TRANSGAMING INC.

ANNUAL INFORMATION FORM

For the Financial Year Ended May 31, 2012

August 27, 2012

Table of contents

FORWARD-LOOKING INFORMATION

In addition to historical information, this Annual Information Form may contain forward-looking statements, which may not be based on historical fact. Such forward-looking statements include, but are not limited to, statements regarding the Corporation's strategies, future operations and expected growth and its ability to fund its operations in the future. Forward looking statements can also be identified in this AIF by the use of words such as "may", "will", "should", "could", "expect", "plan", "estimate", "potential", "continue", "believe", "anticipate", "intend", or the negative or other variations of these words or comparable words or phrases.

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 ability to protect its intellectual property, the Corporation's stage of development, working capital requirements and future ability to fund operations , the Corporation being in breach of its debt covenants, future developments in the Corporation's markets and the markets in which it expects to compete, risks associated with its network of distributors, cable and telecommunications service operators, content providers and other strategic relationships and the impact of new technologies on the Corporation's markets. Each factor should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements.

The Corporation disclaims any intention or obligation to update or revise these forward-looking statements, as a result of new information, future events or otherwise.

GLOSSARY OF TERMS

"**Annual Information Form**" or "**AIF**" means this annual information form of the Corporation dated August 27, 2012 for the fiscal year ended May 31, 2012;

"**Board**" means the board of directors of the Corporation;

"**CBCA**" means the Canada Business Corporations Act, R.S.C. 1985, c. C-44, as from time to time amended, and including any regulations promulgated thereunder;

"**Common Shares**" means common shares in the capital of the Corporation;

"**Corporation**" or "**TransGaming**" means TransGaming Inc.;

"**Preferred Shares**" means Class B Preferred Shares in the capital of the Corporation;

"**Promoter**" shall have the meaning ascribed thereto in the Securities Act (Ontario);

“**Qualifying Transaction**” means the reverse takeover of the Corporation whereby the Corporation acquired all of shares of TransGaming Technologies Inc. and the shareholders of TransGaming Technologies Inc. acquired control of the Corporation, and also has the meaning set out in Exchange Policy 2.4; and

"**TSXV**" means the TSX Venture Exchange;

Words importing the singular number only include the plural and vice versa and words importing any gender includes all genders.

TransGaming changed its financial statement presentation currency to US dollars beginning in fiscal 2012. This decision was made by management and approved by the Board to better reflect the increasing amount of transactions occurring in US dollars and to aid in comparability with other entities in its industry. Accordingly, the financial information for current and prior periods herein is represented in US dollars (“USD”) unless otherwise noted in Canadian dollars (“CAD”).

CORPORATE STRUCTURE

Name, Address and Incorporation

The Corporation was initially incorporated under the CBCA on November 1, 2004 as Taos Capital Inc. Following the completion of the Qualifying Transaction in November 2005, the Corporation changed its name via articles of amendment to TransGaming Inc. In May 2006, TransGaming Technologies Inc. and TransGaming Inc. were amalgamated pursuant to the CBCA. The head office of the Corporation is located at 431 King Street West, Suite 600, Toronto, Ontario M5V 1K4. The Corporation is a reporting issuer in the Provinces of Alberta, British Columbia, Ontario and Quebec. The Common Shares are listed and posted for trading on TSXV under the trading symbol "TNG".

Intercorporate Relationships

The Corporation has four wholly-owned subsidiaries that employ its international team who operate TransGaming’s GameTree TV business unit. This unit is focused on the Corporation’s digital distribution business segment for Internet connected “Smart” consumer electronic (“CE”) devices, including Smart TV: (i) TransGaming Interactive Corp. (Ontario), located in Toronto, Ontario, (ii) TransGaming Digital Home Inc. (Delaware), headquartered in Atlanta, Georgia, (iii) TransGaming Digital Home (Israel) Ltd., based in Tel Aviv, Israel and (iv) TransGaming Ukraine LLC, located in Kiev, Ukraine. The latter two are the result of the acquisition of the iTV division of Oberon Media, which closed on January 6th, 2012.

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

In September 2009, TransGaming announced the creation of GameTree TV™, an on-demand interactive entertainment platform for the next generation television set top box, or Smart TV as it will be described throughout, allowing customers to discover and play games on-demand directly from a cloud based platform.

In fiscal 2009, TransGaming created an original game development studio within the Corporation. The studio division was established through an initial non-recurring engineering fee (NRE) based engagement with Easy Interactive, based out of the Netherlands, to develop, "In the Mix – Featuring Armin van Buuren"™, a DJ based video game for the Nintendo Wii™. This title was completed in early 2010 and published by Easy Interactive in October of 2010. Subsequently, the Studio division created its first original title, Garage Inc., which was released in January 2011, followed by KULA BLOX in September 2011. Garage Inc. has enjoyed more than 500,000 downloads in aggregate across iPhone, iPad, PC and Mac and received outstanding reviews and industry recognition. The Studio division was restructured following the close of the iTV acquisition (described below) to focus on the creation of games for GameTree TV based on the franchises acquired. The Studio's focus is to create games that support multi-screen capabilities (meaning the utilization of additional devices like smart phones, tablets, etc. as controllers and/or input devices for Smart TV-based games), have high brand value, and deliver deep social engagement. The first title being developed is an exclusive World Poker Tour® (WPT®) game for Smart TV that is expected to launch in the fall with a number of operators around the world.

In February 2010, the Corporation established its Digital Home division in Atlanta where the majority of development for GameTree TV is performed. On April 26, 2011 the Corporation commercially launched GameTree TV with the pioneering top-tier broadband service operator Free in France. Free is the second largest managed service operator in France. To date, GameTree TV has been downloaded to more than 500,000 Free set-top boxes .

TransGaming's SwiftShader™ provides high-performance software 3D rendering regardless of the 3D hardware present in a system, and even on systems with no hardware-based 3D support. In 2010 SwiftShader gained global prominence in a licensing arrangement with Adobe whereby SwiftShader was integrated in Adobe Flash Player and Adobe AIR to provide 3D rendering capabilities on the fly. Google and other software providers who want to ensure their applications can support the maximum breadth of PCs in the market place also license SwiftShader.

In February 2011 the Corporation discontinued its legacy Cedega™ consumer subscription service for desktop Linux in order to focus on other markets and opportunities. Cedega allowed Windows-based video games to run on the Linux operating system without the need for redevelopment of the game. While the Cedega subscription service has been discontinued, the core technology continues to be an integral part of TransGaming's technology foundation.

On January 6, 2012 TransGaming acquired the Interactive TV & Connected TV division ("iTV") of Oberon Media, Inc. ("Oberon"), an acclaimed operator of game services and a world-renowned creator and distributor of games for the interactive and connected TV market. The acquisition brought the Corporation a new recurring multi-million dollar annual revenue stream generated through distribution agreements with a number of leading Smart TV manufacturers as well as an extensive network of cable, satellite and iTV service providers. This network of service providers includes DISH Network and DIRECTV in North America and Reliance Digital TV and AirTel Digital TV, through 3rd party distribution agreements in the Indo-Pacific region, giving TransGaming the ability to reach to over 50 million households resulting in one of the largest connected TV distribution footprints in the world.

The addition of Oberon's extensive games catalog adds over 100 video game titles to the Corporation's GameTree TV portfolio, giving it the most comprehensive content library available for Smart TV. More importantly is the brand value of some of this content which includes exclusive licenses to World Poker Tour®, Tetris®, Deal or No Deal, 1 vs 100, and Hasbro brands such as MONOPOLY®, CLUE®, SCRABBLE® Scramble, YAHTZEE™, BATTLESHIP™.

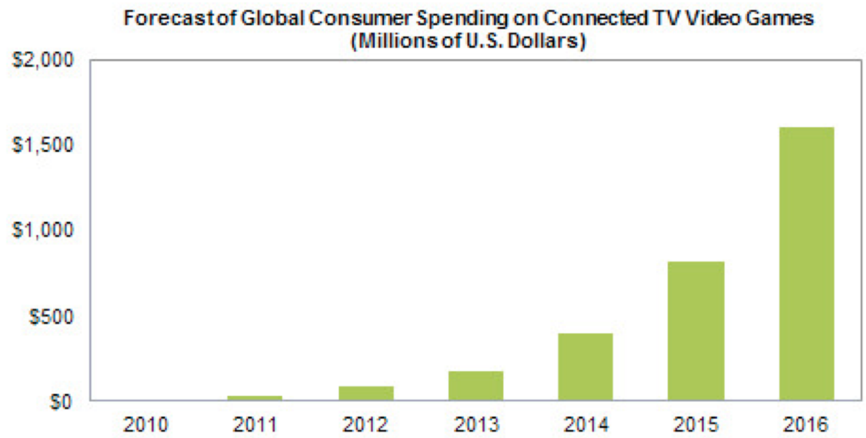
DESCRIPTION OF THE BUSINESS

Three key industry trends underpin TransGaming's strategic direction and potential for growth. The first is the continuing expansion of the video game market. This past June, DFC Intelligence predicted that the global revenue from video game software will grow from $52 billion in 2011 to $70 billion in 2017. It is also forecasted that by 2017, 66% of game software will be delivered digitally [1]. The game market is not just growing in revenue but it is also broadening its audience. The Entertainment Software Association's recent report on the state of the game industry indicates that the average U.S. household owns at least one dedicated game console, PC or smart phone and that forty-seven percent of all game players are women. Even more significant is that today women over

[1] http://www.dfcint.com/wp/?p=338

the age of 18 represent a larger portion of the game-playing population (30 percent) than boys age 17 or younger (18 percent) [2].

The second trend is the growth of games on connected and Smart TVs. IHS predicts that in 2016, more than 800 million actively connected TV devices will have exposure to monetized games content. This is up from 100 million in 2012. Worldwide consumer spending on video games on connected TVs is forecast to grow from a projected $88.0 million this year to $1.6 billion in 2016 [3]. These revenues are driven by the exploding adoption of Internet-enabled TV's, blu-ray disc players and over-the-top-capable set-top boxes (i.e. not through a cable or telco network). Unit shipments of Smart TV 's alone are expected to reach 153.2 million units with a CAGR of 19% by 2016 [4].



Source: IHS Screen Digest August 2012

The third trend is the evolution of the multi-screen TV environment or the "second screen". Smart phones, iPads and other tablet devices are changing the way living rooms are interacting with the TV. The number of multi-screen devices active on global pay-TV networks is expected to rise by a factor of ten from 29.5 million in 2010 to 303.7 million units by 2015 according to the IHS Screen Digest TV Multi-screen Intelligence Service [5]. Nielsen recently reported that, of Americans who own smart phones, 86% say they use their devices while watching TV at least once per month. For tablet owners, almost 50% use their tablets while watching TV on a daily basis [6].

TransGaming creates, enables and distributes interactive entertainment to leverage the opportunities afforded from these industry trends. TransGaming works with the industry's leading developers and publishers to enable and distribute games for Smart TV, connected Consumer Electronic (CE) devices, and Mac computers. Video game publishers and content creators have

---

2 http://www.theesa.com/facts/index.asp
3 http://bbpmag.com/wordpress2/2012/08/spending-on-connected-tv-gaming-to-reach-1-6b-in-2016/
4 http://www.marketsandmarkets.com/Market-Reports/smart-tv-market-455.html
5 http://www.isuppli.com/Media-Research/News/Pages/Ciscos-NDS-Acquisition-Reflects-Cable-Industrys-Increasing-Focus-on-Multiscreen-Device-Market.aspx
6 http://www.readwriteweb.com/archives/whos_actually_using_second_screen_tv_apps.php

embraced the Corporation's products to reduce costs, increase revenue, and gain market share. The Corporation's revenue is derived through licensing of its products to software developers and game publishers and through the digital distribution of interactive entertainment content.

TransGaming runs its business through two operating units:

1) Licensing (Cider & SwiftShader), and
2) Distribution (GameTree TV & GameTree Mac)

LICENSING

Cider (Intel Mac)

The Corporation's core "enablement" technology is Cider™, which allows PC games to be deployed on Apple Mac computers quickly, easily, and without the need for redevelopment. The Corporation licenses this product to game developers primarily on a royalty fee per unit sold basis and, for Massive Multiplayer Online Games (MMOGs), on a fee per user per month.

Cider is an "enablement engine" that allows Windows based games to run on the Mac and is licensed to game developers and publishers who want a Mac version of their games. Cider acts as a "wrapper" around the original PC executables/binaries (i.e. fully compiled code) and serves as a dynamic translation layer allowing the game to run on the Mac. Cider contributed 35% of total revenues for the year ended May 31, 2012 (53% in 2011). Cider shares the same technology foundation with the Corporation's Linux technology, with a common source code base of approximately 80%. The decision to develop an enablement technology for the Mac a few years ago was based on two important factors: first, the lack of high quality electronic entertainment content for the Mac, which created an immediate revenue opportunity for TransGaming, and second, the rapid growth of the Mac market.

Through the use of Cider, a publisher bypasses the traditional lengthy and costly redevelopment process and gains the ability to simultaneously release their titles on PC and Mac, resulting in additional revenue with minimal effort, investment, and time. As an additional benefit, because Cider acts as a "wrapper" the original developer is required to maintain only a single source code base, an important consideration for many games today.

Cider eliminates the need for a publisher to either hire a dedicated Mac development team to develop the Mac version of a game in parallel with the PC version or to have an existing team take on the additional development overhead of developing a game for both platforms. Management believes this parallel development or "redevelopment" could take anywhere from 25% to 70% of the original game development time and budget. These costs can range between hundreds of thousand of dollars to millions, for the most complex games. Traditional redevelopment also typically results in a time-to-market delay of nine to 18 months after the release of the PC title. With Cider this delay can be eliminated making a “day-and-date” simultaneous Mac release with the PC title possible.

Since video games are “hit based” in a content competitive industry, the life cycle for such games is relatively short with the majority of total revenues being generated within the first nine months after release. Without Cider, the Mac version of a title will experience a substantial delay to market and by the time the title is released (nine to 18 months later) it has lost its “wow” factor. Management believes that adopting Cider versus traditional redevelopment can result in capturing an extra 15-25% revenue based on total PC revenue. This increase is based on the fact that Apple currently enjoys more than 15% of the U.S. desktop market share, as reported by Statcounter.

TransGaming’s revenue model for Cider is a share on a per Mac unit sold basis. The Corporation typically charges 20-30% of net receipts of each Mac unit sold as a Cider technology license fee. TransGaming also earns a per user per month licensing fee for MMOGs.

During the past 5 years Mac unit sales have experienced an average annual growth of more than 25%, reaching sales in excess of 15 million units in the last 12 months. For twenty consecutive quarters the Mac has outperformed the overall PC industry and in the recent March 2012 quarter Macintosh unit sales rose an impressive 28%. In this quarter (Q3 FY12), it sold more than 4.0 million Macs, a nominal increase over the year-ago quarter, with the total number of Intel Macs shipped to-date in excess of 60 million units.

Cider has positioned TransGaming as the number one global enabler of Mac games. Currently, companies such as Electronic Arts Inc., Disney Interactive Studios Inc., Ubisoft Entertainment, Activision Inc., Sony Online Entertainment, LEGO, and Take 2 Interactive, to name a few, have licensed Cider to release more than 40 top tier titles in the last two years, including franchises such as Rockstar’s Grand Theft Auto™ trilogy; Electronic Arts’ FIFA Soccer 12™, Dragon Age: Origins™, Dragon Age 2™ and The Sims 3™; Disney’s BRAVE: The Video Game™; Ubisoft’s The Settlers 7: Paths to a Kingdom™ and Assassin’s Creed® 2; Her Interactive’s Nancy Drew® series; Activision’s Skylanders Spyro’s Adventure™; Guild Wars; Darkness II™; and Disney’s Cars 2: The Video Game and Disney Pixar’s BRAVE.

SwiftShader

SwiftShader is the Corporation’s patented technology that provides high-performance software 3D rendering. SwiftShader provides real-time graphics rendering capabilities that have traditionally only been available through a hardware-accelerated graphics processing unit ("GPU"). By providing this functionality on a computer's main central processing unit ("CPU"), SwiftShader provides the Corporation's customers the ability to ensure that required 3D capabilities are always available, regardless of hardware. Through SwiftShader technology, which has patent protection in the US and Canada and its European patent pending, the Corporation is well placed to take advantage of future convergence of CPU and GPU technologies. SwiftShader provides these capabilities to software developers as a simple "drop-in" software package. Swiftshader contributed 10% of total revenues for the year ended May 31, 2012 (15% in 2011).

Video game companies originally licensed SwiftShader to enable 3D graphics on PCs that would not otherwise be capable of handling them. TransGaming's customers for SwiftShader have evolved to now include Google and Adobe. Google licensed SwiftShader for inclusion in its web-based product called O3D in 2009. This licensing arrangement led to TransGaming being engaged to perform development for Google's ANGLE project (Almost Native Graphics Layer Engine). The Google license for SwiftShader was then expanded in early 2011 to include 3D applications within Google Chrome. In 2010 Adobe licensed SwiftShader to enable future versions of Adobe Flash Player and Adobe AIR to render 3D capabilities regardless of the 3D hardware present in a system, and even on systems with no hardware-based 3D support. These licensing agreements evidence the breadth of possible applications for SwiftShader. The applications of this technology range from integration directly into a game or an operating system, to its use as an embedded software library that replaces the need for expensive graphics hardware.

DISTRIBUTION

GameTree TV

"Consumer spending on gaming through connected TVs is expected to hit $1.6 billion in 2016."

New IHS report forecasts explosion in gaming due to growth in connected TVs and free-to-play business model - from GamesIndustry International, August 2012

Management expected 2010 to be the inflection point toward wide-scale adoption of smart consumer electronics (CE) devices – web-enabled devices designed with a software platform for supporting online applications. However, this adoption took longer then anticipated and it is only now in 2012 that the smart consumer electronic devices market is becoming more pervasive. The market for network-enabled CE devices includes:

1. Smart TVs
2. Connected set-top boxes
3. Blu-ray players/recorders
4. Other companion boxes

Generally, a managed service operator (MSO), such as a cable company will rely on a set-top box to deliver content and limited services. With ongoing advancements in technology, broad-scale connectivity, and the need to deliver significantly great value-add to the subscriber, service providers are in the process of upgrading to next generation set-top boxes that are Internet connected and capable of delivering far greater services and content then the legacy devices in homes today. These next generation set-top box devices are designed, developed and built by original equipment manufactures (OEMs) or service and distribution delivery partners hired to provide a turn-key solution. These next generation set-top boxes bring an array of services and content over-the-top to the consumer through a companion box that is connected to the Internet.

GameTree TV is designed to bring interactive entertainment to millions of consumers through these connected CE devices. Through an elegant and innovative user interface, GameTree TV brings fun, casual games to family audiences worldwide. It offers mainstream TV audiences access to a large and growing catalog of popular games from the comfort of the living room with convenient game rental, purchase and subscription options.

GameTree TV was launched with the top-tier managed service operator, Free, in April of 2011. Free was the first managed service operator in the world to launch an Intel based set-top box, called the FreeBox Revolution. Free, a subsidiary of The Iliad Group, is one of the largest IPTV service providers in Europe with over 4.7 million broadband subscribers (as of August 2011). Free began the deployment of their next generation Freebox Revolution in late December 2010 and had projected delivering approximately 50,000 units a month to subscribers. To date, GameTree TV has been downloaded to more than 500,000 Freebox Revolution set-top boxes. Game unit sales occurred on 6 - 10% conversion rates of the users that launched the application once they had downloaded it, with an average transaction of €4.70. TransGaming continues to work with Free to market the service, which has been challenged by being only accessible within Free's application store. Management believes that a subscription model will produce better user adoption and scalable revenue. In September 2012 TransGaming will only make GameTree available as a €4.99 subscription service on Free with a rotating catalog of 40 games available on an unlimited basis.

GameTree TV was built to be fully scaleable without the need for extensive additional capital requirements. To date, the service has been stress tested to handle up to a million set-top boxes simultaneously across a globally distributed network, and can be scaled up or down rapidly based on user demand. The GameTree TV infrastructure is based in the cloud and TransGaming utilizes Amazon Web Services and other global giants for the provisioning of its GameTree TV services. This allows the company to deliver GameTree TV to service providers globally in a mission-critical fashion without scaleability issues.

In order to keep pace with ongoing market trends, in January 2012 TransGaming announced support for MIPS Technologies based set-top boxes to increase the GameTree TV addressable market. MIPS Technologies is the leading provider of industry-standard processor architectures and cores for the global set-top box market, with its processors shipping in more than 75% of set-top boxes worldwide. This support dramatically expands the market reach for GameTree TV and the Company recently signed an agreement with an East Asian partner to deploy GameTree TV on both Intel and MIPS®/Broadcom based set-top boxes.

Leveraging TransGaming's core enablement technology to bring PC games to Linux based devices, the Corporation has built a strong library of titles on GameTree TV featuring popular content from top publishers around the world. These publishers are all leaders in the casual and family friendly gaming space and their content is ideally suited to the target demographic for GameTree TV's audiences. GameTree TV was launched with 25 titles on Free and new titles were added on a weekly basis with almost 100 titles available today. In order to parallel the television environment that consumers are accustomed to, GameTree TV is programmed weekly with new games, video trailers, sales promotions and holiday marketing activities to help maximize user retention and optimize revenue. In addition to top name game developers, TransGaming is committed to bringing innovative games, developed by the independent game development community, to GameTree TV by offering a software development kit (SDK), tools and support to these game developers who in turn will provide fun, entertaining new games for distribution via GameTree TV.

In North America, over the top delivery of content is evolving to be another strong distribution channel for GameTree TV. Services like Roku, Boxee Inc., Netflix Inc. and others are accelerating the reasons for consumers to consider buying companion boxes for their TV sets. TransGaming is working closely with several partners to bundle GameTree TV with over-the-top solutions to gain direct access to consumers.

Management has developed a GameTree TV product roadmap and strategy that is intended to drive additional revenue by stimulating growth in average revenue per user and customer loyalty. Enhancements such as the following are being considered and planned:

1. GameTree TV is now a subscription only service;
2. 'Freemium' and micropayment based games (one of the fastest growing new revenue streams for games);
3. Social features including multiplayer, leader boards, rewards, and postings to social networks and
4. GameTree TV supports multi-screen to enhance the overall game play experience.

On January 6, 2012 TransGaming announced the strategic acquisition of the Interactive TV (iTV) & Connected TV division of Oberon Media, Inc. ("Oberon"). The acquisition of the Oberon division was completed by way of the purchase of certain assets owned by Oberon and various subsidiaries and the hiring of selected Oberon employees required to conduct the iTV and connected TV business.

Under the terms of the asset purchase agreement between the Corporation and Oberon, the aggregate purchase price of the assets was US $6,738,800. This consisted of cash of US $2,200,000 and 3,780,000 common shares of TNG issued on closing (valued at $0.46 CAD based on the closing market price on January 5, 2012), cash of US $800,000 due on the achievement of certain milestones, and US $2,000,000 in cash earn outs based on the achievement of revenue thresholds. The 3,780,000 shares issued to Oberon will be held in escrow and released on the following schedule: 25% on each of January 6, 2013 and June 6, 2013 and 50% on January 6, 2014. The Oberon asset acquisition was completed at a purchase price multiple of less than two times revenue.

A more complete review, including the pro-forma impact of the acquisition, is available on SEDAR in the Corporation's Business Acquisition Report dated April 25, 2012.

The distribution agreements with operators such as DISH Network and DIRECTV acquired from Oberon represent subscription based revenue models, which management believes provides a more stable foundation from which to grow all GameTree TV users and average revenue per user ("ARPU"). The acquired revenue has already significantly improved margins for TransGaming's distribution segment even though it was attributable to less than half the fiscal year.

The addition of the extensive games catalogue acquired from Oberon adds over 100 video game titles to the GameTree TV portfolio. More importantly is the brand value of some of this content which includes exclusive licenses to World Poker Tour, Tetris, Deal or No Deal, 1 vs 100, and Hasbro brands such as MONOPOLY®, CLUE®, SCRABBLE® Scramble, YAHTZEE™, BATTLESHIP™.

Management believes that consumer access to content in an easy manner with simple transaction models has become a key focus in the industry over the past several months. Recently, Electronic Arts announced that digital revenue grew 59%, Amazon launched Game Connect to attract sales of virtual goods and Sony acquired Gaikai and its cloud gaming capabilities for $380 million. The Gaikai acquisition underscores the value the marketplace puts on broad access to content and, more specifically, the valuation opportunities for "cloud gaming" companies, which TransGaming has become with GameTree TV. With years of investment in game enablement and the establishment of GameTree TV, TransGaming is well positioned to deliver exclusive content to a global audience in the coming months.

For the twelve months ending May 31, 2012, GameTree TV accounted for 24% of TransGaming's revenue (Nil in 2011). The revenue contributed by the acquired business included in the Corporation's consolidated statement of operations and comprehensive loss since January 6, 2012 was $1,304,000. The acquired business also contributed a loss of $139,000 after integration expenses over the same period before amortization of the acquired assets and a loss of $677,000 after the incremental amortization expense.

TransGaming's key objective is to drive growth in paying users of its services and ARPU. With multiple managed service operators ("MSO") as distribution partners for TransGaming, the Corporation can disclose aggregated user data without compromising the confidentiality of any single service provider. Management defines monthly active users to be consumers who have transacted through TransGaming's various distribution channels during the past month. During the month of May 2012 TransGaming had 285,300 active users with ARPU of $0.94 per month. ARPU is reported net of taxes and after the MSO's share of each transaction. Active users were flat from February 2012 and ARPU down slightly as adjustments were made to offerings in GameTree TV.

Through new distribution relationships currently being negotiated management's objective is to increase ARPU from approximately $12 per year to over $30 by fiscal 2014. With new monthly subscriptions ranging from $3.99 to €4.99 and MSO revenue shares of 25% to 30%, management believes that this target is attainable as GameTree TV achieves greater market penetration.

Market penetration

To better understand how management has poised TransGaming to take advantage of the Smart TV market opportunity it is important to consider the number of potential users reachable through these new channels.

Recent reports by IMS Research estimate the Smart TV industry will grow to be a $117 billion market by 2016 and DFC Intelligence estimated the video game industry will grow to $81 billion in the same time frame. TransGaming is at the nexus of these explosive growth industries and poised to capitalize on both. Management has estimated that the intersection of these marketplaces will yield $1.6 billion in global revenue. This was confirmed by a recent IHS Screen Digest Games Intelligence Service Insight Report (by information and analytics provider IHS). In 2012, connected TV gaming was still in its infancy generating $88 million in revenue as estimated in the same report. Management's medium-term goal is to claim a 1.5% market share of connected TVs, which should more than triple the number of the Company's monthly transacting users by early fiscal 2014.

TransGaming has developed many new customer relationships during the last twelve months. Most recently, TransGaming announced an agreement and a live deployment with Select-TV, which is an experienced and established technology solution provider offering end-to-end IPTV solutions to hotels, hospitals, cruise liners and other IPTV service providers. Through its market-leading EMAGINE content suite, Select-TV offers innovative, high quality on-demand entertainment services to some of the world's most luxurious venues. GameTree TV will be available in 50,000 connected suites and state rooms over the next year and will also be available on several new mid-tier service providers powered by Select-TV in the Indo-Pacific region during fiscal 2013.

Free continues to roll-out the Free Box Revolution in France, which includes access to GameTree TV. Free's total subscriber base is approaching 5.0 million and the FreeBox Revolution is expected to be in every one of Free's customers' homes within the next 2-3 years. As mentioned previously, since October 2011, GameTree TV downloads on the FreeBox Revolution have occurred on about 30% of the devices deployed to date, exceeding rates achieved by mature iTV markets. TransGaming is converting all of its Free GameTree TV users to a subscription only model in September 2012 and management expects this to lead to a better trajectory of overall subscription adoption, users, and ARPU within a quarter of the change.

Other unannounced and recently finalized distribution agreements are anticipated to deliver 9 million reachable users. These include launching with a market-leading IPTV service provider in East Asia in Fall 2012 and the deployment of leading game brands within GameTree TV with major North American service providers in a separate partnership agreement. In addition, GameTree TV trials are being conducted in early fiscal 2013 at two MSOs with a potential reachable market of 25 million users. The cumulative total of all distribution channels will bring an addressable market of over 90 million users to the Corporation. As operators continue to evolve their set-top box platforms and release new set-top boxes to their subscriber base, GameTree TV is expected to gain greater traction and momentum, based on the groundwork laid over the last two years since GameTree TV was first announced. With this continued success through existing MSOs and successful deployments through these new relationships management has set a modest goal of just 1,000,000 users with $2.50 monthly ARPU, which would drive $2.5 million in monthly revenue or more than $30 million annually.

As already mentioned previously TransGaming is also situated to gain faster adoption of GameTree TV with service providers as a result of its announcement earlier this year that it would support set-top boxes based on the MIPS® architecture from MIPS Technologies.

GameTree Mac

In June 2008, in an effort to supplement traditional Mac video game retail distribution, TransGaming launched its own digital distribution portal, www.gametreeonline.com (now called www.gametreemac.com) with only a handful of titles. As of August 2012, GameTree Mac has over 119,000 registered users (48% year over year increase) and features over 150 compelling Mac games (90 in 2011). As digital distribution becomes increasingly pervasive, GameTree Mac allows Mac computer users to access and download some of the industry's biggest franchises as mentioned above. The Corporation charges publishers 20% to 35% of the retail price of a game for distribution through GameTree Mac. In addition to availing Mac games enabled by the Corporation's Cider product, GameTree Mac also provides consumers with an assortment of third-party developed Mac games (provided they meet certain quality standards).

In January 2011, Apple launched its Mac App Store as a software update for any Mac running the most recent Mac OS X. The Mac App Store serves as an additional distribution channel for Mac games and will provide the Corporation with increased revenues, due to the Corporation's back-end revenue share business model on a per unit sold basis. The Mac App Store also serves as evidence that retail packaged goods distribution is declining quickly and that digital sales and distribution has become prevalent as the preferred vehicle for access to content. A number of TransGaming's titles are distributed through the Mac App Store and, in some cases, TransGaming has obtained full distribution rights with some of its publishing partners. For example, TransGaming is the distributor of all Disney Mac titles on the Mac App Store and other digital channels.

Through both the enablement of games, as well as the distribution of titles, TransGaming is building out a Mac gaming ecosystem that allows the Corporation to participate in multiple facets of the value proposition. As a result, TransGaming enjoys multiple revenue streams through a single upfront investment in a particular title and enjoys gross margins of up to 60% for titles it enables for Mac and digitally distributes. GameTree Mac also serves as a beneficial distribution vehicle for publishers since it allows the sale of back-catalogue games. Management believes that the combination of AAA and AA titles available and the exclusive availability of high quality back-catalogue content positions GameTree Mac as the premier site for Mac games.

For the twelve months ending May 31, 2012, GameTree Mac contributed 26% of TransGaming's revenue (23% in 2011). While GameTree Mac revenue increased, its share of total revenue declined. TransGaming's agreements with publishers provide for royalties to be paid to them based on unit sales of GameTree Mac's digital downloads. The Corporation records the gross revenue as a retail sale and remits the royalty directly to the publisher recording it as a cost of sale. The gross margins on GameTree Mac sales averaged 18% in 2012 after royalties and other direct expenses.

Studio Division

In fiscal 2009, TransGaming introduced a new operating unit focused on the development of original video games. For the twelve months ending May 31, 2012, this segment accounted for 2% of the Corporation's revenues (6% in 2011). Initially, the Corporation released a licensed title, Puzzle Quest, on the iPhone and sold almost 80,000 units in the App Store since then, generating revenue in excess of $365,000. In January 2011, Garage Inc., an original title developed by the Corporation's Studio division, was launched. Garage Inc. is a cross-platform game available on PC, Mac, iPhone, iPad, and TransGaming's GameTree TV platform. The iPhone version was developed under an agreement with Breakthrough Entertainment Inc., with the non-recurring development revenue included in the first two quarters of 2011. The Corporation then enabled the game for release on additional platforms and generates a recurring revenue share for units sold on all platforms. To date Garage Inc. has over 500,000 units downloaded, including free versions.

Following the close of the iTV acquisition, management focused the Studio division on the creation of content for GameTree TV, based on the franchises acquired. The first title under development is an exclusive World Poker Tour® (WPT®) game for Smart TV that is expected to launch on a number of platforms by October 2012.

GROWTH STRATEGY AND OBJECTIVES

TransGaming began as a company focused purely on technology that allows games developed for the PC platform to be deployed across alternate platforms. The Corporation has evolved considerably since then and today has moved aggressively into digital distribution and is striving to become a media company. TransGaming's technologies are still a key element for the Corporation, but these technologies are now being used as "enablers" that ultimately give TransGaming competitive differentiation as both a digital distribution and media company.

TransGaming is continuing to invest in its various segments and has clearly defined objectives for its products and business units. The Corporation's key milestones for the upcoming fiscal year are outlined in the table below.

Milestone	Time Period	Anticipated Cost
Release new subscription only GameTree TV user interface	Late fall 2012	$ 150,000
Serve 700,000 users with monthly ARPU of $2/mth	May 2013	$ 500,000
License top game brands to curate GameTree TV content	Ongoing	$ 500,000
Build five new games for GameTree TV utilizing acquired brands	Ongoing	$ 400,000
Release GameTree TV 2.0 with a revised content strategy	Late Spring 2013	$ 500,000
Enable a select number of top tier titles using Cider License SwiftShader to global customers	Ongoing	$ 100,000
License SwiftShader to global customers	Ongoing	$ 100,000

Research and Development

TransGaming's research and development activities are focused on the development of core enablement technologies for Mac and Linux-based operating systems. Due to the ongoing changes in technology used to develop video games, TransGaming must continually invest in research and development to keep pace with these ongoing industry developments. This allows TransGaming's technologies to stay current and relevant while also ensuring that modern day games can be simultaneously released on multiple platforms. The Corporation's R&D activities have now been extended to supporting its GameTree TV platform as well. Initiatives such as gesture support for GameTree TV and the development of longer-term strategic features and capabilities will be part of the research and development team's focus.

From inception through May 31, 2012, TransGaming has invested about $11.7 million (before credits and recoveries) in research and development, including $1.2 million in the year ended May 31, 2012. The Corporation's research and development expenses consist primarily of salaries and related personnel expenses, software and other materials, which are utilized in the engineering departments, including the research and development process. There were 10 people on TransGaming's research and development team as at May 31, 2012.

Sales and Marketing

In its most recent fiscal year, management made a concerted effort to increase TransGaming's emphasis on sales and marketing. These two functions were separated in the fourth quarter of fiscal 2011 when the Corporation established a dedicated marketing department and also retained the global public relations agency, Lewis PR. The Corporation's marketing department is responsible for all public relations, event management, messaging activities, branding, and the general promotion of TransGaming, its business units and the products TransGaming offers.

TransGaming's marketing department has been focused on increasing the Corporation's profile and awareness with various audiences through greater presence at events through sponsorships, booth presence, speaking engagements, advertising campaigns in industry media, articles and stories about the Corporation in trade publications, executive commentary in mainstream media related to high profile events or changes in the industry. All of these activities have elevated TransGaming's profile, visibility, and reputation in the games industry, as well as created awareness outside the games sector.

The Corporation's marketing department is also actively engaged in the promotion of TransGaming's various products with the objective of increasing product visibility, consumer adoption, engagement, and ultimately increased revenue. For example, with GameTree TV, the marketing department has actively been working with Free's marketing team to include GameTree TV ads in Free's monthly newsletter, the creation of marketing collateral (images, videos, executive testimonials) for the Free website(s), social media outreach, and eventually will collaborate with Free in highlighting GameTree TV in Free's television and physical outdoor/billboard advertising.

The Corporation employs a business development team that targets senior decision makers at the technical, operational and management level with MSOs or OEMs in order to develop prospects for future GameTree TV deployments. In addition, TransGaming leverages its relationships with technology companies like Intel Corporation from where a substantial number of leads are generated. Intel frequently partners with TransGaming on sales meetings to increase the prospects for both companies to win a particular MSO or OEM deal. The revenue share business model coupled with how effectively GameTree TV demonstrates the power of the Intel System-on-Chip (SoC) makes this collaboration fruitful for Intel. In all cases, TransGaming negotiates a distribution agreement directly with the MSO or OEM.

The Corporation’s sales and marketing expenses for the 2012 fiscal year ended May 31 were $775,984.

Intellectual Property

TransGaming has developed technology that provides portable implementations of application programming interfaces (APIs) across multiple target hardware and operating system platforms. TransGaming develops these programming interfaces by forward engineering from publicly available sources and published documentation from Microsoft and other system developers, and by observing the behavior of applications that make use of these APIs.

TransGaming's core intellectual property (IP) rights are maintained vigorously through copyright laws and trade secrets. In particular, the Company’s enablement technology is protected by registered copyright in Canada under registration number 1018993 dated March 10, 2004. TransGaming also holds Canadian and U.S. patents for General Purpose Software Parallel Task Engine (SwiftShader) that is also still patent pending in Europe. TransGaming reviews its portfolio of technologies regularly and may pursue patent protection on other products, if applicable and as necessary, at some point in the future. The bulk of TransGaming's technology is made available to customers only under restrictive software licenses that prohibit misappropriation or unauthorized commercial use. All TransGaming employees and contractors are subject to both confidentiality and copyright assignment clauses in their employment agreements, and TransGaming makes use of encryption and network security technologies to ensure that the trade secrets of TransGaming's technology are appropriately protected, and that access is restricted only to TransGaming's development team.

TransGaming has established common law rights in a variety of trademarks and service marks. Through their continued use, these marks such as TRANSGAMING™, SWIFTSHADER™, SWIFTASM™, GAMETREEMAC™, GAMETREEONLINE™ and GAMETREE TV™ will continue to build even more goodwill. TransGaming has filed for trademark registrations for TransGaming and GameTree, including their respective logos.

TransGaming is the owner of a number of Internet domain names, including www.transgaming.com, www.transgaming.ca, www.transgaming.org, www.transgaming.net, www.cedega.com, www.cedega.ca, www.cedega.org, www.cedega.net, www.swiftshader.com, www.swiftshader.org, www.swiftshader.net, www.swiftasm.com, www.swiftasm.org, www.swiftasm.net, gametreeonline.com, gametreemac.com, gametreetv.com, gametree.tv, and mygametree.com.

Employees

As at May 31, 2012, TransGaming's workforce was 73 full-time employees and 12 contractors, in the following areas: 11 in an engineering function, 58 in operations and product development, 6 in sales and marketing, and 10 in general and administrative. The net additions this past year were most notably from the acquisition of the iTV division, which brought in 26 new people – 18 in the Corporation's new Tel Aviv, Israel office and 8 in Kiev, Ukraine.

Competition

TransGaming's competition is varied and both direct and indirect, given the increased complexity of the electronic entertainment industry. The competitive landscape can be best reviewed by highlighting the Corporation's individual key products: Cider, GameTree Mac, and GameTree TV.

Within the games industry, TransGaming has demonstrated that its Cider product is unique and that no other company possesses equivalent technology that "enables" PC games in as seamless a manner. However, the competition for Cider can be categorized as follows: i) brute force development, ii) multi-platform game engines, and iii) ignore the Mac market attitudes. With brute force development, developers rewrite or repurpose the PC game for the Mac platform. This type of development activity is both expensive and time consuming and often results in massive delays to market of the Mac version of the game. With the brute force development approach, developers are also required to maintain multiple source code bases, which becomes a complex task in an era where games are no longer static and continually evolve and are constantly being updated. As games become increasingly complex, Management believes that brute force development becomes less sustainable due to the increased expense; reduced margins that result from falling retail prices, and the sheer number of devices that developers are required to support.

The second competitive threat to Cider is the rise of multi-platform game engines. These "engines" allow developers to use a core foundation of technology that their games are built on and the engine provides a level of flexibility that allows the developer to target multiple platforms simultaneously. With the use of an engine, a developer needs to think about multi-platform development from the "ground-up" at the beginning stages of game development and there is an incremental level of development required to then support multiple platforms which means that there are additional overall costs and time investment in the development of a game. Management believes that while there are a variety of game engines available in the market place, there are very few that effectively support the Mac platform for triple A content with most of these engines more applicable to lower-end or casual games. Game engines such as Unity have gained wide-scale market adoption in the last few years, but the majority of Unity based games are of a casual nature. Triple A game engines such as "Unreal" do not have effective support for the Mac currently and can be quite cost prohibitive based on their licensing model.

The final competitive threat is the "do nothing" attitude given that the Mac market is still emerging. Over the last few years, more emphasis has been placed on console based titles where publishers are generating the majority of their revenue. Less PC development of games has been undertaken and, in many cases, the PC versions of triple A games have been ports from the Xbox 360 code base. This means that the PC specs are relatively high and the Mac performance is still not at parity with high-end PC specifications. As a result, many developers and publishers choose not to pursue the Mac market since they deem the opportunity to be negligible when compared with the console market.

For GameTree Mac, there are a variety of digital distribution competitors that range from MacGamesArcade, Steam, and the Apple Mac App Store. All of the digital distribution competitors carry a mixed portfolio of games without focusing on any particular demographic. With the release of the Mac App Store in January of 2011, Apple became the largest and most threatening competitor to GameTree Mac. However, Apple has imposed a variety of restrictions and procedures for all the content being distributed on the Mac App Store that has resulted in a large number of triple A games and Massive Multiplayer Online Games from being precluded from distribution. It should also be noted that while all of these companies are competitive against GameTree Mac, they are also partners for the distribution of Cider enabled games.

GameTree TV competitors are diversified and comprised of companies that provide video games to consumers through a variety of mechanisms and channels. The most common method of delivery of games is "streaming" of content. With streaming, a game is running on a high-end server within a data centre and the video feed of that game is being transmitted across the Internet to a device capable of decoding the video stream. Streaming allows games to become device agnostic which means that a PC game running on a server within the data centre can now be played on various devices.

One company that offered technology to enable streaming is Gaikai. In June 2012 Sony announced that it had acquired Gaikai and its cloud gaming capabilities for $380 million to more easily distribute content from the cloud. The Gaikai acquisition underscores the value the marketplace puts on broad access to content and, more specifically, the valuation opportunities for "cloud gaming" companies, which TransGaming has become with GameTree TV. With years of investment in game enablement and GameTree TV, TransGaming is well positioned to deliver exclusive content to a global audience in the coming months.

There are a number of companies that are competitive to TransGaming's GameTree TV product and they include PlayJam, Playcast Media Systems™, G-Cluster, and, indirectly, OnLive. Interestingly, OnLive had raised an estimated $300 million in venture capital in the last few years but on August 17, 2012 the company entered into an "Assignment for the Benefit of Creditors" as a means of avoiding bankruptcy.

GameTree TV's other competitors also include the historical legacy of gaming devices where users can play video games: consoles, PCs, handheld devices, etc. where end-users can play games. The gaming market is broad and game developers and publishers are targeting many different platforms to maximize their revenue opportunity with their content.

The following table outlines management's assessment of the competitive landscape for GameTree TV. TransGaming has developed GameTree TV as a complete "solution" as opposed to a technology such as "streaming". The table outlines the many attributes of GameTree TV that make it a viable and highly desired solution for operators and CE device makers alike.

	OnLive	G-cluster Global	GAIKAI	Playcast	PlayJam	gametree TV by TransGaming
Streaming AND Download	✗	✗	✗	✗	✗	✓
Easy Content Discovery and Friendly UX	✓	✗	✗	✗	✗	✓
Branded Content	✓	✓	✓	✓	✗	✓
Well Defined Target Demographic	✗	✗	✗	✗	✗	✓
Service Provider Friendly	✗	✓	✓	✓	✗	✓
Over The Top (OTT) Friendly	✓	✓	✓	✗	✓	✓
Built from the ground-up for Smart TV	✗	✗	✗	✗	✗	✓
Deep Digital Distribution Experience	✗	✗	✗	✗	✗	✓
Fast Content Deployment	✗	✗	✗	✗	✗	✓

Facilities

TransGaming is headquartered in Toronto, Canada and maintains a research and development center in Ottawa, Canada. The Corporation established a Digital Home office in Atlanta, USA, which is focused on development efforts for GameTree TV. It also has offices in Tel Aviv, Israel and Kiev, Ukraine, home for the employees hired as part of the Oberon iTV and Connected TV acquisition that are now integrated into the Corporation's Digital Home division. All offices are leased for a specified term with renewal options.

RISK FACTORS

TransGaming may cease to continue in its current capacity if it is unsuccessful in increasing revenues and/or raising additional funding.

While TransGaming's consolidated financial statements for the year ended May 31, 2012 have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations, its ability to continue as a going concern is dependent on the successful execution of the Corporation's business plan. This plan includes an increase in revenue and, possibly, additional financing. TransGaming disclosed in its consolidated financial statements for the year ended May 31, 2012 that there are uncertainties that may cast significant doubt on its ability to continue as a going concern.

TransGaming has been operating based on its internal budgets and business plan and has made a substantial investment in building its GameTree TV platform. These investments are as expected as are the associated sustained losses and negative cash flows from operations. There can be no assurances TransGaming will achieve profitability or positive cash flows or be able to obtain additional funding or that, if obtained, they will be sufficient, or whether any other initiatives will be successful, such that the Corporation may continue as a going concern. TransGaming's need to raise capital in order to fund its operations may be adversely impacted by: unfavourable economic conditions, warrant holders not exercising warrants before they expire, a lack of normally available financing, the lack of growth in sales to the Corporation's customers, or the market adoption of GameTree TV. The outcome of these matters cannot be predicted at this time. These and other material uncertainties as set out herein may cast significant doubt upon the Corporation's ability to continue as a going concern.

Uncertainty of future financing

In order to meet liquidity requirements and meet debt covenants, TransGaming may consider collaborative research and development arrangements, and additional public or private financing to fund all or a part of particular programs. Private financing could include the incurrence of additional debt and the issuance of additional equity securities, which could result in dilution to shareholders. There can be no assurance that additional funding will be available or, if available, that it will be available on acceptable terms. If adequate funds are not available, TransGaming may have to substantially reduce or eliminate expenditures for research and development, testing, production and marketing of its products, or obtain funds through arrangements with corporate partners including the sale of some of its intellectual property. There can be no assurance that TransGaming will be able to raise additional capital if its capital resources are exhausted.

TransGaming's share price may be volatile

Factors such as global economic uncertainty, announcements of technological innovation or the introduction of new products by the Corporation or its competitors, actual or anticipated fluctuations in the Corporation's operating results, changes in estimates of the Corporation's future operating results by securities analysts or developments with respect to proprietary rights may have a significant impact on the market price of the Common Shares. These market fluctuations may materially adversely affect the market price of the Common Shares. In addition, the market price of the Common Shares may be susceptible to volatility given the relatively low historic trading volumes of the Common Shares compared to that of many public companies.

TransGaming has no history of profits

TransGaming has not earned profits to date, and there is no assurance that it will earn profits in the future, or that profitability, if achieved, will be sustained. A significant portion of TransGaming's financial resources have been, and will continue to be, directed to the development of its middleware enablement business, expansion of its distribution network and marketing activities. The success of TransGaming will ultimately depend on its ability to generate revenues from its middleware enablement business, such that revenues from operations instead of external financing may finance the business development and marketing activities. The development and marketing of middleware enablement products requires significant financial resources, and there is no assurance that future revenues will be sufficient to generate the funds required to continue TransGaming's business development and marketing activities.

TransGaming's results may differ significantly from those projected in any forward-looking statements

Certain statements in this AIF constitute forward-looking statements. Other written or oral forward-looking statements have been made and may in the future be made, from time to time, by or on behalf of TransGaming. Forward-looking statements are statements that are not historical facts, and include financial projections and estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to future operations, products and services; the impact of regulatory initiatives on TransGaming's operations; TransGaming's share of new and existing markets; general industry and macroeconomic growth rates and TransGaming's performance relative to them and statements regarding future performance. Forward-looking statements generally are identified by the words “expects,” “anticipates,” “believes,” “intends,” “estimates,” “projects” and similar expressions, or that events or conditions “will,” “may,” “could” or “should” occur.

TransGaming is subject to significant risks and any past performance is no guarantee of future performance. TransGaming cannot predict all of the risk factors, nor can it assess the impact, if any, of such risk factors on TransGaming's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results. This AIF offers a brief overview of some of the risk factors to be considered in relation to TransGaming’s business. This list may not be exhaustive, as TransGaming operates in a rapidly changing business and research environment, and new risk factors emerge from time to time.

The Corporation disclaims any intention or obligation to update or revise these forward-looking statements, as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

If TransGaming’s efforts to attract and retain subscribers are not successful, its business will be adversely affected

TransGaming’s ability to continue to attract subscribers will depend in part on its ability to consistently provide subscribers with a valuable and quality gaming experience. Furthermore, the relative service levels, content offerings, pricing and related features of competitors to its services may adversely impact its ability to attract and retain subscribers. Competitors include PlayJam, Playcast Media Systems™, G-Cluster, indirectly, OnLive, GoogleTV, and in the future, possibly Apple TV. If consumers do not perceive TransGaming’s service offerings to be of value, or if it introduces new or adjusts existing services that are not favorably received by them, the Corporation may not be able to attract subscribers. Subscribers cancel their subscription to TransGaming’s service for many reasons, including a perception that they do not use the service sufficiently, the need to cut household expenses, availability of content is limited, competitive services provide a better value or experience and customer service issues are not satisfactorily resolved. TransGaming must continually add new subscribers both to replace subscribers who cancel and to grow its business beyond the current subscriber base. If too many of its subscribers cancel their service, or if it is unable to attract new subscribers in numbers sufficient to grow its business, TransGaming’s operating results will be adversely affected. If the Corporation is unable to successfully compete with current and new competitors in both retaining existing subscribers and attracting new subscribers, its business will be adversely affected.

If TransGaming is unable to compete effectively, its business will be adversely affected

The market for gaming is intensely competitive and subject to rapid change. New technologies and evolving business models for delivery of entertainment video continue to develop at a fast pace. The growth of Internet-connected devices, including TVs, computers and mobile devices has increased the consumer acceptance of Internet delivery of games. Through these new and existing distribution channels, consumers are afforded various means for consuming games. The various economic models underlying these differing means of game delivery include playing for free with in game purchases (know in the industry as “Fremium”). All of these have the potential to capture meaningful segments of the entertainment video market. Several competitors have longer operating histories, larger customer bases, greater brand recognition and significantly greater financial, marketing and other resources than TransGaming does. They may secure better terms from suppliers, adopt more aggressive pricing and devote more resources to technology, fulfillment, and marketing. New entrants may enter the market with unique service offerings or approaches to providing gaming content and other companies also may enter into business combinations or alliances that strengthen their competitive positions. If the Corporation is unable to successfully or profitably compete with current and new competitors, programs and technologies, its business will be adversely affected, and it may not be able to increase or maintain market share, revenues or profitability.

If TransGaming’s efforts to build strong brand identity and improve subscriber satisfaction and loyalty are not successful, it may not be able to attract or retain subscribers, and its operating results may be adversely affected.

The Corporation must continue to build and maintain strong brand identity. TransGaming believes that strong brand identity will be important in attracting subscribers who may have a number of choices from which to satisfy their gaming needs. If its efforts to promote and maintain brand are not successful, its operating results and ability to attract subscribers may be adversely affected. From time to time, TransGaming’s subscribers express dissatisfaction with its service, including among other things, title availability, package allocation, delivery processing and service interruptions. To the extent dissatisfaction with its service is widespread or not adequately addressed, TransGaming’s brand may be adversely impacted and its ability to attract and retain subscribers may be adversely affected.

TransGaming's market is subject to rapid technological change, and if it does not adapt to, and appropriately allocate new resources among, emerging technologies, its revenues would be negatively affected

Technology changes rapidly in the interactive entertainment industry. TransGaming must continually anticipate and adapt its products to emerging technologies in order to keep such products competitive. When TransGaming chooses to incorporate a new technology into a product or service or to develop a product or service for a new platform, operating system or media format, it is often required to make a substantial investment prior to the introduction of the product or service. If TransGaming invests in the development of video games incorporating a new technology or for a new platform that does not achieve significant commercial success, its revenues from those products likely will be lower than anticipated and may not cover development costs. Further, the Corporation's competitors may adapt to an emerging technology more quickly or effectively than it does, creating products or services that are technologically superior to TransGaming's, more appealing to consumers, or both. If, on the other hand, TransGaming elects not to pursue the development of products or services incorporating a new technology or for new platforms that achieve significant commercial success, its revenues would also be adversely affected, and it may take significant time and resources to shift product development resources to that technology or platform. Any failure to successfully adapt to, and appropriately allocate resources among, emerging technologies would harm TransGaming's competitive position, reduce its share and significantly increase the time it takes to bring popular products or services to market.

Competition within, and to, the interactive entertainment industry is intense, and competitors may succeed in reducing TransGaming's sales

TransGaming competes with other publishers of PC and video game console interactive entertainment software. Those competitors vary in size from small companies with limited resources to very large corporations with significantly greater financial, marketing, and product development resources than TransGaming has. For example, integrated video game console hardware and software companies such as Sony, Nintendo and Microsoft compete directly with TransGaming in the development of software titles for their respective platforms. The Corporations' competitors may spend more money and time on developing and testing products, undertake more extensive marketing campaigns, adopt more aggressive pricing policies, pay higher fees to licensors for desirable motion picture, television, sports, music and character properties, pay more to third-party software developers, or otherwise develop more commercially successful products for the PC or video game platforms than TransGaming does. In addition, competitors with large product lines and popular titles typically have greater leverage with retailers, distributors, and other customers who may be willing to promote titles with less consumer appeal in return for access to those competitors' more popular titles.

TransGaming also competes with other forms of interactive entertainment, such as casual games like iPhone applications and other mobile phone games, and games developed for use by consumers on the iPad or social networking sites, most of which are currently free to play. Increased consumer acceptance and availability of such games or other online games, or technological advances in online game software or the Internet could negatively impact sales of its Smart TV-based service.

Additionally, TransGaming competes with other forms of entertainment and leisure activities. For example, the overall growth in the use of the Internet and online services such as social networking sites by consumers may pose a competitive threat if customers and potential customers spend less of their available time using interactive entertainment software and more using the Internet, including those online services.

Reliance on strategic partnerships

TransGaming places heavy reliance on a number of strategic relationships including the relationship currently in place involving Intel Corporation and Free, its first GameTree TV managed service operator. If either party fails to perform as expected, anticipated revenues could be severely curbed.

TransGaming's success is dependent upon Intel Corporation's ability to sell its new chipset to the digital home marketplace. TransGaming has successfully commercialized its Linux and Mac technologies and has moved aggressively to build out its platform for new Intel-based connected consumer electronics devices. TransGaming is reasonably confident that its platform for these next generation devices is viable and that it can build out the necessary infrastructure to aggregate, provision and distribute content. TransGaming is particularly reliant on Intel to sell its chipset to equipment manufacturers and to partner with managed service operators to adopt the Intel chipset in its subscriber ecosystem.

The future revenue growth of TransGaming will depend in large part on its ability to successfully expand its network of distributors, resellers and, its ability to enter into additional strategic alliances with major players in the interactive entertainment industry. TransGaming may not be able to successfully manage the expansion of such relationships. If TransGaming is unable to attract such distributors, resellers and strategic partners, it may not be able to increase its revenues to the extent necessary to achieve profitability. Even if TransGaming is successful in expanding its network of distributors, resellers and strategic partners, the expansion may not result in revenue growth.

New market entrants increase competition

Competition for consumer dollars for interactive entertainment will increase with the advent of Google TV and the next generation of Apple TV. Familiarity with these two global brands, complemented by a cost advantage passed on to consumers may make it difficult to for TransGaming to maintain its lead in the marketplace. TransGaming's customers may also choose to use companies that provide streamed video games.

Industry consolidation continues as companies attempt to strengthen/hold their market positions or continue operations in an evolving industry. Some of TransGaming's competitors may make acquisitions or strategic alliances designed to position them with the ability to provide end-to-end technology solutions. TransGaming believes that industry consolidation may result in stronger competitors that are better able to compete as sole-source vendors for customers. This could lead to more variability in TransGaming's operating results and have an adverse effect on its financial condition.

Industry consolidation may lead to increased competition and may harm TransGaming's operating results

There has been a trend toward industry consolidation in some of TransGaming's markets. TransGaming expects this trend to continue as companies attempt to strengthen or hold their market positions in an evolving industry and as companies are acquired or are unable to continue operations. For example, some of TransGaming's current and potential competitors may make acquisitions or announce new strategic alliances designed to position them with the ability to provide end-to-end technology competing with that of TransGaming. Companies that are strategic alliance partners in some areas of TransGaming's business may acquire or form alliances with TransGaming's competitors, thereby reducing their business with TransGaming. TransGaming believes that industry consolidation may result in stronger competitors that are better able to compete as sole-source vendors for customers. This could lead to more variability in TransGaming's operating results and could have a material adverse effect on TransGaming's business, operating results, and financial condition.

Ability to innovate

Rapidly changing technology, evolving industry standards, new product introductions, and evolving methods of building and operating networks characterize the markets for TransGaming's products. TransGaming's operating results depend on its ability to develop and introduce new products into existing and emerging markets. The success of new products depends on several factors, including proper new product definition, component costs, timely completion and introduction of these products, differentiation of new products from those of TransGaming's competitors, and market acceptance of these products. There can be no assurance that TransGaming will successfully identify new product opportunities, develop and bring new products to market in a timely manner, or achieve market acceptance of TransGaming's products or that products and technologies developed by others will not render TransGaming's products or technologies obsolete or non-competitive.

Managing new business models

TransGaming has launched a new product in a new geographic area. The product has no previous history, nor does the Corporation have experience in operating within that market place. Managing a new business model may prove to have a number of unforeseen risks given the difference to the current operating environment and political climates.

There is also no guarantee that TransGaming will meet the business objectives or milestones described herein. Any or all of these risks, or other as yet unidentified risks, may have a significant material adverse effect on the Corporation.

TransGaming's ability to expand its network of distributors, cable and telecommunications service operators, content providers and other strategic relationships

The future revenue growth of TransGaming will depend in large part on its ability to successfully expand its network of distributors and its ability to enter into additional strategic alliances with managed service operators in the cable and telecommunications and video game industry. TransGaming may not be able to successfully manage the expansion of such relationships. If TransGaming is unable to attract such distributors, resellers and strategic partners, it may not be able to increase its revenues to the extent necessary to achieve profitability. Even if TransGaming is successful in expanding its network of distributors, resellers and strategic partners, the expansion may not result in revenue growth.

The video game platforms TransGaming services are still nascent

The video games platforms TransGaming seeks to dominate are Apple's Intel Macintosh computers (Cider) and devices equipped with Intel CE Media Processors (GameTree TV). Both are still nascent markets for video games. There is evidence that the demand for Mac computers is large and growing, but it is not clear yet that the related market for Mac-based video games will grow at the same rate. The extent of the demand for a video game service like GameTree TV is also unknown. The market size for the TransGaming's products and services depends significantly on the appetite of video game consumers for these platforms.

Decisions about the scope of operations of TransGaming's business lines could affect TransGaming's results of operations and financial condition

Changes in the business environment could lead to changes in TransGaming's decisions about the scope of operations of TransGaming's business, and these changes could result in restructuring and asset impairment charges. Factors that could cause actual results to differ materially from TransGaming's expectations with regard to changing the scope of TransGaming's operations include timing and execution of plans and programs, future divestitures, new business initiatives and changes in product roadmap and development, changes in employment levels and turnover rates, changes in product demand and the business environment, changes in the fair value of certain long-lived assets, and any significant increase in TransGaming's future effective tax rates could reduce net income for future periods.

TransGaming may engage in unsuccessful acquisitions or divestitures

Acquisitions of complementary businesses and technologies, development of strategic alliances and divestitures of portions of TransGaming's business are a part of TransGaming's overall business strategy. Services, technologies, key personnel or businesses of acquired companies may not be effectively assimilated into TransGaming's business or service offerings and TransGaming's alliances may not be successful. TransGaming may not be able to successfully complete any divestitures on satisfactory terms, if at all. Divestitures may result in a reduction in TransGaming's total revenues and net income.

Changes in technology could decrease cable services usage

Improvements in the quality of streaming video over the Internet coupled with increasing availability of television shows and movies on the Internet increases competition to cable television systems. If changes in technology are made to any alternative broadcasting distribution system, a decrease in cable service usage may occur resulting in a decrease in the overall potential market size for GameTree TV.

System failure

Because network and information systems and other technologies are critical to many of TransGaming's operating activities, network or information system shutdowns or service disruptions caused by events such as computer hacking, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as, power outages, natural disasters, impairments to satellite systems used to transmit programming, terrorist attacks and similar events, pose increasing risks. Such an event could have an adverse impact on TransGaming and its customers, including degradation of service, service disruption and damage to equipment and data. Significant incidents could result in a disruption of TransGaming's operations, customer dissatisfaction, or a loss of customers or revenues. Furthermore, the operating activities of TransGaming's various businesses could be subject to risks caused by misappropriation, misuse, leakage, falsification and accidental release or loss of information maintained in the information technology systems and networks of TransGaming and third party vendors, including personnel, customer and vendor data. TransGaming could be exposed to significant costs if such risks were to materialize, and such events could damage the reputation and credibility of TransGaming and its businesses and have a negative impact on its revenues. TransGaming also could be required to expend significant capital and other resources to remedy any such security breach or to repair or replace networks or information systems.

TransGaming’s could be unable to develop or acquire advanced encryption technology to prevent unauthorized access to GameTree TV games

There can be no assurance that TransGaming’s will be able to effectively prevent unauthorized decryption in the future. If TransGaming is unable to control access with encryption technologies, subscription levels and the size of the potential market for GameTree TV may decline, resulting in potential drops in revenues.

TransGaming may be exposed to claims of infringement of proprietary rights of others

The technology industry has been the subject of substantial litigation involving the manufacture, use and sale of new products that are the subject of conflicting proprietary rights. As a result, there is a substantial risk that TransGaming, or one or more of its licensors, may become subject to litigation alleging that the products or technologies of TransGaming or its licensors infringe on the proprietary rights of third parties. Whether or not the products or technologies infringe on the proprietary rights of third parties, TransGaming or such licensors could incur significant expenses in defending allegations of infringement of proprietary rights. Further, TransGaming or such licensors may be required to modify their products or obtain licenses for intellectual property rights as a result of any alleged proprietary infringement. TransGaming or such licensors may not be able to modify their products or obtain licenses on commercially reasonable terms, in a timely manner, or at all, any of which could adversely affect TransGaming’s business.

TransGaming may not be able to protect its intellectual property rights

The success of TransGaming is dependent not only on its ability to protect its intellectual property rights, but also upon the protection of rights of third parties from which it may license intellectual property rights. Other than as described herein, TransGaming does not hold any patent rights with respect to its intellectual property. In addition, TransGaming relies upon certain other technologies, ideas, know how, secrets or other information, which it may not be able to protect. Notwithstanding precautions TransGaming may take to protect its rights, third parties may copy or obtain and use TransGaming's proprietary and licensed or optioned technologies, ideas, know how, secrets and other proprietary information without authorization or independently develop technologies similar or superior to TransGaming's proprietary and licensed or optioned technologies. TransGaming enters into confidentiality and restriction on use agreements with its employees, strategic partners and others; however, these agreements may not provide meaningful protection of TransGaming's proprietary and licensed or optioned technologies or other intellectual property in the event of unauthorized use or disclosure. Policing unauthorized use of such technologies and intellectual property is extremely difficult, and the cost of enforcing TransGaming's rights through litigation may be prohibitive. Further, the laws of jurisdictions other than Canada and the United States may not provide meaningful protection of the intellectual property rights of TransGaming and such third parties. Further, TransGaming's software products contain open source software components that are licensed to TransGaming. While TransGaming believes it has complied with its obligations under the various applicable licenses for open source software that it uses, there is little or no legal precedent governing the interpretation of many of the terms of certain of these licenses and therefore the potential impact of such terms on TransGaming's business is somewhat unknown. Use of open source standards also may make TransGaming more vulnerable to competition because the public availability of open source software could make it easier for new market entrants and existing competitors to introduce similar competing products quickly and cheaply. In addition, from time to time there have been claims challenging the ownership of open source software against companies that incorporate open source software into their products. TransGaming uses a limited amount of open source software in its products and may use more open source software in the future. As a result, TransGaming could be subject to suits by parties claiming ownership of what TransGaming believes to be open source software. Any of this litigation could be costly for TransGaming to defend, have a negative effect on TransGaming's results of operations and financial condition or require TransGaming to devote additional research and development resources to change its products.

TransGaming may be subject to intellectual property theft or misuse, which could result in third-party claims and harm TransGaming's business and results of operations

TransGaming regularly faces attempts by others to gain unauthorized access through the Internet to TransGaming's information technology systems by, for example, masquerading as authorized users or surreptitious introduction of software. These attempts, which might be the result of industrial or other espionage, or actions by hackers seeking to harm TransGaming, its products, or end users, are sometimes successful. TransGaming seeks to detect and investigate security incidents and to prevent their recurrence, but in some cases TransGaming might be unaware of an incident or its magnitude and effects. The theft and/or unauthorized use or publication of TransGaming's trade secrets and other confidential business information as a result of such an incident could adversely affect TransGaming's competitive position and reduce marketplace acceptance of TransGaming's products; the value of TransGaming's investment in research and development, product development, and marketing could be reduced; and third parties might assert against TransGaming and/or its customers claims related to resulting losses of confidential or proprietary information or end-user data and/or system reliability. TransGaming's business could be subject to significant disruption, and TransGaming could suffer monetary and other losses, including the cost of product recalls and returns and reputational harm, in the event of such incidents and claims.

TransGaming's success is dependent on key personnel

TransGaming's success depends substantially on its directors, officers and senior engineers. If TransGaming should lose the services of any of these key individuals, the ability of TransGaming to implement its business plan could be severely curtailed or delayed. TransGaming currently carries key man insurance only on its President, Chief Executive Officer and Founder, Chief Technology Officer.

TransGaming's directors serve as directors and officers of similar companies

Some of the directors of TransGaming will not be devoting all of their time to the affairs of TransGaming, but will be devoting such time as required to effectively manage TransGaming. Some of the directors of TransGaming serve as directors or officers of other companies or have shareholdings in other companies and, to the extent that such other companies may participate in ventures in which TransGaming may participate, conflicts of interest may arise which may be harmful to the interests of TransGaming. In the event that such a conflict of interest arises at a meeting of the directors of TransGaming, a director who has such a conflict is required to advise the Board of his or her conflict, and abstain from voting for or against the approval of the matter before the meeting. In accordance with the corporate laws affecting TransGaming, the directors of TransGaming are required to act honestly, in good faith and in the best interests of TransGaming.

Slow recovery and a double dip recession

The instability in the global markets, including the continuing European economic and financial turmoil related to sovereign debt issues in certain countries, may continue to put downward pressure on economic conditions. In light of this, a slowdown in the interactive entertainment industry may occur. These constraints may limit capital spending by TransGaming's customers, particularly managed service operators, making global expansion slower than anticipated.

Foreign currency risk

Foreign currency risk arises because of fluctuations in foreign currency exchange rates. The Corporation's objective in managing its foreign currency risk is to minimize its net exposure to foreign currency cash flows by matching its foreign-denominated cash balances to the extent practical to US dollar obligations. The Corporation conducts a significant portion of its business activities in foreign countries. The financial assets and financial liabilities that are denominated in foreign currencies are affected by changes in the foreign currency exchange rates between the Canadian dollar and these foreign currencies. If a shift in foreign currency exchange rates of 10% were to occur, the foreign currency exchange gain or loss on the Corporation's net financial assets could be valued at plus or minus $455,300 due to the fluctuation and this would be recorded in the consolidated statement of operations and comprehensive loss.

The Corporation recognized a foreign currency exchange gain in the year ended May 31, 2012 of $362,550 (2011 – loss of $215,893).

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. TransGaming is exposed to credit risk from its customers. To mitigate this risk, TransGaming's process includes the following:

a) obtaining signed contracts with customers;

b) assessing the creditworthiness of customers on an ongoing basis;

c) receiving unit sales progress reports and payments throughout the lives of the contracts; and

d) reviewing the customer aged listing and following up with the customers.

While TransGaming's credit controls and processes have been effective in mitigating credit risk, these controls cannot eliminate credit risk and there can be no assurance that these controls will continue to be effective or that the Corporation's low credit loss experience will continue. Most sales are invoiced with payment terms that range from 30 to 60 days, although TransGaming's largest customers typically are permitted longer terms as studios manage the release schedule and distribution of individual titles.

For the year ended May 31, 2012, TransGaming's three largest customers accounted for 30% of sales (34% for the year ended May 31, 2011). Losses under trade accounts receivable have historically been insignificant. In order to minimize the risk of loss for trade accounts receivable, the Corporation's extension of credit to customers involves review and approval by senior management, as well as, progress payments as contracts are executed. Credit reviews take into account the counterparty's financial position, past experience and other factors. TransGaming's management regularly monitors customers' credit limits. TransGaming believes that the concentration of credit risk from trade accounts receivable is limited, as they are widely distributed among customers in various countries.

TransGaming reviews its trade accounts receivable regularly and reduces amounts to their expected realizable values by making an allowance for doubtful receivables, as soon as the accounts are determined not to be fully collectible. The Corporation's trade accounts receivable had a carrying value of $2,487,678 as at May 31, 2012, representing the maximum exposure to credit risk of those financial assets, excluding the allowance for doubtful accounts (currently $48,696). Approximately 13% of trade accounts receivable ($331,829) was outstanding for more than 90 days as at May 31, 2012, the majority of which was with the Corporation's largest customers. Estimates for the allowance for doubtful accounts are determined by a customer-by-customer evaluation of collectibles at each balance sheet date, taking into account the amounts that are past due and any available relevant information on each customer's liquidity and going concern problems.

TransGaming also has credit risk relating to cash, which it manages by dealing with large chartered Canadian banks. The Corporation's maximum exposure to credit from banks is $1,035,950 (2011 - $4,377,654). As at May 31, 2012, 69% of cash and cash equivalents was held in Canadian chartered banks.

Interest rate risk

Interest rate risk arises because of the fluctuation in interest rates. The Corporation is subject to interest rate risk on its cash. If a shift in interest rates of 10% were to occur, the impact on cash and the related loss for the year would not be material. The Corporation's only debt, the Industrial Research Assistance Program loan, is interest free and, hence, is not subject to interest rate risk.

TransGaming does not anticipate paying dividends in the near future

TransGaming has not paid dividends in the past and does not anticipate paying dividends in the near future. TransGaming expects to retain its earnings to finance further growth.

DIVIDENDS

The Corporation has not paid any dividends. Any future payments of dividends will be at the discretion of the Board and will depend upon the financial condition, capital requirements and earnings of the Corporation, as well as, other factors it may deem relevant. The Corporation's articles do not contain any restrictions on the payments of dividends.

CAPITAL STRUCTURE

General Description of Share Capital

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares without par value. All of the Common Shares rank equally as to dividends, voting powers (one vote per share) and participation in assets upon dissolution or winding-up. No Common Shares have been issued subject to call or assessment. There are no pre-emptive or conversion rights and no provisions for redemption, retraction, purchase for cancellation, surrender or sinking or purchase funds. Provisions as to modifications, amendment or variation of the rights attached to the Common Shares are contained in the CBCA and the Corporation's articles and by-laws.

As at the date hereof, 67,516,750 Common Shares were issued and outstanding as fully paid and non-assessable shares.

Class B Preferred Shares

The Corporation is also authorized to issue an unlimited number of Preferred Shares without nominal or par value, of which, as at the date hereof, none have been issued. The Preferred Shares may be issued in one or more series, and the directors are authorized to fix the number of shares in each series, and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series. The Preferred Shares are entitled to a priority over the Common Shares with respect to the payment of dividends and the distribution of assets upon the liquidation of the Corporation.

Warrants

As of the date hereof, a total of 11,295,885 warrants were outstanding.

On December 23, 2009, the Company completed a private placement and issued a total of 12,731,770 units. Each unit was priced at $0.70 CAD and comprised one common share and one half of one warrant. On November 30, 2011, the Company announced the extension of the expiry date of certain warrants expiring on December 23, 2011, with a carrying value of $2,863,986. The extension of these warrants was subject to warrant holders agreeing by written resolution to the Company's proposed extension of the expiry date by 12 months, with the new expiry date being December 23, 2012. The exercise price of the warrants remained unchanged at $1.00 CAD.

On November 30, 2011, the Corporation completed a private placement and issued a total of 3,000,000 units. Each unit was priced at $0.50 CAD and comprised one common share and one warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.75 CAD at any time on or before the 24-month anniversary of the closing date. In addition, agents received compensation warrants to acquire 180,000 units at a price of $0.50 CAD for a period of 24 months from the closing date to acquire one unit.

On January 6, 2012, TransGaming arranged $3,500,000 CAD in debt financing to fund working capital following the payment of the cash due on closing of the acquisition of assets from Oberon Media, as previously described above. In consideration of the financing, the Corporation issued 1,750,000 common share purchase warrants exercisable at $0.75 CAD, that expire on July 6, 2016, the maturity date of the promissory notes.

MARKET FOR SECURITIES

Trading Price and Volume

The following table sets forth the monthly price ranges and volumes of trading of the Common Shares on the TSXV for the most recent year:

Month	High (CAD)	Low (CAD)	Average Volume
August 2011	0.75	0.62	21,300
September 2011	0.78	0.52	19,800
October 2011	0.65	0.44	14,600
November 2011	0.59	0.36	41,400
December 2011	0.54	0.34	27,800
January 2012	0.55	0.36	41,000
February 2012	0.59	0.41	48,200
March 2012	0.47	0.34	32,900
April 2012	0.45	0.22	64,000

May 2012	0.41	0.19	66,500
June 2012	0.38	0.24	28,600
July 2012	0.32	0.22	31,900

Prior Sales

As mentioned above, on September 24, 2009, the Corporation issued an aggregate of $500,000 USD principal amount of convertible notes to Middlefield Ventures Inc., the lending affiliate of Intel Capital, bearing interest at 6% per annum, payable at maturity. On February 5, 2010, following the Corporation's December 2009 private placement, the notes were converted into 1,812,881 Common Shares in full in accordance with their terms at a conversion rate equal to $0.295 CAD. On conversion of the notes, MVI elected to receive accrued interest in cash.

On December 23, 2009, the Corporation completed a private placement of approximately $9,000,000 CAD. A total of 12,731,770 Units were issued to subscribers in Canada and the United States. Each Unit was priced at $0.70 CAD and is comprised of one common share and one-half of one common share purchase warrant. TransGaming paid the agents a cash commission of $497,776 CAD and issued broker warrants giving the agents the right to acquire 691,229 Common Shares at a price of $0.70 CAD per Common Share at any time on or before the 24-month anniversary of the closing date.

On November 30, 2011, the Corporation completed a private placement and issued a total of 3,000,000 units. Each unit was priced at $0.50 CAD and comprised one common share and one warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.75 at any time on or before the 24-month anniversary of the closing date. In addition, agents received compensation warrants to acquire 180,000 units at a price of $0.50 CAD for a period of 24 months from the closing date to acquire one unit.

On January 6, 2012, TransGaming arranged $3,500,000 CAD in debt financing to fund working capital following the payment of the cash due on closing of the acquisition of assets from Oberon Media, as previously described above. In consideration of the financing, the Corporation issued 1,750,000 common share purchase warrants exercisable at $0.75 CAD, that expire on July 6, 2016, the maturity date of the promissory notes.

Subsequent to the Oberon asset acquisition described above as part of negotiated terms of employment, the Corporation agreed to issue an aggregate of 220,000 common shares to certain employees. On June 20, 2012, the Company issued 190,000 shares at $0.26 CAD. The remaining 30,000 shares will not be issued based on terms of certain employment agreements. The 190,000 shares are held in escrow and will be released January 31, 2013 provided they remain in TransGaming's employment.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holdings

As of May 31, 2012, the following table sets forth the names and municipalities of residence of the current directors and executive officers of the Corporation, their respective positions and offices with the Corporation and date first appointed or elected as a director and their principal occupation(s) within the past five (5) years. Each of the following directors have also been nominated for re-election at the Corporation's next annual meeting being held on September 25, 2012 as more fully described in the Corporation's Management Information Circular dated as of August 27, 2012.

Name, Municipality of Residence	**Position with the Corporation and Year First Appointed a Director of the Corporation**	**Present Occupation and Positions Held During the Last Five Years**
Vikas Gupta, Oakville, Ontario	President, Chief Executive Officer and Director since May, 2006	President, Chief Executive Officer and Director of the Corporation
Gavriel State, Ottawa, Ontario	Chief Technology Officer and Director since May, 2006	Chief Technology Officer and Director of the Corporation
Dennis Ensing, London, Ontario	Chief Financial Officer since May, 2006	Corporate Secretary, Treasurer and Chief Financial Officer of the Corporation
Leo Lax, Ottawa, Ontario	Chairman and Director since September 29, 2010	Investor, Chief Executive Officer, Skypoint Capital Corporation
Kerry Munro, Toronto, Ontario	Director since July, 2007	Group President, Digital Delivery Network, Canada Post, General Manager, Yahoo! Canada
Anthony DeCirstofaro, Woodbridge, Ontario	Director since May, 2006	CEO of RealBiz 360, President and Chief Executive Officer of iseemedia inc.
Damian Cristiani, Toronto, Ontario	Director since May, 2006	Investor, CEO Crucial Interactive

Name, Municipality of Residence	Position with the Corporation and Year First Appointed a Director of the Corporation	Present Occupation and Positions Held During the Last Five Years
John Nemanic, Panama City, Republic of Panama	Director since May, 2006	Investor and Technology Consultant, Chairman, Hostopia Inc.

The term of each of the current directors will expire on the date of the Corporation's next Annual General Meeting.

As of May 31, 2012, Kerry Munro, Leo Lax and Anthony DeCristofaro were members of the Audit Committee ad John Nemanic and Damian Cristiani are members of the Governance, Nomination and Compensation Committee.

As at the date hereof, the directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over 10,314,732 Common Shares or approximately 15.3% of the issued and outstanding Common Shares.

To the knowledge of the directors and senior officers of the Corporation, as of the date hereof, no person owns directly or indirectly or exercises control or direction over, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as set forth below, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has, as of the date hereof or within the past ten years, been a director or executive officer of any company (including the Corporation), that:

(a) was subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued while the director or executive officer was acting in the capacity as director or executive officer;

(b) subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director or executive officer and which resulted from an event that occurred while director or executive officer was acting in the capacity as director or executive; or

(c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, while that person was acting in that capacity or within a year of the director or executive officer ceasing to act in the capacity as director or executive officer.

Anthony De Cristofaro was a director on the Board of Luxell Technologies Inc. ("Luxell") until he resigned in July 2008. In August 2006, Luxell announced its intention to file a proposal under the Bankruptcy and Insolvency Act. This proposal was accepted by the creditors on October 2006 and approved by the courts November 2006. A certificate of full performance of the proposal was issued by BDO Dunwoody in January 2008. On April 27, 2007, the Ontario Securities Commission issued a temporary cease trade order for Officers and Directors of Luxell for the late filing of its second quarter financial results. On May 10, 2007 the cease trade order was lifted.

Leo Lax was a Director of Gridpoint Systems Inc. when in September 3, 2009 Gridpoint appointed a receiver over its Assets and entered into receivership. On April 9, 2010 the Receiver provided the final report pursuant to Section 246(3) of the Bankruptcy and Insolvency Act.

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

PROMOTERS

As a founder of the Corporation and the Chief Technology Officer and a director of the Corporation, Gavriel State may be considered a Promoter of the Corporation directly or indirectly owning in the aggregate 6,593,488 Common Shares, which represents approximately 9.77% of the total issued and outstanding Common Shares.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

There are no legal proceedings or regulatory actions material to the Corporation to which the Corporation is a party or of which any of its property is the subject matter, and there are no such proceedings known to the Corporation to be contemplated.

Regulatory Actions

There are no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the most recently completed financial year.

There are no other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision.

There are no settlement agreements that the Corporation entered into with a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There are no other material interests, direct or indirect, of directors and executive officers of the Corporation, any shareholder who beneficially owns more than 10% of the Common Shares, or any associate or affiliate of such persons, in any transactions within the last three years before the date hereof or in any other proposed transaction which has materially affected or could materially affect the Corporation.

There are potential conflicts of interest to which the directors and officers of the Corporation may be subject in connection with the operations of the Corporation. Some of the directors and officers of the Corporation are engaged and will continue to be engaged in other business opportunities on their own behalf and on behalf of other corporations. While currently such directors and officers are not in competition with the Corporation, situations may arise where there may be competition with the Corporation. Individuals concerned shall be governed in any conflicts or potential conflicts by applicable law and internal policies of the Corporation.

TRANSFER AGENTS AND REGISTRARS

The Corporation's transfer agent and registrar is Computershare Trust Corporation of Canada at its principal office at 1500 University Street, 7th Floor, Montreal, Quebec, H3A 3S8.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the Corporation has not entered into any contracts within the two year period preceding the date hereof which may be reasonably regarded as presently material.

INTERESTS OF EXPERTS

The legal counsel of TransGaming is Norton Rose Canada LLP / S.E.N.C.R.L.,s.r.l., 45 O'Connor Street, Suite 1500, Ottawa, Ontario, K1P 1A4. The partners and associates of Norton Rose Canada LLP / S.E.N.C.R.L.,s.r.l. do not own any of the issued and outstanding Common Shares.

The auditors of TransGaming are PricewaterhouseCoopers LLP, Chartered Accountants. The partners and associates of PricewaterhouseCoopers LLP, Chartered Accountants do not own any of the issued and outstanding Common Shares.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans is contained in the Corporation's information circular for its most recent annual meeting of security holders that involved the election of directors. Additional financial information is also provided in the Corporation's financial statements and MD&A for the most recently completed financial year.

All this additional information relating to the Corporation may be found on SEDAR at www.sedar.com.