

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2015

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

For the transition period from _____ to _____

Commission file number 333-120120-01

SHOAL GAMES LTD.

(Exact name of registrant as specified in its charter)

ANGUILLA, B.W.I.

(State or other jurisdiction of incorporation
or organization)

98-0206369

(I.R.S. 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

(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

None

(Title of Each Class & Name of each exchange on which registered)

Securities registered under section 12(g) of the Exchange Act:

COMMON STOCK, NO PAR VALUE PER SHARE

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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 Act). Yes ☐ No ☒

State issuer's revenues for its most recent fiscal year.

\$111,610

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Our common stock is currently quoted on the Over the Counter Markets – The Venture Marketplace ("OTCQB") operated by OTC Markets Group Inc. (<http://www.otcmarkets.com/>) under the symbol "SGLDF" and on the TSX Venture Exchange in Canada under the symbol "SGW". The closing share price as of March 16, 2016, being US\$0.50 per share under the symbol SGLDF on the OTC Markets Group Inc. and CAD\$0.69 under symbol SGW on the TSX Venture Exchange : \$28,098,852.

APPLICABLE ONLY TO CORPORATE REGISTRANTS

Indicate the number of shares outstanding of the registrant's common stock, no par value per share, was 56,197,703 as of March 16, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

The merger of Bingo.com, Inc. with Shoal Games Ltd., which was approved by the Securities Exchange Commission on March 8, 2005, and is effective on April 7, 2005, is described in the prospectus filed under Rule 424(b) of the Securities Act and the Form S-4, which were filed on March 9, 2005, and March 4, 2005, respectively. The Company filed Form SB2 on September 18, 2007, for the registration of shares originally issued in the private placement. In addition, the Company filed a TSX Venture Exchange Listing Application for the TSX-V listing on June 29, 2015.

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PART I

This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. All statements contained herein that are not statements of historical fact constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Discussions containing forward-looking statements may be found in the material set forth under “Business,” and “Management's Discussion and Analysis or Plan of Operation,” as well as in this Annual Report generally. We generally use words such as “believes,” “intends,” “expects,” “anticipates,” “plans,” and similar expressions to identify forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. These forward-looking statements are subject to risks, uncertainties and other factors, some of which are beyond our control, which could cause actual results to differ materially from this forecast or anticipated in such forward-looking statements.

You should not place undue reliance on these forward-looking statements, which reflect our view only as of the date of this report. We undertake no obligation to update these statements or publicly release the result of any revisions to these statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

ITEM 1. BUSINESS

INTRODUCTION

Shoal Games Ltd. (the "Company") owns and markets a non-gambling social bingo game called Trophy Bingo. Trophy Bingo is an innovative free-to-play mobile game live in the Apple, Google and Amazon App Stores. Trophy Bingo brings unique gameplay and industry leading monetization techniques to the bingo category which is both high growth and high value. The game is free to download and supports in-app purchases and in-game advertising for players who want to engage with the premium features contained in the game. In-game purchases are transactions made from within a mobile game that are processed by the platform provider (Apple iOS; Google Android; Amazon Android). The worldwide full launch and marketing of Trophy Bingo commenced in the third quarter of 2015 when the latest version of Trophy Bingo was released world-wide in the Apple App Store and Google Play Store on all supported mobile phones and tablet devices.

The Company generates its main source of revenue from players making in-app purchases in Trophy Bingo via the Google Play Store, the Apple App Store and the Amazon 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.

We conducted a beta test launch of Trophy Bingo in May 2013, followed by a global soft launch of the enhanced game on Android in August, 2014 and on iOS in September 2014. Trophy Bingo was released worldwide in the Google Play Store on August 12, 2015, in the Apple App Store on September 3, 2015, and in the Amazon Appstore on November 30, 2015.

References in this document to “the Company,” “we,” “us,” and “our” refer to Shoal Games Ltd. and our subsidiaries, which are described below.

Our executive offices are located at Hansa Bank Building, Ground Floor, Landsome Road, The Valley, AI 2640, The Valley, Anguilla, B.W.I. Our telephone number is (264) 461-2646.

History and Corporate Structure

The Company was originally incorporated in the State of Florida on January 12, 1987.

Effective January 22, 1999, the Company acquired the use of the second level domain name bingo.com and embarked on our business strategy to become a leading online provider of bingo based games and entertainment.

Effective April 7, 2005, the shares of Bingo.com, Ltd. by way of a merger between Bingo.com, Inc. and Bingo.com, Ltd., began trading under the new ticker symbol “BNGOF”.

On January 22, 2015, Bingo.com, Ltd. filed Articles of Amendment with the Anguilla Registrar of Companies changing its name to “Shoal Games Ltd.”. Effective at the open of markets on January 27, 2015, the Common Shares commenced trading under the new trading symbol “SGLDF” on the OTC-QB.

On June 29, 2015, the Company filed a TSX Venture Exchange Listing Application for the TSX-V listing and commenced trading on July 2, 2015, under the symbol “SGW”.

We conduct our business through the Anguilla incorporated entity and through our wholly-owned subsidiaries English Bay Office Management Limited (“English Bay”), Shoal Games (UK) plc (“Shoal UK”), Coral Reef Marketing Inc. (“Coral Reef”) and Shoal Media Inc.

English Bay was incorporated under the laws of British Columbia, Canada, on February 10, 1998, as 559262 B.C. Ltd. and changed its name to Bingo.com (Canada) Enterprises Inc. on February 11, 1999. It subsequently changed its name to English Bay Office Management Limited on September 8, 2003.

On August 15, 2002, we acquired 99% of the share capital of Shoal UK. Shoal UK was incorporated under the laws of England and Wales on August 18, 2000, as CellStop plc. and changed its name to Bingo.com (UK) plc. on August 5, 2002. During the year ended December 31, 2015, the Company changed the name of the company to Shoal Games (UK) plc.

On January 21, 2008, Coral Reef Marketing Inc., was incorporated under the laws of Anguilla, British West Indies.

On January 1, 2013, we acquired 100% of the share capital of Shoal Media Inc., an Anguillian Company.

We also maintain a number of inactive wholly-owned subsidiaries. These are:

- Bingo.com (Antigua), Inc., (“Bingo.com (Antigua)”) incorporated as an Antigua International Business Corporation on April 7, 1999, as Star Communications Ltd. and changed its name to Bingo.com. (Antigua), Inc. on April 21, 1999;
- Bingo.com (Wyoming), Inc., incorporated in the State of Wyoming on July 14, 1999;
- Bingo.com Acquisition Corp., incorporated in the State of Delaware on January 9, 2001.

All three of the inactive subsidiaries were incorporated to facilitate the implementation of business plans that we have since modified and refocused and, consequently, there is no activity in these entities.

Our common shares are currently quoted on the Over the Counter Markets - The Venture Marketplace (“OTCQB”) operated by OTC Markets Group Inc. under the symbol “SGLDF” and on the TSX Venture Exchange in Canada under the symbol “SGW”. We have not been subject to any bankruptcy, receivership or other similar proceedings.

Development of the Business

Our current business strategy is to manage and grow our business with minimal overhead, focusing on our major asset, the social bingo game Trophy Bingo.

Bingo.com Domain Name

On January 18, 1999, we purchased the exclusive right to use the domain name bingo.com from a then unrelated company, Bingo, Inc., an Anguilla corporation, for (i) a \$200,000 cash payment, (ii) 500,000 shares of our common stock (at a value of \$2.00 per share) and (iii) an agreement to pay, on an ongoing basis, the Domain Name Purchase price amounting to 4% of our annual gross revenues, with a total minimum guaranteed Domain Name Purchase payment of \$1,100,000 in the first three years of the 99 year period ending December 31, 2098. The value of the bingo.com domain name was based on factors such as the ability for us to create a brand for our website based on the name, the ease of Internet search ability of the domain name, and the ability of visitors to our website to remember and associate the name with our website and business. We negotiated the terms of the domain name acquisition at arms' length, and we believe the consideration we paid for the domain name was reasonable.

During the year ended December 31, 2002, the agreement was amended so that the remaining Domain Name Purchase payments to the vendor were made monthly, based on 4% of the preceding month's gross revenue.

In the latter half of fiscal 2010, the Company engaged an independent valuation company, to value the remaining 4% Domain Name Purchase payments. The Company reviewed the independent valuation and after considering this and other external variables, the Company and Bingo, Inc., the holder of the 4% Domain Name Purchase payments, agreed that the value of the 4% Domain Name Purchase payments to be \$900,000. During the year ended December 31, 2010, the Company purchased the remaining Domain Name Purchase payments for \$900,000 from Bingo, Inc., with the issuance of 6,000,000 common shares of Bingo.com, Ltd., at a value of \$0.15 per share.

Effective December 31, 2014, the Company sold the Bingo.com domain name to Unibet Group plc for \$8 million. The Company received cash consideration of \$2,000,000 and the redemption of the 15,000,000 common shares of the Company at a price of \$0.40 per share, which were held by Unibet. The 15,000,000 common shares held by Unibet Group plc. have been returned to the Company's treasury and subsequently canceled.

Shoal Games Domain Names

We own the domain names Shoalgames.com, Shoalgames.net, Shoalmedia.com, Shoalmedia.net, Trophybingo.com, Trophybingo.net, and Trophybingo.ca. On January 22, 2015, the Company changed its name from Bingo.com, Ltd. to Shoal Games Ltd. and on January 27, 2015 commenced trading on the OTCQB exchange with the symbol SGLDF. On July 2, 2015, the Company additionally commenced trading on the TSX Venture Exchanged with the symbol "SGW".

BUSINESS OVERVIEW

Our objective is to become a leading social bingo game provider. We intend to leverage the worldwide popularity of bingo with the growth of social games to make Trophy Bingo a top grossing title.

We are in the business of owning and marketing Trophy Bingo, an innovative, non-gambling social bingo game, currently live in the Google Play Store, the Apple App Store and the Amazon Appstore. Trophy Bingo is an innovative free-to-play mobile game live in the Apple, Google and Amazon App Stores. Trophy Bingo brings unique gameplay and industry leading monetization techniques to the bingo category which is both high growth and high value. The game is free to download and supports in-app purchases and in-game advertising for players who want to engage with the premium features contained in the game.

Gaming Revenue Business

During the quarter ended June 30, 2005, Bingo.com, N.V., a subsidiary of Bingo.com, Ltd., commenced gaming for cash whereby players purchase bingo cards and wager on other soft games such as video poker, hi-lo, and slots with the target audience being the United States and the games played in US dollars.

On September 30, 2006, the United States Senate passed the Unlawful Internet Gambling Enforcement Act 2006 (“UIGEA”), which was signed into law by President Bush, on October 13, 2006. The legislation aimed to prohibit the funding of illegal online gambling to United States citizens and residents. Effective October 12, 2006, in response to the UIGEA we sold our United States player database and related assets to an unrelated company. The asset disposition included the registered online gaming players, the gaming servers, and the complete database of real money players.

During the quarter ended June 30, 2007, we launched our United Kingdom focused website, with games targeted to the United Kingdom audience and the games played in British pounds sterling.

During the quarter ended June 30, 2010, we migrated to the Unibet’s Partner Program as a network operator of their multi-language and multi-currency bingo and casino systems.

Effective December 31, 2014, we sold the domain name, www.bingo.com and its online gambling community to Unibet Group plc. and changed our name from Bingo.com, Ltd. to Shoal Games Ltd. The Company’s focus is now on its social bingo game, Trophy Bingo.

Advertising Revenue Business

We have in the past used the appeal of the bingo.com domain name to sell advertising on the free section of our website, which, initially, was our primary revenue source. During the quarter ended June 30, 2005, we commenced offering traditional bingo and other pay-for-play games to our players, which replaced advertising as our main source of revenue.

Upon selling the pay-for-play games to Unibet on December 31, 2014, residual revenues from the advertising revenue from the bingo.com website accounted for approximately 11% of our revenue from continuing operations for the year ended December 31, 2015.

Social Bingo Business

The Company is now developing a social bingo game called Trophy Bingo on Apple’s iOS, Google’s Android and Amazon Android systems primarily on smartphones and tablets. Trophy Bingo was soft launched in August 2014 and launched worldwide in the third quarter of fiscal 2015. Revenue will be generated in the game via 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. Trophy Bingo also offers companies the ability to provide advertising to players in a non-intrusive manner on a pay per view basis to the Company.

The Niche

We continue to work towards positioning ourselves as a leading social bingo game provider. We believe the size of the worldwide social bingo community and the entertainment offered by Trophy Bingo provide us with an opportunity to build a large loyal base of daily visitors from around the world.

We believe that social bingo games are valuable entertainment in today’s mobile-first environment and that mobile bingo games are a compelling entertainment medium for a mass user audience.

BUSINESS STRATEGY

Our objective is to become a leading social bingo game publisher with Trophy Bingo. We are pursuing this objective through the following strategies:

Revenue streams

In year ended December 31, 2015, we earned revenue from the social bingo segment from Trophy Bingo, whereby players make in-app purchases to earn in-game currency which they can then spend on extra bingos or on the premium power plays contained within the game. In addition, Trophy Bingo generates in revenue using a free-to-play strategy where players can choose to watch advertising.

In 2015 we generated 89% of revenue from our social bingo game.

Social Bingo Plans

The Company has a host of new features currently in development that are intended for release in the Trophy Bingo game. The Company intends to complete the software development presently underway before expanding our marketing efforts beyond the current maintenance level. One of the features in development is a viral social referral system. Trophy Bingo will contain many social features that are designed to increase the number of players downloading the App which, in turn, decreases our per player acquisition costs. When marketing does commence, and as the player volume increases, the viral aspects of the game will play an increasingly important role, as they will significantly increase the number of players in Trophy Bingo at no incremental cost to the Company.

Marketing Strategy

Our goal is for Trophy Bingo to become one of the most recognized and most visited social bingo games on the Internet, in the Google Play Store, in the Apple App Store and in the Amazon App Store. We intend to continue building a social community consisting of a dedicated and loyal player base that will support our ability to generate both advertising and in-app purchase revenues.

OPERATIONS

Employees

As of December 31, 2015, we had one full-time employee, not including temporary personnel, consultants, and independent contractors. Since 2006 it has been, and continues to be, the Company's objective to control its costs by retaining consultants, as needed, to provide special expertise in developing internal strategic, marketing, accounting and technical services, while outsourcing our development requirements. None of our employees or consultants are represented by a labor union, and we believe that our relationship with our employees and consultants is good.

We are substantially dependent upon the continued services and performance of J. M. Williams, Chief Executive Officer and T. M. Williams, Executive Chairman. The loss of the services of these key individuals would have a material adverse effect on our business, financial condition and results of operations. We do not carry any key man life insurance on any individuals.

Seasonality

We do not believe that seasonality has an effect on our traffic volumes or our revenue realization.

Competition

Mobile bingo is a relatively new industry that has been overlooked, underestimated and generally misunderstood by the large players in the social gaming industry. Bingo has been seen as an "old ladies game" not worthy of a concentrated marketing and development effort. The biggest successes in the mobile bingo industry have been the niche companies that understand the bingo market and not the larger companies that are, typically, from a video game or gaming background. Larger operators have acquired the companies behind the leading social bingo games. Caesars Interactive Entertainment acquired Buffalo Studios, the makers of Bingo Blitz, in 2012 for \$53 million. More recently in 2014, GSN Games purchased Bash Gaming, the makers of Bingo Bash, for \$160 million. The Company views these acquisitions as additional confirmation that the social bingo marketplace is valuable and will support another market entrant.

Costs and Effects of Compliance with Environmental Laws

Our company is in the business of marketing Trophy Bingo, a form of entertainment focused on the game of bingo. To the best of our knowledge, no federal, state or local environmental laws are applicable to our business.

BRITISH COLUMBIA SECURITIES COMMISSION

Effective September 15, 2008, the British Columbia Securities Commission ("BCSC") issued rule 51-509 Issuers Quoted in the U.S. Over-the-Counter Markets. Rule 51 - 509 requires all Over-the-Counter Companies that have connections to British Columbia (BC) to comply with BC securities law and certain public disclosure requirements. The Company is deemed to have connection to BC

due to the fact that administration and a director are located in BC. The Company has complied with rule 51-509 and registered and filed the necessary documents on SEDAR. The Company is deemed, due to the fact that there are less than 50% of the Company's shareholders located in BC, to be a foreign reporting issuer in accordance with NI 71-102 "Continuous Disclosure and Other Exemptions Relating to Foreign Issuers". Therefore the Company is only required to file what it files with the Securities and Exchange Commission on SEDAR.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

The equipment of the Company to operate the operations of the Company is located in Anguilla, United Kingdom, USA and Canada. The revenue from in-app purchases is worldwide, with the majority from Europe and the USA.

AVAILABLE INFORMATION

The Company makes available through the Corporate Shoal Games section of its internet website at <http://investor.shoalgames.com> its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Press Releases and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after electronically filing such material with the Securities and Exchange Commission.

You may read and copy any reports, statements or other information that we file with the Securities and Exchange Commission at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the Securities and Exchange Commission. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the operation of the Public Reference Room.

We file our reports with the Securities and Exchange Commission electronically through the Securities and Exchange Commission's Electronic Data Gathering, Analysis and Retrieval ("EDGAR") system. The Securities and Exchange Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding companies that file electronically with the Securities and Exchange Commission through EDGAR. The address of this Internet site is <http://www.sec.gov>.

In addition, we file our reports on SEDAR, in accordance with rule 51-509 Issuers Quoted in the U.S. Over-the-Counter Markets as required by the British Columbia Securities Commission.

ITEM 2. PROPERTIES.

Since 2005 our executive office is located in The Valley, Anguilla, British West Indies. We commenced the present lease agreement on April 1, 2010, for a period of one year. Unless 3 month's notice is given it automatically renews for a future 3 months until notice is given. To date no notice has been given. The monthly rental is \$250.

Our primary administrative facility is located in leased space in Vancouver, British Columbia. During the year ended December 31, 2011, the lease was amended and extended in April 2014. The lease expires April 30, 2017. This facility comprises approximately 463 square feet. The monthly rental is approximately \$1,216.

We operate a sales and marketing office in London, United Kingdom.

We believe that these facilities will be adequate to meet our requirements for the near future and that suitable additional space will be available if needed. Other than described above, neither we, nor any of our subsidiaries presently own or lease any other property or real estate.

ITEM 3. LEGAL PROCEEDINGS.

We are not currently a party to any legal proceedings and were not a party to any other legal proceeding, during the fiscal year ended December 31, 2015. We are currently not aware of any legal proceedings proposed to be initiated against us. However, from time-to-time, we may become subject to claims and litigation generally associated with any business venture.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

We held our Annual Meeting of Stockholders in Anguilla on September 23, 2015, all matters were unanimously approved. There were no submissions of matters to a vote of security holders during the third and fourth quarter of 2015.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is currently quoted on the TSX Venture Exchange in Canada under the symbol "SGW" and on the Over the Counter Markets – The Venture Marketplace ("OTCQB") operated by OTC Markets Group Inc. under the symbol "SGLDF".

On March 19, 1997, our common stock was approved for trading on the National Association of Securities Dealers OTC Bulletin Board (the "OTCBB") under the symbol "PGLB". In January 1999, when we changed our name to Bingo.com, Inc., our OTCBB symbol was changed to "BIGG". On July 26, 1999, we changed our trading symbol from "BIGG" to "BIGR". On April 7, 2005, Bingo.com, Inc. completed a merger with its wholly-owned subsidiary Bingo.com, Ltd. The principal reason for Bingo.com, Inc.'s merger with its subsidiary Bingo.com, Ltd. was to facilitate Bingo.com, Inc.'s reincorporation under the International Business Companies Act of Anguilla, B.W.I. Effective April 7, 2005, the shares of Bingo.com, Ltd. began trading under the new ticker symbol "BNGOF". In 2011, we transferred to the Over the Counter Markets - The Venture Marketplace ("OTCQB") operated by OTC Markets Group Inc., whilst continuing our ticker symbol "BNGOF". The bid quotations set forth below, reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not reflect actual transactions. During the year ended December 31, 2015, the Company changed its name to Shoal Games Ltd. and changed our trading symbol from "BNGOF" to "SGLDF". Effective July 2, 2015, the Company additionally commenced trading on the TSX Venture Exchange in Canada under the symbol "SGW".

<u>Quarter Ended</u>	<u>High (1)</u>	<u>Low (1)</u>
December 31, 2015	\$0.75	\$0.36
September 30, 2015	\$0.75	\$0.20
June 30, 2015	\$0.53	\$0.19
March 31, 2015	\$1.00	\$0.40
December 31, 2014	\$0.80	\$0.601
September 30, 2014	\$0.80	\$0.301
June 30, 2014	\$0.54	\$0.385
March 31, 2014	\$0.45	\$0.36

1. Prices as per Yahoo! TM Finance

On March 16, 2016, the last reported sale price of our common stock, as reported by the OTCQB, was \$0.50 per share.

As of March 16, 2016, we believe there are approximately 480 shareholders (including nominees and brokers holding street accounts) of our shares of common stock.

Other than described above, our shares of common stock are not and have not been listed or quoted on any other exchange or quotation system.

Dividend Policy

We have not declared or paid any cash dividends on our common stock since our inception. The Board of Directors is presently reviewing the Companies dividend policy. Any future payment of dividends will depend upon our results of operations, financial condition, cash requirements and other factors deemed relevant by our Board of Directors.

Recent Sales of Unregistered Securities

On January 28, 2014, we closed an offer of 500,000 common shares at \$0.40 per share to one subscriber. These shares were issued under Regulation S. The subscriber who received shares under Regulation S is not a U.S. Person as defined in Rule 902(k) of Regulation S, and no sales efforts were conducted in the U.S., in accordance with Rule 903(c). The subscriber to the offering under Regulation S acknowledged that the securities purchased must come to rest outside the U.S., and the

certificates will contain a legend restricting the sale of such securities until the Regulation S holding period is satisfied.

On March 31 2014, we closed an offer of 1,250,000 common shares at \$0.40 per share to one subscriber. These shares were issued under Regulation S. The subscriber who received shares under Regulation S is not a U.S. Person as defined in Rule 902(k) of Regulation S, and no sales efforts were conducted in the U.S., in accordance with Rule 903(c). The subscriber to the offering under Regulation S acknowledged that the securities purchased must come to rest outside the U.S., and the certificates will contain a legend restricting the sale of such securities until the Regulation S holding period is satisfied.

On June 24, 2014, an option holder exercised his options for 55,000 shares of the Company at \$0.17 per share.

On September 29, 2014, we closed an offer of 1,000,000 common shares at \$0.70 per share to one subscriber. These shares were issued under Regulation S. The subscriber who received shares under Regulation S is not a U.S. Person as defined in Rule 902(k) of Regulation S, and no sales efforts were conducted in the U.S., in accordance with Rule 903(c). The subscriber to the offering under Regulation S acknowledged that the securities purchased must come to rest outside the U.S., and the certificates will contain a legend restricting the sale of such securities until the Regulation S holding period is satisfied.

On September 30, 2015, option holders exercised their options for 515,000 shares of the Company at \$0.15 per share.

Subsequent to the year ended December 31, 2015, the Company commenced a CAD\$2 million private placement of 3,333,333 common shares at CAD\$0.60 per share. The private placement commenced on February 29, 2016 and will close on April 29, 2016.

Securities authorized for issuance under equity compensation plans.

We have reserved a total of 1,895,000 common shares for issuance under our 1999 stock option plan. Pursuant to this plan we have nil stock purchase options (2014 - nil) outstanding at December 31, 2015. During the year ended December 31, 2015, there were nil options exercised and nil options expired, issued under the 1999 plan.

We have reserved a total of 5,424,726 common shares for issuance pursuant to grants under the 2001 stock option plan. Pursuant to this plan we have nil stock purchase options (2014 - nil) outstanding as at December 31, 2015. During the year ended December 31, 2015, there were nil options exercised and nil options expired, issued under the 2001 plan.

We have reserved a total of 2,000,000 common shares for issuance under our 2005 stock option plan. Pursuant to this plan we have nil stock purchase options (2014 - 520,000) outstanding at December 31, 2015. During the year ended December 31, 2015, there were 515,000 stock options issued under the 2005 plan exercised, and 5,000 stock options issued under the 2005 plan expired unexercised.

The 1999 and 2001 plans were approved in 2001 by our shareholders and the 2005 plan was approved by our shareholders in 2005.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options and rights	Weighted average exercise price of outstanding options and rights	Number of securities remaining available for future issuance
	(a)	(b)	(c)
Equity compensation plans approved by security holders	0	0	6,550,776
Equity compensation plans not approved by security holders	0	0	0
Total	0	0	6,550,776

As of the date of this report no further options have been awarded subsequent to the year ended December 31, 2015.

ITEM 6. SELECTED FINANCIAL DATA.

Consolidated Statement of Operations Data for continuing operations:

	<u>Year Ended December 31,</u>				
	2015	2014	2013	2012	2011
Revenue					
Advertising revenue	\$ 12,196	\$ 22,655	\$ 25,133	\$ 44,693	\$ 66,705
Trophy Bingo revenue	99,414	9,815	1,256	-	-
Total revenue	111,610	32,470	26,389	44,693	66,705
Trophy Bingo amortization	482,012	482,013	-	-	-
Gross (loss) profit	(370,402)	(449,543)	26,389	44,693	66,705
Operating expenses excluding interest and other income (expenses)	(2,612,194)	(2,221,663)	(780,754)	(594,897)	(1,030,299)
Interest and other income	1,089	510	840	1,258	2,887
Income tax expense	(480)	(848)	(1,666)	(1,008)	(3,692)
Net loss from continuing operations	\$ (2,981,987)	\$ (2,671,544)	\$ (755,191)	\$ (549,954)	\$ (964,399)
Discontinued Operations					
Gaming revenue	-	1,684,047	1,912,301	1,721,135	1,349,953
Cost of producing revenue	-	-	-	-	-
Gain from the sale of the domain name	16,305	6,677,759	-	-	-
Selling and marketing	-	(628,029)	(1,942,885)	(1,217,416)	(1,074,570)
Net (loss) profit	(2,965,682)	5,062,233	(785,766)	(46,235)	(689,016)
Basic and diluted net loss per share from continuing operations	\$ (0.05)	\$ (0.04)	\$ (0.01)	\$ (0.01)	\$ (0.02)
Weighted average common shares outstanding	55,812,511	67,165,374	64,156,392	63,877,703	54,716,388

	<u>Year Ended December 31,</u>				
	2015	2014	2013	2012	2011
Consolidated Balance Sheet Data:					
Cash	\$ 570,086	\$ 2,876,386	\$ 491,203	\$ 876,004	\$ 787,524
Total assets	1,129,526	3,996,745	3,607,123	3,362,054	2,438,967
Total liabilities	177,792	156,579	238,540	105,608	96,291
Total stockholders' equity	951,734	3,840,166	3,368,583	3,256,446	2,342,676
Working capital	454,447	2,856,230	646,015	1,640,713	1,058,631

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information contained in this Management's Discussion and Analysis or Plan of Operation contains "forward looking statements." Actual results may materially differ from those projected in the forward looking statements as a result of certain risks and uncertainties set forth in this report. Although management believes that the assumptions made and expectations reflected in the forward looking statements are reasonable, there is no assurance that the underlying assumptions will, in fact, prove to be correct or that actual future results will not be materially different from the expectations expressed in this Annual Report. The following discussion should be read in conjunction with the audited Consolidated Financial Statements and related Notes thereto included in Item 7 and with the Special Note regarding forward-looking statements included in Part I.

OVERVIEW

From 1999 to 2014, we have been focused on providing online bingo games over the Internet to players around the world. We began to experience revenue growth from the advertising contained in these games in fiscal 2000. In early 2005 we expanded our entertainment offering to include bingo games for money as well as soft games such as video poker, slots and hi-lo. In 2010, the Company joined the Unibet Partner Program, and focused on marketing its offering to players around the world. On December 31, 2014 we sold our internet gaming business and our www.bingo.com domain name to Unibet Group plc.

In 2014, we earned revenue from our gaming segment, whereby the Company drove players to the bingo.com website which under the Unibet Partner Program offered bingo and other games, such as slots and casino, for money to our players. Effective December 31, 2014 this was discontinued.

In 2015 we earned 89% of our revenue from our social bingo game Trophy Bingo. The game is free to download and supports in-app purchases and in-game advertising for players who want to engage with the premium features contained in the game.

Since inception we have made a significant investment in the development of our website, development of Trophy Bingo, purchase of domain names, branding, marketing, maintaining operations and development of Trophy Bingo. As a result we have incurred significant losses since inception, and as of December 31, 2015, had an accumulated deficit of \$18,407,136.

Moving forward, we will continue to control operating costs and expansion costs with the objective to operate profitably and efficiently.

The consolidated statement of operations data for the years ended December 31, 2015, and 2014, and the consolidated balance sheet data as of December 31, 2015, and 2014, are derived from our audited consolidated financial statements included in Item 7 of this report, which have been audited by Davidson and Company LLP, independent auditors. The consolidated statement of operations data for the years ended December 31, 2013, 2012, and 2011, and the consolidated balance sheet data as of December 31, 2013, 2012, and 2011, are derived from audited consolidated financial statements not included in this report. The historical results are not necessarily indicative of results to be expected in any future period.

During the year ended December 31, 2010, Bingo.com joined the Unibet International Limited ("Unibet") Partner Program as a network operator of their multi-language and multi-currency bingo

and casino system. This agreement continued until December 31, 2014 at which time the agreement was terminated along with the sale of the domain name, www.bingo.com, and our cash gaming data base of players to Unibet Group plc.

The Company is now focused in growing its social bingo game Trophy Bingo. During the second quarter of 2013, the Company beta launched Trophy Bingo in selected jurisdictions. During the third quarter of 2014, the Company soft launched Trophy Bingo. Trophy Bingo was released worldwide in the Google Play Store on August 12, 2015, in the Apple App Store on September 3, 2015, and in the Amazon Appstore on November 30, 2015.

CRITICAL ACCOUNTING POLICIES

The following discussion of critical accounting policies is intended to supplement the Summary of Significant Accounting Policies presented as Note 2 to our audited consolidated financial statements presented elsewhere in this report. Note 2 summarize the accounting policies and methods used in the preparation of our consolidated financial statements. The policies discussed below were selected because they require the more significant judgments and estimates in the preparation and presentation of our financial statements. 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, as well as other events and assumptions that are believed to be reasonable at the time. Actual results could differ from these estimates under different conditions.

Revenue Recognition

Trophy Bingo revenues have been recognized from the sale of in-game purchases at the time of purchase. The revenue from in-game advertising is recognized when advertising is served to the player.

Advertising revenues, not generated in Trophy Bingo, 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 until technological feasibility has been established. After technological feasibility is established, any software development costs are capitalized and amortized on a straight-line basis over the estimated economic life of the related product. The Company performs an annual review of the estimated economic life and the recoverability of such capitalized software costs. 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. The Company capitalized 100% of 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. 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.

SOURCES OF REVENUE AND REVENUE RECOGNITION

We generate our revenue from the following:

- The sale of in-app purchases in Trophy Bingo in the Google play, Apple iOS and Amazon App stores.
- In-game advertising, whereby players watch advertising to gain in-game currency.
- The sale of advertising on our website. We recognize revenue on this basis based on the amount paid to us upon the delivery and fulfillment of advertising, provided that the collection of the resulting receivable is probable.
- In 2014, we generated revenue from marketing our website to drive players to our website which under the Unibet Partner Program provides Internet games for money. We recognized revenue on this basis based on the total dollars wagered, including bonus wagered, less commissions on all games less all winnings payable to players.

SUPPLEMENTARY FINANCIAL INFORMATION

Quarterly Results of Operations

The following tables present our unaudited consolidated quarterly results of operations for each of our last eight quarters. This data has been derived from unaudited consolidated financial statements that have been prepared on the same basis as the annual audited consolidated financial statements and, in our opinion, include all normal recurring adjustments necessary for the fair presentation of such information. These unaudited quarterly results should be read in conjunction with our audited consolidated financial statements, included in Item 7 of this report.

	<u>Three Months Ended</u>			
	<u>December 31,</u> <u>2015</u> (Unaudited)	<u>September 30</u> <u>2015</u> (Unaudited)	<u>June 30</u> <u>2015</u> (Unaudited)	<u>March 31</u> <u>2015</u> (Unaudited)
Revenue				
Advertising revenue	\$ 2,906	\$ 1,216	\$ 3,788	\$ 4,286
Trophy Bingo revenue	82,629	9,914	2,465	4,406
Total Revenue	85,535	11,130	6,253	8,692
Cost of sales				
Trophy Bingo amortization	120,503	120,503	120,503	120,503
Gross loss	(34,968)	(109,373)	(114,250)	(111,811)
Operating expenses and other (income) / expenses	783,451	649,238	552,262	626,154
Loss from continuing operations before income taxes	(818,419)	(758,611)	(666,512)	(737,965)
Income tax expense	480	-	-	-
Loss from continuing operations	\$ (818,899)	\$ (758,611)	\$ (666,512)	\$ (737,965)
Discontinued operations				
Gain from the sale of the domain name	-	-	-	16,305
Income/(loss) after tax	\$ (818,899)	\$ (758,611)	\$ (666,512)	\$ (721,660)
Basic and diluted net income (loss) per share				
Continuing operations	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Discontinued operations	-	-	-	0.00
Weighted average common shares, basic and diluted	56,197,703	55,682,703	55,682,703	55,682,703

	<u>Three Months Ended</u>			
	<u>December 31,</u>	<u>September 30</u>	<u>June 30</u>	<u>March 31</u>
	<u>2014</u>	<u>2014</u>	<u>2014</u>	<u>2014</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Advertising revenue	\$ 5,105	\$ 6,143	\$ 4,265	\$ 7,142
Trophy Bingo revenue	7,105	2,164	174	372
Total Revenue	12,210	8,307	4,439	7,514
Cost of sales				
Trophy Bingo amortization	120,503	120,504	120,503	120,503
Gross loss	(108,293)	(112,197)	(116,064)	(112,989)
Operating expenses and other (income) / expenses	625,427	598,659	500,485	496,582
Loss from continuing operations before income taxes	(733,720)	(710,856)	(616,549)	(609,571)
Income tax expense	803	45	-	-
Loss from continuing operations	\$ (734,523)	\$ (710,901)	\$ (616,549)	\$ (609,571)
Discontinued operations				
Gaming revenue	339,050	377,294	426,746	540,957
Gain from the sale of the domain name	6,677,759	-	-	-
Selling and marketing	(58,099)	(125,303)	(160,549)	(284,078)
Income/(loss) after tax	\$ 6,224,187	\$ (458,910)	\$ (350,352)	\$ (352,692)
Basic and diluted net income (loss) per share				
Continuing operations	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Discontinued operations	\$ 0.09	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average common shares, basic and diluted	70,682,703	69,682,733	69,631,329	67,877,703

Our financial statements and related schedules are described under “Item 8. Financial Statements”.

RESULTS OF OPERATIONS

Years Ended December 31, 2015 and 2014

Revenue

Total revenue from continuing operations increased to \$111,610 for the year ended December 31, 2015, an increase of 244% over revenue from continuing operations of \$32,470 for the same period in the prior year. Revenue from Trophy Bingo increased to \$99,414 for the year ended December 31, 2015, over revenue from Trophy Bingo of \$9,815 for the same period in the prior year. During the year ended December 31, 2015, the Company launched featured complete Trophy Bingo in the Google Play and Apple App Store in the third quarter of fiscal 2015 and in Amazon App Store in the fourth quarter of 2015. Advertising Revenue decreased to \$12,196 for the year ended December 31, 2015, a decrease of 46% over revenue of \$22,655 for the same period in the prior year.

Gaming revenue from discontinued operations was \$nil for the year ended December 31, 2015 over gaming revenue of \$1,684,047 for the same period in the prior year.

Selling and marketing expenses

Sales and marketing expenses from continuing operations were \$549,534 for the year ended December 31, 2015, an increase of 122% over expenses of \$247,258 for the same period in the prior year. This increase in sales and marketing expenses from continuing operations in 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 year ended December 31, 2015, over expenses of \$628,029 for the year ended December 31, 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 \$356,647 for the year ended December 31, 2015, an increase of 68% over costs of \$212,649 for the previous year. General and administrative expenses have increased in comparison to the prior year due to expenses incurred in listing the Company on the TSX Venture Exchange. These expenses included legal fees, exchange fees and transfer agent fees.

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 expenses decreased to \$429,072 during the year ended December 31, 2015, a decrease of 18% over costs of \$520,287 for the previous year. Due to the decline in continued and discontinued operations revenue for the year ended December 31, 2015, there was a decline in revenue share commissions paid to certain staff. In addition, certain of the Company's salaries, wages, consultants and benefits expenses are incurred in Canadian Dollars. The decline in the Canadian dollar in relation to the United States dollar has led to a decline in salaries, wages, consultants and benefits expenses for the year ended December 31, 2015.

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 decreased to \$3,467 during the year ended December 31, 2015, over depreciation of \$3,470 during the prior year. This decrease in depreciation and amortization compared to fiscal 2014, is due to the aging of the Company's equipment and the disposal of obsolete equipment.

Trophy Bingo development and amortization

Commencing January 1, 2014, the Company ceased to capitalize the development costs of Trophy Bingo and commenced amortizing the capitalized development costs over the life of the game. The Company expensed \$1,230,216 in Trophy Bingo development costs during the year ended December 31, 2015, an increase of 4% over \$1,181,382 of Trophy Bingo development costs in the prior year. In addition, the Company amortized \$482,012 (2014 - \$482,013) of the capitalized development costs during the year ended December 31, 2015.

Other income and expenses

During the year ended December 31, 2015, the Company has a foreign exchange loss of \$33,758 compared to foreign exchange gains of \$44,617 in the prior year. These losses are due to the exchange rate movements of the US Dollar compared to the Pound Sterling and the Canadian Dollar.

During the year ended December 31, 2015, we received interest income of \$1,089, an increase of 114% compared to interest income of \$510 in the prior year. The interest income is received from bank term deposits from investing our cash. The increase in interest income is due to the funds received in the sale of Bingo.com URL and Cash Bingo business in the year ended December 31, 2014.

Income taxes

The Company incurred income tax expense of \$480 during the year ended December 31, 2015, in relation to profits earned in its subsidiaries in different jurisdictions compared to income tax expense of \$848 in the prior year. During the year ended December 31, 2005, the Bingo.com, Inc. merged with its subsidiary Bingo.com, Ltd. in Anguilla, British West Indies. Anguilla is a zero tax jurisdiction.

Sale of domain name

Effective December 31, 2014, the Company sold its URL www.bingo.com and its online gambling business to Unibet Group plc (“Unibet”) for total consideration of \$8,000,000. The Company received cash consideration of \$2,000,000 and redemption of the 15,000,000 common shares of the Company, which were held by Unibet. The 15,000,000 common shares held by Unibet have been returned to the Company’s treasury and cancelled. The Company recorded a gain from the sale of \$6,677,759 for the year ended December 31, 2014 and \$16,305 for the year ended December 31, 2015.

Net loss and loss per share

The net loss after taxation from continuing operations for the twelve months ended December 31, 2015, amounted to (\$2,981,987), a loss of (\$0.05) per share, compared to a net loss from continuing operations of (\$2,671,544) or a loss of (\$0.04) per share in the twelve months ending December 31, 2014.

The net loss after taxation for the twelve months ended December 31, 2015, amounted to (\$2,965,682), a loss of (\$0.05) per share, compared to a net gain of \$5,062,233 or \$0.07 per share in the twelve months ending December 31, 2014. The decrease in net income is due to the sale of the domain name in the year ended December 31, 2014 and expenses incurred in listing the Company on the TSX Venture exchange.

LIQUIDITY AND CAPITAL RESOURCES

We had cash of \$570,086 and working capital of \$454,447 at December 31, 2015. This compares to cash of \$2,876,386 and working capital of \$2,856,230 at December 31, 2014.

During the year ended December 31, 2015, 515,000 stock options at \$0.15 per share was exercised raising \$77,250.

During the year ended December 31, 2015, we used cash of \$2,383,038 in operating activities compared to using cash of \$902,497 in the prior year.

Net cash generated by financing activities was \$77,250 in the year ended December 31, 2015, which compares to cash generated by financing activity of \$1,409,350 in fiscal 2014. This cash generated by financing activity is due to the cash raised from option holders exercising their options during the year ended December 31, 2015 compared to three private placements placed in the year ended December 31, 2014.

Cash of \$512 used in investing activities in fiscal 2015, compared to cash provided by investing activities of \$1,878,330 in the prior year. This decrease in cash provided by investing activities is due to sale of the domain name in fiscal 2014.

Our future capital requirements will depend on a number of factors, including costs associated with marketing of our Web portal, 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.

Off Balance Sheet Arrangements

We did not have any Off Balance sheet arrangements for the year ended December 31, 2015 and 2014.

AUDIT COMMITTEE

Our audit committee consists of four directors and reports to the Board of Directors. The audit committee meets regularly throughout the year and met with the independent auditors on March 16, 2016, and approved the financials statements for the year ended December 31, 2015.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

SHOAL GAMES LTD. and subsidiaries

Consolidated Financial Statements

Years ended December 31, 2015 and 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Shoal Games Ltd.

We have audited the accompanying consolidated financial statements of Shoal Games Ltd. (the "Company"), which comprise the consolidated balance sheets of Shoal Games Ltd. as of December 31, 2015 and 2014, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years ended December 31, 2015 and December 31, 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shoal Games Ltd. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years ended December 31, 2015 and 2014 in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that Shoal Games Ltd. will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, Shoal Games Ltd. has suffered recurring losses from operations. This matter, along with the other matters set forth in Note 1, indicate the existence of material uncertainties that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

March 16, 2016



SHOAL GAMES LTD. and subsidiaries

Consolidated Balance Sheets

As at December 31,	2015	2014
Assets		
Current assets:		
Cash	\$ 570,086	\$ 2,876,386
Accounts receivable, less allowance for doubtful accounts		
\$nil (2014 - \$nil) (Note 3)	44,948	122,056
Prepaid expenses	17,205	14,367
Total Current Assets	632,239	3,012,809
Equipment, net (Note 4)	6,314	9,269
Other assets (Note 5)	482,013	964,025
Security deposits	8,960	10,642
Deferred tax asset, less valuation allowance of \$17,898 (2014 - \$17,907) (Note 9)	-	-
Total Assets	\$ 1,129,526	\$ 3,996,745
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 74,200	\$ 35,013
Accrued liabilities	71,026	72,898
Accounts payable and accrued liabilities - related party (Note 10)	32,566	48,668
Total Current Liabilities	177,792	156,579
Commitments (Note 8)		
Stockholders' equity (Note 7):		
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	(18,407,136)	(15,441,454)
Accumulated other comprehensive income:		
Foreign currency translation adjustment	24,580	24,580
Total Stockholders' Equity	951,734	3,840,166
Total Liabilities and Stockholders' Equity	\$ 1,129,526	\$ 3,996,745

See accompanying notes to consolidated financial statements.

SHOAL GAMES LTD. and subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31,	2015	2014
Advertising revenue	\$ 12,196	\$ 22,655
Trophy Bingo revenue	99,414	9,815
Total revenue	111,610	32,470
Cost of sales:		
Trophy Bingo amortization (Note 5)	482,012	482,013
Total cost of sales	482,012	482,013
Gross loss	(370,402)	(449,543)
Operating expenses:		
Depreciation and amortization (Note 4)	3,467	3,470
Directors fees	9,500	12,000
General and administrative	356,647	212,649
Salaries, wages, consultants and benefits	429,072	520,287
Selling and marketing	549,534	247,258
Trophy Bingo development (Note 5)	1,230,216	1,181,382
Total operating expenses	2,578,436	2,177,046
Loss before other income (expense) and income taxes	(2,948,838)	(2,626,589)
Other income (expense):		
Foreign exchange loss	(33,758)	(44,617)
Interest and other income	1,089	510
Loss from continuing operations before income taxes	(2,981,507)	(2,670,696)
Income tax expense (Note 9)	(480)	(848)
Loss from continuing operations	\$ (2,981,987)	\$ (2,671,544)
Discontinued operations: (Note 6)		
Gaming revenue	-	1,684,047
Gain from the sale of the domain name (Note 6)	-	6,677,759
Gain from the sale of the Cash Bingo business	16,305	-
Selling and marketing	-	(628,029)
Income after tax	16,305	5,062,233
Other comprehensive income (loss)	-	-
Comprehensive income (loss)	\$ (2,965,682)	\$ 5,062,233
Basic and diluted profit (loss) per common share (Note 2)		
Continuing operations	\$ (0.05)	\$ (0.04)
Discontinued operations	\$ 0.00	\$ 0.11
Weighted average common shares outstanding, basic (Note 2)	55,812,511	69,564,552
Weighted average common shares outstanding, diluted (Note 2)	55,812,511	69,584,417

See accompanying notes to consolidated financial statements.

SHOAL GAMES LTD. and subsidiaries

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2015 and 2014

	Common stock		Accumulated Deficit	Accumulated Other Comprehensive income	Total Stockholders' Equity
	Shares	Amount		Foreign currency translation adjustment	
Balance, December 31, 2013	67,877,703	\$20,097,690	\$(16,753,687)	\$ 24,580	\$3,368,583
Private placement	500,000	200,000	-	-	200,000
Private placement	1,250,000	500,000	-	-	500,000
Exercise of stock options	55,000	9,350			9,350
Private placement	1,000,000	700,000	-	-	700,000
Redemption of shares (Note 6)	(15,000,000)	(2,250,000)	(3,750,000)		(6,000,000)
Net income	-	-	5,062,233	-	5,062,233
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	-	-	(2,965,682)	-	(2,965,682)
Balance, December 31, 2015	56,197,703	\$19,334,290	\$(18,407,136)	\$ 24,580	\$951,734

See accompanying notes to consolidated financial statements.

SHOAL GAMES LTD. and subsidiaries

Consolidated Statements of Cash Flows

Years ended December 31,	2015	2014
Cash flows from operating activities:		
Net (loss) income	\$ (2,965,682)	\$ 5,062,233
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	3,467	3,470
Trophy Bingo amortization	482,012	482,013
Gain from the sale of the domain name	(16,305)	(6,677,759)
Changes in operating assets and liabilities:		
Accounts receivable	77,108	159,201
Prepaid expenses	(2,838)	97,728
Other assets	1,682	877
Accounts payable and accrued liabilities	37,518	(30,260)
Net cash used in operating activities	(2,383,038)	(902,497)
Cash flows from investing activities:		
Acquisition of equipment	(512)	(4,969)
Proceeds on disposal of domain name, net of transaction costs	-	1,935,000
Software development	-	(51,701)
Net cash (used in) provided by investing activities	(512)	1,878,330
Cash flows from financing activities:		
Exercise of stock options	77,250	9,350
Private placement	-	1,400,000
Net cash provided by financing activities	77,250	1,409,350
Change in cash	(2,306,300)	2,385,183
Cash, beginning of year	2,876,386	491,203
Cash, end of year	\$ 570,086	\$ 2,876,386
Supplementary information:		
Interest paid	\$ -	\$ -
Income taxes paid	\$ 480	\$ 848
Non-cash financing activity	\$ -	\$ -
Non-cash investing activity – acquisition and redemption of 15,000,000 common shares on the disposal of the domain name rights through common stock and deficit (Note 6)	\$ -	\$ 6,000,000

See accompanying notes to consolidated financial statements.

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

1. Introduction:

Nature of business

Shoal Games Ltd. (the “Company”) was incorporated on January 12, 1987, under the laws of the State of Florida as Progressive General Lumber Corp. On January 22, 1999, the Company changed its name to Bingo.com, Inc. On April 7, 2005, Bingo.com, Inc. completed a merger with its wholly- owned subsidiary Bingo.com, Ltd. The surviving corporation of the merger is Bingo.com, Ltd. which is domiciled in Anguilla, British West Indies. Effective Thursday, April 7, 2005, the shares of Bingo.com, Ltd. began trading under the new ticker symbol “BNGOF”. During the year ended December 31, 2015, the Company changed its name to Shoal Games Ltd. and changed its ticker symbol to “SGLDF”. Effective July 2, 2015, the Company additionally listed on the TSX Venture Exchange under the symbol “SGW”.

Effective December 31, 2014, the Company sold its Internet portal, www.bingo.com and focused on the continued development and marketing of its social bingo game, Trophy Bingo.

During the year ended December 31, 2015, the Company was in the business of owning and marketing a non-gambling social bingo game called Trophy Bingo. Trophy Bingo is a free-to-play mobile game live in the Apple, Google and Amazon App Stores. The game is free to download and supports in-app purchases and in-game advertising for players who want to engage with the premium features contained in the game. In-game purchases are transactions made from within a mobile game that are processed by the platform provider (Apple iOS; Google Android; Amazon Android). The worldwide full launch and marketing of Trophy Bingo commenced in the third quarter of 2015 when the latest version of Trophy Bingo was released world-wide in the Apple App Store and Google Play Store on all supported mobile phones and tablet devices.

Continuing operations

These 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 year ended December 31, 2015 and 2014, and has an accumulated deficit of \$18,407,136 as at December 31, 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

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

1. Introduction (Continued):

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.

2. Summary of significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") applicable to annual financial information and with the rules and regulations of the United States Securities and Exchange Commission. The financial statements include the accounts of the Company's wholly-owned subsidiaries, English Bay Office Management Limited (registered in British Columbia, Canada) subsequent to the year ended December 31, 2015, this was renamed Shoal Media (Canada) Inc., Coral Reef Marketing Inc. (registered in Anguilla), Shoal Media Inc. (registered in Anguilla), Bingo.com (Antigua) Inc., Bingo.com (Wyoming) Inc., Bingo Acquisition Corp, and the 99% owned subsidiary, Shoal Games (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 US 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 include the valuation of long-lived assets, the collectibility of accounts receivable and the valuation of deferred tax assets. Actual results may differ significantly from these estimates.

(c) Revenue recognition:

Trophy Bingo revenues have been recognized from the sale of in-game purchases at the time of purchase. The revenue from in-game advertising is recognized when advertising is served to the player.

Advertising revenues, not generated in Trophy Bingo, 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.

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

2. Summary of significant accounting policies (Continued):

(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 translation of foreign currency financial statements under Statement 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 net income. Revenues and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings.

(e) Accounts receivable:

Trade and other accounts receivable are reported at face value less any provisions for uncollectible accounts considered necessary. Accounts receivable includes receivables from payment processors and trade receivables from customers. The Company estimates doubtful accounts on an item-by-item basis and includes over-aged accounts as part of allowance for doubtful accounts, which are generally ones that are ninety-days overdue. Bad debt expense, for the year ended December 31, 2015, was \$nil (2014 - \$nil).

(f) Equipment:

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided for annually on the declining balance method over the following periods :

Equipment and computers	3 years
Furniture and fixtures	5 years

Expenditures for maintenance and repairs are charged to expenses as incurred. Major improvements are capitalized. Gains and losses on disposition of equipment are included in income or expenses as realized.

(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 are capitalized and 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

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

2. Summary of significant accounting policies (Continued):

(g) Software Development Costs: (Continued)

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 \$3,857,636 as at December 31, 2015 (December 31, 2014 - \$2,627,420).

(h) Advertising:

The Company expenses the cost of advertising in the period in which the advertising space or airtime is used. Advertising costs from continuing operations charged to selling and marketing expenses in 2015 totaled \$549,534 (2014 - \$247,258) and advertising costs from discontinued operations charged to selling and marketing expenses in 2015 totaled \$nil (2014 - \$628,029).

(i) Stock-based compensation:

The Company recognizes all stock-based compensation as an expense in the financial statements and that such cost be measured at the fair value of the award.

(j) 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 years 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.

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

2. Summary of significant accounting policies (Continued):

(k) Income taxes:

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Deferred income taxes are provided based on the estimated future tax effects of temporary differences between financial statement carrying amounts of assets and liabilities and their respective tax bases, as well as the benefit of losses available to be carried forward to future years for tax purposes.

Deferred tax assets and liabilities are measured using the enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered and settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. A valuation allowance is recorded for deferred tax assets when it is not more likely than not that such future tax assets will be realized.

(l) Net (loss) income per share:

ASC 260, "Earnings Per Share", requires presentation of basic earnings per share ("Basic EPS") and diluted earnings per share ("Diluted EPS"). Basic earnings (loss) per share is computed by dividing earnings (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution, using the treasury stock method, that could occur if outstanding options or warrants were exercised and converted into common stock. In computing diluted earnings per share, the treasury stock method assumes that outstanding options and warrants are exercised and the proceeds are used to purchase common stock at the average market price during the period.

Options and warrants will have a dilutive effect under the treasury stock method only when the average market price of the common stock during the period exceeds the exercise price of the options and warrants. In periods where losses are reported, the weighted average number of common shares outstanding excludes common stock equivalents because their inclusion would be anti-dilutive. A total of nil (2014 - nil) stock options were excluded as at December 31, 2015.

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

2. Summary of significant accounting policies (Continued):

(l) Net (loss) income per share: (Continued)

The earnings per share data for the year ended December 31, 2015 and 2014 are summarized as follows:

	2015	2014
Loss for the year from continuing operations	\$ (2,981,987)	\$ (2,671,544)
Income (loss) for the year from discontinued operations	\$ 16,305	\$ 7,733,777
Basic weighted average number of common shares outstanding	55,812,511	69,564,552
Effect of dilutive securities Stock Options	-	19,865
Diluted weighted average number of common shares outstanding	55,812,511	69,584,417
Basic and diluted (loss) earnings per common share outstanding		
Continuing operations	\$ (0.05)	\$ (0.04)
Discontinued operations	\$ 0.00	\$ 0.11

(m) 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 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 years presented.

(n) New accounting pronouncements and changes in accounting policies:

In April 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (ASU 2014-08). Under this revised guidance, only disposals representing a strategic shift in operations, such as a disposal of a major geographic area, a major line of business or a major equity method investment, will be presented as discontinued operations. ASU 2014-08 is effective prospectively for the Company in our first quarter of fiscal 2015, with early adoption permitted. The Company adopted the guidance effective January 1, 2015 and it did not have a material impact on its consolidated financial statements.

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

2. Summary of significant accounting policies (Continued):

(n) New accounting pronouncements and changes in accounting policies: (Continued)

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 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

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

2. Summary of significant accounting policies (Continued):

(n) New accounting pronouncements and changes in accounting policies: (Continued)

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 does not anticipate that the adoption of this standard will have a material impact on its consolidated financial statements.

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 does not anticipate that the adoption of this standard will have a material impact on its consolidated financial statements.

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

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

2. Summary of significant accounting policies (Continued):

(n) New accounting pronouncements and changes in accounting policies: (Continued)

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 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 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.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which requires deferred income tax liabilities and assets to be classified as noncurrent on the balance sheet rather than being separated into current and noncurrent. The guidance is effective for public entities for annual periods beginning after December 15, 2016, and interim periods within those annual periods with early adoption being permitted. The Company is still assessing the potential impact of ASU 2015-17 on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"), which requires that equity investments, except for those accounted for under the equity method or those that result in consolidation of the investee, be measured at fair value, with subsequent changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

2. Summary of significant accounting policies (Continued):

(n) New accounting pronouncements and changes in accounting policies: (Continued)

changes in orderly transactions for the identical or a similar investment of the same issuer. ASU 2016-01 also impacts the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted only for certain provisions. The Company does not expect that the adoption of ASU 2016-01 will have a material effect on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize most leases on the balance sheet. This ASU requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. The ASU does not significantly change the lessees' recognition, measurement and presentation of expenses and cash flows from the previous accounting standard. Lessors' accounting under the ASC is largely unchanged from the previous accounting standard. In addition, the ASU expands the disclosure requirements of lease arrangements. Lessees and lessors will use a modified retrospective transition approach, which includes a number of practical expedients. The provisions of this guidance are effective for annual periods beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. Management is evaluating the requirements of this guidance and has not yet determined the impact of the adoption on the Company's financial position or results of operations.

There have been no other recent accounting standards, or changes in accounting standards, during the year ended December 31, 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.

(o) 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.

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

2. Summary of significant accounting policies (Continued):

(o) Financial instruments: (Continued)

(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. Accounts Receivable:

The accounts receivable as at December 31, 2015, is summarized as follows:

		2015		2014
Accounts receivable	\$	44,948	\$	122,056
Provision for doubtful accounts		-		-
Net accounts receivable	\$	44,948	\$	122,056

4. Equipment:

2015	Cost	Accumulated depreciation	Net book Value
Equipment and computers	\$ 105,853	\$ 100,279	\$ 5,574
Furniture and fixtures	7,088	6,348	740
	\$ 112,941	\$ 106,627	\$ 6,314

2014	Cost	Accumulated depreciation	Net book Value
Equipment and computers	\$ 105,341	\$ 96,995	\$ 8,346
Furniture and fixtures	7,088	6,165	923
	\$ 112,429	\$ 103,160	\$ 9,269

Depreciation expense was \$3,467 (2014 - \$3,470) for the year ended December 31, 2015.

5. Other assets:

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

December 31, 2015	Capitalized Expenses	Accumulated amortization	Net book Value
Trophy Bingo capitalized development expenses	\$ 1,446,038	\$ 964,025	\$ 482,013

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

5. 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 year ended December 31, 2015, the Company expensed \$1,230,216 (December 31, 2014 - \$1,181,382) in development costs.

6. 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.

	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 during the year ended December 31, 2015.

The effect of the discontinued operations were as follows:

	2015	2014
Cash flows from operating activities:		
Discontinued operations	\$ 16,305	\$ (201,223)
Cash flows from investing activities:		
Proceeds on disposal of domain name, net of transaction costs	-	1,935,000
Non-cash financing activity		
Non-cash investing activity – acquisition and redemption of 15,000,000 common shares on the disposal of the domain name rights through common stock and deficit	-	6,000,000
	\$ 16,305	\$ 7,733,777

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

7. Stockholders' equity:

The holders of common stock are entitled to one vote for each share held. There are no restrictions that limit the Company's ability to pay dividends on its common stock. The Company has not declared any dividends since incorporation. The Company's common stock has no par value per common stock.

(a) Common stock issuances:

During the year ended December 31, 2015, the holders of 515,000 stock options exercised their options for 515,000 shares for \$77,250 at an exercise price of \$0.15 per share.

During the year ended December 31, 2014, the Company repurchased 15,000,000 shares previously issued to Unibet Group Inc. at \$0.40 per share. (Note 9) These shares were originally issued at \$0.15 per share raising \$2,250,000. Effective December 31, 2014, the Company reduced stockholders equity by \$2,250,000 and \$3,750,000 reduced opening deficit.

During the year ended December 31, 2014, the Company completed two separate private placements of a combined 1,750,000 common shares at \$0.40 per share. Total proceeds of both offerings was \$700,000.

During the year ended December 31, 2014, a holder of stock options exercised their options for 55,000 shares for \$9,350 at an exercise price of \$0.17 per share.

During the year ended December 31, 2014, the Company completed a private placement of 1,000,000 common shares at \$0.70 per share. Total proceeds of the offering was \$700,000.

(b) Stock option plans:

(i) 1999 stock option plan:

The Company has reserved a total of 1,895,000 common shares for issuance under its 1999 stock option plan. The plan provides for the granting of non-qualified stock options to directors, officers, eligible employees and contractors of the Company. The Board of Directors determines the terms of the options granted, including the number of options granted, the exercise price and their vesting schedule.

As at December 31, 2015, there were a total of nil stock options (2014 - nil) outstanding. During the year ended December 31, 2015, there were nil options exercised (2014 - nil) and nil options expired unexercised (2014 - nil).

(ii) 2001 stock option plan:

During the year ended December 31, 2001, the Company's Board of Directors adopted the 2001 stock option plan. The Company has reserved a total of 5,424,726 common shares for issuance under the 2001 stock option plan. The plan provides for the granting of incentive and non-qualified stock options to directors, officers, eligible employees and contractors of the Company. The Board of Directors determines the terms of the options granted, including the number of options granted, the exercise price and their vesting schedule.

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

7. Stockholders' equity: (Continued)

(b) Stock option plans: (Continued)

As at December 31, 2015, there were a total of 1,989,700 stock options (2014 - 1,989,700 stock options) issued, of which 1,989,700 (2014 - 1,989,700) had been exercised as at December 31, 2015. During the year ended December 31, 2015, nil options were exercised (2014 - 55,000) and nil (2014 - 550,000) stock options expired unexercised. Therefore as at December 31, 2015, there were nil (2014 - nil) stock options outstanding.

During the year ended December 31, 2012, the expiry date on 75,000 options with an expiry date of February 28, 2012 and an exercise price of \$0.27 per share, was extended for 2 years. During the year ended December 31, 2014, these options expired unexercised.

(iii) 2005 stock option plan:

During the year ended December 31, 2005, the Company's Board of Directors adopted the 2005 stock option plan, which was approved by the shareholders at the Annual General meeting. The Company has reserved a total of 2,000,000 common shares for issuance under the 2005 stock option plan. The Plan is intended to provide incentive to employees, directors, advisors and consultants of the Company to encourage proprietary interest in the Company, to encourage such employees to remain in the employ of the Company or such directors, advisors and consultants to remain in the service of the Company, and to attract new employees, directors, advisors and consultants with outstanding qualifications. The Board of Directors determines the terms of the options granted, including the number of options granted, the exercise price and their vesting schedule.

As at December 31, 2015, there were a total of nil (2014 - 520,000) stock options outstanding at exercise prices of \$0.15 per share. During the year ended December 31, 2015, 515,000 (2014 - nil) stock options were exercised at exercise prices of \$0.15 per share raising \$77,250. During the year ended December 31, 2015, 5,000 (2014 - 285,000) stock options expired unexercised.

During the year ended December 31, 2012, the expiry date on 285,000 options with an expiry date of February 28, 2012 and an exercise price of \$0.27 per share, was extended for a further 2 years. During the year ended December 31, 2014, these options expired unexercised.

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

7. Stockholders' equity: (Continued)

(b) Stock option plans: (Continued)

A summary of stock option activity for the stock option plans for the years ended December 31, 2015 and 2014 are as follows:

	Number of options		Weighted average exercise price
Outstanding, December 31, 2013	1,410,000	\$	0.19
Granted	-		-
Exercised	(55,000)		0.17
Expired	(835,000)		0.21
Outstanding, December 31, 2014	520,000	\$	0.15
Granted	-		-
Exercised	(515,000)		0.15
Expired	(5,000)		0.15
Outstanding, December 31, 2015	-	\$	-

The aggregate intrinsic value for options as of December 31, 2015 was \$nil (2014 - \$286,000).

8. 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 Anguillian operating lease expired on April 1, 2011 but unless 3 month's notice is given it automatically renews for a future 3 months until notice is given.

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

2016	\$	15,343
2017		4,864

The Company paid rent expense totaling \$22,347 for the year ended December 31, 2015 (2014 - \$26,052).

The Company has a management consulting agreement with T.M. Williams (Row), Inc., an Anguilla incorporated company, and Mr. T. M. Williams dated August 20, 2001, (the "T. M. Williams Agreement"), amended February 28, 2002, in connection with the provision of services to the Company by Mr. T. M. Williams.

The agreement was amended during the year ended December 31, 2010 to include a consultancy payment of \$11,666 per month payable in arrears. This contract is for the provision of services by Mr. T. M. Williams as Executive Chairman of the Company. During the year ended December 31, 2014, the agreement was amended to provide for a consultancy payment equal to the sum of 6.5% of the total monthly Gross Win of the cash bingo business

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

8. Commitments: (Continued)

and 2.5% of the monthly social bingo business with a minimum of \$11,000 and a maximum of \$25,000 per month.

During the year ended December 31, 2014, the Company entered into an agreement with Jayska Consulting Ltd. and Mr. J. M. Williams, Chief Executive Officer of the Company 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. In addition, during the year ended December 31, 2014, the Company entered into an 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 the Company. The Consulting agreement provides for a consultancy payment equaling the sum of 3% of the total monthly Gross Win of the cash bingo business and 2.5% of the monthly social bingo business with a minimum of \$7,500 and a maximum of \$25,000 per month.

9. Income taxes:

The Company is domiciled in the tax-free jurisdiction of Anguilla, British West Indies. The computed benefit / expense differed from the amounts computed by applying the United States of America federal income tax rate of 34 percent and various other rates for other jurisdictions to the pretax income / losses from operations as a result of the following:

	2015	2014
Computed "expected" tax benefit (expense)	\$ 1,008,204	\$ (1,721,159)
Reduction in income taxes resulting from income taxes in other tax jurisdictions	(1,007,419)	1,721,775
Other	(84)	(149)
Change in taxation rates in other jurisdictions	2,713	2,786
Change in exchange rates	(3,885)	(4,807)
Change in valuation allowance	(9)	706
	\$ (480)	\$ (848)

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

	2015	2014
Deferred tax assets:		
Net operating loss carry forwards	\$ 17,898	\$ 17,907
Valuation Allowance	(17,898)	(17,907)
	\$ -	\$ -

The valuation allowance for deferred tax assets as of December 31, 2015 and 2014, was \$17,898 and \$17,907, respectively. The net change in the total valuation allowance was an increase of \$9 for the year ended December 31, 2015, and an increase of \$706 for the year ended December 31, 2014.

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

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

9. Income taxes: (Continued)

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.

10. Related party transactions:

The Company has a liability of \$2,391 (2014 - \$3,937) to a company owned by a current director and officer of the Company for payment of services rendered of \$132,000 (2014 - \$174,789) by the current director and officer of the Company.

The Company has a liability of \$6,507 (2014 - \$3,580) to a current director and officer of the Company for expenses incurred.

The Company has a liability of \$14,804 (2014 - \$23,300) to a company owned by a current director and officer of the Company for payment of services rendered of \$91,734 (2014 - \$90,014) by the current director and officer of the Company.

The Company has a liability of \$nil (2014 - \$nil) to a company owned by a current director and officer of the Company for payment of services rendered of \$90,000 (2014 - \$96,736) by the current director and officer of the Company.

The Company has a liability of \$831 (2014 - \$3,313) to a company owned by a current director of the Company for payment of services rendered of \$3,948 (2014 - \$11,163) by the current director of the Company.

The Company has a liability to Bingo, Inc. for rental of the UK office of \$nil (2014 - \$nil), for rental expense for the year ended December 31, 2015 of \$nil (2014 - \$1,045).

The Company has a liability of \$6,500 (2014 - \$10,000), to independent directors of the Company for payment of services rendered. During the year ended December 31, 2015, the Company paid \$9,500 (2014 - \$12,000) to the independent directors in director fees.

The Company has a liability of \$1,533 (2014 - \$4,538), to an officer of the Company for payment of services rendered and expenses incurred of \$62,719 (2014 - \$71,601) 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.

11. Segmented information:

The Company operates in two reportable business segments, firstly the sale of in-app purchases on Trophy Bingo and secondly 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 and selling advertising on the

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

11. Segmented information: (Continued)

website. The revenue for the year ended December 31, 2015 and 2014, has been derived primarily from the revenue generated from the deposits received for the games for money.

The Company had the following revenue by geographical region.

	2015	2014
<u>Revenue From Continuing Operations</u>		
<u>Advertising revenue</u>		
Nordics	\$ -	\$ 391
Other	12,196	22,264
Total advertising revenue	\$ 12,196	\$ 22,655
<u>Trophy Bingo Revenue</u>		
Western Europe	\$ 23,589	\$ 1,165
Central, Eastern and Southern Europe	55	10
Nordics	468	348
North America	70,453	6,948
Other	4,849	1,344
Total gaming revenue	\$ 99,414	\$ 9,815
<u>Total revenue from continuing operations</u>		
Western Europe	\$ 23,589	\$ 1,165
Central, Eastern and Southern Europe	55	10
Nordics	468	739
North America	70,453	6,948
Other	17,045	23,608
Total revenue	\$ 111,610	\$ 32,470
<u>Gaming revenue from discontinued operations</u>		
Western Europe	\$ -	\$ 144,071
Central, Eastern and Southern Europe	-	10,826
Nordics	-	1,518,088
Other	-	11,062
Total gaming revenue from discontinued operations	\$ -	\$ 1,684,047

Equipment

The Company's equipment is located as follows:

Net Book Value	2015	2014
Anguilla	\$ 1,410	\$ 2,115
Canada	2,436	3,308
United Kingdom	1,834	2,824
United States of America	634	1,022
	\$ 6,314	\$ 9,269

SHOAL GAMES LTD. and subsidiaries

Notes to Consolidated Financial Statements

Years ended December 31, 2015 and 2014

12. Concentrations:

Major customers

During the year ended December 31, 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. The Company is reliant on the Google App, iOS App and Amazon App Stores to provide a platform for Trophy Bingo to be played thereon.

During the year ended December 31, 2015 and 2014, the Company offered limited advertising. The Company is reliant on one sales customer who provides the advertising revenue.

For the year ended December 31, 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. The Company has a receivable from Unibet of \$nil as at December 31, 2015 (December 31, 2014 - \$112,552).

13. 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 December 31, 2015, the Company had total cash balances of \$570,086 (2014 - \$2,876,386) at financial institutions, where \$303,983 (2014 - \$2,526,185) is in excess of federally insured limits.

The Company has concentrations of credit risk with respect to accounts receivable, the majority of its accounts receivable are concentrated geographically in the United States amongst a small number of customers.

As of December 31, 2015, the Company had three customers, totaling \$40,818 who accounted for greater than 10% of the total accounts receivable. 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 secure accounts receivable.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

On February 4, 2010, we engaged Davidson & Company LLP, as its independent registered public accounting firm, to audit our financial statements. The decision to engage Davidson & Company LLP was approved by our Board of Directors at a Board meeting called for such purpose.

There have not been any changes in accountants for the years ended December 31, 2015 and 2014.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Management's responsibility

Our management acknowledges its responsibility for establishing and maintaining adequate internal control over financial reporting of the Company.

(b) Evaluation of disclosure controls and procedures.

Our management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the disclosure controls and procedures of the Company within 90 days prior to the date of this report, and found them to be operating efficiently and effectively to ensure that information required to be disclosed by us under the general rules and regulations promulgated under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported, within the time periods specified by rules and regulations of the SEC.

These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us is accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate to allow timely decisions regarding required disclosure. However our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management evaluated the effectiveness of the Company's internal control over financial reporting as defined in Exchange Act Rule 13a-15(f), based on the framework set forth in the Internal Control—Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation, we believe that, as of December 31, 2015, the Company's internal control over financial reporting is effective under the COSO framework.

(c) Changes in internal controls.

There were no significant changes in our internal controls or other factors that could significantly affect our internal controls during the year ended December 31, 2015, and to the date of filing this annual report.

ITEM 9B - OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

DIRECTORS AND EXECUTIVE OFFICERS

Our directors and executive officers as at December 31, 2015, are as follows:

Name	Age	Position	Audit Committee	Governance Committee	Compensation Committee
T. M. Williams	75	Executive Chairman	X		X
J. M. Williams	40	Chief Executive Officer	X	X	
C. M. Devereux	52	Director		X*	X
G. Whitton	79	Non Executive Director	X*	X	
F. Curtis	51	Non Executive Director	X		X*
H. W. Bromley	46	Chief Financial Officer			

X* - Chairman of Committee

T. M. Williams has served as President, Chief Executive Officer and Chairman from August 20, 2001 until June 16, 2011. Since June 16, 2011, Mr. Williams has served as the Executive Chairman. Since 1984, Mr. Williams has served as a principal of T.M. Williams (ROW), Inc., a private consulting firm, and from 1993 until 2008, was Adjunct Professor, Faculty of Commerce and Business Administration at the University of British Columbia. From 1988 to 1991, he was President and Chief Executive Officer of Distinctive Software, Inc. in Vancouver, BC, and, upon the acquisition of that company by Electronic Arts Inc., North America's largest developer of entertainment software, he became President and Chief Executive Officer of Electronic Arts (Canada) Inc., where he continued until 1993. From 1995 to 2012, Mr. Williams was a director of YM Biosciences, Inc., a biotechnology company, until its acquisition by Gilead Sciences, Inc. In addition, he is a director of several other private corporations.

Mr. J. M. Williams has served as Vice President, Business Development and Marketing Director from September 2001 until June 16, 2011. Mr. J.M. Williams has been a director since July 26, 2007. Since June 16, 2011, Mr. J. M. Williams has served as the President and Chief Executive Officer. Prior to his employment with Shoal Games Ltd., he was a Business Analyst with Blue Zone Inc. (a technology company) and RBC Dominion Securities. Mr. J. M. Williams has a bachelor of Commerce degree from the University of Victoria and a Masters of Business Administration degree, specializing in strategic marketing, from the University of Warwick. Mr. J. M. Williams is the son of Mr. T. M. Williams, the Company's Executive Chairman.

Mr. C. M. Devereux has served as Vice-President, Corporate Affairs from October 2001 until March 31, 2011. Since July 26, 2007, Mr. Devereux has served as a director. Since July 2012, Mr. Devereux has served as the Chief Strategy Officer for Roadhouse Interactive Limited, an online games development company. From April 2011 to April 2012, Mr. Devereux was the Chief Executive Officer of Greenscape Capital Group Inc., a publicly listed company specializing in providing strategic capital and business advisory services to companies in the environmental space. From May 2000 to September 2001, he was Vice-President, Corporate Affairs at Blue Zone Inc., a technology company. From 1996 to 2000, he was President of Mill Reef Holdings, a consultancy company. From 1992 to 1997, he practiced corporate / commercial law in private practice. Mr. Devereux has a law degree from Osgoode Hall, Toronto, Canada.

Mr. G. Whitton is now retired, has served as a director since June 10, 2009. He was Chairman and CEO of International Verifact Inc. ("IVI") from 1987 to 2000 prior to its merger with INGENICO of France. IVI was a publicly traded Canadian company which was a major supplier

of point of sale terminals and related equipment for the banking, retail, and health care industries in Canada and the USA. From 1979 to 1987 Mr. Whitton was the owner, President and Chairman of Howarth & Smith Ltd., a large typography, printing and data management company which he sold in 1987. From 1985 to 1987 he was also the President and CEO of Canadian Telecommunications Group which was purchased by British Telecom in 1987. From 1973 to 1979 Mr. Whitton held senior operating positions with Canada Permanent Trust and CIBC. From 1962 to 1973 he was with IBM Canada holding various positions in sales, marketing and data center operations. Mr. Whitton has a Bachelor of Arts degree from the Scottish College of Commerce in 1960.

Ms F. Curtis has served as a director since June 10, 2009. She has served as Compliance Officer and General Corporate Secretary for Counsel Limited, an Anguillian financial services corporation, since 2006. Ms. Curtis has been working in the financial services industry since 1990. She started at the brokerage firm, Burns Fry, in Toronto (now Nesbitt Burns, Bank of Montreal). She completed her Canadian Securities Course and became a licensed Securities Broker in 1992. She was educated in England, and attended the University of Toronto, Canada for her undergraduate degree. Ms. Curtis's MBA in Finance & International Affairs was granted by the Rotman School of Business, University of Toronto.

Mr. H. W. Bromley has served as our Chief Financial Officer since July 2002. Mr. Bromley is also the Chief Financial Officer for Roadhouse Interactive Limited (an online games development company). From 2000 to 2001, Mr. Bromley was a Director and the Group Financial Officer for Agrocere & Co. Ltd. From 1995 - 1999, he was an employee of Ernst & Young working in South Africa and in the United States of America. Mr. Bromley has in addition worked for CitiBank, Unilever PLC, Gerrard and CellStop Systems Inc. Mr. Bromley is a Chartered Accountant.

COMPOSITION OF OUR BOARD OF DIRECTORS

We currently have five directors. All directors currently hold office until the next annual meeting of stockholders or until their successors have been elected and qualified. Our officers are appointed annually by the Board of Directors and hold office until their successors are appointed and qualified. Pursuant to the Company's by-laws, the number of directors shall be increased or decreased from time-to-time by resolution of the Board of Directors or the shareholders. Mr. J. M. Williams is the son of Mr. T. M. Williams. There are no other family relationships between any of the officers and directors of the Company.

COMMITTEES OF OUR BOARD OF DIRECTORS

We currently have three committees of our Board of Directors.

- Audit Committee - This committee will review the financial statements of the Company and propose to the board to approve the financial statements. The Committee meets quarterly to review and approve the quarterly financial statements and to discuss the affairs of the company with the auditors.
- Governance Committee - This committee reviews the ethics policy of the Company and ensures compliance. It will make recommendations to the board for improvement in Corporate Governance. In addition it will be this committee to whom a whistle blower will report.
- Compensation Committee - This committee will propose the appointment and remuneration of the Chief Executive Officer including salary, stock options, and bonuses.

BOARD OF DIRECTORS MEETINGS

Our Board of Directors met, in person or by phone, five times during the last fiscal year and it regularly approves all material actions required by consent resolutions.

CODE OF ETHICS

On December 21, 2006, the Board of Directors of Shoal Games Ltd. (the "Board") adopted a new Code of Business Conduct and Ethics (the "Code"), which applies to the Company's directors, officers and employees. The Code was adopted to further strengthen the Company's internal compliance program. The Code addresses among other things, honesty and integrity, fair dealing, conflicts of interest, compliance with laws, regulations and policies, including disclosure requirements under the federal securities laws, and administration of the code. The code is available at the Company's website at <http://investor.shoalgames.com/> under Corporate Governance. A copy of our Code of Ethics is available upon request at no charge to any shareholder.

DIRECTOR COMPENSATION

The Non Executive Directors receive a cash compensation for their services as members of the Board of Directors based on a compensation per meeting. During the year ended December 31, 2015, the Non Executive Directors collectively received compensation of \$9,500 (Fiscal 2014 - \$12,000). The Executive directors currently do not receive cash compensation for their services as members of the Board of Directors. In addition, both the Non Executive and the Executive Directors are reimbursed for expenses in connection with attendance at Board of Directors meetings and specific business meetings. Directors are eligible to participate in our stock option plans. Option grants to directors are at the discretion of the Board of Directors acting upon the recommendation of the Compensation committee.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission (the "SEC") initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

Our officers, directors and greater than ten percent beneficial owners filed in a timely manner in accordance with Section 16(a) filing requirements.

ITEM 11. EXECUTIVE COMPENSATION

The following table describes the compensation we paid to our Chief Executive Officer and directors (the “Named Executive Officer”).

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long-term		All Other Compensation \$
		Fees \$	Bonus \$	Other Annual Compensation \$	Restricted Stock Awards \$	Securities Underlying Options / SARs (#)	
T.M. Williams - Executive Chairman (1)	2015	132,000	-	-	-	-	-
	2014	174,789	-	-	-	-	-
	2013	140,000	-	-	-	-	-
J. M. Williams CEO (2)	2015	181,734	-	-	-	-	-
	2014	186,749	-	-	-	-	-
	2013	139,421	-	-	-	-	-
H. W. Bromley CFO (3)	2015	62,719	-	-	-	-	-
	2014	71,601	-	-	-	-	-
	2013	62,530	-	-	-	-	-

- (1) All of the compensation paid to the Named Executive Officer is paid to T.M. Williams (Row), Ltd. for the services of Mr. T. M. Williams. See additional discussion in Employment Arrangements section of Item 11 of this report.
- (2) All of the compensation paid to the Named Executive Officer is paid to LVA Media Inc. for the services of Mr. J. M. Williams as CEO of the Company and Jayska Consulting Ltd for the marketing services of Mr. J. M. Williams. See additional discussion in Employment Arrangements section of Item 11 of this report.
- (3) All of the compensation paid to the Named Executive Officer is paid to Bromley Accounting Services Ltd. for the services of Mr. H. W. Bromley.

OPTION GRANTS IN THE LAST FISCAL YEAR

During the fiscal year ended December 31, 2015 and 2014, no stock options were granted. During the year ended December 31, 2015, 515,000 (2014 – 55,000) options were exercised.

During the year ended December 31, 2015, 5,000 options with an exercise price of \$0.15 expired unexercised.

During the year ended December 31, 2014, 350,000 executive officer options with an exercise price of \$0.27 and 300,000 executive officer options with an exercise price of \$0.17 expired unexercised.

STOCK OPTION PLANS

Our 1999 Stock Option Plan has a total of 1,895,000 shares of our common stock reserved for issuance upon exercises of options under the plan. As at December 31, 2015, there were nil options outstanding. Options to purchase 1,637,000 shares remained available for future grant under the 1999 Stock Option Plan.

Our 2001 Stock Option Plan has a total of 5,424,726 shares of our common stock reserved for issuance upon exercises of options under the plan. As at December 31, 2015, there were a total of 1,989,700 stock options with exercise prices ranging from \$0.05 to \$0.30 per share issued, of which 1,989,700 options have been exercised in total as at December 31, 2015. As at December

31, 2015, there were a total nil options outstanding. Options to purchase 3,435,026 shares remained available for future grant under the 2001 Stock Option Plan as at December 31, 2015.

During the year ended December 31, 2005, the Company's Board of Directors adopted the 2005 stock option plan. The plan was approved by the shareholders at the Annual general meeting held during the year ended December 31, 2005. The Company has reserved a total of 2,000,000 common shares for issuance under the 2005 stock option plan. As at December 31, 2015, there were a total of 521,250 stock options with exercise prices ranging from \$0.15 to \$0.60 per share issued, of which 521,250 options have been exercised in total as at December 31, 2015. As at December 31, 2015, there were a total of nil stock options outstanding. Options to purchase 1,478,750 shares remained available for future grant under the 2005 Stock Option Plan as at December 31, 2015.

Our Board of Directors administers the 1999 Stock Option Plan, the 2001 Stock Option Plan and the 2005 Stock Option Plan (collectively, the "Stock Option Plans"). Our Board is authorized to construe and interpret the provisions of the Stock Option Plans, to select employees, directors and consultants to whom options will be granted, to determine the terms and conditions of options and, with the consent of the grantee, to amend the terms of any outstanding options.

The 1999 stock option plan may be granted to employees and to such other persons who are not employees as determined by the 1999 stock option plan administrator (the "Administrator"). In determining the number of shares of our Common Stock subject to each option granted under the 1999 stock option plan, consideration is given to the present and potential contribution by such person to the success of the Company. The exercise price is determined by the Administrator, provided that the exercise price for any covered employee (as that term is defined for the purposes of Section 162(m) (3) of the Internal Revenue Code of 1986 as amended (the "Code")), may not be less than the fair market value per share of the Common Stock at the date of grant by the Administrator. Each option is for a term not in excess of ten years except in the case of the death of an optionee, in which case the option is exercisable for a maximum of twelve months thereafter, or in the case of an optionee ceasing to be a participant under the 1999 stock option plan for any reason other than cause or death, in which case the option is exercisable for a maximum of 30 days thereafter. The 1999 stock option plan does not provide for the granting of financial assistance, whether by way of a loan, guarantee or otherwise, by us in connection with any purchase of shares of Common Stock from the Company.

The 2001 stock option plan provides for the granting to our employees of incentive stock options and the granting to our employees, directors and consultants of non-qualified stock options.

During the year ended December 31, 2005, the Company adopted the 2005 Stock Option Plan. The plan provides for the granting of stock options to the employees, directors, advisors and consultants of the Corporation to encourage proprietary interest in the Corporation, to encourage such employees to remain in the employ of the Corporation or such directors, advisors and consultants to remain in the service of the Corporation, and to attract new employees, directors, advisors and consultants with outstanding qualifications.

Our Board determines the terms and provisions of each option granted under the Stock Option Plans, including the exercise price, vesting schedule, repurchase provisions, rights of first refusal and form of payment. In the case of incentive options, the exercise price cannot be less than 100% (or 110%, in the case of incentive options granted to any grantee who owns stock representing more than 10% of the combined voting power of the Company or any of our parent or subsidiary corporations) of the fair market value of our common stock on the date the option is granted. The exercise price of non-qualified stock options shall not be less than 85% of the fair market value of our common stock. The exercise price of options intended to qualify as performance-based compensation for purposes of Code Section 162(m) shall not be less than

100% of the fair market value of the stock. The aggregate fair market value of the common stock with respect to any incentive stock options that are exercisable for the first time by an eligible employee in any calendar year may not exceed \$100,000.

The term of options under the Stock Option Plans will be determined by our Board; however, the term of an incentive stock option may not be for more than ten years (or five years in the case of incentive stock options granted to any grantee who owns stock representing more than 10% of the combined voting power of the Company or any of our parent or subsidiary corporations). Where the award agreement permits the exercise of an option for a period of time following the recipient's termination of service with us, disability or death, that option will terminate to the extent not exercised or purchased on the last day of the specified period or the last day of the original term of the option, whichever occurs first.

If a third party acquires the Company through the purchase of all or substantially all of our assets, a merger or other business combination, except as otherwise provided in an individual award agreement, all unexercised options will terminate unless assumed by the successor corporation.

EMPLOYMENT ARRANGEMENTS

We entered into a management consulting agreement with T.M. Williams (Row), Inc., an Anguilla incorporated company and Mr. Williams dated August 20, 2001, (the "Williams Agreement"), amended February 28, 2002, in connection with the provision of services by Mr. Williams as President and Chief Executive Officer of the Company. During the year ended December 31, 2010, the agreement was amended to include a consultancy payment of US\$11,666 per month payable in arrears for providing Mr. Williams services as Executive Chairman.

The term of the amended Williams Agreement is for a period of one year, unless terminated sooner by any of the parties under the terms and conditions contained in the amended Williams Agreement. If the amended Williams Agreement is not terminated by any of the parties, the term may be renewed for a further one year period at the option of T.M. Williams (Row), Ltd., on substantially the same terms and conditions, by giving three months notice in writing to the Company. The agreement was renewed for a further one year period on August 1, 2013. This contract is for the provision of services by Mr. Williams as Executive Chairman.

During the year ended December 31, 2010, the agreement was amended to include a consultancy payment of \$11,666 per month payable in arrears. This contract is for the provision of services by Mr. T. M. Williams as Executive Chairman of the Company. During the year ended December 31, 2013, the agreement was amended to provide for a consultancy payment equal to the sum of 6.5% of the total monthly Gross Win of the cash bingo business and 2.5% of the monthly social bingo business with a minimum of \$11,000 and a maximum of \$25,000 per month.

During the year ended December 31, 2014, the Company entered into an agreement with Jayska Consulting Ltd. and Mr. J. M. Williams, Chief Executive Officer of the Company for the provision of services of Mr. J. M. Williams as Marketing director of the Company. The Consulting agreement provides for a consultancy payment of GBP£5,000 per month payable in arrears. In addition, during the year ended December 31, 2014, entered into an 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 equaling the sum of 3% of the total monthly Gross Win of the cash bingo business and 2.5% of the monthly social bingo business with a minimum of \$7,500 and a maximum of \$25,000 per month.

During the year ended December 31, 2012, we entered into a management consulting agreement with Bromley Accounting Services Limited for the services of Mr. H. W. Bromley as the Chief Financial Officer.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information known to us with respect to beneficial ownership of our common stock as of March 16, 2016, by:

- each person known by us to beneficially own 5% or more of our outstanding common stock;
- each of our directors;
- each of the Named Executive Officers; and
- all of our directors and Named Executive Officers as a group.

In general, a person is deemed to be a “beneficial owner” of a security if that person has or shares the power to vote or direct the voting of such security, or the power to dispose or direct the disposition of such security. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options or debentures held by that person that are currently exercisable or convertible or exercisable or convertible within 60 days of March 16, 2016, are deemed outstanding.

Percentage of beneficial ownership is based upon 56,197,703 shares of common stock outstanding at March 16, 2016. To our knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws, each person named in the table has sole voting and investment power with respect to the shares set forth opposite such person’s name.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned		Percent of Class
T. M. Williams 262 Smugglers Cove Road Bowen Island, BC V0N 1G0 Canada	18,580,551	(1)	33.06%
J. M. Williams Flat 16 Bridgewater square London, EC2Y 8AG United Kingdom	308,200	(2)	0.55%
C. M. Devereux 10 – 3036 West 4th Avenue Vancouver, BC, V6K 1R4 Canada	154,500	(3)	0.28%
G. Whitton Little Harbour, Box 573 Anguilla, B.W. I.	105,000	(4)	0.19%
F. Curtis Ard Na Mara, Box 1127 Anguilla, B.W. I.	50,000	(5)	0.09%
H. W. Bromley 3851 Edgemont Boulevard North Vancouver BC, V7R 2P9 Canada	375,000	(6)	0.76%
All directors and Named Executive Officers as a group (6 persons)	19,573,251		34.93%
Bingo, Inc. P.O. Box 727, Landsome Road The Valley, Anguilla, B.W.I.	3,596,831	(6)	6.40%
Pendinas Limited Ballacarrick, Pooilvaaish Road Castletown, IM9 4PJ Isle of Man	26,087,999	(7)	46.42%

(1) Includes 15,703,086 shares held directly by Mr. T. M. Williams. Mr. T. M. Williams is a potential beneficiary of certain discretionary trusts that hold approximately 80% of the shares of a private holding company. If 80% of the shares of common stock beneficially owned by the private holding company are included here, Mr. T. M. Williams's beneficial ownership increases by 2,857,465 shares, representing 33.06% of the Class.

(2) Includes, 308,200 shares held directly by Mr. J. M. Williams.

(3) Includes 154,500 shares held directly by Mr. C. M. Devereux.

(4) Includes 105,000 shares held directly by Mr. G. Whitton.

(5) Includes 50,000 shares held directly by Ms. F. Curtis.

- (6) Includes, 375,000 shares held directly by Mr. H. W. Bromley.
- (7) Includes 3,596,831 shares held directly by Bingo, Inc., a private holding company.
- (8) Includes 26,087,999 shares held directly by Pendinas Ltd., a company wholly owned by Mr. G. R. Williams. Mr. G. R. Williams is not related to Mr. T. M. Williams nor Mr. J. M. Williams.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The Company has a liability of \$2,391 (2014 - \$3,937) to a company owned by a current director and officer of the Company for payment of services rendered of \$132,000 (2014 - \$174,789) by the current director and officer of the Company.

The Company has a liability of \$6,507 (2014 - \$3,580) to a current director and officer of the Company for expenses incurred.

The Company has a liability of \$14,804 (2014 - \$23,300) to a company owned by a current director and officer of the Company for payment of services rendered of \$91,734 (2014 - \$90,014) by the current director and officer of the Company.

The Company has a liability of \$nil (2014 - \$nil) to a company owned by a current director and officer of the Company for payment of services rendered of \$90,000 (2014 - \$96,736) by the current director and officer of the Company.

The Company has a liability of \$831 (2014 - \$3,313) to a company owned by a current director of the Company for payment of services rendered of \$3,948 (2014 - \$11,163) by the current director of the Company.

The Company has a liability to Bingo, Inc. for rental of the UK office of \$nil (2014 - \$nil), for rental expense for the year ended December 31, 2015 of \$nil (2014 - \$1,045).

The Company has a liability of \$6,500 (2014 - \$10,000), to independent directors of the Company for payment of services rendered. During the year ended December 31, 2015, the Company paid \$9,500 (2014 - \$12,000) to the independent directors in director fees.

The Company has a liability of \$1,533 (2014 - \$4,538), to an officer of the Company for payment of services rendered and expenses incurred of \$62,719 (2014 - \$71,601) 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.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

During the year ended December 31, 2015, the Company incurred fees of \$51,000 (2014 - \$51,000) from the principal accountant during fiscal 2015 - Davidson & Company LLP, \$51,000 of these fees related to audit fees (2014 - \$51,000).

Our Audit Committee reviewed the audit and non-audit services rendered by Davidson & Company LLP, during the periods set forth above and concluded that such services were compatible with maintaining the auditors' independence. All audit and non-audit services performed by our independent accountants are pre-approved by our Audit Committee to assure that such services do not impair the auditors' independence from us.

PART IV

ITEMS 15. EXHIBITS

The exhibits required by Item 601 of Regulation S-K are listed in the accompanying Exhibit Index at the end of this report. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K has been identified.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SHOAL GAMES LTD.

By: /s/ J. M. Williams
J. M. Williams
Chief Executive Officer

Date: March 16, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
By: <u>/s/ J. M. Williams</u> J. M. Williams	Chief Executive Officer	March 16, 2016
By: <u>/s/ H. W. Bromley</u> H. W. Bromley	Chief Financial Officer (Principal Financial and Principal Accounting Officer)	March 16, 2016

EXHIBIT 31.1
CERTIFICATIONS

I, J. M. Williams, certify that:

1. I have reviewed this annual report on Form 10-K 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 annual 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 as of December 31, 2015, covered by this annual report based on such evaluation; and
 - (d) Disclosed in this report any change 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,
(Principal Executive Officer)

Date : March 16, 2016

EXHIBIT 31.2
CERTIFICATIONS

I, H. W. Bromley, certify that:

1. I have reviewed this annual report on Form 10-K 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 annual 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 as of December 31, 2015, covered by this annual report based on such evaluation; and
 - (d) Disclosed in this report any change 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 : March 16, 2016

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 Annual Report of Shoal Games Ltd. (the “Company”) on Form 10-K for the period ended December 31, 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
Chief Executive Officer
March 16, 2016

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 Annual Report of Shoal Games Ltd. (the “Company”) on Form 10-K for the period ended December 31, 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
March 16, 2016

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 LIST

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 March 16, 2016.
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 March 16, 2016.
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 March 16, 2016.
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 March 16, 2016.

(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.