Inc*

**On 27 April 2020**, the consolidated entity completed the mutual investment with Versus Systems Inc., (a company listed on the Canadian Securities Exchange"). Under the terms and conditions of the Mutual Investment Agreement. Additionally, Animoca Brands Limited, an entity incorporated under the laws and regulations of Hong Kong and a controlled entity of Animoca Brands Corporation Limited, the ultimate parent entity got the consolidated entity, received 3,036,739 shares of Versus priced at C\$0.23 per share at an exchange rate of USD/CAD = 0.7159 and Versus received 4,327,431 shares of Animoca Brands priced at A\$0.18 per share at an exchange rate of USD/AUD = 0.6419, each issuance being the equivalent in value to USD \$500,000.

Animoca Brands Limited also completed a Master Services Agreement (the "Integration Agreement") to integrate proprietary in-game rewards technology of Versus in certain games developed and published by Animoca Brands.

Versus enables game publishers and developers to offer in-game prizes across mobile, console, PC games, and streamed media, helping to increase the value for end-users and boosting retention rates.

Pursuant to the Integration Agreement, Animoca Brands Limited and Versus will work together to integrate the real-world in-game rewards technology developed by Versus into selected Animoca Brands games. As consideration for the integration, Animoca Brands received US\$250,000 in the form of 1,293,426 shares of Versus priced at C\$0.27 per share on 14 April 2020.

All shares issued in connection with the Integration Agreement and Mutual Investment are free from lockup or other restrictions on their sale or transfer, except as required under Canadian Securities Exchange policies.

#### *Crazy Defense Heroes has launches NFT*

**On 8 May 2020**, the Company announces that its popular mobile game *Crazy Defense Heroes* has launched a sale of Super Value Chests containing non-fungible tokens (NFTs) and 150% more in-game premium currency. *Crazy Defense Heroes* is a popular tower defense and collectible card mobile game with approximately 2 million downloads. From today until 15 May 2020, a total of just 100 Super Value Chests will be available for purchase at. All Super Value Chests contain collectible card NFTs, Gems (the in-game premium currency of *Crazy Defense Heroes*), and VIP points. Notably, the Super Value Chests provide 150% more Gems than the standard in-game pricing.

There are three types of Super Value Chests that players and collectors can purchase during the sale: Rare, Epic and Legendary, with Legendary being the scarcest (only 5 Legendary chests are available). Note that NFTs contained in Super Value Chests are collectible items and not in-game items.

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	Super Value Chests contents		
	Rare Chest	Epic Chest	Legendary Chest
Price	US\$20	US\$50	US\$100
Availability	60	35	5
NFT	2-star collectible NFT	3-star collectible NFT	4-star collectible NFT
Gems	6,000 (3,700 extra)	15,120 (9,120 extra)	32,400 (19,400 extra)
VIP Points	600	1,500	3,000

Non-fungible tokens, or NFT, are digital assets and collectibles powered by blockchain technology. The authenticity, scarcity, and other properties of NFT are independently guaranteed, verified, and secured on blockchain, the decentralized ledger technology. NFTs can be rare or even unique in a way that other digital assets are not.

NFTs are fully owned by their buyers, regardless of any decisions taken by the game's or the NFT's publisher. Because NFT confer the quality of true digital ownership, players are free to do anything they want with them, including selling them for real money.

This true digital ownership of NFT is markedly different from the standard model used to manage in-game assets, which relies on licensing assets rather than true ownership. In traditional games, a publisher grants players certain limited licenses to utilise the game and the assets therein, but those licenses can be revoked at any time (for example, when the game shuts down). Effectively, gamers do not truly own any of the assets inside traditional games - despite the fact that gamers invest significant time and money in games. The adoption of blockchain and NFTs could change all this.

Additionally, NFT can be highly valuable as digital collector items, similarly to physical collectibles like rare baseball cards. For example, last year *F1® Delta Time*, the blockchain game also developed and published by Animoca Brands, sold the one-of-a-kind "1-1-1" digital car NFT collectible for a record price of 415.9 ether (worth approximately US\$113,000 at the time of sale). Their resale value as collectibles or in-game items allows owners of NFTs to sell them for a profit.

With the current Super Value Chests sale, *Crazy Defense Heroes* is exploring the potential of non-fungible tokens attached to a traditional mobile game, challenging the standard model of game licensing, and allowing the players of *Crazy Defense Heroes* for the first time to truly own digital assets.

#### *iCandy additional investment*

The Animoca consolidated entity finalised an agreement with iCandy Interactive Limited for the \$5 million sale of its mobile games portfolio. Originally announced in November 2017, the agreement would see iCandy acquire 318 mobile casual games from Animoca Brands, through a combination of cash and shares.

Under the terms of the transaction, the Animoca consolidated entity transferred business and assets related to the portfolio and managed a handover period during which it would continue to publish, operate, and maintain the games until iCandy was ready to take over.

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However, a series of technical issues during handover resulted in the software source codes for some games not transferring across to iCandy. The delays meant iCandy could not settle a remaining cash consideration of \$622,293.34 via the issue of new shares to Animoca Brands.

Animoca Brands subsequently agreed to extend the settlement date for the shares and associated maintenance and migration fees.

The entities announced on **4 June 2020** that the technical issues had been resolved and iCandy would finalise the outstanding share issue.

Animoca Brands will receive a total of 30,208,415 iCandy shares, increasing its stake in the company from 7.9% to 15.5%.

#### *Gamee acquisition completion*

The Company completed the acquisition of Gamee sro on **10 June 2020** by way of a Share Purchase Agreement. Under the terms and conditions of the acquisition, Animoca Brands Limited, a wholly owned controlled entity of the Company incorporated in Hong Kong, will acquire all the common stock on issue in Gamee by way of:

- the issue of fully paid ordinary shares in the Company at 18 cents per share for the Australian dollar equivalent of Euros 3,200,000 with the Australian dollar equivalent of Euros 3,026,734 payable in fully paid ordinary shares to non-founding shareholders of Gamee subject to a contractual escrow period of 12 months and the Australian dollar equivalent of Euros 173,266 payable in fully paid ordinary shares to founding shareholders of Gamee subject to a contractual escrow period of 24 months;
- the issue of fully paid ordinary shares at the higher of 18 cents or the 14-day VWAP per share for the Australian dollar equivalent of Euros 800,000 to non-founding shareholders of Gamee 12 months following the date of execution of the Share Purchase Agreement; and
- the payment in cash or the issue of fully paid ordinary shares in the Company, at the sole discretion of the Company, of up to Euros 1,000,000 on Gamee achieving specific milestone revenue and profit milestones with the payment of cash or the issue of shares payable to founding shareholders and specific non-founding shareholders (Earn-out Entitlements).

If the Company elects to extinguish the Earn-out Entitlements by way of the issue of fully paid ordinary shares, the shares are to be issued at the 14-day VWAP three days immediately prior to the specific date of settlement of the Earn-out Entitlement set out in the Share Purchase Agreement.

#### *Convertible note issue*

**On 3 July 2020**, the Company inform 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 (collectively, the "Investors") for net proceeds of US\$4.1 million (approximately A\$6 million). The Convertible Notes have a

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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 the interest payable every 6 months. The principal and any unpaid interest on the Convertible Notes are due and payable on 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 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 Animoca Brands 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 Q2 2022).



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#### *nWay acquisition completed*

**On 7 July 2020**, Animoca advise that it has completed the acquisition of 100% of the issued capital in nWay, Inc.

#### *SANDBOX SAND Sale on Binance*

**On 5 August 2020**, TSB Gaming Ltd launch a US\$3 million sale of SAND tokens on Binance Launchpad, Binance's exclusive token launch platform for transformative blockchain projects. SAND is the main utility token for *The Sandbox*.

The SAND sale will start on Binance Launchpad on 13 August 2020 with 360 million SAND tokens (being 12% of the total supply of SAND) being made available for purchase at a price of US\$0.0083 per token.

#### *Strategic partnership with Rightbridge*

**On 18 August 2020**, RightBridge Ventures AB ("RightBridge Ventures") and Animoca Brands Corporation Limited have initiated a strategic partnership with the acquisition of Gamma Innovations Inc. ("Gamma") by RightBridge Ventures.

RightBridge Ventures will acquire from Animoca Brands Limited the entire issued capital in Gamma Innovations Inc., being 9,000,000 ordinary shares, for a consideration of US\$1 million, payable in fully paid shares of RightBridge Ventures.

Animoca will become a strategic shareholder of RightBridge Ventures with a fully diluted ownership stake of approximately 5%.

The transaction is due to be closed within 31 August 2020.

If RightBridge Ventures does not list on a public exchange by the end of Q1 2021, Animoca Brands has the right to terminate the deal and take back ownership of the shares in Gamma. The RightBridge Ventures shares that Animoca Brands is receiving as consideration for the sale of Gamma are subject to a lockup ending six months after RightBridge Ventures' public listing.

On 7 October 2020, the transaction was terminated.

RightBridge Ventures had not issued the shares as consideration despite the earlier announcement stating that the completion would be 31 August 2020.

#### *SANDBOX SAND Tokens on Binance platform*

**On 21 August 2020**, the Company announced that Binance platform was utilized to establish allocation of the 360 million SAND tokens to interested buyers. SAND began trading on Binance on 14 August 2020 at and over the first 24 hours, Binance users traded over US\$140 million worth of SAND tokens. At that time, the SAND price ranged between US\$0.05 and 0.07, which represented an increase of approximately +600% from the opening sale price of US\$0.008333.

#### *OliveX IPO*

**On 24 August 2020**, OliveX listed on the NSX with the Animoca consolidated entity holding 33% of the shares on issue. OliveX will need to be de-consolidated and accounted for under. Further, there was a change to the terms and conditions of the convertible note issue prior to the listing of OliveX which suggests the convertible note

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took on the structure of an equity instrument. As a consequence, the accounting for the convertible previously as a financial liability may require a reversal of entries.

#### *REVV Token launch*

**On 2 September 2020**, the Company advised that it launched its REVV token on Uniswap, the automated liquidity protocol for exchanging ERC-20 tokens on the Ethereum blockchain. REVV is the main utility token and in-game currency of the branded motorsports games produced by Animoca Brands, including *F1® Delta Time*, an upcoming title based on MotoGP™ intellectual property, and a third title to be announced soon (collectively, the “Motorsport Games”).

REVV tokens will be paired with ether (ETH) on the Uniswap platform.

REVV is the ERC-20 utility token that serves as the primary currency in certain blockchain games developed and published by Animoca Brands. These games include *F1® Delta Time* (aspects of which are currently available in beta stage), an upcoming blockchain game based on MotoGP (initial features releasing in Q4 2020), and a third blockchain game based on a global racing franchise that will be announced soon.

REVV is a fungible token (a type of cryptographic token that is non-unique and mutually interchangeable with others of its kind), the game content within the Motorsport Games is primarily provided in the form of non-fungible tokens (NFTs), which are a special type of cryptographic token representing pieces of digital content that are unique. For example, in *F1® Delta Time* most critical game content is comprised of NFTs, including Cars, Drivers, and even Tracks.

#### *SANDBOX and Binance*

**On 8 September 2020**, TSB Gaming Ltd announce the expansion of the collaboration between its subsidiary decentralized gaming platform The Sandbox and blockchain ecosystem Binance. Binance will acquire 4,012 LAND non-fungible tokens (NFTs) in The Sandbox ahead of the gaming metaverse’s fourth LAND presale, scheduled for September 15, 2020.

The Sandbox recently completed a US\$3M Token Raise on Binance Launchpad, the exclusive token launch platform for transformative blockchain projects.

Binance will use its LANDS to engage with its community through social gaming experiences within *The Sandbox* virtual worlds; organizing future NFT creation contests, supported by VoxEdit and *The Sandbox* NFT marketplace.

#### *Acquisition of NinjaStickers*

**On 23 September 2020**, the Company announced it had acquired the business and trade name of NinjaStickers™ from SingularCK Limited.

#### *Sale of shares in iCandy*

**On 25 September 2020**, Animoca consolidated entity sold 11,150,000 shares in iCandy.

#### *F1® Delta Time*

**On 23 November 2020**, the Company and *F1® Delta Time* announce that the 2020 Content Pre-Sale will start 30 November 2020, offering players the only opportunity to

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obtain new 2020 content for the official Formula 1® blockchain game at a potential discount of up to 50% off.

All transactions in the 2020 Content Pre-Sale will be conducted in REVV, the ERC-20 utility token that serves as currency in branded motorsports games produced by Animoca Brands. In order to participate in the Pre-Sale, players must deposit REVV by 3 December 2020.

There are two periods in the Pre-Sale: the Deposit Period (30 November to 3 December 2020) and the Purchase Period (4 to 11 December 2020). During the Deposit Period, players are required to deposit any REVV they intend to spend during the Purchase Period. Any unspent REVV will be returned to players after the end of the Pre-Sale. The discount applied to the 2020 Content Pre-Sale is based on community participation. The total amount of REVV deposited by all players during the Deposit Period will determine the extent of the discount to be applied: 10%, 25%, or 50% off.

On 27 November 2020, the Company and F1® Delta Time announced the upcoming auctions for the game's first racetrack segment and the latest ultra-rare digital collectible race car. The auction for the Apex segment 1A of the world-famous Formula 1 Grand Prix de Monaco track starts on 29 November 2020; the segment is an NFT representing fractional ownership of the track inside the blockchain game *F1® Delta Time*. Additionally, the "Bahrain Edition 2020" Apex car NFT auction starts on 1 December 2020.

On 2 December 2020 the Animoca consolidated entity announced that *F1® Delta Time*'s first Apex race event segment "Formula 1 Grand Prix de Monaco 2020 1A" has sold at auction for the record-setting price of approximately US\$223,000. The event segment is a non-fungible token (NFT) representing a fractional ownership of 5% in the Formula 1 Grand Prix de Monaco event inside the blockchain game *F1® Delta Time*. Separately, the auction for *F1® Delta Time*'s "Bahrain Edition 2020" Apex car NFT is currently in progress.

The winning bid for the "Formula 1 Grand Prix de Monaco 2020 1A" event segment was 9,081,752 REVV, equivalent to 375.56 ether or approximately US\$223,000 at the time of sale. This is the highest price ever paid for a game based NFT, branded game NFT, and, potentially, any NFT. The sale significantly exceeds the sum paid for the very first official Formula 1 NFT, the 1-1-1 Apex car, which was bought in May 2019 for the equivalent of approximately US\$111,111, making the car the most expensive NFT sold in 2019.

*F1® Delta Time* consists of multiple segments, each of which is an NFT. These segments are distributed in four tiers of descending rarity: Apex, Legendary, Epic, and Rare (Apex being the rarest and most valuable). The Formula 1 Grand Prix de Monaco event consists of a total of 330 segments, five of which are Apex. Each Apex segment of the Formula 1 Grand Prix de Monaco event represents a 5% share of ownership in the entire in-game event. Ownership of *F1® Delta Time* event segments entitle owners to passively earn a share of all REVV entry fees collected for all races held on that event in-game, and to a yield based on the REVV staked during Elite Events, held periodically inside the game.

The first Apex segment of Formula 1 Grand Prix de Monaco event auction began on OpenSea on 29 November and ended on 2 December 2020, with bidding exclusively

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in REVV, which is the ERC-20 utility token that serves as currency in branded motorsports games produced by Animoca Brands.

*F1® Delta Time* player Metakovan, who in 2019 bought the 1-1-1 NFT for the equivalent of US\$111,111 (for details, refer here), won the final bid for the 1A event segment after an intense competition against the SuperFast racing team of politician and championship poker player Tony G (Antanas Guoga).

#### *Quidd acquisition completed*

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

#### *F1® Delta Time*

**On 4 December 2020**, the Animoca consolidated entity announced that *F1® Delta Time*'s Apex digital car "Bahrain Edition 2020" had sold at auction for approximately US\$77,414. The item is a unique non-fungible token (NFT) in the highest rarity and power tier for the blockchain game *F1® Delta Time*.

Politician and championship poker player Tony G (Antanas Guoga) acquired the "Bahrain Edition 2020" car NFT for his SuperFast racing esports team with a final bid of 2,650,000 REVV, equivalent to 138.72 ether or approximately US\$77,414 at the time of sale.

The auction for the ultra-rare "Bahrain Edition 2020" Apex car NFT began on 1 December 2020 and ended on 4 December 2020. Bidding was conducted in REVV, Animoca Brands' token for blockchain motorsports.

The "Bahrain Edition 2020" auction ended just two days after Animoca Brands sold the first Apex segment of the Formula 1 Grand Prix de Monaco 2020 track at auction for approximately US\$223,000, which was the highest price ever paid for a game-based NFT, branded game NFT, and, potentially, any NFT (refer to announcement of 2 December 2020).

On 8 December 2020, Animoca announced that *F1® Delta Time*'s 2020 Content Pre-Sale on 4 December 2020 sold out within 5 hours, during which participants spent 44,480,000 REVV, equivalent to about US\$1.3 million. The 2020 Content Pre-Sale, which offered players new 2020 content for the official Formula 1® blockchain game at a 50% discount, was the highest-grossing non-fungible token (NFT) sale event of 2020, to the best of the Company's knowledge.

The pre-sale concluded a remarkable week of NFT-related sales for *F1® Delta Time*, which also auctioned the first Formula 1 Grand Prix de Monaco track segment, breaking all previous NFT price records, and the "Bahrain Edition 2020" Apex race car. Altogether, *F1® Delta Time* sold a total of 56,211,752 REVV (about US\$1.6 million) in NFT goods in the first week of December 2020.

All transactions in the 2020 Content Pre-Sale were conducted in REVV, the ERC-20 utility token that serves as currency in branded motorsports games produced by Animoca Brands. The 50% discount applied to the 2020 Content Pre-Sale was based on community participation: a total of 74,853,255 REVV was pre-deposited by all players to secure the discount. The amount that was actually spent in the pre-sale was 44,480,000

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REVV (~US\$1.3 million). Users who deposited REVV for the pre-sale can claim back any unspent REVV starting on 11 December 2020.

#### *Acquisition of Latgala*

**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 US\$1.38 million.

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 2019, 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 2019 to inspire thousands of users to build healthy habits.

As a result of the acquisition, Animoca Brands will obtain 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 capitalization 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.

Upon acquiring Lympo, Animoca Brands proposed to support LYM within its existing token ecosystems including the REVV Token, the utility token for blockchain motorsports that powers *F1® Delta Time* and the upcoming games based on MotoGP™ and Formula E. Animoca Brands will also leverage Lympo's existing partnerships, customers, and token holders to grow engagement for sports-related NFT collectibles. Among various other post-acquisition initiatives, Animoca Brands and Lympo will work on the production of a gamified “hero” collectible system that will tokenise accomplished athletes; the collectibles will be obtainable and upgradeable using LYM.

If Lympo achieves certain revenue milestones during the one-year period following the closing date of the Acquisition, Animoca Brands will pay the Sellers up to US\$1.5 million earnout payments, payable in cash or shares of Animoca Brands, at the Company's sole discretion. If Animoca Brands elects to make the earnout payments by shares, the shares of the Company will be based on a price per share of the higher of A\$0.25 or the 14-day volume weighted average price of shares of Animoca Brands as of the date when the calculation period for the revenue milestones ends.

#### *F1® Delta Time*

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

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Keys are fungible tokens that can be used to obtain 5 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 randomized 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 on 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 time of writing.

On 14 April 2021, *F1® Delta Time* 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\$3.38 million at the time.

#### *LYMPO and PancakeSwap*

On **28 April 2021**, Lympo, a subsidiary of Animoca Brand incorporated in Estonia, advise that PancakeSwap, a Binance Smart Chain-based decentralized 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 token 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, which was just launched yesterday. 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 has 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).

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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 utilized 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 the drawdown of US\$3 million (approximately A\$3.9 million) with a zero coupon rate if the convertible holder notes 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*

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

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### Notes to the consolidated financial statements

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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 2019, Helix provided financial, intellectual, and network support to founders and their companies, and guided them as they built a new class of decentralized 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 2019, including The Sandbox, Tune.fm, Hashing Systems, Otrafy, and Ooniq.

#### *Sanrio acquisition*

Animoca Brands Limited entered into an agreement to acquire 100% of the issued capital in Sanrio Digital (HK) Limited ("Sanrio Digital") for an upfront consideration of HK\$49,428,000 (approximately A\$8.3 million) payable in fully paid ordinary shares of Animoca Brands priced at A\$0.35 each. The acquisition of Sanrio Digital includes the rights to use Sanrio intellectual property, including world-famous brands such as Hello Kitty®.

Sanrio Digital was created to develop Sanrio® intellectual property assets into various digital and online media, leveraging an extensive library of original material that includes world-famous brands such as Hello Kitty®, Badtz-Maru™, Chococat™, My Melody™, Keroppi™, and others. The assets of Sanrio Digital include approximately 40 officially licensed digital products on various platforms including consoles, smartphones, PC, and Web including Sanriotown.com; the license and game assets related to the online multiplayer world Hello Kitty® Online; the animated TV series The Adventures of Hello Kitty & Friends; and various other titles including Hello Kitty: Roller Rescue, Hello Kitty: Birthday Adventures, the Nintendo Wii exclusive title Hello Kitty Seasons, and several others. Sanrio Digital has generated lifetime revenues of approximately US\$14.8 million.

#### *Partnership with Cudos*

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

The Cudos Network is a layer-one blockchain and layer-two computation and oracle network that ensures decentralized, permissionless access to high-performance computing at scale and enables 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, decentralized 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.



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#### *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 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 enhanced game development capabilities to 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 solution 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 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** 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 with raised US\$80 million from sophisticated and professional investors. Under the terms and conditions of

## Animoca Brands Corporation Limited and its controlled entities

### Notes to the consolidated financial statements

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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** 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 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](https://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 (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 Preference Shareholders provides the investors with rights of first and

## Animoca Brands Corporation Limited and its controlled entities

### Notes to the consolidated financial statements

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second refusal, a co-sale arrangement and voting agreement which 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, zVentures (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 easily integrate blockchain technologies into their games, 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 serialized 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,

## Animoca Brands Corporation Limited and its controlled entities

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Genesis Block Ventures, Kingsway, Mind Fund consolidated entity Ltd, Sanctor Capital, OneFootball, and other angel investors.

#### *Animoca contribution to AMASA capital raising*

**On 21 November 2021**, the Company lead a US\$1.5 million raising for AMASA to enable the latter to further develop 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 holds 26% announced on **22 November 2021** that it has 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). The Company contributed sufficient to holds its existing equity position.

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 \$1B 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 fundraise 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 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, decentralized 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 a strengthening of the growing relationship between Brinc and the Company, who 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 tokenization, 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*

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**On 21 December 2021**, shareholders approved the issue of 38,298,973 fully paid ordinary shares to Mr Yat Siu for past performance and the awarded of 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 3 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 does not believe Sanrio will generate sufficient 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 has completed a capital raise of US\$358,888,888 (approximately A\$500.3 million) at a pre-money valuation of over US\$5 billion.

The funding round was led by Liberty City Ventures, 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.

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#### *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 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 operate as a dedicated track within Launchpad Luna, the accelerator launched in mid-2021 as a partnership between Brinc and Animoca Brands. Online applications are open at [brinc.io/guild](https://brinc.io/guild) until 27 February 2022, and the first cohort is scheduled to start in May 2022.

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.

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### Notes to the consolidated financial statements

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#### *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.

#### *New jointure 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 decentralized gaming virtual world and a subsidiary of the Company.

#### *Acquisition of Darewise Entertainment SAS*

**On 23 March 2022**, the Company completed the acquisition of 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 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. By doing this, whilst decentralising gaming assets and providing players full digital ownership.

#### *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.

The Company announced on 19 April 2022 that it will acquire Australian digital marketing agency Be Media to focus on key opportunities in Australia centred around blockchain development. Be Media 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.

#### *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.

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#### *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 which empowers families, teachers and students to learn from each other by creating their own personalized 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 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 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 game*

**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 Game. The shares were issued at \$4.50 per fully paid ordinary share.

#### *Conversion of convertible notes into ordinary shares, 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.

#### *Summary table of equity issues*

The following Table sets out the number of shares issued, and the equity raised since 31 December 2019 up to 13 July 2022:



**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

		Number	\$
Balance as at 31 December 2019		944,114,999	73,901,503
Date of issue:			
3 January 2020	a	14,285,715	1,285,714
23 January 2020	b	12,188,995	2,437,799
21 April 2020	c	4,327,431	778,938
23 April 2020	d	23,163,982	2,742,492
8 May 2020	e	63,440,796	10,491,006
10 June 2020	f	28,587,924	5,145,826
18 June 2020	g	5,815,448	946,003
28 July 2020	h	26,016,610	1,678,754
August 2020	i	1,750,000	122,500
September 2020	j	13,934,062	975,384
7 September 2020	k	5,039,453	501,688
7 October 2020	l	12,024,819	854,234
13 November 2020	m	20,807,928	4,145,046
1 December 2020	n	138,890	25,000
15 February 2021	o	49,611,510	7,774,916
28 April 2021	p	17,223,391	2,124,368
28 May 2021	q	42,159,117	14,755,690
15 June 2021	r	110,072,510	115,782,480
7 July 2021	s	21,013,228	6,743,441
27 July 2021	t	52,172,708	57,389,971
19 August 2021	u	2,807,272	1,313,548
6 September 2021	v	15,407,619	5,490,080
26 October 2021	w	45,964,940	80,860,543
4 November 2021	x	18,676,255	24,161,012
17 December 2021	y	299,043	328,947
20 December 2021	z	33,805,937	55,743,832
31 December 2021	aa	61,666,833	83,617,952
4 January 2022	ab	7,713,162	2,559,293
31 January 2022	ac	63,304,964	271,828,014
24 February 2022	ad	8,611,221	37,523,869
14 March 2022	ae	40,498,442	182,242,989
26 April 2022	af	2,629,634	8,072,974
5 May 2022	ag	2,439,686	7,928,345
12 May 2022	ah	2,314,590	10,415,657
11 July 2022	ai	41,150,308	8,825,614
13 July 2022	aj	23,237,058	104,566,756
		894,301,482	1,122,180,676
13 July 2022		1,838,416,481	1,196,082,179

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The issue of shares on the above dates relate to:

- a. *Exercise of options*
- b. *Placement of shares to sophisticated and professional investors*
- c. *Shares were issued to strategic investments*
- d. *Shares were issued for strategic investments and investments made by institutional investors*
- e. *Shares were issued for investments made by institutional investors*
- f. *Shares were issued for acquisition of controlled entity and investments made by strategic and institutional investors*
- g. *Shares were issued for exercise of options and investments made by strategic and institutional investors*
- h. *Shares were issued for payment of consultants and investments made by strategic investors*
- i. *Shares were issued for the exercise of options*
- j. *Shares issued for strategic investments, payments of advisors and consultants and investments made by strategic investors*
- k. *Shares were issued for payment of advisors and consultants*
- l. *Shares were issued for payment of consultants and investments made by strategic investors and institutional investors*
- m. *Shares were issued for acquisition of controlled entity and investments made by strategic and institutional investors*
- n. *Shares were issued for the exercise of options*
- o. *Shares were issued for the exercise of options, payments to consultants and vendors and investments made by strategic investors and institutional investors*
- p. *Shares were issued for the exercise of options and payments to vendors*
- q. *Shares were issued for the investment by institutional investors*
- r. *Shares were issued for the exercise of options and investments made by institutional investors*
- s. *Shares were issued for a strategic transaction and investment made by institutional investors*
- t. *Shares were issued for a strategic transaction and investment made by institutional investors*
- u. *Shares were issued for the exercise of options, payments to vendors and a strategic transaction*
- v. *Shares were issued for the payment of vendors and investments made by institutional investors*
- w. *Shares were issued for the conversion of convertible notes, the exercise of options, the payment of vendors and investments made by institutional investors*
- x. *Shares were issued for the exercise of options*
- y. *Shares were issued in lieu of obligations to advisors and consultants*
- z. *Shares were issued for strategic investors and institutional investors*
- aa. *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*
- ab. *Shares were issued to non-executive directors for services (approved by shareholders) and payments to consultants*
- ac. *Shares were issued to strategic and institutional investors*
- ad. *Shares were issued for acquisition of controlled entity and institutional investors*
- ae. *Shares were issued to strategic and institutional investors*
- af. *Shares were issued for acquisition of controlled entity and institutional investors*
- ag. *Shares were issued for exercise of options and issue of shares to sophisticated and professional investors*
- ah. *Shares were issued for the acquisition of TinyTap and Notre Game*
- ai. *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*

**Animoca Brands Corporation Limited and its controlled entities**  
**Notes to the consolidated financial statements**

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*aj. Shares were issued as part of placement to sophisticated and professional investors*

**Composition of capital raised**

	<b>Shares No</b>	<b>\$</b>
Cash proceeds from issue of shares	427,358,308	714,872,844
Cryptocurrencies received in lieu of cash from issue of shares	30,648,332	22,266,481
Non-cash issue of shares for acquisitions, investments and settlement of amounts due to vendors	436,294,842	385,041,351
	894,301,482	1,122,180,676

## Animoca Brands Corporation Limited

### Directors declaration

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In accordance with a resolution of the board of directors Animoca Brands Corporation Limited, I state that:

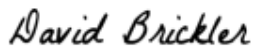
In the opinion of the board of directors:

- (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 2019 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  
Executive Chairman



DL Brickler  
Non-executive Director



CPW Whiteman  
Non-executive Director

14 July 2022



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## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF ANIMOCA BRANDS CORPORATION LIMITED**

#### **Report on the Audit of the Financial Report**

##### **Opinion**

We have audited the financial report of Animoca Brands Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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 2019 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.

##### **Material uncertainty related to going concern**

We draw attention to Note 1 in the financial statements, which indicates the Company incurred a loss after tax attributable to the owners of the Group of \$32,101,546 during the year ended 31 December 2019 and as of that date, the cash outflow from operations was \$6,886,544. 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 company's ability to continue as a going concern. Our opinion is not modified in respect of this matter given that the Group has raised substantial share capital since balance date and the cash flow projections for the next twelve months forecast a net cash flow from operating activities.



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**Other Matter**

The financial report of Animoca Brands Corporation Limited for the year ended 31 December 2018 was audited by another auditor who expressed an unmodified opinion on that financial report on 31 March 2019.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>Revenue recognition</b></p> <p>Revenue is generated through multiple revenue streams. Sales of applications and in-app purchases is captured through smart phone platforms and is recognised as revenue on a per transaction basis upon the successful download of the applications or in-app purchase items. Advertising and service revenues is recognised based on the timing of services rendered.</p> <p>Revenue as a key performance measure of the Group and is a key audit matter due to the volume of transactions and the total revenue from operations.</p>	<p>Our procedures consisted of a review of the subsidiary company auditors testing of revenue recognition including but not limited to:</p> <ul style="list-style-type: none"> <li>• Documenting the processes and assessing the internal controls relating to revenue processing and recognition;</li> <li>• Reviewing the revenue recognition policy for each revenue stream for compliance with <i>AASB 15 Revenue from Contracts with Customers</i>;</li> <li>• Reviewing a sample of service fee and advertising income to supporting contracts to ensure revenue was recognised in line with the revenue recognition policy;</li> <li>• Performing a revenue occurrence test which involved tracing app sales and in-app purchases revenue to information available from the smart phone platforms;</li> <li>• Performing cut-off testing to ensure that revenue transactions around year end have been recorded in the correct reporting period;</li> <li>• Performing analytical procedures to understand movements and trends in revenue; and</li> <li>• Assessing the adequacy of the Group's revenue disclosures in the financial statements.</li> </ul>



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Key audit matter	How our audit addressed the key audit matter
<p><b>Acquisitions</b></p> <p>During the year the Group acquired controlling interests of the following companies:</p> <ul style="list-style-type: none"> <li>• Gamma Innovations Inc;</li> <li>• Lead.rs Inc; and</li> <li>• Stryking Entertainment GmhB.</li> </ul> <p>At 31 December 2019, the Group resolved to account for the acquisitions in accordance with <i>AASB 10 Consolidated Financial Statements</i> as acquisitions of assets and simultaneously impaired the difference between the fair value of acquisition and the fair value of net assets acquired as the global pandemic impacted the integration of the companies into the Group.</p> <p>The impairment losses resulting from the acquisitions was determined in accordance with <i>AASB 136 Impairment of Assets</i>.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Reviewing the terms and conditions of the acquisition agreements to identify consideration and deferred consideration components;</li> <li>• Reviewing accounting policies to confirm consistency in between the businesses on consolidation;</li> <li>• Reviewed the accounting treatment adopted by the Group to ensure it did not meet the requirements of <i>AASB 3 Business Combinations</i> and enabled application of <i>AASB 10 Consolidated Financial Statements</i>;</li> <li>• Evaluating the impairment losses resulting from the acquisitions in accordance with <i>AASB 136 Impairment of Asset</i>; and</li> <li>• Assessing the adequacy of the Group's disclosures in the financial statements.</li> </ul>
<p><b>Financial assets</b></p> <p>During the year, the Group made significant investments in financial asset such preferred shares, convertible notes and simple agreements for future equity (SAFE instruments).</p> <p>The Group has applied <i>AASB 9 Financial Instruments</i> to classify each investment and <i>AASB 13 Fair Value Measurement</i> to assess the fair value of each investment.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Reviewing the terms and conditions of each investment agreements to terms and conditions;</li> <li>• Reviewing accounting policies and the application thereof for each investment;</li> <li>• Reviewed the accounting treatment adopted by the Group to ensure it did not meet the requirements of <i>AASB 9 Financial Instruments</i> and application of <i>AASB 13 Fair Value Measurement</i>; and</li> <li>• Assessing the adequacy of the Group's disclosures in the financial statements.</li> </ul>



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Key audit matter	How our audit addressed the key audit matter
<p><b>Intangible assets (digital assets)</b></p> <p>The Group has purchased digital assets on market and received digital assets as consideration for share capital issued various digital assets.</p> <p>Given the unique nature of digital assets and the complexities associated with determining their ownership, existence and valuation we have considered this a key audit matter.</p>	<p>Our procedures consisted of a review of the subsidiary company auditors testing of intangible assets which including but not limited to:</p> <ul style="list-style-type: none"> <li>• Understanding the processes and controls surrounding the authorisation and recording of cryptocurrency transactions and balances;</li> <li>• Agreeing balances of cryptocurrencies to digital wallets;</li> <li>• Agreeing balances and a sample of transactions in digital wallets with public ledgers;</li> <li>• Observing authorised personnel log into the Company's digital wallets and transferring cryptocurrencies from one wallet to another wallet;</li> <li>• Agreeing year end valuation inputs to external market data;</li> <li>• Performing sensitivity analysis in relation to changes in market value and foreign exchange rates; and</li> <li>• Assessing the appropriateness of disclosures in the financial statements including those relating to sensitivities for the assumptions used.</li> </ul>
<p><b>Goodwill on acquisition</b></p> <p>During the year, the Group impaired amounts previously recorded as goodwill on acquisition</p> <p>The Group recognised that the unidentifiable assets that emerged from acquisitions in previous years were impaired as a result significant changes undertaken to games through additional development and the adoption of a strategy to move from InApp games for smartphones to a blockchain / tokenisation strategy.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Reviewing accounting policies to confirm consistency application across all unidentifiable assets recognised as goodwill on acquisition;</li> <li>• Reviewed the accounting treatment adopted by the Group to ensure it complied with the requirements of <i>AASB 136 Impairment of Assets</i>; and</li> <li>• Assessing the adequacy of the Group's disclosures in the financial statements.</li> </ul>





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Key audit matter	How our audit addressed the key audit matter
<p><b>Deferred expenditure</b></p> <p>During the year, the Group capitalised a portion of expenditures associated with the development of the SANDBOX platform.</p> <p>The Group did not recognise any revenues from customers for the SANDBOX during the financial year and had established a special purpose vehicle to undertake development of the SANDBOX platform and capitalised expenditures directly associated with the development of the platform.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>Reviewed the accounting treatment adopted by the Group to ensure it complied with the requirements of AASB 138 <i>Intangible assets</i> as well as the methodology applied under AASB 6 <i>Exploration for and Evaluation of Mineral Resources</i>;</li> <li>Performed testing of the expenditure capitalised to confirm that the transactions were in respect to development of the software platform; and</li> <li>Assessing the adequacy of the Group's disclosures in the financial statements.</li> </ul>
<p><b>Token Purchase &amp; SAFE Agreements</b></p> <p>During the year the Group completed a Token Purchase &amp; SAFE Agreement with sophisticated and professional investors.</p> <p>The Group apportioned the SAFE agreements between a future revenue transaction and a financing transaction. The financing transaction was accounted for on an amortised cost basis.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>Reviewing the SAFE agreements;</li> <li>Reviewing the treatment of transactions and events for consistency;</li> <li>Reviewed the accounting treatment adopted by the Group to ensure that the SAFE agreements complied with the requirements of AASB 15 <i>Revenue from contracts with customers</i> and the accounting for the financing component under AASB 9 <i>Financial instruments</i>; and</li> <li>Assessing the adequacy of the Group's disclosures in the financial statements.</li> </ul>
<p><b>Borrowing, loans and SAFE instruments</b></p> <p>During the year the Group executed several loan and SAFE instrument agreements as well as acquiring debt instruments through acquisitions.</p> <p>The Group accounted for conversion rights and finance costs on an amortised cost basis</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>Reviewing the various borrowing, loan and SAFE agreements;</li> <li>Reviewing the treatment of transactions and events for consistency;</li> <li>Reviewed the accounting treatment adopted by the Group to ensure that the borrowings loans and SAFE agreements complied with the requirements of AASB 9 <i>Financial Instruments</i>; and</li> <li>Assessing the adequacy of the Group's disclosures in the financial statements.</li> </ul>



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### **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 2019 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.

### **Auditor's Responsibilities for the Audit of the Financial Report**

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

A handwritten signature in blue ink that reads 'DFK Collins'.

DFK Collins  
Chartered Accountants

A handwritten signature in blue ink that reads 'Simon Bragg'.

Simon Bragg  
Principal  
Registered Company Auditor, Registration Number: 291536

Melbourne  
14 July 2022

### 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

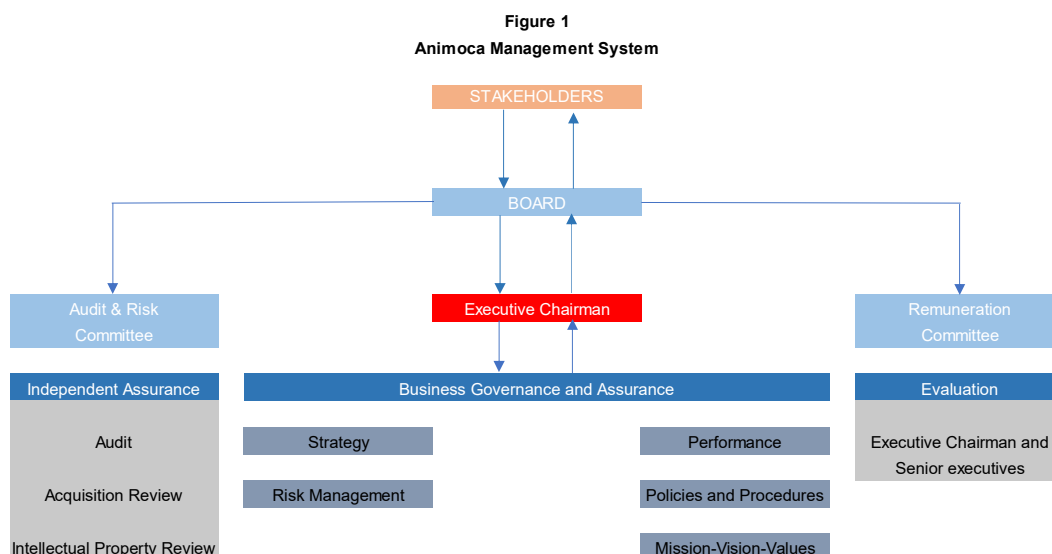
The Board of Directors resolved on 14 July 2022 to adopt this Corporate Governance Statement as well as a Board Charter, Audit & Risk Committee Charter and Remuneration Committee.

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 to its governance. The Strategic Framework set 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.



**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, to supervise the use of equity monies raised from shareholders, to select and appoint a key management personnel and to oversee 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:

- leading the Company by defining its purpose and setting the 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 set 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 contain 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 which ensure that the Board has capacity to exercise its powers and to discharge its responsibilities as set out in the Board Charter.

#### Board composition

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 2019 on pages 32 to 34.

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 does not have 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 on 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.

# Animoca Brands Corporation Limited

## Governance

**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
Christopher 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	
Gamification, blockchain and artificial intelligence 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 Hong Kong Special Administrative Region. Mr Yat Siu is an Austrian citizen. As Executive Chairman, Mr Siu is responsible for 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' experience in digital industries (and specifically, 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 materially interfere with, 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 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 his or her 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 on-going 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 where 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 Directors' Conflict of Interest Policy which apply if there is, or may be, a conflict between the personal interests of a director, or 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 addresses those gaps.

The Board does not currently consider that there are any 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 he or she has served 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 due consideration to the value of a diversity of backgrounds and experiences among the members.

There have been no changes to the Changes to the composition of the Board since June 2018.

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

#### Directors' retirement and re-election

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).

#### Directors' appointment, induction training and continuing education

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 employment agreement which govern 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.

#### Board performance evaluation

The Board has not developed, at this time, mechanisms for determining the process for evaluating Board performance.

Board access to information and independent advice

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.

Directors' remuneration

Details of remuneration paid to Directors (executive and non-executive) are set out in the 2019 Remuneration Report on pages 38 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 2019 Remuneration Report at the 2019 annual general meeting of shareholders.

Board meetings

During the year ended 30 June 2019, 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 34 of the 2019 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 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 to meet 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 Corporate Governance Guidelines Recommendations.

Each of the existing standing committee 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 a chairman 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 chairman 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 to meet its oversight responsibilities in relation to the Company's financial reporting, compliance with legal and regulatory requirements, internal control structure and the 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 understanding of the industry in which the Company operates. The chairman 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 chairman 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 is not 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 assessing 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 which 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 which could potentially be provided by the external Auditor as:

- 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 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 year and prohibits the reinvolved 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.

#### Remuneration Committee

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 ensure non-executive Directors remuneration reflect time commitments and responsibility rather than performance or incentive based.

Key activities of the Remuneration Committee are:

- considering changes to 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

## Animoca Brands Corporation Limited Governance

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 is set out in Table 5.2

<b>Table 5.2</b> <b>Bribery and fraud prevention, detection and response framework</b>			
<b>Governance and Control Structures</b>	<b>Prevention</b>	<b>Detection</b>	<b>Response</b>
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		

Securities ownership and dealing the Company's Securities Dealing Policy applies to all Directors, executives, employees, contractors, consultants and advisers

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 dealings by 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 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 at 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 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 are 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 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 staff are accountable for delivering.

The Risk Management Policy is set out as an attachment to this corporate Governance statement. 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 risk 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 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 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 effective and efficient. The Company expects to develop an internal audit function on achieving sustained profitability.

# Animoca Brands Corporation Limited

## Additional shareholder information

### ANIMOCA BRANDS CORPORATION LIMITED Top 20 Shareholders 13 July 2022

Position	Registered shareholder	Number of Shares	%
1	KINGSWAY FCI CO-INVESTMENT SPC SEGREGATED PORTFOLIO SEVEN	90,912,503	4.95%
2	SIGNIFICANT SINGULAR LIMITED	88,282,430	4.80%
3	LCV 2021 14 LLC	58,923,998	3.21%
4	FCI CO INVESTMENT SPC SEGREGATED PORTFOLIO EIGHT	50,545,489	2.75%
5	MR PAUL JOHN PHEBY	47,355,457	2.58%
6	CITICORP NOMINEES PTY LIMITED	47,050,386	2.56%
7	OUTBLAZE LIMITED	38,298,973	2.08%
8	ASYLA INVESTMENTS LIMITED	37,603,243	2.05%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	27,760,157	1.51%
10	SHANE MAJELLA DOHERTY	27,530,000	1.50%
11	OUTBLAZE ASIA INVESTMENTS LIMITED	26,790,012	1.46%
12	APPS BETA LIMITED	25,634,109	1.39%
13	PS STRATEGIC INVESTMENT LIMITED	25,025,413	1.36%
14	OBOE DEVELOPMENT TRADING LIMITED	24,832,603	1.35%
15	ALPHA WAVE VENTURES II LP	24,002,202	1.31%
16	LCV FUND VIII LP	24,031,297	1.31%
17	NATIONAL NOMINEES LIMITED	23,090,008	1.26%
18	ALPHA WAVE VENTURES II LP	20,917,091	1.14%
19	PONDEROSA INVESTMENTS (WA) PTY LTD <PONDEROSA INVESTMENT A/C>	18,544,779	1.01%
20	TOTAL PERIPHERALS NO2 PTY LIMITED <TOTAL PERIPHERALS NO2 PL SF>	18,245,952	0.99%
	<b>Total</b>	<b>745,376,102</b>	<b>42.16%</b>
	<b>Total issued capital - selected security class(es)</b>	<b>1,838,416,481</b>	<b>100.00%</b>

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