
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2015

☐ **TRANSITION REPORT UNDER SECTION 13 or 15(d) OF THE EXCHANGE
ACT**

For the transition period from _____ to _____
Commission File Number: 333-120120-01

SHOAL GAMES LTD.

(Exact name of small business issuer as specified in its charter)

ANGUILLA

(State or other jurisdiction of incorporation or
organization)

98-0206369

(IRS Employer Identification No.)

**Hansa Bank Building, Ground Floor, Landsome Road
AI 2640, The Valley, Anguilla, B.W.I**

(Address of principal executive offices)

(264) 461-2646

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by Sections 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

APPLICABLE ONLY TO CORPORATE ISSUERS The number of outstanding shares of the Issuer's common stock, no par value per share, was 56,197,703 as of November 13, 2015.

SHOAL GAMES LTD.

**QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED SEPTEMBER 30, 2015**

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements.

SHOAL GAMES LTD. and subsidiaries

Consolidated Balance Sheets
(Unaudited)

As at	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash	\$ 1,373,007	\$ 2,876,386
Accounts receivable less allowance for doubtful accounts \$nil (December 31, 2014 - \$nil)	10,518	122,056
Prepaid expenses	15,338	14,367
Total Current Assets	1,398,863	3,012,809
Equipment, net	7,252	9,269
Other assets (Note 3)	602,516	964,025
Security deposits	9,258	10,642
Deferred tax asset, less valuation allowance of \$17,225 (December 31, 2014 - \$17,907) (Note 7)	-	-
Total Assets	\$ 2,017,889	\$ 3,996,745
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 129,128	\$ 35,013
Accrued liabilities	80,922	72,898
Accounts payable and accrued liabilities - related party (Note 8)	37,206	48,668
Total Current Liabilities	247,256	156,579
Commitments (Note 6)		
Stockholders' equity (Note 5):		
Common stock, no par value, unlimited shares authorized, 56,197,703 shares issued and outstanding (December 31, 2014 - 55,682,703)	19,334,290	19,257,040
Accumulated deficit	(17,588,237)	(15,441,454)
Accumulated other comprehensive income:		
Foreign currency translation adjustment	24,580	24,580
Total Stockholders' Equity	1,770,633	3,840,166
Total Liabilities and Stockholders' Equity	\$ 2,017,889	\$ 3,996,745

See accompanying notes to the consolidated financial statements.

SHOAL GAMES LTD. and subsidiaries

Consolidated Statements of Operations and Comprehensive Loss
For Periods Ended September 30, 2015 and 2014
(Unaudited)

	Nine Months ended September 30, 2015	Nine Months ended September 30, 2014	Three Months ended September 30, 2015	Three Months ended September 30, 2014
Advertising revenue	\$ 9,290	\$ 17,550	\$ 1,216	\$ 6,143
Trophy Bingo revenue	16,785	2,710	9,914	2,164
Total revenue	26,075	20,260	11,130	8,307
Cost of sales:				
Trophy Bingo amortization (Note 3)	361,509	361,510	120,503	120,504
Total cost of sales	361,509	361,510	120,503	120,504
Gross loss	(335,434)	(341,250)	(109,373)	(112,197)
Operating expenses:				
Depreciation and amortization	2,289	2,494	763	885
Directors fees	7,500	9,500	3,500	2,500
General and administrative	318,959	155,201	79,398	45,904
Salaries, wages, consultants and benefits	328,453	405,168	107,633	116,690
Selling and marketing	212,404	171,439	137,266	55,016
Trophy Bingo development (Note 3)	934,816	832,714	303,162	342,504
Total operating expenses	1,804,421	1,576,516	631,722	563,499
Loss before other income (expense) and income taxes	(2,139,855)	(1,917,766)	(741,095)	(675,696)
Other income (expense):				
Foreign exchange loss	(24,034)	(19,526)	(17,779)	(35,262)
Interest and other income	801	316	263	102
Loss from continuing operations before income taxes	(2,163,088)	(1,936,976)	(785,611)	(710,856)
Income tax expense	-	(45)	-	(45)
Loss from continuing operations	(2,163,088)	(1,937,021)	(785,611)	(710,901)
Discontinued operations: (Note 4)				
Gaming revenue	-	1,344,997	-	377,294
Gain from the sale of the domain name	16,305	-	-	-
Selling and marketing	-	(569,929)	-	(125,303)
Loss after tax	\$ (2,146,783)	\$ (1,161,953)	\$ (785,611)	\$ (458,910)
Other comprehensive income (loss)	-	-	-	-
Comprehensive loss	\$ (2,146,783)	\$ (1,161,953)	\$ (785,611)	\$ (458,910)
Basic profit (loss) per common share				
Continuing operations	\$ (0.04)	\$ (0.03)	\$ (0.01)	\$ (0.01)
Discontinued operations	\$ -	\$ 0.01	\$ -	\$ 0.00
Diluted profit (loss) per common share				
Continuing operations	\$ (0.04)	\$ (0.03)	\$ (0.01)	\$ (0.01)
Discontinued operations	\$ -	\$ 0.01	\$ -	\$ 0.00
Weighted average common shares outstanding, basic	55,682,703	69,189,541	55,682,703	69,682,733
Weighted average common shares outstanding, diluted	55,682,703	69,189,541	55,682,703	69,682,733

See accompanying notes to the consolidated financial statements.

SHOAL GAMES LTD. and subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the period ended September 30, 2015

(Unaudited)

	Common stock		Accumulated Deficit	Accumulated Other Comprehensive income	Total Stockholders' Equity
	Shares	Amount		Foreign currency translation adjustment	
Balance, December 31, 2014	55,682,703	\$19,257,040	\$(15,441,454)	\$ 24,580	\$3,840,166
Exercise of stock options	515,000	77,250	-	-	77,250
Net loss	-	-	(2,146,783)	-	(2,146,783)
Balance, September 30, 2015	56,197,703	\$19,334,290	\$ (17,588,237)	\$ 24,580	\$1,770,633

See accompanying notes to the consolidated financial statements.

SHOAL GAMES LTD. and subsidiaries

Consolidated Statements of Cash Flows For the nine month period ended September 30, 2015 and 2014 (Unaudited)

	2015	2014
Cash flows from operating activities:		
Net loss	\$ (2,146,783)	\$ (1,161,953)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,289	2,494
Trophy Bingo amortization	361,509	361,510
Gain from the sale of the domain name	(16,305)	-
Changes in operating assets and liabilities:		
Accounts receivable	111,538	52,044
Prepaid expenses	(971)	88,350
Security deposits	1,384	440
Accounts payable and accrued liabilities	106,982	166,821
Net cash used in operating activities	(1,580,357)	(490,294)
Cash flows from investing activities:		
Acquisition of equipment	(272)	(3,329)
Software development	-	(51,701)
Net cash used in investing activities	(272)	(55,030)
Cash flows from financing activities:		
Exercise of stock options	77,250	9,350
Proceeds from the issuance of shares	-	1,400,000
Net cash provided by financing activities	77,250	1,409,350
Change in cash	(1,503,379)	864,026
Cash, beginning of period	2,876,386	491,203
Cash, end of period	\$ 1,373,007	\$ 1,355,229
Supplementary information:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
Non-cash financing activity	\$ -	\$ -
Non-cash investing activity	\$ -	\$ -

See accompanying notes to the consolidated financial statements.

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements
Nine Months ended September 30, 2015 and 2014
(Unaudited)

1. Basis of Presentation:

The accompanying unaudited financial statements have been prepared by Shoal Games Ltd. (“the Company”) in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) applicable to interim financial information and with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed, or omitted, pursuant to such rules and regulations. In the opinion of management, the unaudited interim consolidated financial statements include all adjustments necessary for the fair presentation of the results of the interim periods presented. All adjustments are of a normal recurring nature, except as otherwise noted below. These unaudited interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2014, included in the Company’s Annual Report on Form 10-K, filed March 26, 2015, with the Securities and Exchange Commission. The results of operations for the interim periods are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

Continuing operations

These unaudited interim consolidated financial statements have been prepared on the going concern basis, which presumes the realization of assets and the settlement of liabilities in the normal course of operations. The application of the going concern basis is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continued operations, or, in the absence of adequate cash flows from operations, obtaining additional financing. The Company has reported losses from operations for the quarters ended September 30, 2015 and 2014, and has an accumulated deficit of \$17,588,237 as at September 30, 2015. This raises substantial doubt about the Company’s ability to continue as a going concern.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts and settlement of the liability amounts shown in the accompanying balance sheets is dependent upon continued operations of the Company, which in turn is dependent upon the Company’s ability to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Management continues to review operations in order to identify additional strategies designed to generate cash flow, improve the Company’s financial position, and enable the timely discharge of the Company’s obligations. If management is unable to identify sources of additional cash flow in the short term, it may be required to further reduce or limit operations.

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements
Nine Months ended September 30, 2015 and 2014
(Unaudited)

2. Summary of significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with U.S. GAAP. The financial statements include the accounts of the Company's wholly-owned subsidiaries, English Bay Office Management Limited (registered in British Columbia, Canada), Coral Reef Marketing Inc. (registered in Anguilla), Bingo.com (Antigua) Inc., Bingo.com (Wyoming) Inc., Bingo Acquisition Corp, Shoal Media Inc. (registered in Anguilla), and the 99% owned subsidiary, Shoal Games (UK) Plc (previously Bingo.com (UK) plc.) (registered in the United Kingdom). All inter-company balances and transactions have been eliminated in the consolidated financial statements.

(b) Use of estimates:

The preparation of consolidated financial statements in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and recognized revenues and expenses for the reporting periods.

Significant areas requiring the use of estimates and judgment include the valuation of long-lived assets, software development costs, the collectability of accounts receivable, revenue recognition and the valuation of deferred tax assets. Actual results may differ significantly from these estimates.

Although the Company believes that its approach to estimates and judgments as described herein is reasonable, actual results could differ.

(c) Revenue recognition:

Trophy Bingo revenues have been recognized on the sale of in game purchases at the time of purchase.

Advertising revenues have been recognized as the advertising campaign or impressions and clicks are made on the website and when collection of the amounts are reasonably assured. Cash received in advance of the advertising campaigns or impressions and clicks are recorded under unearned revenue.

Gaming revenues have been recognized on the basis of total dollars wagered, less commissions on all games less all winnings payable to players.

(d) Foreign currency:

The consolidated financial statements are presented in United States dollars, the functional currency of the Company and its subsidiaries. The Company accounts for foreign currency transactions and the translation of foreign currency financial statements under Statement

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements
Nine Months ended September 30, 2015 and 2014
(Unaudited)

2. Summary of significant accounting policies (Continued):

(d) Foreign currency: (Continued)

ASC 830, Foreign Currency Matters. Transaction amounts denominated in foreign currencies are translated at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities are adjusted at each balance sheet date to reflect the exchange rate at that date.

Non-monetary assets and liabilities are translated at the exchange rate on the original transaction date.

Gains and losses from restatement of foreign currency monetary and non-monetary assets and liabilities are included in income. Revenues and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings.

(e) Impairment of long-lived assets and long-lived assets to be disposed of:

The Company accounts for long-lived assets in accordance with the provisions of ASC 360, Property, Plant and Equipment and ASC 350, Intangibles-Goodwill and Others. During the periods presented, the only long-lived assets reported on the Company's consolidated balance sheet are equipment, other assets, security deposits, and domain name rights. These provisions require that long-lived assets and certain identifiable recorded intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset.

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount and the fair value less costs to sell.

(f) Domain name and intangible assets:

The Company has capitalized the cost of the purchase of the domain name Bingo.com and was amortizing the cost over five years from the date of commencement of operations. In 2002, the Company suspended the amortization of the domain name cost in accordance with ASC 350, where companies are no longer required to amortize indefinite life assets but instead test the indefinite life intangible asset for impairment at least annually. The capitalized amount is based on the net present value of the minimum payments permitted under the terms of the purchase agreement. The domain name is tested for impairment by comparing the future cash flows of the domain name with its carrying value. The Company determined that as a result of level 3 unobservable inputs in accordance with ASC 820, Fair Value Measurements and Disclosures, that the fair value of the domain name exceeded the carrying value and therefore no impairment existed for the periods presented.

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements
Nine Months ended September 30, 2015 and 2014
(Unaudited)

2. Summary of significant accounting policies (Continued):

(g) Software Development Costs:

Software development costs incurred in the research and development of new software products and enhancements to existing software products for external use are expensed as incurred once technological feasibility has been established. After technological feasibility is established, any software development costs which have been capitalized are amortized at the greater of the straight-line basis over the estimated economic life of the related product or the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for the related product. Commencing January 1, 2014, the Company obtained technological feasibility and is amortizing the capitalized software development costs over a period of 3 years. The Company performs an annual review of the estimated economic life and the recoverability of such capitalized software costs, using a net realizable value test.

If a determination is made that capitalized amounts are not recoverable based on the estimated cash flows to be generated from the applicable software, any remaining capitalized amounts are written off. Although the Company believes that its approach to estimates and judgments as described herein is reasonable, actual results could differ and the Company may be exposed to increases or decreases in revenue that could be material. Total software development costs for the development of Trophy Bingo were \$3,562,236 as at September 30, 2015 (September 30, 2014 - \$2,278,752).

(h) New accounting pronouncements and changes in accounting policy:

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers. This was updated by ASU No. 2015-14. This guidance provides a single, comprehensive revenue recognition model for all contracts with customers. The revenue guidance contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The standard was amended to be effective for the first interim period within annual reporting periods beginning after December 15, 2017 for public entities. The Company does not expect the adoption of this guidance to have a material impact on the Company’s financial position or results of operations.

In June 2014, the FASB issued ASU No. 2014-12, Compensation-Stock Compensation. This guidance requires that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. This update further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which the requisite service has already been rendered. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements
Nine Months ended September 30, 2015 and 2014
(Unaudited)

2. Summary of significant accounting policies (Continued):

(h) New accounting pronouncements and changes in accounting policy: (Continued)

December 15, 2015 and can be applied either prospectively or retrospectively to all awards outstanding as of the beginning of the earliest annual period presented as an adjustment to opening retained earnings. Early adoption is permitted. The Company does not expect the adoption of this guidance to have a material impact on the Company's financial position or results of operations.

In August 2014, the FASB issued ASU No. 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"). ASU 2014-15 provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and sets rules for how this information should be disclosed in the financial statements. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and interim periods thereafter. Early adoption is permitted. The Company is evaluating the effect of ASU 2014-15 on our consolidated financial condition and results of operations.

In November 2014, the FASB issued ASU No. 2014-16, Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity. This standard requires an entity to "determine the nature of the host contract by considering all stated and implied substantive terms and features of the hybrid financial instrument, weighing each term and feature on the basis of the relevant facts and circumstances which the hybrid financial instrument was issued or acquired and the potential outcome of the hybrid financial instrument. ASU 2014-16 is effective for annual periods ending after December 15, 2015 and interim periods thereafter. Early adoption is permitted. The Company is evaluating the effect of ASU 2014-16 on our consolidated financial condition and results of operations.

In January 2015, the FASB issued ASU 2015-01, which eliminates from GAAP the concept of extraordinary items. If an event or transaction meets the criteria for extraordinary classification, it is segregated from the results of ordinary operations and is shown as a separate item in the income statement, net of tax. ASU 2015-01 is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. The Company does not expect adoption of this guidance will have a material effect on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, which provides guidance for reporting entities that are required to evaluate whether they should consolidate certain legal entities. In accordance with ASU 2015-02, all legal entities are subject to reevaluation under the revised consolidation model. ASU 2015-02 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted. The Company is still assessing the potential impact of ASU 2015-02 on its consolidated financial statements.

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements
Nine Months ended September 30, 2015 and 2014
(Unaudited)

2. Summary of significant accounting policies (Continued):

(h) New accounting pronouncements and changes in accounting policy: (Continued)

On April 1, 2015, the FASB voted to defer the effective date of ASU No. 2014-09, which outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers and notes that lease contracts with customers are a scope exception. Public business entities may elect to adopt the amendments as of the original effective date; however, if the proposed deferral is approved, adoption is required for annual reporting periods beginning after December 15, 2017. We are currently assessing the impact of the guidance on our consolidated financial statements.

On April 17, 2015, the FASB issued ASU No. 2015-03, Simplifying the Presentation of Debt Issuance Costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. Currently, debt issuance costs are recorded as an asset and amortization of these deferred financing costs is recorded in interest expense. Under the new standard, debt issuance costs will continue to be amortized over the life of the debt instrument and amortization will continue to be recorded in interest expense. The new standard is effective for the Company on January 1, 2016 and will be applied on a retrospective basis. The Company is currently evaluating ASU 2015-03, and anticipates a change in our presentation only since the standard does not alter the accounting for debt issuance costs.

The FASB has issued ASU 2015-05, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement. The amendments in ASU 2015-05 provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The amendments do not change the accounting for a customer's accounting for service contracts. As a result of the amendments, all software licenses within the scope of Subtopic 350-40 will be accounted for consistent with other licenses of intangible assets. ASU 2015-05 is effective for public entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. The Company does not anticipate that ASU 2015-05 will have a significant impact on its consolidated financial statements.

In September 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-16, Simplifying the Accounting for Measurement-Period Adjustments guidance to simplify the accounting for adjustments in a business combination. An acquirer should recognize adjustments to provisional amounts with a corresponding adjustment of goodwill, as well as the effect on earnings of changes in depreciation, amortization or other income effects, in the reporting period in which the adjustments are identified as if the accounting had been completed at the acquisition date. Disclosure is required, by line item, of the amount recorded in current period earnings that

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements
Nine Months ended September 30, 2015 and 2014
(Unaudited)

2. Summary of significant accounting policies (Continued):

(h) New accounting pronouncements and changes in accounting policy: (Continued)

would have been recorded in previous reporting periods. This guidance is effective for fiscal years and interim periods beginning after December 15, 2015, and requires prospective application. Early adoption is permitted. The Company does not expect this guidance to have a significant impact on its consolidated financial statements.

There have been no other recent accounting standards, or changes in accounting standards, during the three months ended September 30, 2015, as compared to the recent accounting standards described in the Annual Report, that are of material significance, or have potential material significance, to us.

(i) Financial instruments:

(i) Fair values:

The fair value of accounts receivable, accounts payable, accrued liabilities and accounts payable and accrued liabilities - related party approximate their financial statement carrying amounts due to the short-term maturities of these instruments. Cash is carried at fair value using a level 1 fair value measurement.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and included situations where there is little, if any, market activity for the asset. The Company's cash was measured using Level 1 inputs.

(ii) Foreign currency risk:

The Company operates internationally, which gives rise to the risk that cash flows may be adversely impacted by exchange rate fluctuations. The Company has not entered into any forward exchange contracts or other derivative instrument to hedge against foreign exchange risk.

3. Other assets:

During the year ended December 31, 2012, the Company commenced development of a social bingo game. During the quarter ended March 31, 2014, the Company launched Trophy Bingo on Android in selected markets. The Company ceased to capitalize the development costs and commenced the amortization of the capitalized development costs over a period of three years.

September 30, 2015	Capitalized Expenses	Accumulated amortization	Net book Value
Trophy Bingo capitalized development expenses	\$ 1,446,038	\$ 843,522	\$ 602,516

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements
 Nine Months ended September 30, 2015 and 2014
 (Unaudited)

3. Other assets: (Continued)

December 31, 2014	Capitalized Expenses	Accumulated amortization	Net book Value
Trophy Bingo capitalized development expenses	\$ 1,446,038	\$ 482,013	\$ 964,025

During the 2014 fiscal year, the Company expensed \$1,181,382 in development costs. During the quarter ended September 30, 2015, the Company expensed \$303,162 (September 30, 2014 - \$342,504) in development costs. The Company has incurred \$3,562,236 in total development expenses as at September 30, 2015.

4. Discontinued operations

Effective December 31, 2014, the Company sold the www.bingo.com domain name to Unibet Group plc. for cash consideration of \$2,000,000 and redemption of the 15,000,000 common shares of the Company, which were held by Unibet Group plc, at a price of \$0.40 per share. The 15,000,000 common shares held by Unibet have been returned to the Company's treasury and were cancelled.

The Company recorded the following gain from the sale of domain name for the year ended December 31, 2014.

	Gain from sale of domain name
Sale of domain name	\$ 8,000,000
Domain name rights and intangible assets held for sale	(1,257,241)
Commission on sale	(65,000)
Gain from the sale of the domain name	\$ 6,677,759

In addition, the Company disposed its cash bingo business to Unibet Group plc. The company recognized the gain on the sale of the cash bingo business of \$16,305 in the quarter ended March 31, 2015.

The effect of the discontinued operations were as follows:

	Nine Months ended September 30, 2015	Nine Months ended September 30, 2014	Three Months ended September 30, 2015	Three Months ended September 30, 2014
Cash flows from operating activities:				
Discontinued operations	\$ 16,305	\$ 775,068	\$ -	\$ 251,991

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements
Nine Months ended September 30, 2015 and 2014
(Unaudited)

5. Stockholders' Equity:

(a) Common stock issuances:

During the quarter ended June 30, 2015, the Company listed on the TSX Venture Exchange with the shares commencing trading on July 2, 2015. The Company incurred listing expenses relating to legal fees, underwriting fees and exchange listing fees of \$130,960 in its listing on the TSX Venture Exchange.

During the quarter ended September 30, 2015, the holders of stock options exercised their options for 515,000 shares for \$77,250 at an exercise price of \$0.15 per share.

(b) Stock option plans:

During the quarter ended September 30, 2015, the holders of stock options exercised their options for 515,000 shares for proceeds of \$77,250 at an exercise price of \$0.15 per share and 5,000 options expired unexercised. There were no stock options issued and outstanding as at September 30, 2015.

(c) Escrow shares

In conjunction with the Listing Application for the TSX-V listing, the Company's major shareholders were required to place 33,909,104 common shares of the Company in escrow under the terms of a TSX-V Tier 1 issuer. The Escrow Shares will be released in thirty three percent (33%) tranches on the dates that are six, twelve and eighteen months after the listing date as follows:

	Number of shares
Balance July 1, 2015	33,909,104
Released in the quarter ending September 30, 2015	-
Balance September 30, 2015	33,909,104
Shares eligible for release in 2015	(11,303,035)
Balance December 31, 2015	22,606,069
Shares eligible for release in 2016	(22,606,069)
Balance December 31, 2016	-

6. Commitments:

The Company leases office facilities in Vancouver, British Columbia, Canada, and The Valley, Anguilla, British West Indies. These office facilities are leased under operating lease agreements. The Canadian operating lease expires on April 30, 2017. The Anguillan operating lease automatically renews every 3 months unless 3 months notice is given.

Minimum lease payments under these operating leases are approximately as follows:

2015	\$	4,461
2016		14,845
2017		4,948

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements
Nine Months ended September 30, 2015 and 2014
(Unaudited)

6. Commitments: (Continued)

The Company paid rent expense totaling \$5,449 for the quarter ended September 30, 2015 (September 30, 2014 - \$6,337).

The Company has a management consulting agreement with T.M. Williams (Row), Inc., an Anguilla incorporated company, and Mr. Williams, a related party, for a consultancy payment based on the Company's performance with a minimum of \$11,000 and a maximum of \$25,000 per month.

The Company has a management consulting agreement with Jayska Consulting Ltd. and Mr. J. M. Williams, Chief Executive Officer of Shoal Games Ltd. for the provision of services of Mr. J. M. Williams as Chief Executive Officer of the Company. The Consulting agreement provides for a consultancy payment of GBP£5,000 per month payable in arrears.

The Company has a management consulting agreement with LVA Media Inc. and Mr. J. M. Williams, for the provision of services of Mr. J. M. Williams as Chief Executive Officer of Shoal Games Ltd. The Consulting agreement provides for a consultancy payment based on the Company's performance with a minimum of \$7,500 and a maximum of \$25,000 per month.

7. Income Taxes:

Shoal Games Ltd. is domiciled in the tax-free jurisdiction of Anguilla, British West Indies. However certain of the Company's subsidiaries incur income taxation.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at September 30, 2015, and December 31, 2014, are presented below:

	September 30, 2015	December 31, 2014
Deferred tax assets:		
Net operating loss carry forwards	\$ 17,225	\$ 17,907
Valuation Allowance	(17,225)	(17,907)
	\$ -	\$ -

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those differences become deductible.

Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in assessing the realizability of deferred tax assets.

8. Related Party Transactions:

The Company has a liability of \$1,959 (December 31, 2014 - \$3,937) to a company owned by a current director and officer of the Company for payment of services rendered of \$33,000 (September 30, 2014 - \$41,795) by the current director and officer of the Company.

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements
Nine Months ended September 30, 2015 and 2014
(Unaudited)

8. Related Party Transactions: (Continued)

The Company has a liability of \$4,066 (December 31, 2014 - \$3,580) to a current director and officer of the Company for expenses incurred.

The Company has a liability of \$22,749 (December 31, 2014 - \$23,300) to a company owned by a current director and officer of the Company for payment of services rendered of \$23,257 (September 30, 2014 - \$25,057) by the current director and officer of the Company.

The Company has a liability of \$nil (December 31, 2014 - \$nil) to a company owned by a current director and officer of the Company for payment of services rendered of \$22,500 (September 30, 2014 - \$22,527) by the current director and officer of the Company.

The Company has a liability of \$nil (December 31, 2014 - \$3,313) to a company owned by a current director of the Company for payment of services rendered of \$nil (September 30, 2014 - \$nil) by the current director of the Company.

The Company has a liability of \$4,500 (December 31, 2014 - \$10,000), to independent directors of the Company for payment of services rendered. During the quarter ended September 30, 2015, the Company paid \$3,500 (September 30, 2014 - \$2,500) to the independent directors in director fees.

The Company has a liability of \$3,932 (December 31, 2014 - \$4,538), to an officer of the Company for payment of services rendered and expenses incurred of \$13,588 (September 30, 2014 - \$13,876) by the officer of the Company.

The related party transactions are in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related party.

9. Segmented information:

Revenue

During the quarter ended September 30, 2015, the Company operated in two reportable business segments, firstly the sale of in-app purchases on Trophy Bingo and secondly the selling of advertising on the website. During the quarter ended September 30, 2014, the Company operated in three reportable business segments, firstly the sale of in-app purchases on Trophy Bingo and secondly the selling of advertising on the website and thirdly the business of marketing games and entertainment based on the game of bingo through its Internet portal, bingo.com, supported mainly by the revenue generated from the deposits received for the games for money.

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements
 Nine Months ended September 30, 2015 and 2014
 (Unaudited)

9. Segmented information: (Continued)

The Company had the following revenue by geographical region.

	Nine Months ended September 30, 2015		Nine Months ended September 30, 2014		Three Months ended September 30, 2015		Three Months ended September 30, 2014	
<u>Revenue From Continuing Operations</u>								
<u>Advertising revenue</u>								
Nordics	\$	-	\$	354	\$	-	\$	298
Other		9,290		17,196		1,216		5,845
Total advertising revenue	\$	9,290	\$	17,550	\$	1,216	\$	6,143
<u>Trophy Bingo Revenue</u>								
Western Europe	\$	4,799	\$	118	\$	3,230	\$	37
Central, Eastern and Southern Europe		50		3		13		-
Nordics		205		54		47		51
North America		10,161		1,920		5,276		1,474
Other		1,570		615		1,348		602
Total Trophy Bingo revenue	\$	16,785	\$	2,710	\$	9,914	\$	2,164
<u>Total revenue from continuing operations</u>								
Western Europe	\$	4,799	\$	118	\$	3,230	\$	37
Central, Eastern and Southern Europe		50		3		13		-
Nordics		205		408		47		349
North America		10,161		1,920		5,276		1,474
Other		10,860		17,811		2,564		6,447
Total revenue from continuing operations	\$	26,075	\$	20,260	\$	11,130	\$	8,307
<u>Gaming revenue from discontinued operations</u>								
<u>Gaming revenue</u>								
Western Europe	\$	-	\$	112,187	\$	-	\$	45,325
Central, Eastern and Southern Europe		-		9,599		-		2,867
Nordics		-		1,214,855		-		326,864
Other		-		8,356		-		2,238
Total gaming revenue from discontinued operations	\$	-	\$	1,344,997	\$	-	\$	377,294

Equipment

The Company's equipment is located as follows:

Net Book Value	September 30, 2015		December 31, 2014	
Anguilla	\$	1,586	\$	2,115
Canada		2,781		3,308
United Kingdom		2,119		2,824
United States of America		766		1,022
	\$	7,252	\$	9,269

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements
Nine Months ended September 30, 2015 and 2014
(Unaudited)

10. Concentrations

Major customers

For the quarters ended September 30, 2015 and 2014 the Company sold in-app purchases on its social bingo site, Trophy Bingo. There was no single player who had purchased more than 10% of the Trophy Bingo revenue.

During the quarters ended September 30, 2015 and 2014, the Company offered limited advertising. Therefore there were no advertising sales representing more than 10% of the total sales.

For the quarter ended September 30, 2014, there was no single player on the gaming site who had wagered more than 10% of the total gaming revenue. The Company was reliant on Unibet to provide contracted services pursuant to its Partner Program. These services include the supply and operation of the games (i.e. Bingo and Slots); the development and maintenance of the website, customer support to our players playing on our website www.bingo.com, processing all deposits and collection of those funds and processing all withdrawal requests.

11. Concentrations of Credit Risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash with high quality financial institutions and limits the amount of credit exposure with any one institution.

The Company currently maintains a substantial portion of its day-to-day operating cash balances at financial institutions. At September 30, 2015, the Company had total cash balances of \$1,373,007 (December 31, 2014 - \$2,876,386) at financial institutions, where \$1,044,295 (December 31, 2014 - \$2,526,185) is in excess of federally insured limits.

As of September 30, 2015, the Company had three customers totaling \$5,704, \$2,147 and \$1,071, who accounted for total accounts receivable greater than 10%. As of December 31, 2014, the Company had one customer, totaling \$112,552 who accounted for greater than 10% of the total accounts receivable.

The Company controls credit risk through monitoring procedures and receiving prepayments of cash for services rendered. The Company performs credit evaluations of its customers but generally does not require collateral to support accounts receivable.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis or Plan of Operation contains forward-looking statements that involve risks and uncertainties, as described below. Shoal Games Ltd.'s (the "Company", "we", or "us") actual results could differ materially from those anticipated in these forward-looking statements. The following discussion should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto included in Part I - Item 1 of this Quarterly Report, and the audited consolidated financial statements and notes thereto and the Management Discussion and Analysis or plan of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

FORWARD LOOKING STATEMENTS

All statements contained in this Quarterly Report on Form 10-Q and the documents incorporated herein by reference, as well as statements made in press releases and oral statements that may be made by us or by officers, directors or employees acting on our behalf, that are not statements of historical fact constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. Readers should consider statements that include the terms "believe," "belief," "expect," "plan," "anticipate," "intend" or the like to be uncertain and forward-looking. In addition, all statements, trends, analyses and other information contained in this report relative to trends in net sales, gross margin, anticipated expense levels and liquidity and capital resources, constitute forward-looking statements. Particular attention should be paid to the facts of our limited operating history, the unpredictability of our future revenues, our need for and the availability of capital resources, the evolving nature of our business model, and the risks associated with systems development, management of growth and business expansion. Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise. All cautionary statements made herein should be read as being applicable to all forward-looking statements wherever they appear. Readers should consider the risks more fully described in our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission (the "SEC") and should not place undue reliance on any forward-looking statements.

OVERVIEW

Shoal Games Ltd. (the "Company") is primarily in the business of owning and marketing a non-gambling social bingo game called Trophy Bingo. Trophy Bingo, currently live and available in the Google Play Store and the Apple App Store, is a puppy themed bingo adventure where players must win their way through 120 levels of bingo challenges. The game is free to download and supports in-app purchases for players who find themselves in need of extra bingos or want to engage with the premium power plays contained in the game. We are attempting to create a valuable entertainment social game with an extensive database of active players.

The Company generates its main source of revenue from players making in-app purchases in Trophy Bingo via the Google Play Store and the Apple App Store. An additional source of revenue comes from serving advertising to our user demographic inside the Trophy Bingo game. Through relationships we have with advertising aggregators and providers, companies pay to have their products and services promoted in our App, or previously, on our web site and in some cases produced residual revenues as their customers continue to play or use their services.

Prior to December 31, 2014 the Company provided a variety of Internet games plus other forms of entertainment, including an online community, chat rooms, and more. This portion of the business was sold to Unibet, plc on December 31, 2014 and can be viewed at www.bingo.com.

During the year ended December 31, 2010, the Company joined the Unibet International Limited ("Unibet") Partner Program as a network operator of their multi-language and multi-currency bingo and casino system. The Unibet Partner Program provided a complete solution which included gambling licenses, multi-language customer support, financial processing capabilities, website technology, bingo games, soft games, casino games and many other services required to operate an online gambling business. Unibet owns, creates and runs the service offered and it was the Company's responsibility to drive traffic to the website.

In early 2013, we began the design and development of our proprietary social bingo game, Trophy Bingo, in order to maximize the value of our North American visitors to whom we could not offer online gambling services. On December 31st, 2014, we sold the gambling business and the bingo.com domain name to Unibet Group plc, and focused the business on the development and marketing of our innovative social bingo game, Trophy Bingo. Subsequent to the year ended December 31, 2014, the Company changed its name to Shoal Games Ltd.

We conducted a beta test launch of Trophy Bingo in May 2013, a soft launch of Trophy Bingo in selected countries in January 2014, followed by a global soft launch of the enhanced game on Android in August, 2014 and on iOS in September 2014. In August 2015, we launched a full global release of a feature complete Trophy Bingo on Android and iOS in September 2015.

We have made a significant investment in the development of Trophy Bingo, and previously in our Internet games plus other forms of entertainment, including an online community, chat rooms, and more. As a result we have incurred significant losses since inception, and as of September 30, 2015, had an accumulated deficit of \$17,588,237.

Effective July 2, 2015, the Company commenced trading on the TSX Venture Exchange as a tier 2 Technology Issuer under the trading symbol "SGW". The Company also trades on the OTCQB under the trading symbol "SGLDF".

CRITICAL ACCOUNTING POLICIES

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which except for lack of all detailed note disclosures, have been prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of

assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates these judgments and estimates, including whether there are any uncertainties as to compliance with the revenue recognition criteria described below, and recoverability of long-lived assets, as well as the assessment as to whether there are contingent assets and liabilities that should be recognized or disclosed for the consolidated financial statements to fairly present the information required to be set forth therein. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We consider the following accounting policies to be both those most important to the portrayal of our financial condition and require the most subjective judgment:

- Revenue recognition;
- Impairment of long-lived assets and long-lived assets to be disposed of;
- Software development

Revenue recognition:

Trophy Bingo revenues have been recognized on the sale of in game purchases at the time of purchase.

Advertising revenues have been recognized when collection of the amounts are reasonably assured. Cash received in advance of the advertising campaigns are recorded under unearned revenue.

Gaming revenues have been recognized on the basis of total dollars wagered, less commissions on all games less all winnings payable to players.

Software Development Costs:

Software development costs incurred in the research and development of new software products and enhancements to existing software products for external use are expensed as incurred once technological feasibility has been established. After technological feasibility is established, any software development costs which have been capitalized are amortized at the greater of the straight-line basis over the estimated economic life of the related product or the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for the related product. Commencing January 1, 2014, the Company obtained technological feasibility and is amortizing the capitalized software development costs over a period of 3 years. The Company performs an annual review of the estimated economic life and the recoverability of such capitalized software costs, using a net realizable value test.

If a determination is made that capitalized amounts are not recoverable based on the estimated cash flows to be generated from the applicable software, any remaining capitalized amounts are written off. Although the Company believes that its approach to estimates and judgments as described herein is reasonable, actual results could differ and the Company may be exposed to increases or decreases in revenue that could be material.

The Company capitalized 100% its development costs of Trophy Bingo in 2013. Commencing January 1, 2014, the Company commenced amortizing the capitalized software development costs over a period of 3 years and all further development costs have been expensed.

Although the Company believes that its approach to estimates and judgments as described herein is reasonable, actual results could differ and the Company may be exposed to increases or decreases in revenue that could be material. Total software development costs for the development of Trophy Bingo were \$3,562,236 as at September 30, 2015 (September 30, 2014 - \$2,278,752).

RESULTS OF OPERATIONS

Revenue

Total revenue from continuing operations for the quarter ended September 30, 2015, increased to \$11,130, an increase of 34% from revenue from continuing operations of \$8,307 for third quarter of 2014 and an increase of 78% from revenue of \$6,253, in the second quarter of 2015. Revenue from Trophy Bingo for the quarter ended September 30, 2015, increased to \$9,914, over revenue from Trophy Bingo of \$2,164 for the third quarter in the prior year and an increase over revenue from Trophy Bingo of \$2,465 in the second quarter of fiscal 2015. The increase in Trophy Bingo revenue compared to the third quarter of fiscal 2014 and the second quarter of fiscal 2015, is due to the Company launching a full global release of a feature complete Trophy Bingo in the Google Play and Apple App Store in the latter half of the third quarter of fiscal 2015.

We earned advertising revenue of \$1,216 in the quarter ended September 30, 2015, a decrease of 80% from advertising revenue of \$6,143 in the third quarter of 2014 and a decrease of 68% from advertising revenue of \$3,788 in the second quarter of 2015.

Gaming Revenue from discontinued operations was \$nil, in the quarter ended September 30, 2015, compared to Gaming Revenue of \$377,294 in the third quarter of 2014.

Sales and marketing expenses

Sales and marketing expenses from continuing operations were \$137,266 for the quarter ended September 30, 2015, an increase of 150% over expenses of \$55,016 in the third quarter of 2014 and an increase from sales and marketing expenses of \$28,862 in the second quarter of 2015. This increase in sales and marketing expenses from continuing operations in the third quarter of fiscal 2015 was due to a larger marketing campaign to attract players to the new Trophy Bingo game. Selling and marketing expenses from continuing operations principally include publishing services and user acquisition costs to acquire players.

Sales and marketing expenses from discontinued operations were \$nil for the quarter ended September 30, 2015, compared to \$125,303 in the third quarter of fiscal 2014.

We expect to continue to incur sales and marketing expenses to increase traffic and bring new players to the Trophy Bingo game. There can be no assurances that these expenditures will result in increased traffic or significant additional revenue.

General and administrative expenses

General and administrative expenses consist primarily of premises costs for our office, legal and professional fees, and other general corporate and office expenses. General and administrative expenses increased to \$79,398 for the third quarter of 2015, an increase of 73% from costs of \$45,904 for the third quarter of 2014 and a decrease of 35% from costs of \$121,867 in the second quarter of 2015. Effective July 2, 2015, the Company commenced trading on the TSX Venture Exchange as a tier 2 Technology Issuer under the trading symbol "SGW". This increase in general and administrative expenses compared to the third quarter of fiscal 2014, is due to an increase of fees incurred as a result of the listing on the TSX Venture Exchange. The decrease in general and administrative expenses compared to the second quarter of fiscal 2015, is due to the decrease in legal and other expense incurred with the registration of the Company on the TSX Venture Exchange.

We expect to continue to incur general and administrative expenses to support the business, and there can be no assurances that we will be able to generate sufficient revenue to cover these expenses.

Salaries, wages, consultants and benefits

Salaries, wages, consultants and benefits decreased to \$107,633 for the quarter ended September 30, 2015, a decrease of 8% compared to salaries, wages, consultants and benefits of \$116,690 in the third quarter of 2014 and a decrease of 1%, over salaries, wages, consultants and benefits of \$108,247 in the second quarter of 2015. This decrease compared to the third quarter of fiscal 2014 and the second quarter of fiscal 2015, is due to lower consultant charges incurred.

Depreciation and amortization

Equipment is depreciated using the declining balance method over the useful lives of the assets, ranging from three to five years. Depreciation and amortization decreased to \$763 during the quarter ended September 30, 2015, a decrease of 14% over costs of \$885 during the same quarter in the prior year and costs of \$763 in the second quarter of 2015. This decrease in depreciation and amortization compared to the third quarter of fiscal 2014 is due to the aging of the Company's equipment and the disposal of obsolete equipment.

Trophy Bingo development and amortization

During the quarter ended March 31, 2014, the Company soft-launched Trophy Bingo on Android in selected markets. The Company had a further global release of the Android version in the third quarter of 2014 and the iOS version in the fourth quarter of 2014. The Company ceased to capitalize the development of Trophy Bingo and commenced amortizing the capitalized development costs over the life of the game. The Company expensed \$303,162 in development costs during the quarter ended September 30, 2015 and amortized \$120,503 of the capitalized development costs during the quarter ended September 30, 2015. This compares to \$342,504 expensed development costs during the third quarter of 2014 and amortization of \$120,504 of the capitalized development costs during the third quarter of 2014 and \$318,617 expensed development costs during the second quarter of 2015 and amortization of \$120,503 of the capitalized development costs during the second quarter of 2015. This decrease in development costs compared to the third quarter of fiscal 2014 and the second quarter of fiscal 2015 is due the decline of the Canadian dollar in relation to the US dollar, despite an increase in development costs charged in Canadian dollars.

In particular, the game will receive systems for handling daily rewards, collections, gifting, and an advanced spin wheel. Once released, each of these new features affects a particular performance statistic within the game and in combination it's expected that average retention and monetization will rise, while the average player acquisition cost (the average cost to generate one new install of the game) will fall. Daily rewards help to improve retention as players are inspired to come back to collect rewards. Whereas the collection and gifting system is designed to increase virality (reducing acquisition costs) and monetization as players interact more with their friends and spend more in-game currency trying to collect the special items.

Net loss and loss per share

The net loss after taxation from continuing operations for the quarter ended September 30, 2015, amounted to (\$785,611), a loss of (\$0.01) per share, compared to a net loss from continuing operations of (\$710,901) or (\$0.01) per share in the quarter ending September 30, 2014 and net loss from continuing operations of (\$666,512), or (\$0.01) per share in the second quarter of fiscal 2015.

The net loss after taxation and discontinued operations for the quarter ended September 30, 2015, amounted to (\$785,611), a loss of (\$0.01) per share, compared to a net loss of (\$458,910) or (\$0.01) per share in the third quarter of fiscal 2014 and net loss of (\$666,512) or (\$0.01) per share in the second quarter of fiscal 2015. The increase in net loss compared to the third quarter of fiscal 2014 and the second quarter of fiscal 2015, is due to the increase in the marketing expenses of Trophy Bingo to attract players to the game.

LIQUIDITY AND CAPITAL RESOURCES

We had cash of \$1,373,007 and positive working capital of \$1,151,607 at September 30, 2015. This compares to cash of \$2,876,386 and positive working capital of \$2,856,230 at December 31, 2014.

During the quarter ended September 30, 2015, we used cash of (\$538,667) in operating activities compared to cash used in operating activities of (\$315,912) in the same period in the prior year and compared to using cash of (\$424,360) in the second quarter of 2015.

During the nine months ended September 30, 2015, we used cash of (\$1,580,357) in operating activities compared to using cash in operating activities of (\$490,294) in the same period in the prior year.

Our future capital requirements will depend on a number of factors, including costs associated with the further development of Trophy Bingo, the cost of marketing and player acquisition costs for Trophy Bingo, and the success and acceptance of Trophy Bingo, plus the marketing of our Web portal.

ITEM 4 Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation under the supervision and with the participation of the Company's management, including the President and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as of September 30, 2015. In designing and evaluating the Company's disclosure controls and procedures, the Company and its management recognize that there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their desired control objectives. Additionally, in evaluating and implementing possible controls and procedures, the Company's management was required to apply its reasonable judgment. Furthermore, in the course of this evaluation, management considered certain internal control areas, in which we have made and are continuing to make changes to improve and enhance controls. Based upon the required evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that as of September 30, 2015, the Company's disclosure controls and procedures were effective (at the "reasonable assurance" level mentioned above) to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

From time-to-time, the Company and its management have conducted and will continue to conduct further reviews and, from time to time put in place additional documentation, of the Company's disclosure controls and procedures, as well as its internal control over financial reporting. The Company may from time to time make changes aimed at enhancing their effectiveness, as well as changes aimed at ensuring that the Company's systems evolve with, and meet the needs of, the Company's business. These changes may include changes necessary or desirable to address recommendations of the Company's management, its counsel and/or its independent auditors, including any recommendations of its independent auditors arising out of their audits and reviews of the Company's financial statements. These changes may include changes to the Company's own systems, as well as to the systems of businesses that the Company has acquired or that the Company may acquire in the future and will, if made, be intended to enhance the effectiveness of the Company's controls and procedures. The Company is also continually striving to improve its management and operational efficiency and the Company expects that its efforts in that regard

will from time to time directly or indirectly affect the Company's disclosure controls and procedures, as well as the Company's internal control over financial reporting.

(b) Changes in internal controls.

There were no significant changes in the Company's internal controls or other factors that could significantly affect the Company's internal controls subsequent to the date of their evaluation.

PART II - OTHER INFORMATION

ITEM 1. Legal Proceedings

We are not currently a party to any legal proceeding, and was not a party to any other legal proceeding during the quarter ended September 30, 2015. We are currently not aware of any other legal proceedings proposed to be initiated against the Company. However, from time to time, we may become subject to claims and litigation generally associated with any business venture.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the quarter ended September 30, 2015, the holders of stock options exercised their options for 515,000 shares for proceeds of \$77,250 at an exercise price of \$0.15 per share and 5,000 options expired unexercised.

There were no further sales of equity securities during the quarter ended September 30, 2015.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Submission of Matters to a Vote of Security Holders

During the quarter ended September 30, 2015, we held our Annual Meeting of Stockholders for the purposes of electing our directors and to ratify the appointment of Davidson & Company LLP, Chartered Professional Accountants, as our independent auditors for the 2015 fiscal year. The Company issued a schedule 14A proxy statement to the shareholders on August 10, 2015.

All nominees for directors were elected and the appointment of auditors was ratified. The voting on each matter is set forth below:

- a) Elected to set the number of directors at 5.

For	Against	Abstain	Not Voted
49,623,047	71,238	6,881	-

- b) Election of the Directors of the Company.

Nominee	For	Against	Abstain	Not Voted
T. M. Williams	47,265,096	4,430	2,431,640	-
J. M. Williams	47,265,346	4,180	2,431,640	-
C. M. Devereux	47,265,346	4,180	2,431,640	-
G. Whitton	47,269,346	180	2,431,640	-
F. Curtis	47,265,346	4,180	2,431,640	-

- (c) Approved the selection of Davidson & Company LLP, Chartered Professional Accountants as the Company's independent auditors for the fiscal year ending December 31, 2015.

For	Against	Abstain	Not Voted
49,700,687	479	-	-

- (d) The ratification of the existing Rolling Stock Option plan was approved.

For	Against	Abstain	Not Voted
47,261,134	8,392	2,431,640	-

ITEM 5. Other Information

Effective July 2, 2015, the Company commenced trading on the TSX Venture Exchange as a tier 2 Technology Issuer under the trading symbol “SGW”. The Company also trades on the OTCQB under the trading symbol “SGLDF”.

ITEM 6. Exhibits and reports on Form 8-K Exhibits

The following instruments are included as exhibits to this Report. Exhibits incorporated by reference are so indicated.

Exhibit Number	Description
4.4	Convertible Debenture between the Company and unrelated parties dated July 2, 2002. (b)
4.5	Common Stock Purchase Warrant between the Company and unrelated parties dated July 2, 2002. (b)
10.2	Asset Purchase Agreement by and between Bingo, Inc. and Progressive Lumber, Corp. dated January 18, 1999. (a)
10.24	Amended Consulting Agreement dated February 28, 2002, between the Company, T.M. Williams (Row), Ltd., and T.M. Williams. (c)
10.29	Amendment of Asset Purchase Agreement dated July 1, 2002. (d)
10.32	Code of Business Conduct and Ethics dated December 22, 2006. (e)
10.33	Amended Consulting Agreement dated June 16, 2010, between the Company, T.M. Williams (Row), Ltd., and T.M. Williams. (f)
10.36	The Marketing Service Agreement between the Bingo.com, Ltd. wholly owned subsidiary, Coral Reef Marketing Inc. and with Unibet International Limited dated March 19, 2010. (g)
10.37	Amended Consulting Agreement dated August 1, 2013, between the Company, T.M. Williams (Row), Ltd., and T.M. Williams. (h)
10.38	Consulting Agreement dated January 1, 2014, between the Company, Jayska Consulting Ltd., and J.M. Williams. (h)
10.39	Consulting Agreement dated January 1, 2014, between the Company, LVA Media Inc., and J.M. Williams. (h)
10.40	Consulting Agreement dated October 1, 2013, between the Company, Devereux Management Ltd., and C. M. Devereux. (h)
10.41	Consulting Agreement dated January 1, 2014, between the Company, Bromley Accounting Services Limited, and H. W. Bromley. (h)
31.1	Certificate of Chief Executive Officer pursuant to the Securities Exchange Act Rules 13a-15(e) and 15d-15(e) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 13, 2015.
31.2	Certificate of Chief Financial Officer pursuant to the Securities Exchange Act Rules 13a-15(e) and 15d-15(e) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 13, 2015.
32.1	Certification from the Chief Executive Officer of Shoal Games Ltd. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 13, 2015.
32.2	Certification from the Chief Financial Officer of Shoal Games Ltd. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 13, 2015.

(a) Previously filed with the Registrant's registration statement on Form 10 on June 9, 1999.

(b) Previously filed with the Company's quarterly report on Form 10-Q for the period ended September 30, 2002, on November 14, 2002.

(c) Previously filed with the Company's quarterly report on Form 10-Q for the period ended June 30, 2002, on August 14, 2002.

(d) Previously filed with the Company's year end report on Form 10-K/A for the year ended December 31, 2002, on May 8, 2003.

(e) Previously filed with the Company's report on Form 8-K on December 26, 2006.

- (f) Previously filed with the Company's report on Form 8-K on June 17, 2010.
- (g) Previously filed with the Company's report on Form 8-K/A on June 18, 2012.
- (h) Previously filed with the Company's report on Form 8-K on March 24, 2014.

Reports on Form 8-K.

During the quarter ended September 30, 2015, we filed the following Form 8-K:

- An Form 8-K announcing the results of our Annual General Meeting.

Reports Subsequent to the quarter ended September 30, 2015.

None

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 13, 2015

SHOAL GAMES LTD.

(Registrant)

Date: November 13, 2015

/S/ J.M. Williams

J. M. Williams, Chief Executive Officer, and President
(Principal Executive Officer)

Date: November 13, 2015

/S/ H. W. Bromley

H.W. Bromley, Chief Financial Officer
(Principal Accounting Officer)

EXHIBIT 31.1
CERTIFICATIONS

I, J. M. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Shoal Games Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Shoal Games Ltd. as of, and for, the periods presented in this quarterly report;
4. Shoal Games Ltd.'s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Shoal Games Ltd., including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of Shoal Games Ltd.'s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of September 30, 2015, covered by this quarterly report based on such evaluation; and
 - (d) Disclosed in this report any change in Shoal Games Ltd.'s internal control over financial reporting that occurred during Shoal Games Ltd.'s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Shoal Games Ltd.'s internal control over financial reporting; and
5. Shoal Games Ltd.'s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Shoal Games Ltd.'s auditors and the audit committee of Shoal Games Ltd.'s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Shoal Games Ltd.'s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Signed: /S/ J. M. Williams

J. M. Williams,
Chief Executive Officer and President
(Principal Executive Officer)

Date: November 13, 2015

EXHIBIT 31.2

CERTIFICATIONS

I, H. W. Bromley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Shoal Games Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Shoal Games Ltd. as of, and for, the periods presented in this quarterly report;
4. Shoal Games Ltd.'s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Shoal Games Ltd., including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of Shoal Games Ltd.'s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of September 30, 2015, covered by this quarterly report based on such evaluation; and
 - (d) Disclosed in this report any change in Shoal Games Ltd.'s internal control over financial reporting that occurred during Shoal Games Ltd.'s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Shoal Games Ltd.'s internal control over financial reporting; and
5. Shoal Games Ltd.'s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Shoal Games Ltd.'s auditors and the audit committee of Shoal Games Ltd.'s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Shoal Games Ltd.'s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Signed: /S/ H. W. Bromley
H.W. Bromley,
Chief Financial Officer
(Principal Accounting Officer)

Date: November 13, 2015

EXHIBIT 32.1
CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Shoal Games Ltd. (the “Company”) on Form 10-Q for the period ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, J. M. Williams, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- b) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ J.M. Williams
J. M. Williams
President and Chief Executive Officer
November 13, 2015

A signed original of this written statement required by Section 906 has been provided to Shoal Games Ltd. and will be retained by the company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2
CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Shoal Games Ltd. (the “Company”) on Form 10-Q for the period ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, H. W. Bromley, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- b) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ H. W. Bromley
H. W. Bromley
Chief Financial Officer
November 13, 2015

A signed original of this written statement required by Section 906 has been provided to Shoal Games Ltd. and will be retained by the company and furnished to the Securities and Exchange Commission or its staff upon request.