



**CONTAGIOUS GAMING INC.**

**Condensed Consolidated Interim Financial Statements**

**December 31, 2015**

*Unaudited*

*Expressed in Canadian Dollars*

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The Company's auditors have not reviewed these unaudited condensed interim consolidated financial statements.

**CONTAGIOUS GAMING INC.**

**Condensed Consolidated Interim Statements of Financial Position**

<i>(Expressed in Canadian Dollars)</i>	Notes	December 31, 2015	March 31, 2015
<b>ASSETS</b>			
<b>Current</b>			
Cash	4c	\$ 2,241,622	\$ 2,641,989
Accounts receivable	5	739,808	340,478
Prepaid expenses		151,290	160,635
Inventory		25,486	-
Due from related parties	8	9,844	3,485
		3,168,050	3,146,587
<b>Property and equipment</b>	6	183,289	9,173
<b>Intangible assets</b>	7	9,835,198	8,929,688
<b>Due from related parties</b>	8	-	68,725
<b>Goodwill</b>	4b & 7	1,659,548	1,659,548
<b>Total Assets</b>		\$ 14,846,085	\$ 13,813,721
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 911,599	\$ 643,994
Deferred revenue		198,159	225,370
Due to related parties	8	1,485,082	123,380
Loans payable	9	24,379	39,110
		2,619,219	1,031,854
<b>Convertible note payable</b>	10	259,709	246,375
<b>Contingent consideration</b>	4	1,596,498	-
<b>Deferred income taxes</b>	13	739,320	1,112,539
		5,214,746	2,390,768
<b>EQUITY</b>			
Share capital	12a	19,696,447	18,975,727
Reserves	12f	2,747,813	2,221,256
Accumulated other comprehensive income		677,224	259,860
Deficit		(13,490,145)	(10,033,890)
<b>Total Equity</b>		9,631,339	11,422,953
<b>Total Liabilities and Equity</b>		\$ 14,846,085	\$ 13,813,721
<b>Commitments and contingencies</b>	11		

Approved on behalf of the Board of Directors:

\_\_\_\_\_  
"Charles Shin", Director

\_\_\_\_\_  
"Victor Wells", Director

The accompanying notes form an integral part of these financial statements

**CONTAGIOUS GAMING INC.**

**Condensed Consolidated Interim Statements of Comprehensive Loss**

<i>Expressed in Canadian Dollars</i>	Notes	Three Months Ended December 31		Nine Months Ended December 31	
		2015	2014	2015	2014
<b>Revenue</b>		\$ 678,704	\$ 357,099	\$ 1,103,946	\$ 975,009
<b>Direct costs</b>		(169,769)	(151,130)	(395,130)	(397,393)
<b>Gross margin</b>		508,935	205,969	708,816	577,616
<b>Expenses</b>					
Operating		42,819	44,664	125,179	153,873
General and administrative		857,444	606,225	2,001,523	905,836
Amortization of intangible assets		544,716	571,854	1,610,049	639,467
Depreciation of equipment		8,219	4,854	17,715	6,182
Financing costs		14,935	12,606	38,975	254,043
Foreign exchange loss (gain)		(27,180)	(1,199)	(18,673)	(1,199)
RTO public listing		-	-	-	2,776,724
Stock based compensation	12f	251,422	289,605	526,557	584,259
Stock based marketing compensation		-	680,006	-	680,006
Transaction costs		-	-	-	900,000
Movement in contingent consideration		100,703	-	100,703	-
Irrecoverable tax claim		125,273	-	125,273	-
Loss (gain) on settlement of debt		34,619	(13,851)	58,838	(57,613)
		1,952,970	2,194,764	4,586,139	6,841,578
<b>Loss before income taxes</b>		(1,444,035)	(1,988,795)	(3,877,323)	(6,263,962)
Income tax recovery (expense)-future	13	141,208	97,020	421,068	97,020
<b>Net loss for the period</b>		(1,302,827)	(1,891,775)	(3,456,255)	(6,166,942)
Other comprehensive income					
Items that may or will be reclassified to profit or loss:					
Cumulative translation differences		72,186	(33,109)	417,364	43,095
<b>Comprehensive loss for the period</b>		\$ (1,230,641)	\$ (1,924,884)	\$ (3,038,891)	\$ (6,123,847)
<b>Loss per share – basic and diluted</b>	18	\$ (0.02)	\$ (0.05)	\$ (0.05)	\$ (0.08)
<b>Weighted average number of shares outstanding – basic and diluted</b>		76,547,827	35,619,493	74,752,199	16,981,124

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**CONTAGIOUS GAMING INC.**

**Condensed Interim Statement of Changes in Equity**

<i>Unaudited</i> <i>Expressed in Canadian Dollars</i>	<u>Share Capital (Note 12)</u>		<u>Reserves</u> <i>(Note 12)</i>	<u>Accumulated</u> <u>Other</u> <u>Comprehensive</u> <u>Income</u>	<u>Deficit</u>	<u>Total</u>
	Number of Shares	Amount \$	\$	\$	\$	\$
<b>Balance at March 31, 2014</b>	35,000,000	1,475,100	202,877	-	(2,289,919)	(611,942)
Reverse takeover recapitalization (Note 4a)	(35,000,000)	-	-	-	-	-
Contagious Gaming shares on RTO (Note 4a)	13,541,487	1,908,560	-	-	-	1,908,560
RTO acquisition of Contagious Gaming (Note 4a)	17,500,000	-	-	-	-	-
RTO finder's fee shares (Note 4a)	875,000	350,000	-	-	-	350,000
Acquisition of Contagious Sports (Note 4b)	20,000,001	8,000,000	-	-	-	8,000,000
Finder's fee - Contagious Sports acquisition (Note 4b)	1,000,000	400,000	-	-	-	400,000
Assignment fee - Contagious Sports acquisition (Note 4b)	1,250,000	500,000	-	-	-	500,000
Shares for debt (Note 12)	1,483,770	593,508	-	-	-	593,508
Equity financing (Note 12)	15,302,000	6,120,800	-	-	-	6,120,800
Equity financing costs (Note 12)	-	(900,088)	238,000	-	-	(662,088)
RTO assumption of Contagious Gaming options (Note 4a)	-	-	87,000	-	-	87,000
RTO assumption of Contagious Gaming warrants (Note 4a)	-	-	472,000	-	-	472,000
Equity portion of convertible note (Note 10)	-	-	62,530	-	-	62,530
Issuance of shares to Trinity Mirror (Note 12b)	2,804,628	473,109	-	-	-	473,109
Exercise of options (Note 12c)	92,593	54,738	(14,923)	-	-	39,815
Fair value of vested Trinity Mirror Warrants (Note 12d)	-	-	206,897	-	-	206,897
Stock based compensation	-	-	584,259	-	-	584,259
Foreign currency translation	-	-	-	43,095	-	43,095
Net loss for the period	-	-	-	-	(6,166,942)	(6,166,942)
<b>Balance at December 31, 2014</b>	<b>73,849,479</b>	<b>18,975,727</b>	<b>1,838,640</b>	<b>43,095</b>	<b>(8,456,861)</b>	<b>12,400,601</b>

The accompanying notes form an integral part of these financial statements

## CONTAGIOUS GAMING INC.

### Condensed Interim Statement of Changes in Equity

<i>Expressed in Canadian Dollars</i>	Share Capital (Note 12)		Reserves (Note 12)	Accumulated Other Comprehensive Income	Deficit	Total
	Number of Shares	Amount \$	\$	\$	\$	\$
<b>Balance at March 31, 2015</b>	73,849,479	18,975,727	2,221,256	259,860	(10,033,890)	11,422,953
Issuance of shares on Digitote acquisition	8,008,000	720,720	-	-	-	720,720
Stock based compensation (Note 12f)	-	-	526,557	-	-	526,557
Foreign currency translation	-	-	-	417,364	-	417,364
Net loss for the period	-	-	-	-	(3,456,255)	(3,456,255)
<b>Balance at December 31, 2015</b>	<b>81,857,479</b>	<b>19,696,447</b>	<b>2,747,813</b>	<b>677,224</b>	<b>(13,490,145)</b>	<b>9,631,339</b>

The accompanying notes form an integral part of these financial statements

**CONTAGIOUS GAMING INC.**

**Condensed Consolidated Interim Statements of Cash Flows  
For the Nine Months Ended December 31, 2015 and 2014**

<i>Expressed in Canadian Dollars</i>	2015	2014
<b>Cash provided by (used in) operations</b>		
Loss for the period	\$ (3,456,255)	\$ (6,166,942)
Items not affecting cash:		
Amortization of intangible assets	1,610,049	639,467
Depreciation of equipment	17,715	6,182
Accretion of convertible loan	32,139	11,445
RTO public listing costs	-	2,776,724
Stock based compensation	526,557	584,259
Stock based marketing compensation	-	680,006
Transaction costs	-	900,000
Irrecoverable tax claim	125,273	-
Movement on contingent consideration	100,703	-
Loss (gain) on settlement of debt	58,838	(57,613)
Future income taxes recovery	(421,068)	(97,020)
	<u>(1,406,049)</u>	<u>(723,942)</u>
<b>Changes in non-cash working capital:</b>		
Accounts receivable	144,782	(36,851)
Accounts payable and accrued liabilities	(282,954)	963,285
Prepaid expenses	98,948	(244,962)
Inventory	(1,607)	-
Accrued revenue	-	(18,736)
Deferred revenue	(27,211)	(22,712)
	<u>(1,474,091)</u>	<u>(2,010,038)</u>
<b>Cash flows from investing activities</b>		
Cash from acquisition of Contagious Gaming	-	112,017
Cash from acquisition of Contagious Sports	-	213
Purchase of intangible assets	(71,925)	-
Use of restricted cash in Digitote operations	91,227	-
	<u>19,302</u>	<u>112,230</u>
<b>Cash flows from financing activities</b>		
Received from related parties	186,614	(106,355)
Interest paid on convertible loan	(18,805)	(6,772)
Loans payable	(14,731)	(760,586)
Issuance of shares for cash	-	6,120,800
Share issuance costs	-	(557,088)
Proceeds from exercise of options	-	39,815
	<u>153,078</u>	<u>4,942,524</u>
<b>Increase (decrease) in cash for the period</b>	<b>(1,301,711)</b>	<b>3,044,716</b>
<b>Effect of foreign exchange rate changes</b>	<b>(19,792)</b>	<b>(8,907)</b>
<b>Cash at beginning of period</b>	<b>2,641,989</b>	<b>16,806</b>
<b>Cash at end of period</b>	<b>\$ 1,320,486</b>	<b>\$ 3,052,615</b>
<b>Non-Cash Investing and Financing Transactions (Note 20)</b>		

The accompanying notes form an integral part of these financial statements

# CONTAGIOUS GAMING INC.

## Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended December 31, 2015 and 2014

Expressed in Canadian Dollars

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### 1. CORPORATE INFORMATION

Contagious Gaming Inc. (on consolidated basis the “**Company**” or “**Contagious**”) is in the business of developing software solutions for regulated gaming and lottery markets. The Company is currently focused on deploying its first-to-market lottery-style sports betting platform in the United Kingdom and its proprietary digital instant lottery content in the United States and other international jurisdictions. The Company’s head office address is at #800 – 789 West Pender Street, Vancouver, BC, V6C 1H2. The registered and records office address is at Suite 1500-1055 West Georgia Street, P.O. Box 11117, Vancouver, British Columbia, V6E 4N7. The Company is listed on the TSX Venture Exchange (“TSX.V”) under the symbol “CNS”

Contagious Gaming Inc. (as a stand-alone entity “**Contagious Gaming**”) was incorporated under the name Braddick Resources Ltd. pursuant to The Company Act (British Columbia) on October 14, 1993. On July 8, 2002, Contagious Gaming changed its name to Kingsman Resources Inc. and on September 17, 2014 it changed its name to Contagious Gaming Inc.

On September 17, 2014, Contagious Gaming consolidated its common shares, share purchase warrants and share purchase options on a basis of 1 new for 2 old securities. All references made in these financial statements to common shares, stock options and share purchase warrants of Contagious Gaming and the Company are referring to post-consolidated structure.

On September 19, 2014, Contagious Gaming acquired a 100% ownership in Telos Entertainment Inc. (“**Telos**”) via a reverse takeover transaction (“**RTO**”) and Contagious Sports Inc. (“**Contagious Sports**”) (Note 4).

Concurrently with the RTO on September 19, 2014, Contagious completed a brokered equity financing and tranche 1 of a non-brokered equity financing for gross proceeds of \$5,152,800 and \$850,000 respectively. On September 26, 2014, Contagious completed tranche 2 of the non-brokered equity financing for gross proceeds of \$118,000, for an aggregate gross proceeds of \$6,120,800.

### 2. BASIS OF PRESENTATION

#### a) Acquisition of Contagious Gaming Inc. – Recapitalization (Reverse Takeover)

On September 19, 2014, Contagious Gaming acquired a 100% ownership in Telos by issuing 17,500,000 common shares to the shareholders of Telos (Note 4). For accounting purposes, this acquisition is accounted for as a reverse takeover transaction and recapitalization because the acquisition resulted in the former shareholders of Telos having control of the combined entity. This was accounted for as an acquisition of assets of Contagious Gaming and is not a business combination. For detailed description of reverse takeover accounting please refer to Note 2 of the March 31, 2015 financial statements of the Company.

#### b) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) applicable to the preparation of interim financial statements, including IAS 34 Interim Financial Reporting.

These unaudited condensed interim consolidated financial statements do not include all the information and notes required by IFRS for annual financial statements and therefore should be read in conjunction with the Company’s audited annual financial statements and notes as at and for the year ended March 31, 2015.

The accompanying notes form an integral part of these financial statements



## **CONTAGIOUS GAMING INC.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**For the Three and Nine Months Ended December 31, 2015 and 2014**

*Expressed in Canadian Dollars*

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## **2. BASIS OF PRESENTATION – CONTINUED**

### **c) Basis of Measurement**

These condensed interim consolidated financial statements have been prepared on the historical cost basis, with the exception of items that IFRS requires to be carried at fair value, as explained in the accounting policies set out in Note 3.

All figures presented in these condensed interim consolidated financial statements are in Canadian dollars unless otherwise indicated.

The preparation of the condensed interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. In preparing these condensed interim consolidated financial statements, the significant estimations and judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended March 31, 2015 and are disclosed in Note 2 of the March 31, 2015 financial statements.

### **d) Basis of Consolidation**

These condensed interim consolidated financial statements include the accounts of Contagious Gaming from the date of the RTO on September 19, 2014 and the following wholly-owned subsidiaries: (i) Canadian subsidiary Telos from its date of incorporation on August 11, 2006 (ii) U.K. subsidiary Contagious Sports from the date of its acquisition on September 19, 2014 (iii) The Isle of Man subsidiary Digitote Limited and German subsidiary Digitote Software GmbH (together "Digitote") from the date of its acquisition on November 30, 2015.

### **e) Functional and Presentation Currency**

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These condensed interim consolidated financial statements are presented in Canadian dollars. The functional currency of the Canadian legal parent company Contagious Gaming and its legal Canadian subsidiary Telos is the Canadian dollar. The functional currency of the UK subsidiary Contagious Sports is the the British Pound Sterling ("GBP" or "£"). The functional currency of the The Isle of Man (IOM) subsidiary Digitote Limited is the British Pound Sterling ("GBP" or "£"). The functional currency of the German subsidiary Digitote Software GmbH is the Euro ("Eur" or "€"). The Contagious Sports' financial statement amounts are translated into Canadian dollars as follows: assets and liabilities at the closing rate as at the balance sheet date, and income and expenses at the average rate of the period. All resulting changes are recognized in other comprehensive income (loss) as cumulative translation differences.

Transactions in foreign currencies are translated into the functional currency at exchange rates at the dates of the transactions. Foreign currency differences arising on translation are recognized in profit or loss.

The accompanying notes form an integral part of these financial statements

## **CONTAGIOUS GAMING INC.**

### **Notes to Condensed Interim Consolidated Financial Statements**

**For the Three and Nine Months Ended December 31, 2015 and 2014**

*Expressed in Canadian Dollars*

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### **3. SIGNIFICANT ACCOUNTING POLICIES**

All significant accounting policies have been applied on a basis consistent with those applied in the most recent audited annual financial statements. The policies applied in these condensed interim financial statements are based on IFRS issued and outstanding as at February 26, 2016, the date the Board of Directors approved and authorized to issue these condensed interim consolidated financial statements.

#### **Recent Accounting Pronouncements**

The International Accounting Standard Board has issued the following standards, which have not yet been adopted by the Company. Effective dates of the standards are described below with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its combined financial statements. The Company does not expect to adopt these new and amended standards before their effective dates.

IFRS 15 - Revenue from Contracts with Customers. The purpose is to establish principles to record revenues from contracts for the sale of goods or services, unless the contracts are in the scope of IAS 17 – Leases or other IFRSs. The new standard also provides guidance relating to contract costs and for the measurement and recognition of gains and losses on the sale of certain non-financial assets such as property and equipment. Additional disclosures will also be required under the new standard. IFRS 15 must be adopted for annual periods beginning on or after January 1, 2017 using either a full retrospective approach for all periods presented in the period of adoption or a modified retrospective approach.

We are currently evaluating the impact of IFRS 15 on our financial statements.

IFRS 16 – Leases. IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

We are currently evaluating the impact of IFRS 16 on our financial statements.

### **4. ACQUISITIONS**

#### **a) Reverse Takeover of Contagious Gaming by Telos**

On September 19, 2014, Contagious Gaming acquired a 100% ownership in Telos by issuing 17,500,000 common shares to the shareholders of Telos (*Note 1 and 2*). For accounting purposes, this acquisition is accounted for as a reverse takeover transaction and recapitalization because the acquisition resulted in the former shareholders of Telos having control of the combined entity. This was accounted for as an acquisition of assets of Contagious Gaming and is not a business combination.

#### **b) Acquisition of Contagious Sports**

Concurrently with the RTO on September 19, 2014, the Company acquired a 100% of issued and outstanding common shares of Contagious Sports in consideration for the issuance to former shareholders of Contagious Sports an aggregate of 20,000,001 common shares valued at \$8,000,000. Contagious Sports is based in London, UK, and is engaged in the development, distribution, and operation of gaming solutions for regulated gaming markets.

The accompanying notes form an integral part of these financial statements

## CONTAGIOUS GAMING INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended December 31, 2015 and 2014

Expressed in Canadian Dollars

#### 4. ACQUISITIONS – CONTINUED

Upon closing of the acquisition of Contagious Sports, the Company recognized \$1,659,548 of goodwill. Goodwill represents excess of consideration paid by the Company over the fair value of the net assets and liabilities of Contagious Sports on the acquisition date.

##### c) Business Combinations During the Period

On November 30, 2015 the “Company” acquired all the issued and outstanding common shares of Digitote Ltd and Digitote Software GmbH (together “Digitote”) in consideration for the issuance to former shareholders of Digitote an aggregate of 8,008,000 common shares valued at \$0.09 per share for a total of \$720,720, and contingent cash consideration valued at \$1,436,392. Digitote is a developer and provider of commercial-grade sports betting and horse racing technology, hardware, and support services to operators across Europe.

Details of the provisional fair value of identifiable assets, liabilities acquired and purchase consideration are as follows:

	Book Value	Adjustment	Fair Value
Cash	\$ 1,012,363	\$ -	\$ 1,012,363
Receivables	669,384	-	669,384
Prepayments	89,603	-	89,603
Inventory	23,879	-	23,879
Property, plant and equipment	180,335	-	180,335
Intangible assets	1,586,729	-	1,586,729
Payables	(1,729,176)	-	(1,729,176)
<b>Total net assets</b>	<b>\$ 1,833,117</b>	<b>\$ -</b>	<b>\$ 1,833,117</b>

Fair value of consideration paid

Common shares	720,720
Fair value of contingent cash consideration	1,495,794
<b>Total consideration</b>	<b>\$ 2,216,514</b>
<b>Intangible assets including goodwill</b>	<b>\$ 383,397</b>

The contingent cash consideration is to be paid over 4.5 years from the date of acquisition. It is based on Digitote’s 1 x EBITDA results over the period of 4 years following the date of Acquisition, to a maximum of €2,200,000. The fair value of the contingent consideration was determined based on EBITDA projections of Digitote and applying the Discounted Cash Flow Method, and then converted to Canadian dollars at the exchange rate on the date of closing. The value of contingent consideration at December 31, 2015 was \$1,596,498.

The acquisition included \$1,012,363 of restricted cash, of which \$921,136 was outstanding at December 31, 2015. The cash is restricted due to a clause in the share purchase agreement which provides Digitote’s former shareholders with the option to withhold cash from the Company and its subsidiaries until the contingent consideration obligation has been paid.

The IFRS 3 purchase price allocation has not been completed. As a result, the full amount of the excess purchase price over net assets has been added to intangible assets and may contain a component of unseparated goodwill.

The accompanying notes form an integral part of these financial statements

**CONTAGIOUS GAMING INC.****Notes to Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended December 31, 2015 and 2014***Expressed in Canadian Dollars***4. ACQUISITIONS – CONTINUED**

Details of the restricted cash reconciliation are as follows:

	December 31, 2015	March 31, 2015
Cash per balance sheet	\$ 2,241,622	\$ 2,641,989
Restricted cash on date of acquisition	(1,012,363)	-
Use of restricted cash in Digitote operations	91,227	-
Cash at end of period per cash flow statement	\$ 1,320,486	\$ 2,641,989

**5. ACCOUNTS RECEIVABLE**

	December 31, 2015	March 31, 2015
Trade receivable	\$ 537,063	\$ 54,463
Government tax credits receivable	32,735	174,308
GST/HST/VAT receivable	100,371	91,271
Other receivables	69,639	20,436
	\$ 739,808	\$ 340,478

**6. EQUIPMENT**

	Furniture, Fixtures and Equipment	Computer Equipment	Total
(i) Cost or valuation			
Balance as at March 31, 2014	\$ -	\$ 4,395	\$ 4,395
Additions	-	17,479	17,479
Foreign exchange	-	918	918
Balance as at March 31, 2015	-	22,792	22,792
Additions	-	-	-
Acquired through business combinations	147,290	33,042	180,332
Foreign exchange	9,895	1,933	11,828
Balance as at December 31, 2015	\$ 157,185	\$ 57,767	\$ 214,952

	Furniture, Fixtures and Equipment	Computer Equipment	Total
(ii) Accumulated depreciation or impairment			
Balance as at March 31, 2014	\$ -	\$ 2,124	\$ 2,124
Depreciation	-	11,294	11,294
Foreign exchange	-	201	201
Balance as at March 31, 2015	-	13,619	13,619
Depreciation	6,772	10,943	17,715
Foreign exchange	754	(425)	329
Balance as at December 31, 2015	\$ 7,526	\$ 24,137	\$ 31,663

The accompanying notes form an integral part of these financial statements

## CONTAGIOUS GAMING INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended December 31, 2015 and 2014

Expressed in Canadian Dollars

#### 6. EQUIPMENT - CONTINUED

(iii) Net Book Value	Furniture, Fixtures and Equipment	Computer Equipment	Total
Balance as at March 31, 2014	\$ -	\$ 2,271	\$ 2,271
Balance as at March 31, 2015	-	9,173	9,173
Balance as at December 31, 2015	\$ 149,659	\$ 33,630	\$ 183,289

#### 7. INTANGIBLE ASSETS

Online gaming platforms	Cost	Accumulated Amortization	Net Book Value
Balance as at March 31, 2014	\$ 616,153	\$ (9,743)	\$ 606,410
Additions (Note 4)	9,177,947	-	9,177,947
Amortization	-	(1,161,465)	(1,161,465)
Foreign exchange	320,935	(14,139)	306,796
Balance as at March 31, 2015	10,115,035	(1,185,347)	8,929,688
Additions (Note 4c)	1,970,126	-	1,970,126
Purchases	71,925	-	71,925
Amortization	-	(1,610,049)	(1,610,049)
Foreign exchange	83,340	390,168	473,508
Balance as at December 31, 2015	\$ 12,240,426	\$ (2,405,228)	\$ 9,835,198

Balance as at December 31, 2015	Cost	Accumulated Amortization	Net Book Value
BOMA and eWallet	\$ 9,554,533	\$ (2,201,422)	\$ 7,353,111
eInstant and iLottery	616,153	(203,806)	412,347
XTURF	2,069,740	-	2,069,740
	\$ 12,240,426	\$ (2,405,228)	\$ 9,835,198

The Company's BOMA and eWallet platform is located in the UK, eInstant and iLottery platform is located in Canada and XTURF platform is located in The Isle of Man.

Goodwill is attached to the BOMA and eWallet platform cash generating unit. As at November 23, 2015, the Company performed a test on goodwill and intangible assets for impairment. The recoverable amount of each cash-generating unit is calculated based on value in use, which was determined by discounting the future cash flows generated from the continuing use of the cash-generating unit. The cash flow projections reflect management's expectations of revenue growth, expenses and margin for the cash-generating unit. The calculation of the value in use was based on the following: (i) estimated number of players in the market with an average increase of between 72% and 114% per annum. (ii) estimated dollar amount of bets per player with an average increase of between 45% and 52% per annum, (iii) the Company's estimated share of market revenue ranging between 10.4% and 15% per annum, (iv) 5 year cash flows projections, and (v) a 20% discount rate.

The accompanying notes form an integral part of these financial statements

## CONTAGIOUS GAMING INC.

### Notes to Condensed Interim Consolidated Financial Statements For the Three and Nine Months Ended December 31, 2015 and 2014 Expressed in Canadian Dollars

#### 8. RELATED PARTIES TRANSACTIONS AND BALANCES

##### a) Amounts Due From (To) Related Parties

	December 31, 2015	March 31, 2015
<b>Due from related parties:</b>		
Due from Telos International (i)	\$ 9,844	\$ 68,725
Advances receivable from a director and officer (ii)	-	3,485
	<u>\$ 9,844</u>	<u>\$ 72,210</u>
<b>Due to related parties:</b>		
Due to Telos Media Inc. (i)	\$ -	\$ 44
Due to directors, officers and their companies (iii)	306,466	123,336
Related party balance on acquisition of Digitote (iv)	1,178,616	-
	<u>\$ 1,485,082</u>	<u>\$ 123,380</u>

(i) Telos Entertainment Inc. is related to Telos Media Inc. and Telos International Inc. As these companies are 100% owned by a director in common. The amounts receivable and payable are non-interest bearing, unsecured and are due on demand.

(ii) Advances receivable from a director and officer represent travel advances.

(iii) Amounts due to directors, officers and their companies are for accrued salaries, fees and travel costs.

(iv) Amount includes dividends payable to the former shareholders of Digitote recorded prior to acquisition.

##### b) Compensation of Key Management Personnel

Key management personnel are those persons that have authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly. As of December 31, 2015, the Company's key management personnel consist of the Company's directors and senior management (Chief Executive Officer, President, Corporate Secretary and Chief Financial Officer). The Company incurred fees and expenses in the normal course of operations in connection with the key management and directors.

Details for the nine months ended December 31, 2015 and 2014 are as follows:

Nature of Transactions	December 31 2015	December 31, 2014
Management fees and salaries	\$ 291,497	\$ 120,854
Directors fees	48,750	18,417
Advisory fees	134,080	20,400
Stock based compensation	335,013	408,754
	<u>\$ 809,340</u>	<u>\$ 568,425</u>

During the current period, the Company recorded \$92,080 of legal fees to McMillan LLP, a law firm in which Desmond Balakrishnan, the Company's director, is a partner.

The accompanying notes form an integral part of these financial statements

## CONTAGIOUS GAMING INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended December 31, 2015 and 2014

Expressed in Canadian Dollars

#### 9. LOANS PAYABLE

	December 31, 2015	March 31 2015
	\$	\$
<b>SHORT TERM</b>		
Bank of Montreal line of credit facility bearing a base interest rate of 6% plus 1.5% (currently at 7.5%), secured by the personal guarantee of Sean Yeomans, due on demand, with a maximum limit of \$30,000.	24,379	27,860
On January 31, 2014, the Company assumed from Telos International Inc., a related company with a director in common, a loan from Atlantic Canada Opportunities Agency. The loan is unsecured, non-interest bearing; repayable in monthly principal installments of \$3,750 and was repaid in full on June 1, 2015.	-	11,250
	24,379	39,110

#### 10. CONVERTIBLE NOTE PAYABLE

On July 31, 2012, as subsequently amended, Telos entered into a private loan agreement with Weston and Constance MacAleer, shareholders of the Company, for a total of \$480,000 plus interest. The loan was unsecured and was bearing a simple annual interest rate of 24%. On January 31, 2014, the lenders, Telos and Contagious Gaming entered into an agreement pursuant to which \$300,000 of the loan principal and interest was converted into 2,000,000 Class B Common shares at \$0.15 per share, and the remaining \$300,000 of loan principal and interest would be assumed by Contagious Gaming upon completion of the reverse takeover acquisition of Telos. As of March 31, 2014, the carrying value of this loan payable was \$295,322, consisting of \$180,000 of principal and \$115,322 of accrued interest. As of March 31, 2014, the entire amount of the loan plus interest was classified as a liability. The reverse takeover was completed on September 19, 2014, and the remaining loan principal and interest of \$300,000 was assumed by Contagious Gaming.

On September 19, 2014, Contagious Gaming issued to the lenders a Convertible Note payable with a face value of \$300,000, accruing interest at a rate of 8% per annum compounded quarterly, with interest payable on quarterly basis, unsecured and with a maturity date of September 19, 2017 in settlement for the loan and interest outstanding. At any time before the maturity date, at the option of the lenders the Convertible Note can be converted into common shares of Contagious Gaming at the rate of \$1.00 per share.

The Convertible Notes were classified as a liability, with the exception of the portion relating to the conversion features, resulting in the carrying value of the loans being less than their face value. The fair value of the liability portion of the convertible note payable of \$237,470 was determined using a 17% discount rate. The value of the conversion feature was a residual amount of \$62,530. The value of the conversion feature was included in the equity reserves account. The discount is being accreted over the term of the loans, utilizing the effective interest rate method.

The accompanying notes form an integral part of these financial statements

## CONTAGIOUS GAMING INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended December 31, 2015 and 2014

Expressed in Canadian Dollars

#### 10. CONVERTIBLE NOTE PAYABLE - CONTINUED

Details of the carrying values of the convertible note are as follows:

	December 31 2015	March 31 2015
Face value of the convertible note	\$ 300,000	\$ 300,000
Less value of the conversion feature recorded in equity	(62,530)	(62,530)
Carrying value on September 19, 2014	237,470	237,470
Accretion expense	53,734	21,595
Interest paid	(31,495)	(12,690)
	\$ 259,709	\$ 246,375

#### 11. COMMITMENTS AND CONTINGENCIES

On September 23, 2013, Telos entered into an advisory agreement with Gulfstream Capital Corp. ("Gulfstream"), for Gulfstream to act as financial advisors for Telos in connection with Telos intention to complete an RTO with a publicly trading company. Following the completion of the RTO, Telos agreed to retain Gulfstream as its financial and capital markets advisor for a period of 18 months. Commencing on September 19, 2014, Gulfstream is receiving advisory fees of \$6,000 per month.

The Company has been informed that a corporation has started legal proceedings against the Company for breach of contract related to a previous transaction. The Company vigorously denies these claims and is intending to defend itself against any such action. Legal advice received supports the Company's belief that the claim is without merit. It is anticipated that the case will be concluded in the 2017 fiscal year.

#### 12. SHARE CAPITAL

##### a) Authorized and Issued Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

Pursuant to resolutions of shareholders dated October 23, 2015, the Company is also authorized to issue an unlimited number of Class A Preferred Shares without par value. No Class A Preferred Shares were issued as of the date of this report.

##### b) Share Capital Transactions

On November 30, 2015 the Company issued 8,008,000 common shares as part of the acquisition of Digitote. These shares were valued at \$720,720.

##### c) Stock Options

The Company has a stock option plan in place under which it is authorized to grant options of up to 10% of its outstanding shares of the Company to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors but shall not be less than the discounted market price as defined by the TSX Venture Exchange. The expiry date for each option should be for a maximum term of five years. Stock options granted vest over the period determined by the Board of Directors. Stock options granted to investor relations consultants vest according to TSX Venture Exchange policy.

The accompanying notes form an integral part of these financial statements



## CONTAGIOUS GAMING INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended December 31, 2015 and 2014

Expressed in Canadian Dollars

## 12. SHARE CAPITAL – CONTINUED

The following is a summary of stock options activity:

March 31, 2015	Granted	Forfeited	Exercised	December 31, 2015	Weighted Average Exercise Price	Expiry Date
200,000	-	-	-	200,000	\$0.12	Sep 17, 2018
3,900,000	-	-	-	3,900,000	\$0.40	Sep 19, 2019
-	2,050,000	-	-	2,050,000	\$0.10	Dec 23, 2020
-	300,000	-	-	300,000	\$0.10	(i)
-	150,000	-	-	150,000	\$0.20	(i)
4,100,000	2,500,000	-	-	6,600,000	\$0.28	

(i) These options expire at the earlier of December 23, 2020 and 30 days following the end of the contractual relationship with the recipient.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

During the period ended December 31, 2015, the Company recorded share-based compensation expense of \$526,557 (December 31, 2014 - \$584,259).

### d) Share Purchase Warrants

The following is a summary of activity in share purchase warrants:

March 31, 2015	Granted	Forfeited	Exercised	December 31, 2015	Weighted Average Exercise Price	Expiry Date
901,740	-	-	-	901,740	\$0.40	Sep 19, 2016
2,716,667	-	-	-	2,716,667	\$1.10	Feb 29, 2016 to Feb 28, 2018 (i)
1,537,500	-	-	-	1,537,500	\$0.20	Aug 20, 2018
5,155,907	-	-	-	5,155,907	\$0.71	

(i) Pursuant to an amending marketing service agreement dated September 25, 2014, as approved by TSX-V on November 5, 2014, the Company issued to Trinity Mirror share purchase warrants to acquire an aggregate of up to 2,716,667 common shares of the Company as follows:

Number of Warrants	Exercise Price	Exercisable From	Expiry Date
1,250,000	\$0.80	Nov 5, 2014	Feb 29, 2016
800,000	\$1.25	Mar 1, 2016	Aug 31, 2017
666,667	\$1.50	Sep 1, 2017	Feb 28, 2018
2,716,667			

The accompanying notes form an integral part of these financial statements

## CONTAGIOUS GAMING INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended December 31, 2015 and 2014

Expressed in Canadian Dollars

#### 12. SHARE CAPITAL – CONTINUED

Pursuant to the warrant instrument, Contagious Gaming is entitled to accelerate the expiry of the Trinity Mirror Warrants to the date that is ten business days following the date a notice is provided by the Company to Trinity Mirror in the event that the volume weighted average trading price of Contagious Gaming common shares on the TSX Venture Exchange is equal to or greater than:

- \$1.00 for any period of twenty trading days after September 25, 2014 for 1,250,000 warrants exercisable at \$0.80
- \$1.5625 for any period of twenty trading days after March 31, 2016 for 800,000 warrants exercisable at \$0.125
- \$1.875 for any period of twenty trading days after September 1, 2017 for 666,667 warrants exercisable at \$1.50

#### e) Escrow Shares

As of December 31, 2015, 25,979,363 (March 31, 2015 - 32,014,428) common shares of the Company were held in escrow. Details are as follows:

(i) In accordance with the requirement of the TSX.V and pursuant to escrow agreements dated September 17, 2014, 40,233,771 common shares of the Company held by key management, directors and investors were placed in escrow. 10% (4,023,377) of these escrow shares were released following TSX.V acceptance of the RTO on September 19, 2014 and 15% (6,035,066) of the escrowed shares will be released every six months thereafter, with the final release on September 19, 2017. As of December 31, 2015, there were 24,140,263 common shares remaining in escrow.

(ii) In connection with the September 25, 2014 amending agreement with Trinity Mirror and pursuant to an escrow agreement dated September 25, 2014, 1,839,100 common shares of the Company were placed in escrow upon TSX-V approval on November 5, 2014. 25% of the escrowed shares are to be released for each £150,000 of advertising to be performed by Trinity Mirror under a £600,000 advertising credit. No shares were released from escrow at December 31, 2015.

#### f) Reserves

	Reserves (\$)				Total
	Contribution	Options	Warrants	Convertible Note	
Balance – March 31, 2015	202,877	907,775	1,048,074	62,530	2,221,256
Stock based compensation (Note 12c)	-	526,557	-	-	526,557
Balance – December 31, 2015	202,877	1,434,332	1,048,074	62,530	2,747,813

Contribution reserve arose on the issuance of the redeemable Class A Preferred Shares in 2006 and 2007 of Telos. Upon completion of the RTO on September 19, 2014, for the financial statements disclosure purposes of the reporting entity, all classes of shares of Telos was eliminated and were replaced by the share capital structure of Contagious Gaming.

Options and warrants reserves represent fair value of share purchase options and share purchase warrants issued for services.

Convertible note reserve relates to convertible note payable issued on September 19, 2014 and represents a fair value of the conversion feature (see Note 10).

The accompanying notes form an integral part of these financial statements

## CONTAGIOUS GAMING INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended December 31, 2015 and 2014

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#### 13. INCOME TAX

The Company's effective tax rate increased relative to the comparative period as a result of the change in the Company's tax status upon completion of the reverse takeover transaction and differs from the amount obtained by applying the Canadian statutory tax rate due to the following:

	Nine Months Ended	
	December 31, 2015	December 31, 2014
Loss for the period	\$ (3,776,620)	\$ (6,263,962)
Canadian statutory tax rate	26.00%	26.00%
Income tax recovery	\$ (981,921)	\$ (1,628,630)
Foreign and provincial tax rate differences	104,768	117,648
Items non-deductible for tax purposes	155,978	1,043,595
Operating losses not set-up as deferred tax assets	300,107	370,367
Deferred income tax recovery	\$ (421,068)	\$ (97,020)

Details of deferred income tax assets (liabilities) are as follows:

	December 31 2015	March 31 2015
<b>Deferred income tax assets related to:</b>		
Non-capital losses	\$ 1,648,949	\$ 1,180,986
Share issuance costs	135,577	166,642
	1,784,526	1,347,628
Less non-capital losses for which deferred income tax assets are not recognized	(1,260,097)	(941,844)
Deferred income tax assets recognized	524,429	405,784
<b>Deferred income tax liabilities related to:</b>		
Intangible assets	(1,263,748)	(1,518,323)
<b>Net deferred income tax liability</b>	\$ (739,319)	\$ (1,112,539)

As at December 31, 2015, the Company had non-capital losses in Canada of approximately \$3,990,671 that may be applied against future income for income tax purposes. These losses expire at various dates between 2026 and 2036. As at December 31, 2015, the Company's UK subsidiary had taxable non-capital losses of approximately \$2,520,271 that may be applied against future income for income tax purposes. These losses can be carried forward indefinitely. The potential future tax benefits of some of these tax losses have been recognized to reduce the deferred income tax liability related to intangible assets.

The accompanying notes form an integral part of these financial statements

## CONTAGIOUS GAMING INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended December 31, 2015 and 2014

Expressed in Canadian Dollars

#### 14. FINANCIAL INSTRUMENTS

##### a) Categories of Financial Assets and Liabilities

The Company's financial instruments are classified into the following categories:

	December 31 2015		March 31, 2015	
Loans and receivables (i)	\$	2,991,274	\$	3,054,677
Other financial liabilities (ii)	\$	2,680,769	\$	1,052,859

- (i) Financial instruments classified as loans and receivables consist of cash, accounts receivable and amounts due from related parties.
- (ii) Financial instruments classified as other financial liabilities consist of accounts payable and accrued liabilities, amounts due to related parties, loans payable and convertible note payable.

##### b) Fair Value of Financial Instruments

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates;

Level 3: Valuation based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

There were no transfers between levels during the year.

The fair values of accounts receivable, accounts payable and accrued liabilities, loans payable and balances with related parties approximate their carrying value due to their short term maturities. Refer to Note 4 of the March 31, 2015 financial statements of the Company for fair values associated with the acquisitions completed on September 19, 2014.

##### c) Management of Risks Arising from Financial Instruments

The Company's financial instruments are exposed to the following financial risks:

###### *Credit risk*

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from credit sales. The Company provides credit to its customers in the normal course of its operations and credit sales represent a significant portion of the Company's sales activities.

The Company does not obtain collateral or security to support trade receivables but mitigates this risk by granting credit only to financially reliable customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

The accompanying notes form an integral part of these financial statements

## CONTAGIOUS GAMING INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended December 31, 2015 and 2014

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#### c) Management of Risks Arising from Financial Instruments - *Continued*

As of December 31, 2015, there were receivables from three customers (March 31, 2015 - two) representing 76% (March 31, 2015 - 46%) of total trade receivables. During the nine months ended December 31, 2015, sales to three customers (2014 - two) accounted for 99% (2014 - 93%) of total revenue. The failure of a large customer or termination of their contract with the Company would have a significant effect on the Company.

#### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly with respect to ensuring the sufficiency of funds for working capital and commitments. The Company monitors the maturity dates of existing accounts payables and accrued liabilities, loans payable, and commitments to mitigate this risk.

The following table outlines the remaining contractual maturities for the Company's financial liabilities:

	2016	2017	2018	Total
	\$	\$	\$	\$
Accounts payable	911,599	-	-	911,599
Due to related parties	1,405,002	80,080	-	1,485,082
Loans payable	24,379	-	-	24,379
Convertible note payable	6,000	24,000	312,000	342,000
Office leases	39,090	67,597	6,823	113,510
	2,386,070	171,677	318,823	2,876,570

#### *Currency risk*

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to foreign currency fluctuation due to the nature of transactions and different function and reporting currencies. The Company's main operations are conducted in Canada using Canadian dollars, in the UK and Isle of Man using British Pound Sterling and in Germany using the Euro. The Company is generating some revenue in United States Dollars. Due to the short-term nature of these transactions, the exposure to currency risk is not material.

Contagious Sports' functional currency is British Pound Sterling, Digitotes' functional currency is British Pound Sterling and Euros, but the Company's reporting currency is Canadian dollar and the resulting exchange differences are reported as accumulated other comprehensive income (loss), which is presented as a separate component of equity.

The accompanying notes form an integral part of these financial statements

## CONTAGIOUS GAMING INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended December 31, 2015 and 2014

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#### 15. NATURE OF EXPENSES

	Nine Months Ended	
	December 31, 2015	December 31, 2014
Salaries and benefits included in:		
Intangible assets	\$ -	\$ 4,540
Direct costs	274,329	397,393
General and administrative expense	494,723	183,021
Operating expenses	44,188	33,037
	<u>\$ 813,240</u>	<u>\$ 617,991</u>

#### 16. CAPITAL MANAGEMENT

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to grow the Company's operations. The Company depends on internally generated revenue and external financing to fund its activities. The capital structure of the Company currently consists of common and preferred shares, share purchase options, share purchase warrants, loans payable, convertible note payable and related party debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may arrange more loans, issue new shares, or sell assets. Management reviews its capital management approach on a regular basis. The Company is not subject to externally imposed capital requirements.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major financial institutions.

#### 17. SEGMENTED INFORMATION

The Company is engaged in the business of development and production of video games and development of content for regulated gaming and lottery markets. Senior management reviews gross margins on a project by project basis and operating expenses are reviewed on an overall basis. Financial information, including revenues and related expenses, are not reviewed on a business line basis by the Company's senior management. Hence, based on the Company's organizational structure and the manner in which the operations are managed and evaluated by senior management, the Company is considered to be operating in one reportable segment. Substantially all of the Company's revenues are generated in Canada, The Isle of Man and Germany. The Company's intangible assets are located in Canada, United Kingdom and The Isle of Man and all of the Company's goodwill is related to its operations in the United Kingdom.

Details by geographic location are as follows:

Revenue	Canada	UK	Isle of Man	Germany	Total
9 months ended December 31, 2015	\$ 772,574	\$ 5,705	\$ 219,333	\$ 106,334	\$ 1,103,946
9 months ended December 31, 2014	\$ 975,009	\$ -	\$ -	\$ -	\$ 975,009

The accompanying notes form an integral part of these financial statements

## CONTAGIOUS GAMING INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended December 31, 2015 and 2014

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#### 17. SEGMENTED INFORMATION – CONTINUED

Non-current Assets	Canada	UK	Isle of Man	Germany	Total
As at December 31, 2015	\$ 422,191	\$ 9,012,659	\$ 2,075,915	\$ 177,114	\$ 11,687,879
As at March 31, 2015	\$ 574,299	\$ 10,092,835	\$ -	\$ -	\$ 10,667,134

#### 18. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share has been calculated based on the weighted average number of common shares issued and outstanding during the reporting period.

Diluted and basic loss per share are the same because the effects of potential issuances of shares under the convertible note, stock options and warrants would be anti-dilutive.

On September 19, 2014, Contagious Gaming completed a reverse takeover transaction with Telos. For the period in which a reverse acquisition occurs, the weighted-average number of common shares outstanding is calculated as the weighted average of:

- (i) for the period from the beginning of the reporting period to the RTO date: the weighted average number of common shares of Telos (accounting acquirer) outstanding during that period multiplied by the exchange ratio established in the acquisition agreement (1:2), and
- (ii) for the period from the RTO date to the end of the reporting period: the actual number of common shares of Contagious Gaming (legal acquirer) outstanding during that period.

For the comparative period, the weighted-average number of common shares outstanding is calculated as the weighted average number of common shares of Telos (accounting acquirer) outstanding during the comparative period multiplied by the exchange ratio established in the acquisition agreement (1:2).

#### 19. TRINITY MIRROR MARKETING AGREEMENT

On November 14, 2013, Contagious Sports entered into a Partnership Service Agreement (the “**Service Agreement**”) with Trinity Mirror Shared Services Limited, a subsidiary of Trinity Mirror PLC (“Trinity Mirror”) for providing an adapted version of the Contagious Sports Betting Platform as a branded version for Trinity Mirror. Pursuant to this agreement, Contagious Sports and Trinity Mirror are sharing revenues generated from the Goaltime website.

On September 25, 2014, the Company and its subsidiary Contagious Sports have entered into an amending agreement (the “**Amending Agreement**”) to the Service Agreement to restructure the warrants and option granted by Contagious Sports to Trinity Mirror in connection with the Service Agreement. In addition, as part of the previously announced \$6,002,800 equity financing completed on September 19, 2014, Trinity Mirror subscribed for 625,000 common shares of Contagious Gaming at a price of \$0.40 per share for gross proceeds of \$250,000. This transaction was approved by TSX-V on November 5, 2014 which resulted in the following:

The accompanying notes form an integral part of these financial statements

## CONTAGIOUS GAMING INC.

### Notes to Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended December 31, 2015 and 2014

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#### 19. TRINITY MIRROR MARKETING AGREEMENT – CONTINUED

1. Cancellation of share purchase warrants that Trinity Mirror previously held in Contagious Sports;
2. Issuance by Trinity Mirror to Contagious Gaming a credit of £600,000 which is Trinity Mirror's contribution to the Goaltime revenue sharing agreement. This credit may be allocated by Contagious Gaming at any time within 24 months from November 5, 2014 towards marketing from Trinity Mirror for Contagious Sports' web and mobile pools betting application;
3. Trinity Mirror released Contagious Sports from indebtedness (if any) for past advertising services performed by Trinity Mirror for Contagious Sports under the previous Service Agreement;
4. Contagious Gaming has entered into a supplemental agreement with Trinity Mirror pursuant to which Contagious Gaming guaranteed the obligations of Contagious Sports under the September 25, 2014 Partner Services Agreement between Trinity Mirror and Contagious Sports; and
5. Contagious Gaming issued the following shares and share purchase warrants to Trinity Mirror:
  - (i) 965,528 common shares,
  - (ii) 1,839,100 escrowed common shares, with 25% of such shares being released for each £150,000 of advertising performed under the £600,000 credit described above, and
  - (iii) share purchase warrants to acquire an aggregate of up to 2,716,667 common shares of the Company as follows:

Number of Warrants	Exercise Price	Exercisable From	Expiry Date
1,250,000*	\$0.80	05-Nov-14	29-Feb-16
800,000*	\$1.25	01-Mar-16	31-Aug-17
666,667*	\$1.50	01-Sep-17	28-Feb-18
2,716,667			

\* Pursuant to the warrant instrument, Contagious Gaming is entitled to accelerate the expiry of the Trinity Mirror Warrants to the date that is ten business days following the date a notice is provided by the Company to Trinity Mirror in the event that the volume weighted average trading price of Contagious Gaming common shares on the TSX Venture Exchange is equal to or greater than:

- \$1.00 for any period of twenty trading days after September 25, 2014 for 1,250,000 warrants exercisable at \$0.80
- \$1.5625 for any period of twenty trading days after March 31, 2016 for 800,000 warrants exercisable at \$0.125
- \$1.875 for any period of twenty trading days after September 1, 2017 for 666,667 warrants exercisable at \$1.50

For accounting purposes, the Amending Agreement is treated as a modification of the Service Agreement.

The accompanying notes form an integral part of these financial statements



**CONTAGIOUS GAMING INC.****Notes to Condensed Interim Consolidated Financial Statements****For the Three and Nine Months Ended December 31, 2015 and 2014***Expressed in Canadian Dollars***20. NON-CASH INVESTING AND FINANCING TRANSACTIONS**

	Nine months ended December 31 2015	Nine months ended December 31 2014
Shares issued on the acquisition of Digitote	\$ 720,720	\$ -
Shares issued on the RTO acquisition of Contagious Gaming	\$ -	\$ 1,908,560
Shares issued as finder's fee on the RTO acquisition	\$ -	\$ 350,000
Shares issued for acquisition of Contagious Sports	\$ -	\$ 8,000,000
Shares issued as finder's fee on the acquisition of Contagious Sports	\$ -	\$ 400,000
Shares issued as assignment fee on the acquisition of Contagious Sports	\$ -	\$ 500,000
Shares for debt	\$ -	\$ 593,508
Fair value of agents' warrants	\$ -	\$ 238,000
Fair value of assumed stock options on the RTO	\$ -	\$ 87,000
Fair value of assumed warrants on the RTO	\$ -	\$ 472,000
Equity portion of convertible note payable	\$ -	\$ 62,530
Acquisition of non-cash assets (liabilities) of Contagious Gaming	\$ -	\$ (71,181)
Acquisition of non-cash assets (liabilities) of Contagious Sports	\$ -	\$ 7,945,623
Deferred financing costs included in share issuance costs	\$ -	\$ 105,000
Fair value of exercised options	\$ -	\$ 14,923
Fair value of Trinity Mirror warrants expensed as marketing	\$ -	\$ 206,897
Fair value of shares issued to Trinity Mirror for marketing	\$ -	\$ 473,109

The accompanying notes form an integral part of these financial statements