CONTAGIOUS GAMING INC.

Consolidated Financial Statements

Years Ended March 31, 2016 and 2015

Expressed in Canadian Dollars

Independent Auditor's Report

To the Shareholders of Contagious Gaming Inc.

We have audited the accompanying consolidated financial statements of Contagious Gaming Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2016 and 2015 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Contagious Gaming Inc. and its subsidiaries as at March 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

BDO LLP

BDO LLP
London
United Kingdom

28 July 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONTAGIOUS GAMING INC.
Consolidated Statements of Financial Position
As at March 31, 2016 and 2015

(Expressed in Canadian Dollars)	Notes		March 31, 2016		March 31, 2015
ASSETS					
Current					
Cash	4a	$	1,838,882	$	2,641,989
Accounts receivable	5		631,053		340,478
Prepaid expenses			68,503		160,635
Inventory			20,456		-
Due from related parties	8		9,844		3,485
			2,568,738		3,146,587
Long-term					
Property and equipment	6		173,088		9,173
Intangible assets	7		8,987,039		8,929,688
Due from related parties	8		-		68,725
Goodwill	4		1,659,548		1,659,548
			10,819,675		10,667,134
Total Assets		$	13,388,413	$	13,813,721
LIABILITIES					
Current					
Accounts payable and accrued liabilities		$	957,270	$	643,994
Deferred revenue			97,224		225,370
Due to related parties	8		1,081,756		123,380
Loans payable	9		23,306		39,110
			2,159,556		1,031,854
Long-term					
Convertible note payable	10		265,486		246,375
Contingent consideration	4a		2,017,002		-
Deferred income taxes	13		449,047		1,112,539
			2,731,535		1,358,914
Total Liabilities			4,891,091		2,390,768
EQUITY					
Share capital	12		19,978,430		18,975,727
Reserves	12		2,785,190		2,221,256
Accumulated other comprehensive income			158,763		259,860
Deficit			(14,425,061)		(10,033,890)
Total Equity			8,497,322		11,422,953
Total Liabilities and Equity		$	13,388,413	$	13,813,721
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.
Consolidated Statements of Comprehensive Loss
For the Years Ended March 31, 2016 and 2015

Expressed in Canadian Dollars	Notes		2016		2015
Revenue		$	2,311,352	$	1,164,955
Direct costs			(670,925)		(612,142)
Gross margin			1,640,427		552,813
Expenses					
Operating			179,453		238,235
General and administrative			2,949,960		1,622,755
Amortization of intangible assets			2,221,232		1,161,465
Depreciation of equipment			28,474		11,294
Financing costs			46,152		267,383
Foreign exchange gain			(86,664)		(514)
Public listing cost	4b		-		2,776,724
Transaction costs	4b		-		919,295
Stock based compensation	12c		563,934		835,698
Stock based marketing compensation	12e		281,983		811,183
Impairment loss	7		393,315		-
Movement in contingent consideration			202,107		-
Irrecoverable tax claim			125,273		-
Provision for bad debt / (Gain on settlement of debt)			58,838		(56,694)
Bargain purchase gain on acquisition	4a		(274,503)		-
			6,689,554		8,586,824
Loss before income taxes			(5,049,127)		(8,034,011)
Deferred tax credit	13		657,956		290,040
Net loss for the year			(4,391,171)		(7,743,971)
Other comprehensive income					
Items that may or will be reclassified to profit or loss					
Cumulative translation differences			(101,097)		259,860
Comprehensive loss for the year		$	(4,492,268)	$	(7,484,111)
Loss per share – basic and diluted	18	$	(0.06)	$	(0.17)
Weighted average number of shares outstanding – basic and diluted			76,518,812		45,046,065

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

CONTAGIOUS GAMING INC.

Consolidated Statement 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, 2014	35,000,000	1,475,100	202,877	-	(2,289,919)	(611,942)
Reverse takeover recapitalization *(Note 4b)*	(35,000,000)	-	-	-	-	-
Contagious Gaming shares on RTO *(Note 4b)*	13,541,487	1,908,560	-	-	-	1,908,560
RTO acquisition of Contagious Gaming (Note 4b)	17,500,000	-	-	-	-	-
RTO finder's fee shares *(Note 4b)*	875,000	350,000	-	-	-	350,000
Acquisition of Contagious Sports *(Note 4c)*	20,000,001	8,000,000	-	-	-	8,000,000
Finder's fee - Contagious Sports acquisition *(Note 4c)*	1,000,000	400,000	-	-	-	400,000
Assignment fee - Contagious Sports acquisition *(Note 4c)*	1,250,000	500,000	-	-	-	500,000
Shares for debt *(Note 12c)*	1,483,770	593,508	-	-	-	593,508
Equity financing *(Note 12c)*	15,302,000	6,120,800	-	-	-	6,120,800
Equity financing costs *(Note 12c)*	-	(900,088)	238,000	-	-	(662,088)
RTO assumption of Contagious Gaming options *(Note 4b)*	-	-	87,000	-	-	87,000
RTO assumption of Contagious Gaming warrants *(Note 4b)*	-	-	472,000	-	-	472,000
Equity portion of convertible note *(Note 10)*	-	-	62,530	-	-	62,530
Issuance of shares to Trinity Mirror *(Note 12c)*	2,804,628	473,109	-	-	-	473,109
Exercise of options *(Note 12d)*	92,593	54,738	(14,923)	-	-	39,815
Fair value of vested Trinity Mirror warrants *(Note 12c)*	-	-	338,074	-	-	338,074
Stock based compensation *(Note 12d)*	-	-	835,698	-	-	835,698
Foreign currency translation	-	-	-	259,860	-	259,860
Net loss for the year	-	-	-	-	(7,743,971)	(7,743,971)
Balance at March 31, 2015	73,849,479	18,975,727	2,221,256	259,860	(10,033,890)	11,422,953

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

Consolidated Statement of Changes in Equity

Expressed in Canadian Dollars	Share Capital *(Note 12)* Number of Shares	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
Issuance of shares on Digitote acquisition	8,008,000	720,720	-	-	-	720,720
Stock based compensation	-	-	563,934	-	-	563,934
Stock based marketing compensation	-	281,983	-	-	-	281,983
Foreign currency translation	-	-	-	(101,097)	-	(101,097)
Net loss for the period	-	-	-	-	(4,391,171)	(4,391,171)
Balance at March 31, 2016	81,857,479	19,978,430	2,785,190	158,763	(14,425,061)	8,497,322

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

CONTAGIOUS GAMING INC.
Consolidated Statements of Cash Flows
For the Year Ended March 31, 2016 and 2015

Expressed in Canadian Dollars	2016	2015
Cash provided by (used in) operations		
(Loss) for the period	$ (4,391,171)	$ (7,743,971)
Items not affecting cash:		
Amortization of intangible assets	2,221,232	1,161,465
Depreciation of equipment	28,474	11,294
Accretion of convertible loan	43,177	11,445
Public listing costs	-	2,776,724
Stock based compensation	563,934	835,698
Stock based marketing compensation	281,983	811,183
Transactions costs	-	900,000
Irrecoverable tax claim	125,273	-
Impairment loss	393,315	-
Movement in contingent consideration	202,107	-
Provision for bad debt / (Gain on settlement of debt)	58,838	(56,694)
Bargain purchase gain on acquisition	(274,503)	-
Deferred income taxes recovery	(657,956)	(290,040)
	(1,405,297)	(1,582,896)
Changes in non-cash working capital:		
Accounts receivable	253,537	112,222
Accounts payable and accrued liabilities	(237,283)	(774,925)
Prepaid expenses	181,735	(149,496)
Inventory	3,423	-
Deferred revenue	(128,146)	(25,469)
	(1,332,031)	(2,420,564)
Cash flows from investing activities		
Cash from acquisition of Contagious Sports	-	213
Cash from acquisition of Digitote	1,012,365	-
Purchase of property and equipment	(3,464)	-
Purchase of intangible assets	(197,264)	-
	811,637	213
Cash flows from financing activities		
Cash from acquisition of Contagious Gaming	-	112,017
(Paid to) / received from related parties	(216,712)	119,343
Interest paid on convertible loan	(24,066)	(6,772)
Loans payable	(15,804)	(773,108)
Issuance of shares for cash	-	6,120,800
Share issuance costs	-	(557,088)
Proceeds from exercise of options	-	39,815
	(256,582)	5,055,007
(Decrease) / increase in cash for the year	(776,976)	2,634,656
Effect of foreign exchange rate changes	(26,131)	(9,473)
Cash at beginning of year	2,641,989	16,806
Cash at end of year	$ 1,838,882	$ 2,641,989

Non-Cash Investing and Financing Transactions *(Note 19)*

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"

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 years presented unless otherwise noted.

These consolidated financial statements were approved and authorized for issue by the Board of Directors on July 28, 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 (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.

d) Use of Estimates and Judgments

The Company makes certain estimates and assumptions regarding the future. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual outcomes may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical estimates and assumptions in applying accounting policies and estimates that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

(i) Revenue recognition
The recognition of software development revenues using the percentage of completion method is subject to estimation. Management applies judgment in estimating payroll costs per project in assessing the extent of progress toward completion of on-going software development projects. The use of the percentage-of-completion method is itself based on the assumption that there is an insignificant risk that customer acceptance is not obtained. The Company also makes assessments, based on prior experience of the extent to which future milestone receipts represent a probable future economic benefit to the Company. The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the revenue recognition policies affect the amounts reported in each period. If different assumptions were used it is possible that different amounts would be reported in the accounts.

2. BASIS OF PRESENTATION - *CONTINUED*

d) Use of Estimates and Judgments - *Continued*

(ii) Development phase of internally generated intangible assets
The classification of internally generated intangible assets into the research and development phase is subject to judgment. Management estimates the payroll costs associated with the development of the Company's online gaming platform by reference to the time spent by software development and animation employee that directly contribute to the advancement of the platform. Refer to Note 3c for accounting policy for intangible assets.

(iii) Impairment
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts and are subject to judgment. Judgment is required in establishing whether there are indicators of impairment related to these assets such as changes in market price, the extent or manner in which it is being used or in its physical condition, operations and business environment.

(iv) Deferred taxes
The recognition of deferred tax assets is based on forecasts of future taxable income. The measurement of future taxable income for the purposes of determining whether or not to recognize deferred tax assets depends on many factors, including the Company's ability to generate such profits and the implementation of effective tax planning strategies. The occurrence or non-occurrence of such events in the future may lead to significant changes in the measurement of deferred tax assets.

(v) Business combination
The determination of the acquirer in a business combination is subject to judgment and requires the Company to determine which party to a business combination obtains control of the combining entities. In exercising this judgment, management reviewed the relative size of the combining entities, continuance of management and party that initiated the transaction. The assessment of whether an acquisition constitutes a business is also subject to judgment and requires the Company to review whether the acquired operations contain all three elements of a business including inputs, processes and the ability to create output. The measurement of identifiable assets acquired and liabilities assumed at fair value on the date of acquisition in a business combination is subject to management estimation.

(vi) Determination of fair values using option pricing models
The Company measures the cost of equity-settled transactions consisting of share purchase options and warrants offered to service providers and employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. Changes in the input assumptions can materially affect the fair value estimate.

(vii) Determination of functional currency
The Company and its subsidiaries generate income and incur expenses in Canadian dollars, US dollars, British pounds and Euros. As a result, the determination of the functional currency for the Company's subsidiaries is a significant judgment. The determination of functional currency requires the Company to assess the primary economic environment in which each of these entities operates in and affects how the Company translates foreign currency balances and transactions. In determining the functional currency, the Company reviewed the geographic jurisdiction in which the subsidiaries operated in and the currency used by the subsidiaries in carrying out its operations.

2. BASIS OF PRESENTATION - *CONTINUED*

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.

g) 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. Accounting for the acquisition as a reverse takeover results in the following:

(i) The consolidated financial statements of the combined entities are issued as the consolidated financial statements of the legal parent, Contagious Gaming, but are considered a continuation of the financial statements of the legal subsidiary, Telos.

(ii) Since Telos is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

(iii) The deficit of Contagious Gaming up to the date of acquisition was eliminated.

(iv) The number of shares issued in the consolidated entity is that of Contagious Gaming up to the RTO date on September 19, 2014, plus all shares issued on and after the RTO date. The dollar amount of the issued share capital in the consolidated statement of financial position immediately prior to acquisition is the dollar value of Telos' issued capital up to the RTO date on September 19, 2014 plus the value of all shares issued by the Company on and after the RTO date, including the value of shares issued to acquire Telos.

3. SIGNIFICANT ACCOUNTING POLICIES

a) <u>Cash and Cash Equivalents</u>

Cash and cash equivalents consists of cash and demand deposits with maturities of 90 days or less.

b) <u>Property and Equipment</u>

On initial recognition, property and equipment is valued at cost, being the purchase price and directly attributable cost of acquisition required to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company, including borrowing costs. Property and equipment are subsequently measured at cost less accumulated amortization and accumulated impairment. Property and equipment is depreciated on a straight line basis over the estimated useful lives. The annual depreciation rates are as follows:

Computer hardware	3 years
Furniture fixtures and equipment	5 years

3. SIGNIFICANT ACCOUNTING POLICIES - *CONTINUED*

c) Intangible Assets

The Company's intangible assets consist of (i) a sports betting platform powered by a proprietary robust back office management application ("BOMA") and eWallet which can be deployed among a variety of gaming scenarios including: sports betting, slots, bingo, and iLottery (ii) and online gaming platforms eInstant and iLottery (iii) XTURF platform (together the "**Platforms**") and (iii) customer relationships.

Intangible assets are acquired and/or internally generated and comprise payroll costs associated with the development of the Platforms, as well as customer relationships. All costs incurred during the research phase of developing the Platforms are expensed. The amount recognized as intangible assets arise from the development of the Platforms whereby technical feasibility, intention to complete the project, ability to use the platform, probability of generating future economic benefits, availability of adequate technical, financial and other resources to complete the project and ability to measure reliably the expenditure attributable to the intangible asset during its development can be demonstrated.

The intangible assets are amortized on a straight line basis over the periods the Company expects to generate related revenues, which is 5 years for the online gambling platforms and 3 years for the customer relationships.

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. Direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

d) Income Taxes

Income tax expense comprises current and deferred income tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in shareholders' equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to income tax payable in respect of previous years.

Deferred income tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting income nor taxable income. Deferred income tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date, and are offset only when they arise in the same legal entity and jurisdiction.

3. SIGNIFICANT ACCOUNTING POLICIES - *CONTINUED*

d) Income Taxes - *Continued*

A deferred income tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred income tax assets are reviewed at each reporting dates and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

e) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. The Company recognizes revenue when the amount can be reliably measured and when it is probable that future economic benefits will flow to the Company.

Revenue arising from the development of content for mobile and online video games is recognized as the services are rendered. The Company's content development agreements with developers of social games generally include non-refundable up-front fees and milestone payments which are initially deferred and recognized as revenue as work progresses. Where services are in-progress at the reporting period end, the Company recognizes revenues proportionately using the percentage of completion method of revenue recognition.

Revenue arising from the development of software platforms is recognized as the services are rendered.

Royalty revenues are recognized based on revenue shares established in the contracts when the collectability is reasonably assured. Royalty revenue is recognized based on contractual terms of the arrangement, which is normally based on the percentage of revenue generated by the Company's customers.

Revenue relating to the licence of the Company's software platforms or hire of equipment is invoiced on a monthly basis in the month it relates. Revenues are either based on a royalty basis or fixed charge

Interest revenue is recognized on a time proportionate basis.

Revenue arising from licence agreements is recognized based on contract terms when the collectability is reasonably assured. Non-refundable upfront license fees are recognized as revenue when collectability is reasonably assured.

Revenue from Goal Time sports betting platform is recognized when bets are received and underlying sports games to which bets relate have been played.

f) Impairment of Non-financial Assets

Carrying values of property and equipment and intangible assets (including goodwill) are tested for impairment whenever an indicator of such impairment exists or annually for goodwill. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or the Company's assets. If this is the case, the individual assets are grouped together into cash generating units ("CGU") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets. The recoverable amount is determined as the higher of the fair value less cost to sell for the asset and the asset's value in use being the present value of the expected future cash flows of the relevant asset or CGU.

3. SIGNIFICANT ACCOUNTING POLICIES - *CONTINUED*

f) Impairment of Non-financial Assets - *Continued*

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to profit or loss so as to reduce the carrying amount to its recoverable amount (i.e. the higher of fair value less cost to sell and value in use). Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

g) Share-based Payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services received.

h) Leases

A lease is classified as a finance lease if it results in a transfer of substantially all the risks and rewards incidental to ownership to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership to the lessee. All of the leases to which the Company is the lessee have been determined to be operating leases.

i) Foreign Currency Translation

Transactions entered into by the Company in currencies other than their functional currency are recorded at the rates in effect when the transactions occurred. Foreign currency monetary assets and liabilities are translated at the rates in effect at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are
recognized in other comprehensive income, in which case, the exchange differences are also recognized in other comprehensive income.

j) Earnings (Loss) per Share

Basic earnings per share is computed by dividing the net income applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant year.

Diluted earnings per share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. The Company’s instruments are not dilutive due to the loss in the period.

3. SIGNIFICANT ACCOUNTING POLICIES -- *CONTINUED*

k) Financial Instruments

(i) Financial assets

The Company's financial assets within the scope of IAS 39 are classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition. The Company's financial assets include cash and cash equivalents, accounts receivable and amounts due from related parties. The Company has not classified any of its financial assets as financial assets at fair value through profit or loss, available-for-sale, or held to maturity financial assets.

All financial assets are recognized initially at fair value plus directly attributable transaction costs.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired. When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Company's continuing involvement in it.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The losses arising from impairment are recognized in profit or loss.

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for each financial asset. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES *- CONTINUED*

k) Financial Instruments - *Continued*

(ii) Financial Liabilities
The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities within the scope of IAS 39 are classified as other financial liabilities with the exception of contingent consideration which is held at fair value through profit or loss. All financial liabilities are recognized initially at fair value net of directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in statement of income or loss.

(ii) Financial liabilities - *Continued*
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

l) Government Grants

The Company receives government assistance from the local government in Prince Edward Island. The incentives are received to encourage the employment of personnel in high-technology fields and as such, the grants have been recognized as a reduction of salary costs included in direct development costs.

m) Share Capital

(i) The proceeds from the exercise of stock options, warrants and purchase of shares are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

(ii) Share capital issued for non-monetary consideration is recorded at an amount based on the fair market value of these shares.

(iii) The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a prorated basis on relative fair values as follows: the fair value of common shares is based on the stock price on the date the units are issued; and the fair value of the common share purchase warrants is determined using the Black-Scholes pricing model.

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

n) Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the

3. SIGNIFICANT ACCOUNTING POLICIES – *CONTINUED*

n) Provisions - *Continued*

occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

o) Going Concern

The Company's financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realization of assets and settlement of liabilities in the ordinary course of business. After making many enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual reports and accounts.

p) 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.

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.

Expressed in Canadian Dollars

4. ACQUISITIONS

a) Acquisition of "Digitote"

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 (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**

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 31 March 2016 the contingent consideration liability amounted to $2,017,002 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 $806,746 was outstanding at 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.

Expressed in Canadian Dollars

4. ACQUISITIONS - *CONTINUED*

b) 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. In connection with the RTO, the Company issued 875,000 common shares as a finder's fee.

The fair value of the consideration paid by Telos for the acquisition of Contagious Gaming is based on the fair value of equity instruments in the combined entities allocated to the existing shareholders in Contagious Gaming. The consideration paid by Telos consists of the fair value of Contagious Gaming's common shares, share purchase options and share purchase warrants outstanding immediately before the date of the reverse takeover acquisition. The identifiable assets acquired and liabilities of Contagious Gaming assumed by Telos are measured at their fair values at the acquisition date. Excess of the aggregate of the consideration transferred by Telos over the fair value of the identifiable net assets acquired and liabilities of Contagious Gaming assumed by Telos is attributable to the cost of obtaining a listing status. This amount is expensed as it does not meet the criteria for recognition as an asset.

The following are the fair values of Contagious Gaming's assets acquired and liabilities assumed by Telos on September 19, 2014 and consideration paid by Telos:

Net assets (liabilities) acquired		
Cash and cash equivalents	$	112,017
Accounts receivable		8,437
Prepaid expenses		1,000
Deferred financing costs		105,000
Loan and advances receivable from Contagious Sports		355,936
Advances receivable from Telos		25,000
Accounts payable and accrued liabilities		(566,554)
	$	40,836
Consideration paid		
Fair value of Contagious Gaming's existing 13,541,487 common shares deemed issued by Telos *	$	1,908,560
Fair value of Contagious Gaming's existing 262,500 stock options deemed granted by Telos **		87,000
Fair value of Contagious Gaming's existing 1,537,500 post consolidation share purchase warrants deemed granted by Telos **		472,000
		2,467,560
Fair value of Contagious Gaming's 875,000 common shares issued as finder's fee *		350,000
	$	2,817,560
Costs attributable to obtaining a listing status	$	2,776,724

* The fair value of shares issued is estimated taking into consideration the following:

(i) fair value of Telos allocated to the existing shareholders in Contagious Gaming based on an external third party valuation of Telos and

(ii) fair value of the public listing based on the market capitalization of Contagious Gaming at various times prior to the announcement of the RTO transaction.

Expressed in Canadian Dollars

4. ACQUISITIONS -- *CONTINUED*

b) Reverse Takeover of Contagious Gaming by Telos - *Continued*

** The fair value of Contagious Gaming's stock options and share purchase warrants assumed by Telos were valued using the Black-Scholes option pricing model with the following weighted average assumptions:

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

c) 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 identifiable assets acquired and liabilities of Contagious Sports assumed by the Company are measured at their fair values at the acquisition date. Excess of the aggregate of the consideration transferred over the fair value of the identifiable tangible and intangible net assets acquired and liabilities assumed, is attributable to goodwill.

The following are the fair values of Contagious Sports assets acquired and liabilities assumed and consideration paid by the Company:

Net assets acquired		
Cash and cash equivalents	$	213
Accounts receivable		21,290
Prepaid expenses		10,139
Computer equipment		17,479
Intangible assets *		9,177,947
Accounts payable and accrued liabilities		(1,166,281)
Deferred income tax liability		(1,364,399)
Loans and advances payable to Contagious Gaming		(410,100)
	$	6,286,288
Consideration paid		
Fair value of 20,000,001 common shares	$	8,000,000
Assignment to the Company of a loan receivable **		(54,164)
	$	7,945,836
Goodwill *	$	1,659,548

* Intangible assets consist of Contagious Sports' online betting platform powered by its proprietary back office management application ("BOMA") and eWallet which can be deployed among a variety of gaming scenarios including: sports betting, slots, bingo, and online lottery. The amount allocated to intangible assets was determined first by increasing the total fair value of identified tangible and intangible net assets and liabilities to an estimated fair value of $6,286,288. The residual amount was recorded as goodwill.

Expressed in Canadian Dollars

4. ACQUISITIONS -- *CONTINUED*

c) Acquisition of Contagious Sports - *Continued*

** The purchase price was reduced by a $54,164 loan receivable from Contagious Sports that was assigned to the Company by Gulfstream Capital Corp upon closing of the acquisition. In connection with the acquisition of Contagious Sports, the Company issued (i) 1,000,000 common shares to Grand Rock Capital Inc. as finder's fee valued at $400,000 and (ii) 1,250,000 common shares to Gulfstream Capital Corp. as an assignment fee valued at $500,000. The finder's fee and the assignment fee totaling $900,000 were expensed as transaction costs. Charles Shin is the founder and managing partner for Gulfstream Capital Corp, and he became a director of the Company on August 1, 2014.

5. ACCOUNTS RECEIVABLE

	March 31, 2016	March 31, 2015
Trade receivable	$ 455,483	$ 54,463
Government tax credits receivable	32,735	174,308
GST/HST/VAT receivable	67,937	91,271
Other receivables	74,898	20,436
	$ 631,053	$ 340,478

6. PROPERTY AND EQUIPMENT

(i) Cost or valuation	Furniture, Fixtures and Equipment	Computer Equipment	Total
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	-	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

(ii) Accumulated depreciation or impairment	Furniture, Fixtures and Equipment	Computer Equipment	Total
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	13,311	15,162	28,473
Foreign exchange	(14)	(439)	(453)
Balance as at March 31, 2016	$ 13,297	$ 28,342	$ 41,639

(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 March 31, 2016	$ 146,257	$ 26,831	$ 173,088

Expressed in Canadian Dollars

7. INTANGIBLE ASSETS

(i) Cost or valuation		Online Gaming Platforms		Customer Relationships		Total
Balance as at March 31, 2014	$	616,153	$	-	$	616,153
Additions acquired through business combinations		9,177,947		-		9,177,947
Foreign exchange		320,935		-		320,935
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

(ii) Accumulated depreciation or impairment		Online Gaming Platforms		Customer Relationships		Total
Balance as at March 31, 2014	$	9,743	$	-	$	9,743
Amortization		1,161,465		-		1,161,465
Foreign exchange		14,139		-		14,139
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

(iii) Net Book Value		Online Gaming Platforms		Customer Relationships		Total
Balance as at March 31, 2014	$	606,410	$	-	$	606,410
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

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.

With the acquisition of Digitote, Contagious Sports transitioned its Goal Time technology over to the XTURF platform, resulting in an impairment charge related to the portion of its online gaming platform that is no longer relevant. As a result, an impairment loss of $325,000 was recorded for the period. Digitote and Contagious Sports were considered one cash generating unit, to which the Goodwill is attached.

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.

As at March 31, 2015, the Company performed the annual impairment test on goodwill for impairment. The recoverable amount of the cash-generating unit is calculated based on value in use, which was

Expressed in Canadian Dollars

7. INTANGIBLE ASSETS -- *CONTINUED*

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.

8. RELATED PARTIES TRANSACTIONS AND BALANCES

a) Amounts Due From (To) Related Parties

		March 31, 2016		March 31, 2015
Due from related parties:				
Due from Telos International (i)		9,844		**68,725**
Advances receivable from a director and officer (ii)		-		**3,485**
	$	9,844	$	**72,210**
Due to related party:				
Due to Telos Media Inc. (i)	$	-	$	**44**
Due to directors, officers and their companies (iii)		145,285		**123,336**
Related party balance on acquisition of Digitote(iv)		936,471		**-**
	$	1,081,756	$	**123,380**

(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. During the year debt of $58,838 (2015 - $Nil) was waived.

(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. These amounts are unsecured, non-interest bearing and are due on demand.

(iv) 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 March 31, 2016 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 are as follows:

Nature of Transactions		March 31 2016		March 31 2015
Management fees and salaries	$	417,881	$	206,968
Directors fees		65,000		34,667
Advisory fees		152,080		38,400
Stock based compensation		399,596		589,275
	$	1,034,557	$	869,310

During the current period, the Company recorded $109,817 (2015 - $449,670) 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

	March 31, 2016 $	March 31 2015 $
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.	23,306	27,860
On January 31, 2014, the Company assumed from Telos International Inc., a related company with a director in common, a loan form 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
	23,306	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 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:

	March 31, 2016	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	64,772	21,595
Interest paid	(36,756)	(12,690)
	$ 265,486	$ 246,375

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:

September 19, 2014	Granted	Forfeited	Exercised	March 31, 2015	Weighted Average Exercise Price	Expiry Date
12,500	-	(12,500)	-	-	$0.12	Aug 10, 2015
250,000	-	(50,000)	-	200,000	$0.12	Sep 17, 2018
-	3,900,000	-	-	3,900,000	$0.40	Sep 19, 2019
-	92,593	-	(92,593)	-	$0.43	Feb 5, 2015
262,500	3,992,593	(62,500)	(92,593)	4,100,000	$0.39	

Expressed in Canadian Dollars

12. SHARE CAPITAL – *CONTINUED*

c) Stock Options – *Continued*

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	

(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 March 31, 2016, the Company recorded share-based compensation expense of $563,934 (March 31, 2015 - $835,698).

d) Share Purchase Warrants

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

September 19, 2014	Granted	Forfeited	Exercised	Expired	March 31 2015	Weighted Average Exercise Price	Expiry Date
1,537,500	-	-	-		1,537,500	$0.20	Aug 20, 2018
-	901,740	-	-		901,740	$0.40	Sep 19, 2016
-	2,716,667	-	-	-	2,716,667	$1.10	Feb 29, 2016 to Feb 28, 2018
1,537,500	3,618,407	-	-		5,155,907	$0.71	

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	

(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 *(Note 4a)*. 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 March 31, 2016, 19,944,297 (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.

(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, 2015	202,877	907,775	1,048,074	62,530	2,221,256
Stock based compensation *(Note 12c)*	-	563,934	-	-	563,934
Balance – March 31, 2016	202,877	1,471,709	1,048,074	62,530	2,785,190

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 included 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:

	March 31, 2016	March 31, 2015
Loss before taxes	$ (5,049,127)	$ (8,034,011)
Canadian statutory tax rate	26.00%	26.00%
Income tax recovery	$ (1,312,773)	$ (2,088,843)
Foreign and provincial tax rate differences	133,847	147,687
Items non-deductible for tax purposes	202,918	1,254,336
Operating losses not set-up as deferred tax assets	318,052	396,780
Future income tax recovery	$ (657,956)	$ (290,040)

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

	March 31, 2016	March 31, 2015
Deferred income tax assets related to:		
Non-capital losses	$ 1,700,229	$ 1,180,986
Share issuance costs	125,223	166,642
	1,825,452	1,347,628
Less non-capital losses for which deferred income tax assets are not recognized	(1,350,540)	(941,844)
Deferred income tax assets recognized	474,912	405,784
Deferred income tax liabilities related to:		
Intangible assets	(923,959)	(1,518,323)
Net deferred income tax liability	$ (449,047)	$ (1,112,539)

Expressed in Canadian Dollars

13. INCOME TAX – *CONTINUED*

As at March 31, 2016, the Company had non-capital losses in Canada of approximately $4,220,369 that may be applied against future income for income tax purposes. These losses expire at various dates between 2026 and 2036. As at March 31, 2016, the Company's UK subsidiary had taxable non-capital losses of approximately $2,492,167 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:

		March 31, 2016		March 31, 2015
Loans and receivables (i)	$	2,479,779	$	3,054,677
Other financial liabilities (ii)	$	2,327,818	$	1,052,859
Contingent consideration (iii)	$	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(a) 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 acquisitions completed during the year.

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 March 31, 2016, there were receivables from two customers (March 31, 2015 - two) representing 98% (March 31, 2015 - 46%) of total trade receivables. During the year ended March 31, 2015, sales to two customers (2015 - two) accounted for 86% (2015 - 88%) 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 $131,160 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:

March 31, 2015	2016 $	2017 $	2018 $	Total $
Accounts payable	643,994	-	-	643,994
Due to related parties	123,380			123,380
Loans payable	39,110	-	-	39,110
Convertible note payable	24,000	24,000	312,000	360,000
Office leases	48,629	4,747	-	53,376
	879,113	28,747	312,000	1,219,860

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

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

	March 31, 2016	March 31, 2015
Salaries and benefits included in:		
Direct costs	$ 395,503	$ 553,604
General and administrative expense	654,251	249,050
Operating expenses	58,450	46,856
	$ 1,108,204	$ 849,510

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. Additional information regarding capital management is disclosed in Note 1.

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.

Expressed in Canadian Dollars

17. SEGMENTED INFORMATION – *CONTINUED*

Details by geographic location are as follows:

Revenue		Canada		UK		Isle of Man		Germany		Total
Period ended March 31, 2016	$	1,263,646	$	5,958	$	887,778	$	153,970	$	2,311,352
Period ended March 31, 2015	$	1,164,101	$	854	$	-	$	-	$	1,164,955

Non-current Assets		Canada		UK		Isle of Man		Germany		Total
As at March 31, 2016	$	323,068	$	7,760,477	$	2,567,921	$	168,209	$	10,819,675
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.

Expressed in Canadian Dollars

19. NON-CASH INVESTING AND FINANCING TRANSACTIONS

	March 31 2016 $	March 31 2015 $
Assumption of loans payable from Telos International Inc. (Note 9)		
,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	-	338,074
Fair value of shares issued to Trinity Mirror for marketing	-	473,109

20. 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;

Expressed in Canadian Dollars

20. TRINITY MIRROR MARKETING AGREEMENT - *CONTINUED*

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.

21. SUBSEQUENT EVENTS

a) Extension of Development Contract with Major Publisher

In June 2016, the Company has signed an extension to one of its third-party development contracts with a major social gaming content publisher. The extension of the contract is for one year for approximately $1.5 million of services to be provided by the Company.