CONTAGIOUS GAMING INC.

Condensed Consolidated Interim Financial Statements

June 30, 2016

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

(Expressed in Canadian Dollars)	Notes		June 30, 2016		March 31, 2016
ASSETS					
Current					
Cash	4a	$	1,668,881	$	1,838,882
Accounts receivable	5		566,688		631,053
Prepaid expenses			55,134		68,503
Inventory			17,307		20,456
Due from related parties	8		9,844		9,844
			2,317,854		2,568,738
Long-term					
Property and equipment	6		158,647		173,088
Intangible assets	7		8,186,585		8,987,039
Goodwill	4		1,659,548		1,659,548
			10,004,780		10,819,675
Total Assets		$	12,322,634	$	13,388,413
LIABILITIES					
Current					
Accounts payable and accrued liabilities		$	866,110	$	957,270
Deferred revenue			81,291		97,224
Due to related parties	8		981,456		1,081,756
Loans payable	9		22,280		23,306
			1,951,137		2,159,556
Long-term					
Convertible note payable	10		268,942		265,486
Contingent consideration	4a		2,047,523		2,017,002
Deferred income taxes	13		483,051		449,047
			2,799,516		2,731,535
Total Liabilities			4,750,653		4,891,091
EQUITY					
Share capital	12		19,978,430		19,978,430
Reserves	12		2,820,358		2,785,190
Accumulated other comprehensive income			(296,805)		158,763
Deficit			(14,930,002)		(14,425,061)
Total Equity			7,571,981		8,497,322
Total Liabilities and Equity		$	12,322,634	$	13,388,413
Commitments and contingencies	11				

Approved on behalf of the Board of Directors:

"Sean Yeomans", Director   *"Peter Glancy"*, Director

The accompanying notes form an integral part of these consolidated financial statements

CONTAGIOUS GAMING INC.
Condensed Consolidated Interim Statements of Comprehensive Loss

For the Three Months Ended June 30, 2016 and 2015

Expressed in Canadian Dollars	Notes		2016		2015
Revenue		$	1,091,152	$	209,398
Direct costs			(237,674)		(128,507)
Gross margin			853,478		80,891
Expenses					
Operating			65,236		42,059
General and administrative			615,869		557,664
Amortization of intangible assets			568,074		520,193
Depreciation of equipment			9,647		5,079
Financing costs			11,233		11,698
Foreign exchange gain			(19,087)		(2,416)
Stock based compensation	12c		35,168		140,720
Movement in contingent consideration			30,521		-
Provision for bad debt			-		24,219
			1,316,661		1,299,216
Loss before income taxes			(463,183)		(1,218,325)
Deferred tax expense / (credit)	13		41,760		(37,233)
Net loss for the period			(504,943)		(1,181,092)
Other comprehensive income					
Items that may or will be reclassified to profit or loss					
Cumulative translation differences			(455,568)		190,960
Comprehensive loss for the period		$	(960,511)	$	(990,132)
Loss per share – basic and diluted	18	$	(0.01)	$	(0.02)
Weighted average number of shares outstanding – basic and diluted			76,518,812		73,849,479

The accompanying notes form an integral part of these consolidated financial statements

CONTAGIOUS GAMING INC.

Condensed Consolidated Interim Statements of Changes in Equity

Expressed in Canadian Dollars	**Share Capital *(Note 12)*** Number of Shares	**Share Capital *(Note 12)*** Amount $	**Reserves *(Note 12)*** $	**Accumulated Other Comprehensive Income** $	**Deficit** $	**Total** $
Balance at March 31, 2016	81,857,479	19,978,430	2,785,190	158,763	(14,425,061)	8,497,322
Stock based compensation	-	-	35,168	-	-	35,168
Foreign currency translation	-	-	-	(455,568)	-	(455,568)
Net loss for the period	-	-	-	-	(504,943)	(504,943)
Balance at June 30, 2016	81,857,479	19,978,430	2,820,358	(296,805)	(14,930,004)	7,571,979

Expressed in Canadian Dollars	**Share Capital *(Note 12)*** Number of Shares	**Share Capital *(Note 12)*** Amount $	**Reserves *(Note 12)*** $	**Accumulated Other Comprehensive Income** $	**Deficit** $	**Total** $
Balance at March 31, 2015	73,849,479	18,975,727	2,221,256	259,860	(10,033,890)	11,422,953
Stock based compensation *(Note 12g)*	-	-	140,720	-	-	140,720
Foreign currency translation	-	-	-	190,960	-	190,960
Net loss for the period	-	-	-	-	(1,181,092)	(1,181,092)
Balance at June 30, 2015	73,849,479	18,975,727	2,361,976	450,820	(11,214,982)	10,573,541

The accompanying notes form an integral part of these consolidated financial statements

CONTAGIOUS GAMING INC.
Condensed Consolidated Interim Statements of Cash Flows
For the Three Months Ended June 30, 2016 and 2015

Expressed in Canadian Dollars	2016	2015
Cash provided by (used in) operations		
(Loss) for the period	$ (504,941)	$ (1,181,092)
Items not affecting cash:		
Amortization of intangible assets	568,074	520,193
Depreciation of equipment	9,647	5,079
Accretion of convertible loan	10,228	10,442
Stock based compensation	35,168	140,720
Movement in contingent consideration	30,521	-
Provision for bad debt	-	24,219
Deferred income taxes recovery	41,760	(37,233)
	190,457	(517,672)
Changes in non-cash working capital:		
Accounts receivable	64,365	(66,926)
Accounts payable and accrued liabilities	(91,160)	(36,345)
Prepaid expenses	13,369	81,713
Inventory	3,149	-
Deferred revenue	(15,933)	(26,084)
	164,247	(565,314)
Cash flows from investing activities		
Purchase of intangible assets	(207,285)	-
	(207,285)	-
Cash flows from financing activities		
(Paid to) / received from related parties	(100,300)	79,155
Interest paid on convertible loan	(6,772)	(5,984)
Loans payable	(1,026)	(12,466)
	(108,098)	60,705
(Decrease) in cash for the period	(151,136)	(504,609)
Effect of foreign exchange rate changes	(18,865)	(9,235)
Cash at beginning of period	1,838,882	2,641,989
Cash at end of period	$ 1,668,881	$ 2,128,145

The accompanying notes form an integral part of these consolidated financial statements

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" and on the Frankfurt Stock Exchange under the symbol "RHRC".

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.

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 $1,814,895.

Digitote is a developer and provider of commercial-grade sports betting and horse racing technology, hardware and support services to operators across Europe. Its business-to-business ("**B2B**") software platform ("**Xturf**") currently manages the sportsbook operations for a number of large and mid-sized customers in multiple regulated jurisdictions. Digitote's team are highly experienced technical and industry professionals focused on the continued delivery of cutting edge sports betting solutions.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These 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. The policies set out below were consistently applied to all the periods presented unless otherwise noted.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on August 26, 2016.

b) Basis of Measurement

These 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.

2. BASIS OF PRESENTATION – *CONTINUED*

c) Basis of Consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

These consolidated financial statements include the accounts of Contagious Gaming and the following wholly-owned subsidiaries: (i) Canadian subsidiary Telos (ii) U.K. subsidiary Contagious Sports and (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 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 and the German subsidiary Digitote Software GmbH is the Euro (“EUR” or “€”). The subsidiaries financial statements 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.

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 effective for the periods as at August 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 consolidated financial statements. The Company does not expect to adopt these new and amended standards before their effective dates.

Expressed in Canadian Dollars

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

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, 2018 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 IN PREVIOUS PERIODS

Acquisition of Digitote

On November 30, 2015 the Company acquired all the issued and outstanding common shares of 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 (being the share price on date of closing) for a total of $720,720, and contingent cash consideration valued at $1,814,895. The Company expensed approximately $129,000 in acquisition related expenses in the period. Since the date of acquisition, Digitote has generated approximately $235,500 in comprehensive income. The Company does not have historical comparative information for Digitote. 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 fair value of identifiable assets, liabilities acquired and purchase consideration are as follows:

		Fair Value
Cash	$	1,012,365
Accounts Receivable		669,384
Prepaid expenses		89,603
Inventory		23,879
Property and equipment		180,335
Intangible assets		2,563,729
Accounts payable and accrued liabilities		(348,964)
Due to related party		(1,380,213)
Total net assets	$	**2,810,118**
Fair value of consideration paid		
Common shares		720,720
Fair value of contingent cash consideration		1,814,895
Total consideration	$	**2,535,615**
Bargain purchase gain	$	**274,503**

Expressed in Canadian Dollars

4. ACQUISITIONS IN PREVIOUS PERIODS - *CONTINUED*

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. As at 30 June 2016 the contingent consideration liability amounted to $2,047,523 ($2,017,002 - March 31, 2016) after unwinding of discount and reflecting the movement in exchange rates for the period. There was no adjustment to the fair value of contingent consideration since acquisition.

The acquisition included $1,012,365 of restricted cash, of which $889,775 was outstanding at June 30, 2016 ($1,035,122 - March 31, 2016). 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 Bargain purchase gain arose primarily due to the impact of the share price fluctuation between the agreement date and completion of the acquisition, which impacted the fair value of the total consideration.

5. ACCOUNTS RECEIVABLE

		June 30, 2016		March 31, 2016
Trade receivable	$	437,910	$	455,483
Government tax credits receivable		32,735		32,735
GST/HST/VAT receivable		48,408		67,937
Other receivables		47,635		74,898
	$	566,688	$	631,053

6. PROPERTY AND EQUIPMENT

(i) Cost or valuation		Furniture, Fixtures and Equipment		Computer Equipment		Total
Balance as at March 31, 2015	$	-	$	22,792	$	22,792
Additions		-		3,464		3,464
Acquired through business combinations		152,725		27,607		180,332
Foreign exchange		6,829		1,310		8,139
Balance as at March 31, 2016		159,554		55,173		214,727
Foreign exchange		(4,808)		(813)		(5,621)
Balance as at June 30, 2016	$	154,746	$	54,360	$	209,106

(ii) Accumulated depreciation or impairment		Furniture, Fixtures and Equipment		Computer Equipment		Total
Balance as at March 31, 2015	$	-	$	13,619	$	13,619
Depreciation		13,311		15,162		28,473
Foreign exchange		(14)		(439)		(453)
Balance as at March 31, 2016		13,297		28,342		41,639
Depreciation		8,178		1,469		9,647
Foreign exchange		(712)		(115)		(827)
Balance as at June 30, 2016	$	20,763	$	29,696	$	50,459

Expressed in Canadian Dollars

6. PROPERTY AND EQUIPMENT – *CONTINUED*

(iii) Net Book Value	Furniture, Fixtures and Equipment	Computer Equipment	Total
Balance as at March 31, 2015	$ -	$ 9,173	$ 9,173
Balance as at March 31, 2016	146,257	26,831	173,088
Balance as at June 30, 2016	$ 133,983	$ 24,664	$ 158,647

7. INTANGIBLE ASSETS

(i) Cost or valuation	Online Gaming Platforms	Customer Relationships	Total
Balance as at March 31, 2015	$ 10,115,035	$ -	$ 10,115,035
Purchases	197,264	-	197,264
Acquired through business combinations	2,297,729	266,000	2,563,729
Foreign exchange	(173,289)	-	(173,289)
Balance as at March 31, 2016	12,436,739	266,000	12,702,739
Purchases	207,285	-	207,285
Foreign exchange	(600,099)	-	(600,099)
Balance as at June 30, 2016	$ 12,043,925	$ 266,000	$ 12,309,925

(ii) Accumulated depreciation or impairment	Online Gaming Platforms	Customer Relationships	Total
Balance as at March 31, 2015	$ 1,185,347	$ -	$ 1,185,347
Amortization	2,191,676	29,556	2,221,232
Impairment loss	393,315	-	393,315
Foreign exchange	(84,194)	-	(84,194)
Balance as at March 31, 2016	3,686,144	29,556	3,715,700
Amortization	568,074	-	568,074
Foreign exchange	(160,434)	-	(160,434)
Balance as at June 30, 2016	$ 4,093,784	$ 29,556	$ 4,123,340

(iii) Net Book Value	Online Gaming Platforms	Customer Relationships	Total
Balance as at March 31, 2015	$ 8,929,688	$ -	$ 8,929,688
Balance as at March 31, 2016	8,750,595	236,444	8,987,039
Balance as at June 30, 2016	$ 7,950,141	$ 236,444	$ 8,186,585

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

As at March 31, 2016, the Company performed a test on goodwill and the remaining 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. Management expectations include the relaunch of the expanded Goal Time offering and the successful launch of white label operations with strategic partners in 2017 utilising their marketing platforms

The Goodwill relates to the Sports CGU. 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 27% and 147% per annum, (ii) the Company's cost of player acquisition declining between 4% and 21% per annum, (iii) 5-year cash flow projection, and (iv) a 20% discount rate.

Expressed in Canadian Dollars

8. RELATED PARTIES TRANSACTIONS AND BALANCES

a) Amounts Due From (To) Related Parties

		June 30, 2016		March 31, 2016
Due from related parties:				
Due from Telos International (i)		9,844		9,844
	$	9,844	$	9,844
Due to related party:				
Due to directors, officers and their companies (ii)		143,044		145,285
Related party balance on acquisition of Digitote(iii)		838,412		936,471
	$	981,456	$	1,081,756

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

(ii) Amounts due to directors, officers and their companies are for accrued salaries, fees and travel costs. These amounts are unsecured, non-interest bearing and are due on demand.

(iii) Amount includes dividends payable to the former shareholders of Digitote recorded prior to acquisition, who are now members of group key management.

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 June 30, 2016 the Company's key management personnel consist of the Company's directors and senior management (Chairman, 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 are as follows:

Details for the three months ended June 30, 2016 and 2015 are as follows:

Nature of Transactions		June 30 2016		June 30 2015
Management fees and salaries	$	156,443	$	85,609
Directors fees		16,250		16,250
Advisory fees		18,000		18,000
Stock based compensation		26,020		101,030
	$	216,713	$	220,889

During the current period, the Company recorded $Nil (2015 - $25,000) of legal fees to McMillan LLP, a law firm in which Desmond Balakrishnan, the Company's director, is a partner.

Expressed in Canadian Dollars

9. LOANS PAYABLE

	June 30 2016 $	March 31 2016 $
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.	22,280	23,306
	22,280	23,306

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 will 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.

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

		June 30, 2016		March 31, 2016
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		75,000		64,772
Interest paid		(43,528)		(36,756)
	$	268,942	$	265,486

Expressed in Canadian Dollars

11. COMMITMENTS AND CONTINGENCIES

As part of the Board's ongoing compliance process, the Board continues to monitor legal and regulatory developments and their potential impact on the Group.

The Group takes legal advice as to the potential outcomes of claims and actions and provisions are made where appropriate. No provision is made where the directors consider, based on that advice, that the action is unlikely to succeed. Contingent liabilities are disclosed where the Company cannot make a sufficiently reliable estimate of the potential obligation.

Management is not aware of any contingencies that may have a significant impact on the financial position of the Group.

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. (see Note 4a)

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 following is a summary of stock options activity:

March 31, 2015	Granted	Forfeited	Exercised	March 31, 2016	Weighted Average Exercise Price	Expiry Date
200,000	-	-	-	200,000	$0.12	Sep 17, 2018
3,900,000	-	100,000	-	3,800,000	$0.40	Sep 19, 2019
-	2,050,000	-	-	2,050,000	$0.10	Dec 23, 2020 (i)
4,100,000	2,050,000	100,000	-	6,050,000	$0.26	

Expressed in Canadian Dollars

12. SHARE CAPITAL – *CONTINUED*

c) Stock Options – *Continued*

March 31, 2016	Granted	Forfeited	Exercised	June 30, 2016	Weighted Average Exercise Price	Expiry Date
200,000	-	-	-	200,000	$0.12	Sep 17, 2018
3,800,000	-	-	-	3,800,000	$0.40	Sep 19, 2019
2,050,000	-	-	-	2,050,000	$0.10	Dec 23, 2020 (i)
6,050,000	-	-	-	6,050,000	$0.29	

(i) On December 23, 2015, the Company granted 2,050,000 stock options to certain directors, officers, employees and consultants. These options are exercisable at $0.10 per share for a period of 5 years from the date of grant. 1,750,000 of the options were fully vested upon the grant date. The remaining 300,000 options vest over 2 years as follows: 20% on the date of grant, and 20% every 6 months thereafter. Total fair value of the stock based compensation on the date of grant was estimated to be $173,417 using the Black-Scholes option pricing model with the following assumptions:

Stock price volatility	126.60%
Risk-free interest rate	0.74%
Expected life	5 years
Expected dividend yield	0.00%

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 June 30, 2016, the Company recorded share-based compensation expense of $35,168 (June 30, 2015 - $140,720).

d) Share Purchase Warrants

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

March 31, 2015	Granted	Forfeited	Exercised	Expired	March 31 2016	Weighted Average Exercise Price	Expiry Date
1,537,500	-	-	-	-	1,537,500	$0.20	Aug 20, 2018 (i)
901,740	-	-	-	-	901,740	$0.40	Sep 19, 2016 (ii)
2,716,667	-	-	-	1,250,000	1,466,667	$1.36	Aug 31, 2017 to Feb 28, 2018 (iii)
5,155,907	-	-	-	1,250,000	3,905,907	$0.68	

March 31, 2016	Granted	Forfeited	Exercised	Expired	June 30 2016	Weighted Average Exercise Price	Expiry Date
1,537,500	-	-	-	-	1,537,500	$0.20	Aug 20, 2018 (i)
901,740	-	-	-	-	901,740	$0.40	Sep 19, 2016 (ii)
1,466,667	-	-	-	-	1,466,667	$1.36	Aug 31, 2017 to Feb 28, 2018 (iii)
3,905,907	-	-	-	-	3,905,907	$0.68	

(i) These are share purchase warrants of Contagious Gaming assumed by Telos on the completion of the RTO on September 19, 2014. Their fair value was determined to be $472,000 using the Black-Scholes option pricing model. The fair value of these warrants was expensed as public listing costs.

Expressed in Canadian Dollars

12. SHARE CAPITAL – *CONTINUED*

d) Share Purchase Warrants - *Continued*

(ii) On September 19, 2014, the Company completed a brokered equity offering. As part of compensation for the agents, the Company issued 901,740. These warrants can be exercised at $0.40 per share on or before September 19, 2016. The fair value of the warrants was estimated to be $238,000 using the Black-Scholes option pricing model with the following assumptions:

Stock price volatility	133.63%
Risk-free interest rate	1.17%
Expected life	2 years
Expected dividend yield	0.00%

(iii) 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 (refer to note 20) 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			

The fair value of 2,716,667 Trinity Mirror warrants was estimated to be $338,074 using the Black-Scholes option pricing model with the following weighted average assumptions, and was expensed as stock based marketing compensation:

Stock price volatility	110.84%
Risk-free interest rate	1.03%
Expected life	1.36 years
Expected dividend yield	0.00%

e) Escrow Shares

As of June 30, 2016, 19,944,297 (March 31, 2016 – 19,944,297) 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.

(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 Nov 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 yet.

Expressed in Canadian Dollars

12. SHARE CAPITAL – *CONTINUED*

f) Reserves

	Reserves ($)				
	Contribution	Options	Warrants	Convertible Note	Total
Balance – March 31, 2016	202,877	1,471,709	1,048,074	62,530	2,785,190
Stock based compensation *(Note 12c)*	-	35,168	-	-	35,168
Balance – June 30, 2016	202,877	1,506,877	1,048,074	62,530	2,820,358

Contribution reserve arose on the issuance of the redeemable Class A Preferred Shares in 2006 and 2007.

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

Convertible note reserve relates to the equity portion of the convertible note payable as outlined in Note 10.

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:

		June 30, 2016		March 31, 2016
Loss before taxes	$	(463,182)	$	(5,049,127)
Canadian statutory tax rate		26.00%		26.00%
Income tax recovery	$	(120,427)	$	(1,312,773)
Foreign and provincial tax rate differences		(39,040)		133,847
Items non-deductible for tax purposes		189,686		202,918
Operating losses not set-up as deferred tax assets		11,541		318,052
Future income tax expense (credit)	$	41,760	$	(657,956)

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

		June 30, 2016		March 31, 2016
Deferred income tax assets related to:				
Non-capital losses	$	1,697,467	$	1,700,229
Share issuance costs		115,801		125,223
		1,813,268		1,825,452
Less non-capital losses for which deferred income tax assets are not recognized		(1,391,778)		(1,350,540)
Deferred income tax assets recognized		421,490		474,912
Deferred income tax liabilities related to:				
Intangible assets		(904,541)		(923,959)
Net deferred income tax liability	$	(483,051)	$	(449,047)

Expressed in Canadian Dollars

13. INCOME TAX – *CONTINUED*

As at June 30, 2016, the Company had non-capital losses in Canada of approximately $4,277,985 that may be applied against future income for income tax purposes. These losses expire at various dates between 2026 and 2036. As at June 30, 2016, the Company's UK subsidiary had taxable non-capital losses of approximately $2,435,216 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.

14. FINANCIAL INSTRUMENTS

a) Categories of Financial Assets and Liabilities

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

		June 30, 2016		March 31, 2016
Loans and receivables (i)	$	2,223,671	$	2,479,779
Other financial liabilities (ii)	$	2,163,083	$	2,327,818
Contingent consideration (iii)	$	2,047,523	$	2,017,002

(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.

(iii) Financial instruments classified as contingent consideration consists of the fair value of Digitote's 1 x EBITDA results over the period of four years following the date of Acquisition, to a maximum of €2,200,000. The contingent consideration is determined based on EBITDA projections of Digitote, applying the Discounted Cash Flow Method to the projections to determine a fair value, and then converting to Canadian dollars at the exchange rate on the reporting date. Contingent consideration is a level 3 financial instrument, see note 4 for details of movement in the period.

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. The fair value of the convertible note payable is not materially different to the net book value. Refer to Note 4 for fair values associated with the recently completed acquisition.

c) Management of Risks Arising from Financial Instruments

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

14. FINANCIAL INSTRUMENTS - *CONTINUED*

c) Management of Risks Arising from Financial Instruments – *Continued*

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.

As of June 30, 2016, there were receivables from two customers (March 31, 2016 - two) representing 90% (March 31, 2016 - 98%) of total trade receivables. During the three months ended June 30, 2016, sales to two customers (2015 - one) accounted for 91% (2015 - 94%) of total revenue. The failure of a large customer would have a significant effect on the Company.

Cash is spread across the company with different institutions which helps to manage cash credit risk. Excess cash is held in Canadian Guaranteed Investment Certificates. The Company only engages banks with appropriate credit ratings.

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 group operations in different countries, resulting in different functional currencies. The Company's main operations are conducted in Canada using Canadian dollars, in the UK using British Pound Sterling and in Germany and the Isle of Man using the Euro. The Group seeks to minimise currency risk by minimising the use of currencies outside each group company's' functional currency.

The Group generates a significant amount of revenue in United States Dollars. The Group is exposed to fluctuations in exchange rates on trade receivables, funds are received into Canadian dollar bank accounts. Management conclude the exposure to currency risk is not material. At the balance sheet date, management identified foreign currency trade receivables of CAD $138,685 held in group entities where the functional currency was CAD.

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:

Expressed in Canadian Dollars

14. FINANCIAL INSTRUMENTS - *CONTINUED*

c) Management of Risks Arising from Financial Instruments – *Continued*

March 31, 2016	2017 $	2018 $	2019 $	Total $
Accounts payable	957,270	-	-	957,270
Due to related parties	1,001,676	80,080		1,081,756
Loans payable	23,306	-	-	23,306
Convertible note payable	-	24,000	312,000	336,000
Office leases	-	90,641	11,455	102,096
	1,982,252	194,721	323,455	2,500,428

June 30, 2016	2017 $	2018 $	2019 $	Total $
Accounts payable	890,405	-	-	890,405
Due to related parties	981,456	-		981,456
Loans payable	22,280	-	-	22,280
Convertible note payable	18,000	312,000	-	330,000
Office leases	70,978	15,190	-	86,168
	1,983,119	327,190	-	2,310,309

In addition, the Company also has a contractual maturity related to contingent consideration of $1,485,842 in 2019 and $532,893 in 2021.

15. NATURE OF EXPENSE

		June 30, 2016		June 30, 2015
Salaries and benefits included in:				
Direct costs	$	107,657	$	553,604
General and administrative expense		216,118		64,762
Operating expenses		23,263		15,063
	$	347,038	$	633,429

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 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 through private placements, or sell assets to fund operations. 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.

Expressed in Canadian Dollars

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
Period ended June 30, 2016	$ 434,065	$ -	$ 642,790	$ 14,297	$ 1,091,152
Period ended June 30, 2015	$ 206,897	$ 2,501	$ -	$ -	$ 209,398

Non-current Assets	Canada	UK	Isle of Man	Germany	Total
As at June 30, 2016	$ 286,913	$ 6,965,831	$ 2,587,825	$ 154,367	$ 10,004,780
As at March 31, 2016	$ 323,068	$ 7,760,477	$ 2,567,921	$ 168,209	$ 10,819,675

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.

Expressed in Canadian Dollars

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 Goal Time 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:

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 Goal Time 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			

19. TRINITY MIRROR MARKETING AGREEMENT – *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

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

20. SUBSEQUENT EVENT

a) Extension of Contract with Sports Betting Client

In July 2016, the Company secured an extension to one of its contracts with a key sports betting client. The extension of the contract is until October 31, 2016. The Company and the sports betting client previously agreed to terminate substantial services as of August 31, 2016. It is uncertain whether there will be a further extension, however the Company is in constant dialogue with the client regarding its current services. Any further extension will be at agreed upon terms, acceptable to both parties.