

MAY 1, 2019

BRAGG

GAMING GROUP

Bragg Gaming Group Inc (formerly Breaking Data Corp.)

MANAGEMENT DISCUSSION & ANALYSIS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2018

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1. MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion and Analysis (“MD&A”) provides a review of the results of operations, financial condition and cash flows for Bragg Gaming Group Inc on a consolidated basis, for the nine months ended December 31, 2018. References to “Bragg”, the “Company”, the “Group” or the “Corporation” in this MD&A refer to Bragg Gaming Group Inc and its subsidiaries, unless the context requires otherwise. This document should be read in conjunction with the information contained in the Corporation’s audited consolidated financial statements and related notes for the nine months ended December 31, 2018 and twelve months ended March 31, 2018 (the “2018 Financial Statements”).

For reporting purposes, the Corporation prepared the 2018 Financial Statements in Canadian Dollars and, unless otherwise indicated, in conformity with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The financial information contained in this MD&A was derived from the 2018 Financial Statements. Unless otherwise indicated, all dollar (“\$”) and “CDN” amounts and references in this MD&A are in and to Canadian Dollars, references to “EUR” or “€” are to European Euros, references to “GBP” or “£” are to British pound sterling and references to “USD” or “US\$” are to U.S. Dollars. Unless otherwise indicated, all references to a specific “note” refer to the notes to the 2018 Financial Statements.

This MD&A references non-IFRS and generally accepted accounting principles (“GAAP”) financial measures, including those under the headings “Selected Financial Information” and “Key Metrics” below. The Corporation believes these non-IFRS financial measures will provide investors with useful supplemental information about the financial performance of its business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating its business and making decisions. Although management believes these financial measures are important in evaluating the Corporation, they are not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with IFRS. They are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. These measures may be different from non-IFRS financial measures used by other companies, limiting its usefulness for comparison purposes. Moreover, presentation of certain of these measures is provided for period-over-period comparison purposes, and investors should be cautioned that the effect of the adjustments thereto provided herein have an actual effect on the Corporation’s operating results.

For purposes of this MD&A, the term “gaming license” refers collectively to all the different licenses, consents, permits, authorizations, and other regulatory approvals that are necessary to be obtained in order for the recipient to lawfully conduct (or be associated with) gaming in a particular jurisdiction..

Unless otherwise stated, in preparing this MD&A the Corporation has considered information available to it up to May 1, 2019, the date the Corporation’s board of directors (the “Board”) approved this MD&A.

2. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A and the 2018 Financial Statements may constitute forward-looking information and statements (collectively, “forward-looking statements”) within the meaning of the Canadian securities legislation and applicable securities laws, including financial and operational expectations and projections. These statements, other than statements of historical fact, are based on management’s current expectations and are subject to a number of risks, uncertainties, and assumptions, including market and economic conditions, business prospects or opportunities, future plans and strategies, projections, technological developments, anticipated events and trends and regulatory changes that affect the Corporation, its subsidiaries and their respective customers and industries. Although the Corporation and management believe the expectations reflected in such forward-looking statements are reasonable and are based on reasonable assumptions and estimates as of the date hereof, there can be no assurance that these assumptions or estimates are accurate or that any of these expectations will prove accurate. Forward-looking statements are inherently subject to significant business, regulatory, economic and competitive risks, uncertainties and contingencies that could cause actual events to differ materially from those expressed or implied in such statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “would”, “should”, “believe”, “objective”, “ongoing”, “imply” or the negative of these words or other variations or synonyms of these words or comparable terminology and similar expressions.

By their nature forward-looking statements are subject to known and unknown risks, uncertainties, and other factors which may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among other things, the Corporation’s stage of development, long-term capital requirements and future ability to fund operations, future developments in the Corporation’s markets and the markets in which it expects to compete, risks associated with its strategic alliances and the impact of entering new markets on the Corporation’s operations. Each factor should be considered carefully, and readers are cautioned not to place undue reliance on such forward-looking statements. See the section, “Risk Factors and Uncertainties”, below noting that these factors are not intended to represent a complete list of the factors that could affect the Corporation.

Shareholders and investors should not place undue reliance on forward-looking statements as the plans, assumptions, intentions or expectations upon which they are based might not occur. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Unless otherwise indicated by the Corporation, forward-looking statements in this MD&A describe the Corporation’s expectations as of May 1, 2019 and, accordingly, are subject to change after such date. The Corporation does not undertake to update or revise any forward-looking statements, except in accordance with applicable securities laws.

3. LIMITATIONS OF KEY METRICS AND OTHER DATA

The Corporation's key metrics are calculated using internal company data. While these numbers are based on what the Corporation believes to be reasonable judgments and estimates of customer numbers for the applicable period of measurement, there are certain challenges and limitations in measuring the usage of its product offerings across its customer base.

In addition, the Corporation's key metrics and related estimates may differ from estimates published by third parties or from similarly-titled metrics of its competitors due to differences in methodology and access to information.

For important information on the Corporation's non-IFRS measures, see the information presented in "Key metrics" and "Selected financial information" below. The Corporation continually seeks to improve its estimates of its active customer base and the level of customer activity, and such estimates may change due to improvements or changes in the Corporation's methodology.

4. OVERVIEW & KEY DEVELOPMENTS IN 2018

4.1 INTRODUCTION

Breaking Data Corp. (“BKD”) was renamed Bragg Gaming Group Inc. (“Bragg”) on December 20, 2018 following the acquisition of ORYX Gaming International LLC (together with its subsidiaries, “ORYX”). This change represented a significant shift in the strategic direction for the company, including a new executive team and changes to the Board of Directors. Since the completion of the transaction, Bragg has introduced further board changes. Jim Ryan, a gaming veteran well-known as the former CEO of bwin.party has joined the board. bwin.party was a multi-billion dollar business listed in the UK, owning tier-1 assets in the gaming space (including PartyPoker, BWIN and many more), prior to being acquired GVC in 2017. Paul Pathak, a securities lawyer based in Toronto has also joined the board. Paul has extensive experience in the public markets as well as sitting on the LSE-listed Jackpotjoy plc board in the UK.

As part of the shift in direction, Bragg’s new executive team restructured some components of the former BKD business, to align it with Bragg’s new gaming-centric vision. Bragg’s makeover of the former BKD business included dissolution of the AI business and reconstruction of various internal business units, including the advertising business known as Formation. Collectively exiting and closing these businesses has driven in excess of \$1.6m CAD in operational cost savings.

Bragg’s mission is to build a next generation gaming group, with cutting-edge technology, leading brands and world-class management expertise, developing into a global gaming force.

The foundation of Bragg’s portfolio is ORYX Gaming, an innovative B2B gaming technology platform and casino content aggregator; as well as GiveMeSport, a top sports media outlet and with over 26M fans, the number one Facebook Sport Publisher; and GiveMeBet, a new, growing UK-focused sportsbook.

Through these brands, Bragg is focused on becoming a leader within the evolving global gaming industry. The list of global jurisdictions that are legalizing and regulating online gaming continues to grow and Bragg is taking advantage of its market-leading position and strong foundation in the UK and Europe to enter and expand these markets.

In the US for example, states continue to move toward legalization, with the repeal of the Professional and Amateur Sporting Protection Act (PASPA) paving the way for each state to regulate and legitimize sports betting. Gaming is now legal in eight states, with an additional six to 13 states planning to regulate gambling by year end. As the industry makes this shift to legal status, the overall market is also expected to grow, as payment issues and restrictions on marketing decrease. The legal market for gambling in the U.S. is predicted to grow to US \$2B by 2020, and the illegal market is estimated at over US \$40B.

This burgeoning market represents a significant opportunity for Bragg, and the combination of GiveMeSport’s strong European and UK position in sport media, and ORYX’s B2B technology, will allow rapid scaling into the B2B side of the market, while limiting Bragg’s exposure to the riskier B2C gambling market, which would entail significant market entry costs.

2019 will be a transformational year for Bragg and management believes this change in direction positions well it for future growth, both organically and through acquisitions. The focus on gaming, media and B2B software and services, combined with aggressive cost management in the legacy business establishes Bragg on a financially sound footing for future growth.

4.2 ORYX

ORYX Gaming is an innovative B2B gaming solution provider. Leveraging their industry-leading technology, ORYX offers a turnkey solution, including an omni-channel retail, online and mobile iGaming platform, as well as an advanced content aggregator, sportsbook, lottery, marketing and operational services. Renowned for its rapid and seamless integration, ORYX’s content aggregator combines casino, slots, live dealer, lottery, virtual sports and instant win game content from top tier gaming content providers, along with proprietary content, and is fully compliant with major regulated jurisdictions, allowing operators to access over 8,000 world-class games through a single account. ORYX’s content partners include some of the most reputable companies in the space including Gamomat, Kalamba Games, Golden Hero, Givme Games and several other integrations, such as Quickfire, Greentube, Netent, Play’n GO, NYX, EGT, Evolution, Realistic, Kiron, Amatic and Isoftbet.

ORYX is incorporated in the State of Delaware and headquartered in Las Vegas. Its primary operations are provided through its wholly-owned subsidiaries in Malta¹ and Slovenia².

THE EARLY YEARS

ORYX was founded in 2012 by Matevz Mazij, who currently serves as ORYX’s Managing Director. In 2013, ORYX signed its first major customer and launched OnlineCasino.de. In 2015, ORYX obtained a Class 4 Malta Gaming Authority license which allowed the business to host and manage remote gaming operators. Additionally, in the same period, ORYX began to diversify its products portfolio offerings with Crown City and the Jockey Club launches in Paraguay.

¹ ORYX Gaming Ltd. was incorporated in Malta on March 11, 2013.

² ORYX razvojne storitve d.o.o was incorporated in Slovenia on April 4, 2014

MORE RECENTLY

In 2016, ORYX launched a real money gaming and free play solution launched in New Jersey for Rush Street Interactive. Additionally, ORYX launched an online and mobile sportsbook for BigBetWorld.com.

2017 and 2018 were transformational years in which ORYX secured numerous clients, including: Cherry Group, Mr Green, JackpotJoy, Betcris, Wunderino and Wintrillions. In doing so ORYX's recurring customer base grew to more than 60 customers.

PRODUCTS

The principal products and services provided by ORYX are the ORYX gaming content, ORYX's iGaming Platform, ORYX's turnkey services and ORYX's content aggregator platform. More information on each of these services is provided below. In addition to these products and services, more recently, ORYX has developed a Sportsbook platform which it has been testing and refining prior to fully launching to the market.

THIRD PARTY CONTENT AND CONTENT AGGREGATION

In addition to ORYX's own games, ORYX has contractual relationships with a number of best-in-breed game studios and content providers. As such, ORYX offers a 'one-stop shop' premium games and content portfolio to its customers. ORYX's content aggregator technology enables ORYX's customer to connect with various leading game studios and content providers using a single point of integration, simplifying the ability to deliver to prime games and content to the customer's end users. ORYX's monetization model for the content aggregator technology for its costumers is a one-off integration fee in addition to ongoing aggregation fees.

iGAMING PLATFORM

ORYX offers an omni-channel and cross-product platform called the "iGaming Platform" that enables operators to manage their entire product suite using one shared account and one wallet for casino, lottery, sportsbook, bingo, poker and other operations. The platform allows operators to maximize cross-sales opportunities and increase player value by using the fully-integrated set of tools and solutions to manage users, transactions, campaigns, reporting and analytics. The platform features ORYX Games and other games and content developed by third parties. The platform offers full payment solution integration with a large number of payment solution providers covering local and global markets. The platform also includes a player risk profile level and an advanced rule engine for customization.

TURNKEY SOLUTIONS

ORYX Turnkey Solutions offer a complete managed solution for gaming operators. ORYX's Turnkey Solutions include management of the operator's customers experience and marketing, in addition to hosting, security, gaming know-how, know-your-client requirements, payment solutions, transaction management, customer support and risk and fraud management. ORYX Turnkey Solutions is a one-stop shop for operators who wish to outsource their operations.

ORYX Turnkey Solutions also offers operators campaign management services that address customer retention and conversion marketing programs, VIP marketing and VIP management, and provides a personalized approach to players, based on player data and correspondence history. These sophisticated tools create a strong relationship and customer loyalty. ORYX also offers operations analytics and business intelligence services which exploit significant amounts of data to enable periodic and per-request reports and insights.

4.3 GIVEMESPORT & GIVEMEBET

GiveMeSport ("GMS") is a sport media outlet sharing exclusive player and manager interviews, and providing fans with up-to-date features, match previews and match reviews. GMS shares breaking UK and European sports news, results, fixtures and stats, as well as photos and videos on trending sports topics. As the number one Facebook Sport Publisher, GMS has 26.1M Facebook fans, more than ESPN (19.4M) and SkySports (11.7M).

The GMS business is currently being restructured with a new focus on its core assets, to focus on higher quality content, make it more appealing to a betting customer base (see GiveMeBet below) and has a new website scheduled to launch in the summer of 2019. Although early days, initial results are encouraging, with monthly video engagement increasing more than 124 per cent this year to April and actual Facebook unique users increasing by 23 per cent year to date (April), at 33.6M, reflecting the improved editorial content.

The newly launched GiveMeBet ("GMB") website is a UK-focused sports book with direct access to the 26.1M GiveMeSport Facebook fans. Portions of the platform and software will be provided by Oryx Gaming and supported by SBTech (through a separate agreement with Argyll), which holds a UK betting license to operate the site.

This new online sports betting arm of Bragg will emulate the model of Sky Bet. Sky Bet was built by leveraging the Sky Sports media assets which, at the time had, had 8.8M visitors. GMB is being built with the same fundamentals as Sky Bet, but leveraging GMS's 33M unique visitors and 26M Facebook fans.

5. FINANCIAL RESULTS

5.1 SELECTED FINANCIAL INFORMATION

Selected financial information for the nine months ended December 31, 2018 and year ended March 31, 2018 are set forth below:

	Nine months ended December 31, 2018	Twelve months ended March 31, 2018	Proforma nine months ended March 31, 2018
	\$'000	\$'000	\$'000
Revenue	8,810,273	10,709,175	8,031,881
Net loss for the year from continuing operations	(21,514,473)	(22,469,606)	(16,852,205)
Total assets (as at)	70,812,787	16,525,810	16,525,810
Total liabilities (as at)	45,945,312	2,077,608	2,077,608
Cash used in operating activities	(972,258)	(6,795,176)	(5,096,382)

The comparative period in the financial statements is 12 months, however due to the change in fiscal year, a nine-month period is also provided. A simple pro-ration of 9/12 of the prior period results was used where applicable.

Net loss for the period was \$21,514,473 (nine months to March 2018 proforma-basis: net loss of \$16,852,205). The aggregate adverse variance of \$4,662,268 is summarized in the table below:

	Variance: Nine months ended December 31, 2018 vs nine months ended (proforma) March 31, 2018
	\$
Favorable variances	
Increase in revenue	778,392
Decrease in sales and marketing expenses	212,677
Total favorable variances	991,069
Adverse variances	
Increase in cost of revenue	(247,246)
Increase in General and administrative expenses	(5,353,648)
Increase in net financing charges	(49,371)
Increase in Income tax expense	(3,073)
Total adverse variances	(5,637,824)

	Variance: Nine months ended December 31, 2018 vs nine months ended (proforma) March 31, 2018
	\$
Total variance	(4,662,268)

Revenue for the full year increased by \$778,392 or 9.7% in the period ended December 31, 2018 as compared to the prior period. The ORYX Gaming business contributed \$1,199,074 of revenue despite it only being included within these results since December 21, 2018.

The majority of the significant adverse variance in General and administrative expenses (nine months ended December 31, 2018 compared with nine months ended (proforma) March 31, 2018) can be explained by:

- Increase of \$2,592,920 to \$3,335,173 in transaction and acquisition costs
- Impairment of intangible assets of \$2,413,024
- Increase in stock-based compensation of \$475,020

5.2 OTHER FINANCIAL INFORMATION

To supplement its 2018 Annual Financial Statements presented in accordance with IFRS, the Corporation considers certain financial measures that are not prepared in accordance with IFRS. The Corporation uses such non-IFRS financial measures in evaluating its operating results and for financial and operational decision-making purposes. The Corporation believes that such measures help identify underlying trends in its business that could otherwise be masked by the effect of the expenses that it excludes in such measures.

The Corporation also believes that such measures provide useful information about its operating results, enhance the overall understanding of its past performance and future prospects and allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. However, these measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with IFRS. There are a number of limitations related to the use of such non-IFRS measures as opposed to their nearest IFRS equivalents.

The primary non-IFRS financial measure which the Corporation uses is EBITDA. A reconciliation from Reported net income to EBITDA is presented in the table below:

	Nine months ended December 31, 2018	Twelve months ended March 31, 2018	Proforma nine months ended March 31, 2018
	\$'000	\$'000	\$'000
Reported operating loss for the year	(21,273,530)	(22,218,274)	(16,663,706)
Add back Depreciation and amortization			
Depreciation of equipment	46,970	17,826	13,369
Amortization of intangible assets	506,353	551,604	413,703

	Nine months ended December 31, 2018	Twelve months ended March 31, 2018	Proforma nine months ended March 31, 2018
	\$'000	\$'000	\$'000
Add back Non-cash and one-off items			
Stock-based compensation	3,600,238	4,166,958	3,125,218
Transaction and acquisition costs	3,335,173	989,671	742,254
Impairment of goodwill	8,200,027	11,905,251	8,928,938
Impairment of intangible assets	2,413,024	-	-
EBITDA	(3,171,745)	(4,586,965)	(3,440,224)

5.4 SUMMARY OF QUARTERLY RESULTS

The following table presents the selected financial data for each of the last eight quarters of the Company ended December 31, 2018.

CDN\$	Quarter Ended (Unaudited)							
	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18
Revenue	1,521,777	1,962,515	2,128,278	3,196,218	3,422,164	3,384,861	2,135,794	3,311,935
Net loss from continuing operations	(1,315,836)	(14,466,315)	(2,997,952)	(2,455,728)	(2,549,611)	(1,729,918)	(11,289,826)	(8,911,095)
Loss per share from continuing operations	(0.10)	(0.56)	(0.11)	(0.09)	(0.09)	(0.06)	(0.40)	(0.30)

5.5 LIQUIDITY AND CAPITAL RESOURCES

The Corporation's principal sources of liquidity are its cash generated from operations. Currently available funds consist primarily of cash on deposit with banks.

The Corporation calculates its working capital requirements as follows:

	As at December 31, 2018	As at March 31, 2018
	\$	\$
Cash	8,571,701	2,953,534
Add trade and other receivables	6,414,785	2,035,801
Prepaid expenses, deposits and other assets	458,587	471,416
Less current liabilities	(15,832,190)	(2,077,608)
Net Working Capital	(387,116)	3,383,143

The total net working capital is negative as the Breaking Data Inc and Sports New Media Limited (the principal legacy businesses) had net working capital of \$2,328,023 as at December 31, 2018.

As a result, the business manages cash flow carefully and is restructuring the non-performing assets within its portfolio. The ORYX Gaming Business is EBITDA positive and generates cash from operations on a monthly basis, which will be used to finance the Group.

Management also believes that investing is a key element necessary for the continued growth of the Corporation's customer base and the future development of new and innovative product offerings. Management believes that the Corporation will have the cash resources necessary to satisfy current obligations and working capital needs, and fund currently planned development activities and other capital expenditures, as well as currently planned acquisitions, for at least the next 12 months.

MARKET RISK

The Corporation is exposed to market risks, including changes to foreign currency exchange rates and interest rates.

FOREIGN CURRENCY EXCHANGE RISK

The Corporation is exposed to foreign currency risk, which includes risks related to its revenue and operating expenses denominated in currencies other than the Canadian Dollar (which is its reporting currency). In general, the Corporation is a net receiver of currencies other than the Canadian Dollar, primarily the Euro and British Pounds, which is the primary contracting currency of the Corporation's customers. Accordingly, changes in exchange rates may in the future reduce the purchasing power of the Corporation's customers thereby potentially negatively affecting the Corporation's revenue and other operating results.

The Corporation has experienced and will continue to experience fluctuations in its net earnings as a result of translation gains or losses related to revaluing certain current asset and current liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded.

LIQUIDITY RISK

The Corporation is also exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Corporation manages liquidity risk by continuously monitoring its forecasted and actual cash flows, and matching maturity profiles of financial assets and liabilities.

5.6 CASH FLOWS BY ACTIVITY

COMPARISON OF THE PERIOD ENDED DECEMBER 31, 2018 AND TWELVE MONTHS ENDED MARCH 31, 2018.

	Period ended December 31, 2018 \$	Twelve months ended March 31, 2018 \$
Net cash used in operating activities	(972,258)	(6,795,176)
Net cash provided by financing activities	12,839,259	7,076,846
Net cash provided by / (used in) investing activities	(5,995,952)	2,075,214

CASH INFLOWS FROM OPERATING ACTIVITIES

The Corporation's cash used operating activities was significantly reduced from the prior period.

CASH OUTFLOWS FROM FINANCING ACTIVITIES

The Corporation's cash from financing activities was as a result of the issuance of common shares in relation to the acquisition of ORYX Gaming.

CASH OUTFLOWS FROM INVESTING ACTIVITIES

The Cash outflow from investing activities was principally the cash consideration paid within the period to acquire the ORYX Gaming business.

6. RISK FACTORS AND UNCERTAINTIES

Certain factors, listed below, may have a material adverse effect on the Corporation's business, financial condition and results of operations. Current and prospective investors should carefully consider the risks and uncertainties and other information contained in this MD&A and the 2018 Financial Statements.

The risks and uncertainties described herein and therein are not the only ones the Corporation may face. Additional risks and uncertainties that the Corporation is unaware of, or that the Corporation currently believes are not material, may also become important factors that could adversely affect the Corporation's business. If any of such risks actually occur, the Corporation's business, financial condition, results of operations, and future prospects could be materially and adversely affected.

6.1 GENERAL BUSINESS RISKS AND THOSE ASSOCIATED WITH THE GIVEMESPORT BUSINESS

LIMITED OPERATING HISTORY

The Company has a limited operational history. The Company has never paid dividends and has no present intention to pay dividends. The Company is in the early commercialization stage of its business and therefore will be subject to the risks associated with early stage companies, including uncertainty of revenues, markets and profitability and the need to obtain additional funding. The Company will be committing, and for the foreseeable future will continue to commit, significant financial resources to marketing, product development and research. The Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development. Such risks include the evolving and unpredictable nature of the Company's business, the Company's ability to anticipate and adapt to a developing market and the ability to identify, attract and retain qualified personnel. There can be no assurance that the Company will be successful in doing what is necessary to address these risks.

KEY PERSONNEL

The success of the Company may be dependent on the services of its senior management and consultants. The experience of these individuals may be a factor contributing to the Company's continued success and growth. The loss of one or more of its key employees or consultants could have a material adverse effect on the Company's operations and business prospects. In addition, the Company's future success will depend in large part on its ability to attract and retain additional highly skilled technical, management, sales and marketing personnel. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the failure to do so could have a material adverse effect on the Company's business, operating results and financial condition.

ADDITIONAL FINANCING REQUIREMENTS

In order to accelerate the Company's growth objectives, it may need to raise additional funds from lenders and equity markets in the future. There can be no assurance that the Company will be able to raise additional capital on commercially reasonable terms to finance its growth objectives. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of common shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution.

COMPETITION

The Company may not be able to compete successfully against current and future competitors, and the competitive pressures the Company faces could harm its business and prospects. Broadly speaking, the market for gambling businesses and media companies is highly competitive. The level of competition is likely to increase as current competitors improve their product offerings and as new participants enter the market. Some of the Company's current and potential competitors have longer operating histories, larger customer bases, greater name and brand recognition and significantly greater financial, sales, marketing, technical and other resources than the Company. Additionally, these competitors have research and development capabilities that may allow them to develop new or improved products that may compete with products the Company markets and distributes.

New technologies and the expansion of existing technologies may also increase competitive pressures on the Company. Increased competition may result in reduced operating margins as well as loss of market share.

MANAGEMENT OF GROWTH

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The Company's ability to manage its growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base.

The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects. While management believes that it will have made the necessary investments in infrastructure to process anticipated volume increases in the short term, the Company may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for the Company's personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will also need to continue to implement and improve its operational, financial and management

information systems and to hire, train, motivate, manage and retain its employees. There can be no assurance that the Company will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Company's operations or that the Company will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

NEGATIVE CASH FLOW AND ABSENCE OF PROFITS

The Company has not earned any profits to date and there is no assurance that it will earn any profits in the future, or that profitability, if achieved, will be sustained. A significant portion of the Company's financial resources will continue to be directed to the development of its products and to marketing activities. The success of the Company will ultimately depend on its ability to generate revenues from its product sales, such that the business development and marketing activities may be financed by revenues from operations instead of external financing. There is no assurance that future revenues will be sufficient to generate the required funds to continue such business development and marketing activities.

CONFLICTS OF INTEREST

Certain proposed directors and officers of the Company may become associated with other reporting issuers or other Companies which may give rise to conflicts of interest. In accordance with the Canada Business Corporations Act, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company, as the case may be. Certain of the directors have either other employment or other business or time restrictions placed on them and accordingly, these directors will only be able to devote part of their time to the affairs of the Company.

6.2 RISKS ASSOCIATED WITHIN THE ONLINE GAMING ENVIRONMENT

GAMING INDUSTRY IS HIGHLY REGULATED

The development and distribution of gaming solutions is, in some jurisdictions, subject to extensive scrutiny and regulation on all levels of government including, but not limited to, federal, state, provincial, local and in some instances, tribal authorities. Accordingly, The Company only conducts business in jurisdictions where gaming is legal or not strictly prohibited without a local license. Many jurisdictions require licenses, permits and documentation of suitability, demonstrating the financial stability for the providers of such gaming solutions in addition to their officers, directors, major shareholders and other key personnel. The Company's delay or failure to obtain these licenses and approvals in any jurisdiction may prevent the Company from distributing solutions and generating revenues in those jurisdictions. A gaming regulatory body may refuse to issue or renew a registration, including the Bragg Licenses and Registrations, if Bragg, or one of its directors, officers, employees or associates: (i) are considered to be a detriment to the integrity or lawful conduct or management of gaming; (ii) no longer meet a registration requirement; (iii) have breached or are in breach of a condition of registration or an operational agreement with a lottery corporation; (iv) have made a material misrepresentation, omission or misstatement in an application for registration or in reply to an enquiry by a person conducting an audit, investigation or inspection under the gaming control legislation; (v) have been refused a similar registration in another jurisdiction; (vi) have held a similar registration, or license in that province or another jurisdiction which has been suspended or cancelled; or (vii) have been convicted of an offence, inside or outside of a particular jurisdiction, that calls into question Bragg's honesty or integrity or the honesty or integrity of one of Bragg's directors, officers, employees or associates.

Additionally, Bragg's solutions must be approved for use in certain jurisdictions in which they are offered; this process cannot be assured or guaranteed. Obtaining these approvals is a time-consuming process that can be extremely costly and cannot be assured. A supplier of gaming solutions may pursue corporate regulatory approval with regulators of a particular jurisdiction while it pursues technical regulatory approval for its gaming solutions by that same jurisdiction. It is unlikely, although possible, that after incurring significant expenses and dedicating substantial time and effort towards such regulatory approvals, that Bragg may not obtain either of them. If Bragg fails to obtain the necessary certification, registration, license, approval or finding of suitability in a given jurisdiction, including the Bragg Licenses and Registrations, Bragg would likely be prohibited from distributing Bragg's solutions in that particular jurisdiction all together. Furthermore, some jurisdictions require license holders to obtain government approval before engaging in some transactions, such as business combinations, reorganizations, stock offerings and repurchases. Bragg may not be able to obtain all necessary registrations, licenses, permits, approvals or findings of suitability in a timely manner, or at all. Bragg's failure to obtain the necessary regulatory approvals in jurisdictions, whether individually or collectively, would have a material adverse effect on Bragg's business. Further, changes in existing gaming regulations may hinder or prevent Bragg from continuing to operate in those jurisdictions where Bragg currently carries on business, which would harm Bragg's operating results and financial condition. In particular, the enactment of unfavorable legislation or government efforts affecting or directed at suppliers or gaming operators, such as referendums to increase gaming taxes or requirements to use local distributors or service providers, may have a negative impact on Bragg's operations. Furthermore, gaming regulatory bodies may from time to time require changes to Bragg's practice in complying with the various disclosures and reporting requirements. If Bragg fails to comply with any existing or future disclosure requirements, the regulators may take action against Bragg which could ultimately include cancellation of a gaming registration, including the Bragg Licenses and Registrations.

IMPACT OF CUSTOMERS' OPERATIONS IN UNREGULATED OR PROHIBITED JURISDICTIONS

Certain of Bragg's customers may, from time to time, provide gaming services to players in unregulated markets. This activity by any of Bragg's customers does not necessarily amount to an infringement of laws or regulation in a given jurisdiction, but it is not uncommon for customers to cease providing interactive gaming services in an unregulated market in response to changes or intimated changes to laws or regulation. If a customer is found to have infringed laws or regulations in an unregulated jurisdiction this could materially adversely affect Bragg's operations, financial performance and prospects.

Bragg cannot be certain that Bragg's customers will not provide interactive gaming services to end-users in markets which prohibit interactive gambling. If a customer is found to be operating in a prohibited market, it is possible that this could materially adversely affect Bragg's operations, financial performance, reputation and prospects, as well as jeopardize any one or all of the Bragg Licenses and Registrations by virtue of Bragg's association with, or provision of products or services to, such customer.

REPUTATIONAL CHALLENGE OF DEALING IN THE GAMING INDUSTRY

Although Bragg is not an operator providing services to end-users, the gaming industry is subject to negative publicity relating to perceptions of underage gaming, exploitation of vulnerable customers and the historical link of the gaming industry to criminal enterprise. As a supplier to the industry, such negative publicity can affect Bragg's reputation and correspondingly affect Bragg's financial performance.

Typically, under the terms of the applicable laws and the Bragg Licenses and Registrations, Bragg must avoid making the promotion or advertisement of gaming that is directed at or could be directed at underage players. To the extent that respective operators' sites (to whom Bragg supplies) are accessed by minors and/or problem gamblers, brand reputation could be tarnished. Situations can arise where minors or compulsive gamblers could access websites of Bragg's customers. Where they do so, as well as negative publicity and potential regulatory censure, all of which would have a corresponding detrimental effect on Bragg.

TAX RISKS

Changes from time to time in the interpretation of, amendments to, or guidance relating to, existing tax laws, or the introduction of new tax legislation may have a material adverse effect on Bragg and on the value of the Resulting Issuer Shares.

There can be no assurance that the levels of taxation to which Bragg is subject will not be increased or changed, which could have a material adverse effect on the amount of tax payable by Bragg and Bragg's financial condition and results of operations.

End-users are located in a number of different jurisdictions. Revenues earned from end-users located in a particular jurisdiction may give rise to the imposition of direct, indirect or turnover taxes in that jurisdiction. In addition, as customers need to continue to obtain local licenses to enable them to target specific markets, they may be obliged to pay non-gaming local taxes too. This potentially could erode customers' margins for particular markets, which in turn may affect the financial viability of a specific market, and/or result in the customer wishing to renegotiate its arrangements with Bragg.

If Bragg is found to be, or one of Bragg's subsidiaries is found to be, or to have been, a tax resident in any jurisdiction other than that in which it is incorporated or domiciled or to have a taxable permanent establishment or other taxable presence elsewhere, this may have a material adverse effect on the amount of tax payable by Bragg. Furthermore, any change in Bragg's tax status or in taxation legislation, practice or its interpretation could adversely affect the post-tax returns to shareholders.

Generally speaking, regulated gaming activities will not only be subject to direct corporate taxation, but also indirect taxes and gaming duties. As the regulatory environment continues to develop, it is becoming clear that the taxation environment may become less favorable, as jurisdictions seek to impose their own regulation and taxation regimes on what was, traditionally, an offshore activity. As a consequence of an increased taxation burden affecting customers and/or Bragg, Bragg may see a reduction in related revenue share or a pressure to re-negotiate with key customers.

MONEY LAUNDERING/FRAUDULENT ACTIVITY

Online transactions may be subject to sophisticated schemes or collusion to defraud, launder money or other illegal activities. There is a risk that Bragg's products or systems may be used for those purposes by Bragg's customers' players. There is also a risk that Bragg will be subject to fraudulent activities by Bragg's employees. Any exposure to fraud and/or money laundering could subject Bragg to financial losses, business disruption and damage to Bragg's reputation. In addition, there is a risk that Bragg may be subject to investigation and sanctions by a regulator and/or to civil and criminal liability if Bragg has failed to comply with Bragg's legal obligations relating to the reporting of money laundering or other offences.

Bragg has implemented policies and procedures designed to minimize the risk of fraud and money laundering, including conducting anti-money laundering checks on Bragg's customers. However, there can be no guarantee that these policies and procedures will be effective in all cases.

LEGISLATIVE INTERPRETATION MAY RESULT IN CRIMINALITY OF ACTIVITIES

Bragg generates the majority of its income through licensing Bragg's technology and games to enable gaming operators to provide gaming services to customers where such services are dependent on that software and the functionality it provides. One of the consequences of Bragg's supply of operational gaming software to customers is the potential regulatory risk associated with doing so. While in many jurisdictions laws and regulations may not specifically apply to gaming software licensors (as distinct from its customers' delivery to end customers), this is not universally the case and, indeed, some jurisdictions have sought to regulate or prohibit such supply explicitly.

Furthermore, Bragg relies on the continuity of supply by Bragg's customers to their end-users using the gaming related software and technology which Bragg licenses. Laws and regulations relating to the supply of gaming services are complex, inconsistent and evolving and Bragg may be subject to such laws either directly through explicit service provision or indirectly insofar as it has assisted the supply to customers who are themselves subject to such laws.

Operators within the remote gaming industry have sought, in the past, to justify their activities by asserting that if remote gaming is permitted from the country of origin (i.e., from the point of supply) then the laws in the country of receipt would have to specifically outlaw the activity of the customer (remotely accessing interactive gaming services) or an entity in that jurisdiction or have the authority to implement laws that impacted outside the jurisdiction in order to render the activity illegal, or entitle the country of receipt to assert jurisdiction. Operators have sought to reduce any associated risks of jurisdictions forming a contrary view by limiting or omitting to have physical presence in such jurisdictions where any connected activities are not clearly legal. There are a number of jurisdictions that consider this rationale to be unjustified. Indeed in some territories, laws have been passed to expressly criminalize the provision of (and sometimes the participation in) gaming, irrespective of where the operator is located and licensed. For the greater part, these laws have not been tested. Some jurisdictions seek to regulate gaming; others seek to prohibit it. There is a corresponding, continuing risk to any participant in the gaming industry (be they an operator, supplier or other service provider) that jurisdictions in which customers are located may seek to argue that such a participant was acting illegally in accepting or assisting in the acceptance of wagers from its citizens or in the manner in which it operates gaming networks. This could lead to actions being brought against customers which, in turn, could have a detrimental effect on the financial performance and Bragg's reputation. Similarly, where supply by Bragg to the customer is critical to the gaming transaction, one cannot rule out the risk that direct enforcement action will be taken against Bragg or any of Bragg's employees and directors.

Many jurisdictions have not updated their laws to address the supply of remote gaming, which by its nature is a multi-jurisdictional activity. Moreover, the legality of interactive gaming and the provision of software, services and gaming network management is subject to uncertainties arising from differing approaches by legislatures, regulators and enforcement agents including in relation to determining in which jurisdiction the gaming takes place and therefore which law applies. This uncertainty creates a risk for Bragg that even in instances where older laws have not been updated to address new technology, courts may interpret older legislation in an unfavorable way and determine customers' and/or Bragg's activities to be illegal. This could lead to actions being brought against customers and/or Bragg or any of Bragg's employees and directors, all or any of which may, individually or collectively, have a detrimental effect on Bragg's financial performance and Bragg's reputation.

Bragg's seek to keep abreast of legal and regulatory developments affecting the gaming industry as a whole. However, Bragg does not necessarily monitor, on a continuous basis, the laws and regulations in every jurisdiction where Bragg's customers derive business and, correspondingly, from where Bragg may derive revenue. Bragg adapts its regulatory policy and, therefore, the scope of Bragg's ongoing monitoring on the basis that an individual market's materiality to both any relevant customer and to Bragg may change. As such, Bragg may receive revenue from customers' dealing in jurisdictions where Bragg may be unaware of the full extent of enforcement risk.

Bragg's employees and directors are not located, nor does Bragg have tangible assets or physical presence, in jurisdictions where the directors are aware of any material legal or regulatory risk associated with such location, nor does Bragg conduct activities where Bragg's support of customers is also explicitly illegal. Where appropriate and where Bragg is able, Bragg takes the additional precautionary step of blocking wagers from such jurisdictions. When appropriate, Bragg reviews the regulatory rationale of customers but, given that day-to-day management of operational risk will remain in the purview of customers, Bragg protects itself through contractual mechanisms explicitly allowing Bragg to suspend or terminate services.

Despite the monitoring undertaken by Bragg and the precautions Bragg takes as to the location of employees or assets, there remains a prospect that, in the event of legislation being interpreted in an unfavorable or unanticipated way, such measures are not sufficient and result in actions being brought against Bragg or Bragg's employees and directors, all of which would have a detrimental effect on the financial performance and Bragg's reputation. Furthermore, similar actions could be brought against customers with the consequence that revenue streams from such customers may be frozen or traced at the behest of authorities even if none of Bragg's entities are made a party to any legal proceedings against any such customer. Customers may also face problems in legitimately moving monies in and out of certain jurisdictions which will impact upon payments from customers. Finally, there is also a risk that Bragg's directors or employees or individuals engaged by Bragg (or directors, employees or individuals connected to any customer) may face extradition, arrest and/or detention in (or from) such territories even if they are only temporarily present.

REGULATORY PERCEPTION OF GAMING OPERATORS AND SUPPLIERS, AND THEIR RESPECTIVE REGULATORY RISK

While from a gaming regulatory perspective, operators that directly provide gaming services to their customers are generally perceived to be exposed to a greater degree of enforcement risk than their suppliers, in some jurisdictions laws extend to directly impact such gaming suppliers. Furthermore, a supplier's nexus with a particular jurisdiction may expose it to specific enforcement risks, irrespective of whether there has been an attempt to bring proceedings against any supported operator.

The interactive gaming market has developed such that the nature of some of the services undertaken by suppliers on behalf of operators places them closer to the actual customer transaction, arguably rendering them quasi-operators in their own right. A number of fundamental points have begun to emerge from these market developments. Suppliers cannot claim ignorance of, or indifference to, the origin of an operator's business. Indeed, enforcement proceedings brought against an operator may result in action being taken against a supplier (and even brought in the absence of the former). From a reputational and risk perspective, therefore, it is not sufficient for a supplier to avoid evaluating the risks associated with the businesses of the entities it supplies.

Ultimately, the market may view, or in the future may view, the regulatory risk associated with the business of supplying software and services to gaming operators as being comparable with the regulatory risk attaching to operators themselves. In such circumstances, there is an associated risk that investors may apply valuation methods to any such supplier that are the same as the valuation methods used to value operators, and which build in the same regulatory risk even though, in many territories, such suppliers would be considered sufficiently removed from the transactional activity to warrant the application of a discrete risk analysis.

EVOLVING NATURE OF GAMING REGULATION

The application of laws designed to enshrine trade freedoms is the subject of ongoing and developing jurisprudence which, ultimately, may result in a regulatory environment that impacts negatively on multi-national stakeholders in the gaming industry such as Bragg and Bragg's customers.

The way in which gaming laws are evolving is unpredictable and in some instances, laws have appeared to have been fully implemented by certain jurisdictions in contravention of the jurisprudence and guidance given by related jurisdictions, even following review and comment on draft laws and regulations. As a result, Bragg and its customers remain subject to some ongoing uncertainty and to the associated risks that such laws may, ultimately, be interpreted and implemented in a disadvantageous way.

While much global legislative action focuses on liberalizing interactive gambling regulations, in many cases these efforts move slowly, and it may take many years for markets to actually open up to licensed competitors even after laws pass. In addition, there is still potential for legislation that is intended to reduce or eliminate interactive gambling. Furthermore, credit card companies have tightened restrictions on the use of credit cards for interactive gambling transactions.

7. ADDITIONAL INFORMATION

Additional information relating to the Company, including the Company's annual information form, quarterly and annual reports and supplementary information is available on SEDAR at www.sedar.com. Press releases and other information are also available in the Investor section of the Company's website at www.bragg.games.