

# GLOBAL DAILY FANTASY SPORTS INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

This discussion and analysis of financial position and results of operation is prepared as at November 23, 2018 and should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2018 of Global Daily Fantasy Sports Inc. (“GDFS” or the “Company”). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards (“IFRS”). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis (“MD&A”) are quoted in Canadian dollars. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### Forward-Looking Statements

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, “forward-looking statements”. These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words “believes”, “expects”, “anticipates”, “estimates”, “intends”, “plans”, “forecasts”, or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve certain risks, uncertainties and assumptions. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company’s behalf.

All of the Company’s public disclosure filings, including its most recent filing statement, management information circular, material change reports, press releases and other information, may be accessed via [www.sedar.com](http://www.sedar.com) and readers are urged to review these materials.

### Company Overview

Trading in the Company’s common shares was halted on March 14, 2016 and resumed trading on August 4, 2016. On August 17, 2016 the Company received TSXV approval to the change of business.

In July and August 2016 the Company completed a non-brokered financing of 20,000,000 units to raise \$2,000,000. Subsequently the Company also agreed to conduct a non-brokered private placement of 15,000,000 units to raise \$6,000,000.

On May 11, 2017 the Company purchased the operating assets of Mondogoal Limited (“Mondogoal”) for DFS operations to be conducted in Italy. See “Description of the Company’s Business - Mondogoal Acquisition”.

In December 2017 the Company launched its new DFS software platform with its customers in Italy.

### Description of the Company’s Business

The Company is a B2B technology provider of DFS software and network, which enables its licensed customers to offer a customized and fully branded DFS Product to their end users. DFS is an accelerated variant of traditional Fantasy Sports Games that are conducted over shorter periods, such as a weekly or daily competition, as opposed to those that are played across an entire season, and is one of the fastest growing segments of the fantasy sports industry today.

The Company's target customers includes gaming operators, such as sports books, land-based groups, media companies, big database groups and other operators who wish to quickly and easily break into the DFS industry with a customized software solution. The Company allows its customers to seamlessly integrate into its DFS Product thereby allowing their individual end users easy access to a variety of DFS contests and content. The Company's customers have the option to offer ring-fenced (internal) contests for their own database and/or where possible, join networked contests with other customers.

The Company's revenue is derived from a number of sources. First is set-up and customization fees for customers to integrate into the DFS Product. Second is tournament or license fees, which is an agreed percentage of a predetermined prize pool or contest. Third will be fees for managed services which will include hosting and bandwidth, customer and technical support, scheduling contests both for ring-fenced or networked events, marketing support, sports feed and a host of other services the Company offers to its customers.

The online gaming industry is heavily regulated and thus the Company only provides its product to customers who hold an appropriate gambling license. The Company's initial target markets are Europe, Asia and Latin America.

### ***Daily Fantasy Sports***

DFS is a subset of year long Fantasy Sport Games. As with traditional fantasy sports games, site end users compete against others by building a team of professional athletes from a particular league or competition and earn points based on the actual statistical performance of the players in real-world competitions. DFS are an accelerated variant of traditional Fantasy Sports Games that are conducted over short-term periods, such as a week or single day of competition, as opposed to those that are played across an entire season. DFS are structured in the form of competitions referred to as a contest, where site end users pay an entry fee in order to participate, and build a team of athletes in a certain sport while complying with different contest rules. Depending on the overall performance of the athletes selected, site end users may win a share of a pre-determined prize pool.

### ***Principal Products and Services***

The Company's platform is a multi-tenant B2B gateway, which allows its customers to offer their end users the DFS Product. The DFS Product is built with a mobile first philosophy that allows for seamless integration at the customer level without having to share/compromise any sensitive end user data. Joining the Company's network allows customers to capitalize on a mature infrastructure with shared liquidity, without conflict of interest and built specifically for regulated market environments.

As a true B2B global network, the Company offers a SaaS product that is a turn-key solution for sportsbook operators, land-based operators, media groups, big database groups and other operators to break into the DFS industry, without having to incur large upfront costs to monetize this new business and add incremental revenue.

The Company's online offering is designed for gaming operators worldwide. The platform integrates into a gaming operator's website, where the DFS Product will be immediately available to the end users. The end user will easily be able to access the DFS Product using any modern browser via a desktop or mobile device. This allows any customer end-user the ability to access the content from any device accessible to him or her, with the benefit that a user can pause and transition the experience across any number of devices. While the end user accesses the offering through an operator's website, the Company maintains and operates the platform to ensure a safe and secure ecosystem without conflict of interest. More information about the Company's objectives, product offering and software can be found at [www.gdfsi.com](http://www.gdfsi.com).

The networked nature of the online product offering combined with the unique features of the platform will allow end users of different operators, at the operator's discretion, to compete against each other. By combining the player base of the operators, each player has access to contests that are appropriate to his or her skill level and risk tolerance.

DFS contests are currently offered in European football leagues, with golf and basketball in development.

### ***Product Development***

Effective May 12, 2016, the Company and Bellwether Technologies, Inc. (“Bellwether”) entered into an agreement (the “Bellwether Agreement”) pursuant to which Bellwether:

- (i) granted the Company a perpetual license for a software platform (the “Bellwether Platform License”); and
- (ii) agreed to build and integrate a proprietary software (the “DFS Product”) onto the Bellwether Platform for commercial use; and
- (iii) agreed to provide maintenance and support for the Bellwether Platform and the DFS Product for an initial term of two years, subject to extension for an additional three-year period.

As at September 30, 2018 the Company has paid Bellwether development fees totaling \$2,147,972 in connection with the development of the DFS Product. See also “DFS Platform and Network and Update”.

The Product was launched with our Italian clients in December 2017.

### ***Distribution Methods***

The Company’s products and services are distributed through the Internet via mobile and desktop, which may provide customers/network partners with advantages over traditional offline gaming competitors, including global reach and additional mobility, a reduced cost base, 24/7/365 access, greater levels of player liquidity and enhanced innovation with respect to contest offerings and technology.

### ***Principal Markets and Restricted Markets***

The Company will operate in markets worldwide and only provide its product to customers who hold an appropriate gambling license. The Company plans to have a global presence with an initial focus to partner with gaming operators in the United Kingdom/European Union, Latin America, and Asia. The management of the Company believes that these markets are underdeveloped and potential for growth exists. Additional opportunities for expansion may exist across Europe, Australia, and India if the Company develops sports and contest offerings that are localized for those respective regions.

### ***Marketing Plans and Strategies***

The DFS industry is in its infancy and just beginning to take shape in Europe and other markets outside of North America. As the Company’s focus will be building a B2B platform and network, it will benefit from the focus of consumer facing platforms. Central to the Company’s marketing strategy is to align with key distribution partners in its target markets. These distribution partners will have relationships and access to potential target customers. The Company intends to leverage their customer databases and will not have to invest marketing dollars to acquire end users of the DFS Product. On May 31, 2016 the Company entered into an agreement (the “NYX Agreement”) with NYX Digital Gaming (USA), LLC (“NYX”), a wholly owned subsidiary of NYX Gaming Group Limited, NYX Gaming Group Limited was purchased by Scientific Games Corporation (NASDAQ: SGMS) (“SGC”) in January 2018; Scientific Games is a global leader in technology-based gaming systems, table games, table products and instant games, and a leader in products, services and content for gaming, lottery and interactive gaming markets. Scientific Games combined the acquired company with its own online B2B gaming division to create a new division SG Digital.

The NYX Agreement establishes a strategic relationship between the Company and NYX (now SGC and hereafter referred to as SGC) to develop and distribute the DFS Product on SGC’s proprietary platform (the “OGS Platform”) and SGC’s customer base (the “OGS Network”) to SGC clients worldwide.

Under the Agreement with SGC:

- (i) the Company and SGC are co-operating in the development of the DFS Product; and
- (ii) SGC granted the Company an exclusive, irrevocable, non-transferable (except to an affiliate or a third party non-competitor of SGC) worldwide right to distribute the DFS Product on the OGS Network (the “Network Distribution Rights”); and

- (iii) SGC has granted the Company an exclusive, irrevocable, non sub-licensable and nontransferable (except to an affiliate or a third party non-competitor of SGC) worldwide license to use and exploit the OGS Platform and to use, display, install, copy and create derivative works or otherwise exploit the OGS Platform in connection with the distribution of the DFS Product on the OGS Network (the “OGS License”); and
- (iv) SGC has agreed to offer and promote the DFS Product to its current and future customer base as its sole daily fantasy sports solution and to use its sales and marketing teams to maximize commercial exploitation of the DFS Product throughout the OGS Network.

In consideration for the Network Distribution Rights and the OGS License, the Company has paid SGC a total of \$322,663 (US \$250,000).

The Company must also make a payment of US \$250,000 to SGC upon the commercial launch of the DFS Product on the OGS Platform and the OGS Network. In addition, the Company will pay to SGC a monthly royalty payment for clients through the OGS Network with some minimum guarantees after the product is launched.

The Company’s obligation to remit the applicable DFS Royalty will begin 30 days after the commercial launch of the DFS Product on the OGS Platform and the OGS Network. The term of the SGC Agreement is five years from the commercial launch of the DFS Product on the OGS Platform and the OGS Network, which initial term may be renewed by the Company on written notice to SGC for an additional five-year period.

In the short-term, the Company will build its marketing campaign by attending industry conferences, using direct sales tactics, utilizing a multi-pronged search engine optimization strategy, developing its website, utilizing print advertisements in trade magazines and connecting and networking with new third party platform relationships.

### ***Mondogoal Acquisition***

On May 26, 2017 the Company announced that, effective May 11, 2017, the Company entered into an asset purchase agreement (the “Mondogoal Purchase”) with Mondogoal whereby the Company purchased Mondogoal’s operating assets consisting of intellectual property, trademarks and client contracts (the “Purchased Assets”) for the Company’s DFS B2B operations to be conducted in Italy. The purchase price for the Purchased Assets is:

- (i) US \$275,000, of which the Company has paid US \$247,500 and the remaining US \$27,500 hold-back is outstanding; and
- (ii) issuance of common shares of the Company (the “Earn-out Shares”), the number of which will be determined on the anniversary of each of the next three years, having a value equal to the net gaming revenues derived from the Purchased Assets, and subject to a maximum of US \$300,000 in Earn-out Shares. All share issuances are subject to TSXV approvals.

Mondogoal was a leader in daily fantasy sports in the Italian market. Mondogoal’s blue chip client base included Lottomatica Scommesse S.r.l. and Sisal Entertainment S.p.a. two of the largest gaming brands in Italy. The Company also announced, as part of the transaction, it has secured new licensing agreements with both Italian operators for an additional two-year term.

### ***Competition***

The Internet media, entertainment, fantasy sports, and i-gaming industry are highly competitive.

European consumer facing operators (B2C) such as PlayOn and Scout Gaming, who have entered the marketplace within the last 24 months, are all relatively new to DFS. Recently some of these brands are trying to pivot and add white label operators (B2B) to their strategy to enhance their business model. Building out a true, DFS network of B2B gaming operators and product features is the essence of what makes the Company’s model unique in the European gaming market. The Company believes that its management, with their fantasy sports experience and distribution relationships, puts the Company in a strong position for future growth.

### ***Proprietary Protections***

The Company owns 100% of the DFS Product. The Company will rely on a combination of patent, trademark, copyright and trade secret laws, as well as confidentiality agreements and technical measures to protect its proprietary rights.

### ***Regulatory Matters***

The Company has received a B2B skilled gaming license from the Malta Gaming Authority (“MGA”) on April 6, 2018, enabling it to provide its Product to licensed customers in other jurisdictions. On Nov 17, 2017 the Company received its UK gaming license. The license entitles the company to manufacture, supply, install and adapt gambling software for electronic devices or websites in a network setting.

On August 10, 2017, the Company received Gaming Laboratories International (“GLI”) certification for its DFS platform for Italy and the United Kingdom. The GLI certification covers both the Company’s sports offerings of European Football and European and PGA Golf and provided the necessary accreditation required to launch the Company’s platform in Italy and in the UK.

### **DFS Platform and Network Update**

In December 2017 the Company completed the integration of the DFS product into its Italian facing customers, Lottomatica and Sisal and the product went live with an Italian facing network. It provides the following competitive advantages to the industry poised to grow outside of North America:

- Enables multiple operators to join a network as regulation permits to share liquidity; and
- enables operators the option to offer its clients entry into ring-fenced contests or network wide contests for enhanced liquidity and prize pools; and
- uniquely designed guided custom lobby experience will ensure players easy access to enter contests and maximize customer retention; and
- specifically designed games such as the “pick em” contest will give the casual new user unprecedented ease of entry in new emerging markets; and
- platform architecture has been designed to scale; and
- proprietary skill matching algorithm for head to head matches to promote a healthy game economy; and
- mobile accessible on Android and iOS.

With the combination of the MGA license received April 6, 2018 and the UK gaming license received August 10, 2017, the Company is now in a position to partner with licensed operators and launch a dotcom network for all other markets not requiring a specific license. The Company’s expectation is to launch this network Q1 2019 but ultimately will be determined by customer agreements and integration into the dotcom network.

## Selected Financial Data

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company prepared in accordance with IFRS.

	Fiscal 2018		Fiscal 2017				Fiscal 2016	
	Sept. 30/18 \$	Jun. 30/18 \$	Mar. 31/18 \$	Dec. 31/17 \$	Sep. 30/17 \$	Jun. 30/17 \$	Mar. 31/17 \$	Dec. 31/16 \$
<b>Operations:</b>								
Revenue, net of royalties	16,738	36,826	11,114	9,890	36,039	Nil	Nil	Nil
Expenses	(1,395,189)	(1,333,044)	(1,173,566)	(676,796)	(578,287)	(550,081)	(515,854)	405,610
Other items	11,619	(4,988)	(56,163)	12,762	8,083	2,848	15,736	9,005
Net loss	(1,366,832)	(1,301,206)	(1,218,615)	(654,033)	(534,165)	(547,233)	(500,118)	(396,605)
Basic and diluted loss per share	(0.03)	(0.03)	(0.03)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
<b>Statement of Financial Position:</b>								
Working capital	524,390	88,639	813,264	1,742,630	2,980,616	3,982,504	4,987,495	5,739,147
Total assets	4,212,622	3,985,988	4,670,144	5,982,574	5,231,165	6,385,919	6,820,534	7,346,791
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

## Results of Operations

### *Three Months Ended September 30, 2018 Compared to Three Months Ended June 30, 2018*

#### *Operations*

During the three months ended September 30, 2018 (“Q3/2018”) the Company reported a net loss of \$1,366,832 (\$0.03 per share), compared to a net loss of \$1,301,206 (\$0.03 per share) for the three months ended June 30, 2018 (“Q2/2018”). The \$65,626 increase in loss during Q3/2018 is primarily attributed to:

- (i) Professional and technical support fees increased by \$42,833 in Q3/2018 to \$512,627 (Q2/2018 \$469,794); and
- (ii) office and sundry expenses increased by \$31,807 in Q3/2018 to \$48,878 (Q2/2018 \$17,071) due to an increase in costs associated with the Company’s booth at the Betting on Sports trade show in London; and
- (iii) revenue decreased by \$20,088 in Q3/2018 to \$16,738, (Q2/2018 \$36,826) as an integration fee was charged to a new customer in Q2/2018 and there was no such fee in Q3/2018; and
- (iv) data access fees increased by \$23,630 in Q3/2018 to \$90,643 (Q2/2018 \$67,013).

These amounts were partially offset by:

- (i) share based compensation decreased by \$45,194 to \$124,016 in Q3/2018 (Q2/2018 \$169,210); and
- (ii) a reduction of \$17,436 in foreign exchange losses from a loss in Q2/2018 to a gain of \$10,041 in Q3/2018 (Q2/2018 \$(7,395)); and
- (iii) a reduction in accounting fees of \$7,09 in Q3/2018 to \$6,833 (Q2/2018 \$13,931).

### *Nine months Ended September 30, 2018 Compared to Nine months Ended September 30, 2017*

#### *Operations*

During the nine months ended September 31, 2018 (“the 2018 period”) the Company reported a loss of \$3,886,653 (\$0.08 per share), compared to a net loss of \$1,581,517 (\$0.03 per share) for the nine months ended September 30, 2017 (“the “2017” period”), an increase in loss of \$2,210,937. The increase in loss was mainly due to general and administrative expenses increasing from \$1,644,223 during the “2017” period to \$3,901,799 during the “2018” period as follows:

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Revenue</b>	64,678	36,039
<b>Expenses</b>		
Accounting and administration	28,766	57,047
Audit	32,299	21,930
Corporate development		8,224
Data access fees	213,612	151,113
Depreciation	3,328	4,664
Intangible amortization	436,815	
Investment conference		6,495
Legal	129,743	123,723
Licenses	10,364	
Management compensation	426,038	259,970
Director's fees	77,400	97,900
Office and sundry	93,534	52,412
Professional and technical support fees	1,340,893	186,843
Regulatory	2,352	
Rent	91,556	88,305
Salaries and benefits	465,822	259,578
Share-based compensation	436,112	215,680
Shareholder costs	3,902	13,219
Transfer agent	13,344	5,629
Travel and related	95,941	91,491
	<u>3,901,799</u>	<u>1,644,223</u>
<b>Operating Loss</b>	<b><u>(3,837,121)</u></b>	<b><u>(1,608,184)</u></b>

The \$2,210,937 increase in loss during the “2018” period is primarily attributed to:

- (v) an increase of \$1,154,050 in professional and technical support fees to \$1,340,893 in the “2018” period from \$186,843 in the “2017” period as fees that were previously capitalized as part of the development of the DFS platform are now being expensed as the criteria for capitalization is no longer being met, as the effort now shifts to enhancements, customer integrations and bug fixing; and
- (vi) the Company has issued stock options to officers, directors, employees, consultants between September 2017 and September 2018, which resulted in an expense of \$436,112 in the “2018” period ( the “2017” period \$215,680), resulting in an increased expense of \$220,432; and
- (i) the Company’s DFS product went live in December 2017 and was not in the “2017” period resulting in an increase of \$436,815 in intangible assets amortization in the “2018” period from \$nil in the “2017” period; and
- (ii) an increase of \$206,244 in salaries and benefits from \$259,578 in the “2017” period to \$465,822 in the “2018” period as the Company has hired additional people to enable it to execute its go-to-market strategy, and also a portion of the “2017” period expense was capitalised as internal development, related to the DFS product; and
- (iii) an increase of \$166,068 in management and officers compensation from \$259,970 in the “2017” period to \$426,038 in the “2018” period as the Company has hired additional people to enable it to execute its go-to-market strategy, and also a portion of the “2017” period expense was capitalised as internal development related to the DFS product ; and
- (iv) an increase of \$62,499 in data access fees from \$151,113 in the “2017” period to \$213,612 in the “2018” period as the Company has incurred additional technology costs to enable its software to go live and also to enable further development an enhancement of the product.

These amounts were partially offset by:

- (i) an increase in revenue of \$28,639 from \$36,039 in the “2017” period to \$64,678 in the “2018” period; and
- (ii) a decrease in accounting and administration costs of \$28,281 in the “2018” period to \$28,766 (the “2017” period \$57,047), due to outsourced work being taken in-house.

### *Financing Activities*

#### *Equity financing*

During the nine months to September 30, 2018 the company commenced a non-brokered private placement of 20,000,000 units at a price of \$0.15 per unit for proceeds of \$3,000,000. Each unit consisted of one common share of the Company and one half of one transferable warrant. Each whole warrant entitles the holder to purchase an additional common share at an exercise price of \$0.40 per share for a period of 36 months after the closing. In the nine months to September 30, 2017 \$1,492,720 was received from this financing and 9,951,462 shares were issued for this consideration.

The Company conducted no equity financing in fiscal 2017.

#### *Warrants*

In the nine months to September 30, 2018 1,996,250 warrants were exercised at a price of \$0.15 per share for a total of \$299,437

No warrants were exercised in fiscal 2017.

### *Investment Activities*

During the “2017” period the Company incurred a total of \$319,394 to the development of the DFS Platform, of which \$278,195 was paid to Bellwether and \$41,199 was incurred for internal development costs. See “Description of the Company’s Business - Product Development and Marketing Plans and Strategies”. There were no investment activities in the “2018” period.

### **Financial Condition / Capital Resources**

During the nine months ended September 30, 2018 the Company recorded a loss of \$3,868,653 and, as at September 30, 2018, the Company had an accumulated deficit of \$17,342,243 and working capital of \$524,390 (December 31 2017 - \$1,742,630). Management considers that with the planned fundraising, assuming that it is successful, will provide the Company the sufficient working capital to fund operations into Q2 2019.

The Company recognizes that the Company’s objectives and scope of expenditures may change with ongoing results and, the company will be required to obtain additional financing in the future. While the Company has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future. If for any reason the Company is unable to continue as a going concern, it could impact the Company’s ability to realize assets at their recognized values and to meet its liabilities in the ordinary course of business at the amounts stated in the condensed consolidated interim financial statements.

### **Contractual Commitments**

The Company has lease commitments for office space in Toronto, Canada and Sliema, Malta. The Company also has entered into a license agreement whereby it has agreed to pay monthly fees for access to real-time sports data feed and content.

Estimated contractual payments are as follows:

	<b>2018</b>	<b>2019 - 2020</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Office rent	26,240	65,103	91,343
Data license	14,268	42,804	57,072
	<u>40,508</u>	<u>107,907</u>	<u>148,415</u>

The Company must make a payment of US \$250,000 to Scientific Games Corp (SGC) upon the commercial launch of the DFS Product on the OGS Platform and the OGS Network. In addition, the Company will pay to SGC a monthly royalty payment. See also “Description of the Company’s Business - Marketing Plans and Strategies”.

### **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

### **Proposed Transactions**

The Company has no proposed transactions.

### **Changes in Accounting Principles**

The company adopted IFRS 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers in the nine months to September 30, 2018, neither caused a change to the financial statements. A detailed summary of all the Company’s significant accounting policies is included in Note 3 to the December 31, 2017 annual consolidated financial statements.

### **Critical Accounting Estimates**

The preparation of financial statements in conformity IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include the determination of property, plant and equipment lives, estimating the fair values of financial instruments, impairment of long-lived assets, reclamation and rehabilitation provisions, valuation allowances for future income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

### **Related Party Transactions and Balances**

#### **Related Party Disclosures**

Transactions with related parties are made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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Transactions with related parties are made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) **Transactions with Key Management Personnel**

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company’s Board of Directors and its executive officers.

During the nine months to September 30, 2018 the Company incurred \$503,438 (2017 - \$474,870) for compensation to directors and officers and/or their related companies. As at September 30, 2018, \$194,933 (2017 - \$117,894) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) Transactions with Other Related Parties

During the nine months to September 30, 2018 the Company was charged \$10,353 (2017 - \$27,500) by Chase Management Ltd. ("Chase"), a private corporation owned by a director, for accounting and administration services provided by Chase personnel, excluding the director. As at September 30, 2018, \$nil (2017 - \$8,230) remained unpaid.

**Risk Factors**

The Company is a digital entertainment company focused on daily fantasy sports games, social media and advertising and is subject to certain risks. These risks could have a significant impact on the Company's business, revenues, cash flows, earnings financial condition, results of operations and prospects for the future. The following risk factors are not a definitive list of all risk factors associated with the Company's business.

***Additional Financing***

During the nine months ended September 30, 2018 the Company recorded a loss of \$3,868,653 and, as at September 30, 2018, the Company had an accumulated deficit of \$17,324,243 and working capital of \$524,390 (December 31 2017 - \$1,742,630). Management considers that the planned fundraising, assuming that it is successful, will provide the Company with the sufficient working capital to fund operations into Q2 2019.

However, the Company recognizes that the Company's objectives and scope of expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future. If for any reason the Company is unable to continue as a going concern, it could impact the Company's ability to realize assets at their recognized values and to meet its liabilities in the ordinary course of business at the amounts stated in the condensed consolidated interim financial statements.

***Risks Related to Potential Inability to Protect Proprietary Technology***

To protect its proprietary technology, the Company will rely principally upon copyright and trade secret protection. All proprietary information that can be copyrighted will be marked as such. There can be no assurance that the steps taken by the Company in this regard will be adequate to prevent misappropriation or independent third-party development of the Company's technology. Further, the laws of certain countries in which the Company anticipates licensing its technologies and products do not protect software and intellectual property rights to the same extent as the laws of Canada. The Company will generally not include in its software any mechanism to prevent or inhibit unauthorized use, but the Company will generally require the execution of an agreement that restricts unauthorized copying and use of its products. If unauthorized copying or misuse of its products were to occur, the Company's business and results of operations could be materially adversely affected.

While the disclosure and use of the Company's proprietary technology, know-how and trade secrets will be generally controlled under agreements with the parties involved, there can be no assurance that all confidentiality agreements will be honored, that others will not independently develop similar or superior technology, that disputes will not arise concerning the ownership of intellectual property, or that dissemination of the Company's proprietary technology, know-how and trade secrets will not occur. Further, if an infringement claim is brought against the Company, litigation would be costly and time consuming, but may be necessary to protect its proprietary rights and to defend itself. The Company could incur substantial costs and diversion of management resources in the defense of any claims relating to the proprietary rights of others or in asserting claims against others. If the Company cannot prevent other companies from infringing on its technologies, it may not achieve profitability and an investor may lose his or her investment.

### ***Risks Related to Potential Intellectual Property Rights Claims***

Companies in the Internet, technology and media industries own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. The Company may be subject to intellectual property rights claims in the future and its technologies may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert management resources and attention. An adverse determination also could prevent the Company from offering its products and services to others and may require that it procure substitute products or services for these members.

With respect to any intellectual property rights claim, the Company may have to pay damages or stop using technology found to be in violation of a third party's rights. The Company may have to seek a license for the technology, which may not be available on reasonable terms and may significantly increase its operating expenses. The technology also may not be available for license to the Company at all. As a result, the Company may also be required to develop alternative non-infringing technology, which could require significant effort and expense. If the Company cannot license or develop technology for the infringing aspects of its business, it may be forced to limit its product and service offerings and may be unable to compete effectively. Any of these results could harm the Company's brand and prevent the Company from generating sufficient revenue or achieving profitability.

### ***Risks Related to Uncertainty of Online Fantasy Sports and Gaming***

Online, social, causal and mobile gaming is a relatively new industry that continues to evolve. The success of this industry and the Company's DFS business will be affected by future developments in social networks, mobile platforms, legal or regulatory developments (such as the passage of new laws or regulations or the extension of existing laws or regulations to fantasy sports and online gaming activities), data privacy laws and regulations, and other factors that the Company is unable to predict and which are beyond the Company's control.

### ***Potential Changes in Laws and Regulations Relating to the Resulting Issuer's Business***

Apart from obtaining a gaming license in Malta with the Malta Gaming Authority and a United Kingdom gaming license from the United Kingdom Gambling Commission, the Company does not anticipate requiring any government approvals to carry out its business plan. However further licensing may be required as the Company's business matures and enters new markets globally. Legislation regarding fantasy sports is in a flux and not uniform. Changes in applicable laws or regulations or evolving interpretations of existing law could, in certain circumstances, result in increased compliance costs or capital expenditures, which could affect the Company's profitability, or impede the Company's ability to carry on its business which could affect its revenues.

Changes in existing gaming regulations or industry standards may hinder or prevent the Company from continuing to operate in those jurisdictions where it intends to carry on business, which would harm its operating results and financial condition. In particular, the enactment of unfavorable legislation or government efforts affecting or directed at fantasy sports, such as taxing or attempts to restrict the content or access to fantasy sports products may have a negative impact on the Company's operations. It cannot be assured that the Company will be able to adequately adjust to such potential changes.

Public opinion can also exert a significant influence over the regulation of the fantasy sports. A negative shift in the public's perception of fantasy sports could affect future legislation in individual jurisdictions. Negative public perception could lead to new restrictions on fantasy sports in jurisdictions in which the Company proposes to operate.

### ***Risks Related to Potential for Regulations that May be Adopted with Respect to the Internet and Electronic Commerce***

In addition to regulations pertaining to the fantasy sports and gaming industry, the Company may become subject to any number of laws and regulations that may be adopted with respect to the Internet and electronic commerce. New laws and regulations that address issues such as user privacy, pricing, online content regulation, taxation, advertising, intellectual property, information security, and the characteristics and quality of online products and services may be enacted. As well, current laws, which predate or are incompatible with the Internet and electronic commerce, may be applied and enforced in a manner that restricts the electronic commerce market. The application

of such pre-existing laws regulating communications or commerce in the context of the Internet and electronic commerce is uncertain. Moreover, it may take years to determine the extent to which existing laws relating to issues such as intellectual property ownership and infringement, libel and personal privacy are applicable to the Internet. The adoption of new laws or regulations relating to the Internet, or particular applications or interpretations of existing laws, could decrease the growth in the use of the Internet, decrease the demand for the Company's DFS Product, increase the Company's cost of doing business or could otherwise have a material adverse effect on the Company's business, revenues, operating results and financial condition.

### ***Risks Related to Changing Customer Preferences***

The demands of the Company's customers and the end users of the DFS Product and their preferences will be continually changing. In the gaming industry, there is constant pressure to develop and market new game content and technologically innovative products. The Company's revenues will be dependent on the earning power and life span of its DFS Product. The Company will therefore face increased pressure to design and deploy new successful game content to maintain and increase its revenue and remain competitive. The success of newly introduced technology and products will be dependent on customer acceptance of the Company's products.

As a result of changing consumer preferences, many Internet websites are successfully marketed for a limited period of time. Even if the Company's products become popular, there can be no assurance that any of its DFS Product will continue to be popular for a period of time. The Company's success will be dependent upon its ability to develop new and improved product lines. The Company's failure to introduce new features and product lines and to achieve and sustain market acceptance could result in it being unable to continually meet consumer preferences and generate significant revenues.

### ***Competition***

The Internet gaming industry is highly competitive. New competitors may enter the Company's key market areas. If the Company is unable to obtain significant early market presence or it loses market share to its competitors, it will materially affect its results of operations and future prospects.

### ***Reliance on Key Personnel and Absence of Key Person Insurance***

The Company's future success will depend heavily upon the continuing services of the members of its senior management team. If one or more of its senior executives or other key personnel are unable or unwilling to continue in their present positions, the Company may not be able to replace them easily or at all, and the Company's business may be disrupted and its financial condition and results of operations may be materially and adversely affected. Competition for senior management and key personnel is intense, the pool of qualified candidates is very limited, and the Company may not be able to retain the services of its senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. It is anticipated that the Company will not initially maintain key man insurance on its senior managers. The loss of the services of its senior management team and employees could result in a disruption of operations that could result in reduced revenues.

### ***Reliance on Highly Skilled Personnel***

The Company's performance and future success will depend on the talents and efforts of highly skilled individuals. The Company will need to identify, hire, develop, motivate and retain highly skilled personnel for all areas of its organization. Competition in the software industry for qualified employees is intense. The Company's ability to compete effectively will depend on its ability to attract new employees and to retain and motivate existing employees.

As competition in its industry intensifies, it may be more difficult for the Company to hire, motivate and retain highly skilled personnel. If the Company does not succeed in attracting additional highly skilled personnel or retaining or motivating the existing personnel, it may be unable to grow and effectively generate sufficient revenues and achieve profitability.

***Risks Relating to Potential Inability to Adapt or Expand Existing Technology Infrastructure to Accommodate Greater Demand for Services***

The Company expects that its DFS Product will serve a large number of users and customers. The Company's technology infrastructure will be highly complex and may not provide satisfactory service in the future, especially as the number of customers increases. The Company may be required to upgrade its technology infrastructure to keep up with the increasing demand for its services, such as increasing the capacity of its hardware servers and the sophistication of its software. If the Company fails to adapt its technology infrastructure to accommodate greater demand for services, its users and customers may become dissatisfied with its services and switch to competitors' products, which will prevent the Company from achieving profitability.

***Risks Relating to Potential Inability to Develop and Enhance the DFS Product***

The markets for the Company's DFS Products will be characterized by rapidly changing technology, evolving industry standards and increasingly sophisticated customer requirements. The introduction of products embodying new technology and the emergence of new industry standards could render the Company's DFS Product obsolete and unmarketable. It is critical to the success of the Company to be able to anticipate, react and adapt quickly to changes in technology or in industry standards and to successfully develop and introduce new, enhanced and competitive products on a timely basis. Further, the Company's competitors may adapt to an emerging technology more quickly or effectively than the Company, resulting in the creation of products that are technologically superior to the Company's, more appealing to customers, or both. The Company cannot give assurance that it will successfully develop new products or enhance and improve its existing DFS Product, that new products or an enhanced and improved version of the DFS Product will achieve market acceptance or that the introduction of new products or enhanced existing products by others will not render the Company's DFS Product obsolete.

***Reliance on Development and Maintenance of the Internet Infrastructure***

The success of the Company's services will depend largely on the development and maintenance of the Internet infrastructure. This includes maintenance of a reliable network backbone with the necessary speed, data capacity, and security, as well as timely development of complementary products, for providing reliable Internet access and services. The Internet has experienced, and is likely to continue to experience, significant growth in the numbers of users and amount of traffic. The Internet infrastructure may be unable to support such demands. In addition, increasing numbers of users, increasing bandwidth requirements, or problems caused by "viruses", "worms", and similar programs may harm the performance of the Internet. The backbone computers of the Internet have been the targets of such programs. The Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure, and it could face outages and delays in the future. These outages and delays could reduce the level of Internet usage generally as well as the level of usage of the DFS Product and reduce the Company's revenues.

***Risks Related to Potential Interruption or Failure of the Resulting Issuer's Information Technology and Communications Systems***

The Company's ability to provide the DFS Product will depend on the continuing operation of its information technology and communications systems. Any damage to or failure of its systems could interrupt its service. Service interruptions could reduce the Company's revenues and profits and damage its brand if its system is perceived to be unreliable.

***Risks Related to Potential Inability of Internet Infrastructure to Meet the Demand***

The growth of Internet usage has caused frequent interruptions and delays in processing and transmitting data over the Internet. There can be no assurance that the Internet infrastructure or the Company's own network systems will be able to meet the demand placed on it by the continued growth of the Internet, the overall online fantasy sports and gaming industries or of the Company's customers.

The Internet's viability could be affected if the necessary infrastructure is not sufficient, or if other technologies and technological devices eclipse the Internet as a viable channel.

***Risks Related to Potential Undetected Errors in the Resulting Issuer's DFS Product***

The Company's DFS Product could contain undetected errors or "bugs" that could adversely affect its performance. This could cause the Company to lose market share, damage its reputation and brand name, and reduce its revenues.

***Risks Related to Potential Systems, Network Failures or Cyber-Attacks***

The Company's operations and databases of business or customer information will be susceptible to outages due to fire, floods, power loss, break-ins, cyber-attacks, network penetration, data privacy or security breaches, denial of service attacks and similar events. The Company's DFS Product will be vulnerable to viruses, malicious software, worms, Trojan horses or spy-ware, which could have a material adverse effect on the Company's business, reputation, operating results and financial condition.

**Outstanding Share Data**

The Company's authorized share capital is unlimited common shares with no par value. As at November 23, 2018 there were 56,374,005 common shares issued and outstanding. In addition, there were 6,208,269 warrants outstanding at exercise prices ranging from \$0.40 to \$1.00 per share. The company granted stock options in 2017 and 2018 to directors, officers, employees, consultants and advisers for the purchase of up to 3,075,000 common shares, at an average price of \$0.44 per share, for a period of 5 years. The stock options are subject to vesting provisions.