CONTAGIOUS GAMING INC.

Consolidated Financial Statements

Years Ended March 31, 2017 and 2016

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., which comprise the consolidated statements of financial position at March 31, 2017 and 2016 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 audits. We conducted our audits in accordance 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 audits 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. as at March 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group and the Company's ability to continue as a going concern. This is dependent on the ability of the directors to successfully raise further funds to meet anticipated cash requirements in the next 12 months. There can be no assurance however, that additional financing can be obtained in a timely manner, or at all.

These conditions disclosed in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Company's and Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company or Group were unable to continue as a going concern.

BDO LLP

BDO LLP
London

31 July 2017

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, 2017 and 2016

(Expressed in Canadian Dollars)	Notes		March 31, 2017		March 31, 2016
ASSETS					
Current					
Cash		$	356,608	$	1,838,882
Accounts receivable	6		132,001		631,053
Prepaid expenses			16,899		68,503
Inventory			-		20,456
Due from related parties	9		9,844		9,844
			515,352		2,568,738
Long-term					
Property and equipment	7		-		173,088
Intangible assets	8		277,995		8,987,039
Goodwill	8		-		1,659,548
			277,995		10,819,675
Total Assets		$	793,347	$	13,388,413
LIABILITIES					
Current					
Accounts payable and accrued liabilities		$	545,696	$	957,270
Deferred revenue			-		97,224
Customer deposits			16,000		-
Due to related parties	9		163,391		1,081,756
Convertible note payable	10		288,005		-
Loans payable			-		23,306
			1,013,092		2,159,556
Long-term					
Accounts payable and accrued liabilities			275,480		-
Convertible note payable	10		-		265,486
Contingent consideration	4		-		2,017,002
Deferred income taxes	13		-		449,047
			275,480		2,731,535
Total Liabilities			1,288,572		4,891,091
EQUITY					
Share capital	12		19,658,110		19,978,430
Reserves	12		2,857,127		2,785,190
Accumulated other comprehensive income			(124,673)		158,763
Deficit			(22,885,789)		(14,425,061)
Total Equity			(495,225)		8,497,322
Total Liabilities and Equity		$	793,347	$	13,388,413

Commitments and contingencies 11

Approved on behalf of the Board of Directors:

"Vic Wells", Director   *"Charles Shin"*, 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, 2017 and 2016

Expressed in Canadian Dollars	Notes		2017		2016
Revenue– Continuing activities		$	1,331,878	$	1,269,604
Direct costs			(289,340)		(535,659)
Gross margin			1,042,538		733,945
Expenses					
Operating			206,051		178,032
General and administrative			1,514,561		2,183,518
Amortization of intangible assets			1,948,105		2,144,276
Depreciation of equipment			-		9,852
Financing costs			47,498		46,169
Foreign exchange gain			24,968		29,110
Stock based compensation	12c		71,937		563,934
Stock based marketing compensation	12e		-		281,983
Impairment loss	8		5,497,236		393,315
Irrecoverable tax claim			-		125,273
Provision for bad debt			-		58,838
			9,310,356		6,014,300
Loss before income taxes			(8,267,818)		(5,280,355)
Deferred tax credit	13		438,438		657,956
Net loss for the year from continuing operations			(7,829,380)		(4,622,399)
Net (loss) / gain for the year from discontinued operations	5		(631,348)		231,228
Total loss for the year			(8,460,728)		(4,391,171)
Other comprehensive income					
Items that may or will be reclassified to profit or loss					
Cumulative translation differences			(283,436)		(101,097)
Comprehensive loss for the year		$	(8,744,164)	$	(4,492,268)
Loss per share - basic and diluted	18	$	(0.11)	$	(0.06)
Loss per share - basic and diluted continuing operations			(0.10)		(0.06)
Loss per share - basic and diluted discontinued operations			(0.01)		-
Weighted average number of shares outstanding - basic and diluted			81,857,479		76,518,812

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	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
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

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
Return of shares on Digitote sale	(8,008,000)	(320,320)	-	-	-	(320,320)
Stock based compensation	-	-	71,937	-	-	71,937
Foreign currency translation	-	-	-	(283,436)	-	(283,436)
Net loss for the period	-	-	-	-	(8,460,728)	(8,460,728)
Balance at March 31, 2017	73,849,479	19,658,110	2,857,127	(124,673)	(22,885,789)	(495,225)

CONTAGIOUS GAMING INC.

Consolidated Statements of Cash Flows

For the Year Ended March 31, 2017 and 2016

Expressed in Canadian Dollars	2017	2016
Cash provided by (used in) operations		
(Loss) for the period	$ (8,460,728)	$ (4,391,171)
Items not affecting cash:		
Amortization of intangible assets	2,147,972	2,221,232
Depreciation of equipment	37,510	28,474
Accretion of convertible loan	46,520	43,177
Stock based compensation	71,937	563,934
Stock based marketing compensation	-	281,983
Irrecoverable tax claim	-	125,273
Impairment loss	5,631,569	393,315
Movement in contingent consideration		202,107
Provision for bad debt	-	58,838
Bargain purchase gain on acquisition		(274,503)
Deferred income taxes recovery	(438,438)	(657,956)
	(963,658)	(1,405,297)
Changes in non-cash working capital:		
Accounts receivable	28,048	253,537
Accounts payable and accrued liabilities	541,280	(237,283)
Long term payables	275,480	-
Prepaid expenses	24,734	181,735
Inventory	5,320	3,423
Customer deposits	16,000	-
Deferred revenue	(97,224)	(128,146)
	(170,020)	(1,332,031)
Cash flows from investing activities		
Cash from acquisition of Digitote	-	1,012,365
Purchase of property and equipment	(1,825)	(3,464)
Purchase of intangible assets	(763,546)	(197,264)
Cash from disposal of Digitote	(51,133)	-
	(816,504)	811,637
Cash flows from financing activities		
Paid to related parties	(918,365)	(216,712)
Interest paid on convertible loan	(24,000)	(24,066)
Loans interest paid	(23,306)	(15,804)
	(965,671)	(256,582)
Decrease in cash for the year	(1,952,195)	(776,976)
Effect of foreign exchange rate changes	469,921	(26,131)
Cash at beginning of year	1,838,882	2,641,989
Cash at end of year	$ 356,608	$ 1,838,882

Non-Cash Investing and Financing Transactions

The sale of all the outstanding shares of Digitote was done in exchange for the cancellation of the contingent consideration payable and a return of shares of the Company.

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, while expanding its third party game development work. 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**").

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.

On March 31, 2017, the Company sold all the issued and outstanding common shares of Digitote to the previous shareholders, essentially unwinding the acquisition. In return, the Company received it's 8,008,000 common shares back, and a perpetual and irrevocable, single, free of charge, royalty free, fully paid-up, worldwide user licence for Digitote Xturf backend and frontend for desktop and mobile, with an option to acquire a second similar licence (see note 5).

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 26, 2017.

2. BASIS OF PRESENTATION – *CONTINUED*

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.

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 to the date of sale March 31, 2017.

Going concern

As at March 31, 2017, the Company does not have sufficient cash to meet anticipated cash needs for working capital and capital expenditures through the next twelve months. The Company intends on raising financing before the end of 2017, as well as restructuring the note payable that is coming due in September 2017. Should the Company not be successful in obtaining additional financing, the Company’s cash resources are expected to be fully depleted by the end of 2017. The Company will require additional financing in the near term to enable the launch of current initiatives.

There can be no assurance however, that additional financing can be obtained in a timely manner, or at all. The Directors have advanced discussions with potential providers of finance and current expectations are that they will be successful in raising the required additional finances to continue as a going concern for the foreseeable future.

Not raising sufficient additional financing on a timely basis may result in delays and possible termination of all or some of the Company’s initiatives, and as a result, these conditions indicate the existence of a material uncertainty which, may cast significant doubt as to the ability of the Company to operate as a going concern and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. The Company cannot predict whether it will be able to raise the necessary funds it needs to continue as a going concern.

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.

2. BASIS OF PRESENTATION – *CONTINUED*

d) Use of Estimates and Judgments – *CONTINUED*

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. All revenues relate to the rendering of services.

(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.

2. BASIS OF PRESENTATION – *CONTINUED*

d) Use of Estimates and Judgments – *CONTINUED*

(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.

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

a) Cash and Cash Equivalents

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

b) Property and Equipment

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, and the charge is recognised in the income statement.

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 the 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.

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 (see note 2 (c)).

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.

IFRS 9 – Financial Instruments. IFRS 9 is part of the project to replace IAS 39. The new standard amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. This includes replacing the categorisation to one of three categories of financial assets, amortised cost, fair value through profit or loss or fair value through other comprehensive income. IFRS 9 also introduces a new impairment model that is applicable to financial assets measured at amortized cost and debt instruments at fair value through other comprehensive income. IFRS 9 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 9 on our financial statements.

Expressed in Canadian Dollars

4. ACQUISITIONS IN PREVIOUS PERIODS

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.

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 March 31, 2017 and prior to the disposal of Digitote, the contingent consideration liability amounted to $2,122,293 ($2,017,002 as at 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 $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

5. DISPOSALS

On March 31, 2017, the Company sold all the issued and outstanding common shares of Digitote Ltd and Digitote Software GmbH (together "Digitote") to the former shareholders of Digitote, in consideration for the return of 8,008,000 common shares valued at $0.04 per share (being the share price on date of closing) for a total of $320,320, and the cancellation of contingent cash consideration resulting from the acquisition and valued at $2,122,293.

Details of the fair value of identifiable assets, liabilities disposed of and sale consideration are as follows:

		Fair Value
Cash	$	51,113
Accounts Receivable		471,004
Prepaid expenses		26.870
Inventory		15,136
Property and equipment		129,309
Intangible assets		2,752,824
Accounts payable and accrued liabilities		(451,612)
Due to related party		(501,243)
Total net assets	$	**2,493,401**
Fair value of consideration received		
Common shares		320,320
Fair value of contingent cash consideration		2,122,293
Total consideration	$	**2,442,613**
Loss on disposal before recycling of foreign exchange	$	**50,788**
Recycling of foreign exchange	$	322,738
Loss on disposal	$	**373,526**

During the year, Digitote recorded revenue of $1,554,816 ($1,041,748 in 2016), expenses of $1,812,638 ($1,085,303 in 2016), a pre-tax loss of $257,822 ($43,555 in 2016), and a net loss of $257,822 ($43,555 in 2016). Prior year discontinued operations also included the bargain purchase gain of $274,503.

During the year Digitote recorded net cash inflows from operations of $388,615 ($457,468 in 2016), net cash outflows from investing activities of $507,869, ($97,758 in 2016), net cash outflows from financing activities of $435,228 ($443,742 in 2016).

Loss on disposal	$	373,526
Loss in period from disposed operations		257,822
Total	$	631,348

6. ACCOUNTS RECEIVABLE

		March 31, 2017		March 31, 2016
Trade receivable	$	102,652	$	455,483
Government tax credits receivable		-		32,735
GST/HST/VAT receivable		27,912		67,937
Other receivables		1,437		74,898
	$	132,001	$	631,053

Expressed in Canadian Dollars

7. 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
Additions		-		1,825		1,825
Business disposals		(152,624)		(33,037)		(185,661)
Foreign exchange		(6,930)		(1,170)		(8,100)
Balance as at March 31, 2017	$	-	$	22,791	$	22,791

(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		31,537		5,973		37,510
Business disposals		(44,798)		(11,553)		(56,351)
Foreign exchange		(36)		29		(7)
Balance as at March 31, 2017	$	-	$	22,791	$	22,791

(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 March 31, 2017	$	-	$	-	$	-

8. 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		763,546		-		763,546
Business disposals		(3,130,290)		(266,000)		(3,396,390)
Foreign exchange		(830,769)		-		(830,769)
Balance as at March 31, 2017	$	9,239,226	$	-	$	9,239,226

Expressed in Canadian Dollars

8. INTANGIBLE ASSETS – *CONTINUED*

(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		2,060,739		87,233		2,147,972
Impairment loss		3,550,034		134,333		3,684,367
Business disposals		(392,344)		(251,122)		(643,466)
Foreign exchange		56,658		-		56,658
Balance as at March 31, 2017	$	8,961,231	$	-	$	8,961,231

(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 March 31, 2017	$	277,995	$	-	$	277,995

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

As at March 31, 2017, the Company performed a test on goodwill and the remaining intangible assets for impairment and concluded that the BOMA and eWallet platform, and goodwill related to the Sports CGU were fully impaired. This resulted in a write down of $3,837,688 related to the BOMA and eWallet platform, and an additional $1,659,548 related to goodwill. The recoverable amount of each cash-generating unit is calculated based on value in use. With the move to the XTURF platform, and the subsequent sale of Digitote, significant uncertainty exists as to the unit's ability to generate positive future cash flows. Management have prepared probability scenarios of the future plans to calculate the value in use. Based on these scenarios, the value in use as of year end is considered to be nil.

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 in the current and prior year 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, 2017, the Company performed a test on the intangible assets of Telos Entertainment 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. There was no impairment noted on these assets.

Expressed in Canadian Dollars

9. RELATED PARTIES TRANSACTIONS AND BALANCES

a) Amounts Due From (To) Related Parties

		March 31, 2017		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)		163,391		**145,285**
Related party balance on acquisition of Digitote (**iii**)		-		**936,471**
	$	163,391	$	**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. During the year debt of $Nil (2016 - $58,838) was waived.

(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 were members of group key management in the period.

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, 2017, 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 2017		March 31 2016
Management fees and salaries	$	349,863	$	417,881
Directors fees		65.000		65,000
Advisory fees		72,000		152,080
Stock based compensation		52,686		399,596
	$	539,549	$	1,034,557

During the current period, the Company recorded $9,437 (2016 - $109,817) of legal fees to McMillan LLP, a law firm in which Desmond Balakrishnan, the Company's director, is a partner.

Expressed in Canadian Dollars

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, 2017	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	111,290	64,772
Interest paid	(60,755)	(36,756)
	$ 288,005	$ 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 March 31, 2017, the Company received beneficial ownership of 8,008,000 of its own common shares ($320,320) as part of the sale of Digitote (see Note 5). Once the share ownership has legally transferred, the shares will be cancelled. On November 30, 2015, the Company issued 8,008,000 common shares ($720,720) as part of the acquisition of Digitote (see note 4).

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:

c) Stock Options – *Continued*

March 31, 2015	Granted	Forfeited	Cancelled	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*

March 31, 2016	Granted	Forfeited	Cancelled	March 31, 2017	Weighted Average Exercise Price	Expiry Date
200,000	-	-	-	200,000	$0.12	Sep 17, 2018
3,800,000	-	-	350,000	3,450,000	$0.40	Sep 19, 2019
2,050,000	-	-	-	2,050,000	$0.10	Dec 23, 2020 (i)
6,050,000	-	-	350,000	5,700,000	$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 current year, the Company recorded share-based compensation expense of $69,607 (March 31, 2016 - $563,934).

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	March 31 2017	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	-	-	-	901,740	3,004,167	$0.77	

Expressed in Canadian Dollars

12. SHARE CAPITAL – *CONTINUED*

c) Share Purchase Warrants – *Continued*

(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.

(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.

(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, 2017, 7,874,166 (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. As at March 31, 2017, no shares were released from escrow.

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)*	-	71,937	-	-	71,937
Balance – March 31, 2017	202,877	1,543,646	1,048,074	62,530	2,857,127

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 tax charge, which relates fully to deferred taxes, differs from the amount obtained by applying the Canadian statutory tax rate due to the following:

	March 31, 2017	March 31, 2016
Loss before taxes	$ (8,899,166)	$ (5,049,127)
Canadian statutory tax rate	26.00%	26.00%
Income tax recovery	$ (2,313,783)	$ (1,312,773)
Foreign and provincial tax rate differences	432,747	133,847
Items non-deductible for tax purposes	494,328	202,918
Operating losses not set-up as deferred tax assets	948,270	318,052
Future income tax recovery	$ (438,438)	$ (657,956)

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

	March 31, 2017	March 31, 2016
Deferred income tax assets related to:		
Non-capital losses	$ 1,947,419	$ 1,700,229
Share issuance costs	87,536	125,223
Total future income tax assets	2,034,955	1,825,452
Valuation allowance	-	-
Less non-capital losses for which deferred income tax assets are not recognized	(2,034,955)	(1,350,540)
Deferred income tax assets recognized	-	474,912
Deferred income tax liabilities related to:		
Intangible assets	-	(923,959)
Net deferred income tax liability	$ -	$ (449,047)

Expressed in Canadian Dollars

13. INCOME TAX – *CONTINUED*

As at March 31, 2017, the Company had non-capital losses in Canada of approximately $5,200,478 that may be applied against future income for income tax purposes. These losses expire at various dates between 2026 and 2037. As at March 31, 2017, the Company's UK subsidiary had taxable non-capital losses of approximately $2,536,293 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, 2017		March 31, 2016
Loans and receivables (i)	$	498,453	$	2,479,779
Other financial liabilities (ii)	$	1,272,571	$	2,327,818
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 consisted 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 and 5 for details of movement in the period. The contingent consideration was cancelled as part of the sale of Digitote.

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.

14. FINANCIAL INSTRUMENTS -- *CONTINUED*

c) Management of Risks Arising from Financial Instruments

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

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company is exposed to credit risk from credit sales. The Company provides credit to its customers in the normal course of its operations and credit sales represent a significant portion of the Company's sales activities. The Company does not obtain collateral or security to support trade receivables but mitigates this risk by granting credit only to financially reliable customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

As of March 31, 2017, there were receivables from one customer (March 31, 2016 - two) representing 51% (March 31, 2016 - 98%) of total trade receivables. During the year ended March 31, 2017, sales to two customers (2016 - two) accounted for 78% (2016 - 86%) of total revenue. The loss of a large customer would have a significant effect on the Company. There are no debtors past due as at March 31, 2017.

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 $55,694 (CAD $131,160 in 2016) 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 and the financial period in which they fall due:

Expressed in Canadian Dollars

14. FINANCIAL INSTRUMENTS -- *CONTINUED*

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

March 31, 2016	2016 $	2017 $	2018 $	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
	1,982,252	104,080	312,000	2,398,332

March 31, 2017	2017 $	2018 $	2019 $	Total $
Accounts payable	666,175	-	-	666,175
Due to related parties	163,391	-		163,391
Convertible note payable	-	312,000	-	312,000
	829,566	312,000	-	1,141,566

15. NATURE OF EXPENSE

	March 31, 2017	March 31, 2016
Salaries and benefits included in:		
Direct costs	$ 326,599	$ 395,503
General and administrative expense	851,333	654,251
Operating expenses	82,231	58,450
	$ 1,260,163	$ 1,108,204

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 revenue generated 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.

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 were generated in Canada. The Company's intangible assets are located in Canada.

Details by geographic location are as follows:

Revenues for the year ended 31 March	Canada	UK	Isle of Man	Germany	Total
2017 continuing	$ 1,331,878	$ -	$ -	$ -	$ 1,331,878
2017 discontinued	$ -	-	1,533,158	21,658	$ 1,554,816
2016 continuing	$ 1,263,646	$ -	$ -	$ -	$ 1,263,646
2016 discontinued	$ -	$	887,778	153,970	$ 1,041,748

Non-current Assets as at 31 March	Canada	UK	Isle of Man	Germany	Total
2017	$ 277,995	$ -	$ -	$ -	$ 277,995
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.

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.

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 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

19. TRINITY MIRROR MARKETING AGREEMENT - ***CONTINUED***

4. Contagious Gaming 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.

20. SUBSEQUENT EVENTS

On June 15, 2017, the Company settled an outstanding claim relating to Contagious Sports. The total settlement amount is $155,000 to be paid over a period of three years ($35,000 upon signing, and $20,000 every six months thereafter). The full amount of the settlement has been accrued as at March 31, 2017.