UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2016

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**

OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______ to ______

Commission File Number 000-50045

NEWGIOCO GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	**33-0823179**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

130 Adelaide Street, West, Suite 701
Toronto, Ontario, Canada M5H 2K4
(Address of Principal Executive Offices) (Zip Code)

(647) 229-0136
(Registrant's telephone number, including area code)

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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No ☑

Indicate the number of shares outstanding of the issuer's common stock, as of the latest practicable date:

There were 30,428,173 shares of Common Stock outstanding as of November 22, 2016.

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PART I

ITEM 1. FINANCIAL STATEMENTS

NEWGIOCO GROUP, INC.
(Formerly Known as Empire Global Corp.)
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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NEWGIOCO GROUP, INC.
(Formerly Known as Empire Global Corp.)
Consolidated Balance Sheets
(Unaudited)

		September 30, 2016		December 31, 2015
Assets				
Current Assets				
Cash and cash equivalents	$	1,678,671	$	157,363
Accounts Receivable		258,426		—
Gaming accounts receivable, net of allowance for doubtful accounts of $411,807 and $349,374 on September 30, 2016 and December 31, 2015		281,686		178,151
Prepaid expenses		136,961		310,407
Other current assets		238,652		36,725
Total Current Assets		2,594,396		682,646
Non-current Assets				
Restricted cash		336,706		232,013
Property, Plant, and Equipment		153,108		88,705
Intangible assets		3,796,432		2,376,540
Goodwill		260,318		260,318
Investment in non-consolidated entities		6,905		6,729
Total Non-current Assets		4,553,469		2,964,305
Total Assets	$	7,147,865	$	3,646,951
Liabilities and Stockholders' Equity				
Current Liabilities				
Line of credit – bank	$	11,128	$	312,483
Accounts payable and accrued liabilities		545,305		571,501
Gaming accounts balances		306,313		274,942
Taxes payable		682,891		165,166
Advances from stockholders		198,132		191,675
Liability in connection with acquisition		133,021		327,536
Debentures, net of discount		428,724		107,589
Derivative liability		346,510		28,375
Promissory notes payable – other		114,045		108,135
Promissory notes payable – related party		358,470		186,233
Bank loan payable - current portion		71,704		—
Other current liabilities		—		1,450
Total Current Liabilities		3,196,243		2,275,085
Bank loan payable		489,296		
Other long term liabilities		90,314		67,532
Total Liabilities		3,775,853		2,342,617
Stockholders' Equity				
Common Stock, $0.0001 par value, 80,000,000 shares authorized; 30,428,173 and 24,126,088 issued and outstanding at September 30, 2016 and December 31, 2015		3,043		2,413
Additional paid-in capital		13,166,171		10,472,501
Accumulated other comprehensive income		118,802		124,265
Accumulated deficit		(9,916,004)		(9,294,845)
Total Stockholders' Equity		3,372,012		1,304,334
Total Liabilities and Stockholders' Equity	$	7,147,865	$	3,646,951

See notes to consolidated financial statements

NEWGIOCO GROUP, INC.
(Formerly Known as Empire Global Corp.)
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Revenue	$ 2,606,670	$ 1,120,402	$ 5,879,514	$ 3,327,610
Costs and Expenses				
Selling expenses	1,087,112	787,163	3,401,572	2,453,392
General and administrative expenses	973,025	696,359	2,620,973	1,806,830
Total Costs and Expenses	2,060,137	1,483,522	6,022,545	4,260,222
Income (Loss) from Operations	546,533	(363,120)	(143,031)	(932,612)
Other Expenses (Income)				
Interest expense, net of interest income	209,556	49,782	515,051	82,255
Changes in fair value of derivative liabilities	77,095	15,614	(291,121)	15,694
Imputed interest on related party advances	3,492	1,752	6,060	3,698
Allowance for deposit on acquisition	—	—	—	94,952
Total Other Expenses	290,143	67,148	229,990	196,599
Income (Loss) Before Income Taxes	256,390	(430,268)	(373,021)	(1,129,211)
Income tax provision	220,275	36,857	248,138	63,402
Net Income (Loss)	36,115	(467,125)	(621,159)	(1,192,613)
Other Comprehensive Income (Loss)				
Foreign currency translation adjustment	4,814	(124,409)	(5,463)	62,985
Comprehensive Income (Loss)	$ 40,929	$ (591,534)	$ (626,622)	$ (1,129,628)
Income (loss) per common share - basic	$ 0.00	$ (0.02)	$ (0.02)	$ (0.05)
Income (loss) per common share - diluted	$ 0.00	$ (0.02)	$ (0.02)	$ (0.05)
Weighted average number of common shares outstanding - basic	30,362,394	23,289,257	26,298,527	23,273,042
Weighted average number of common shares outstanding - diluted	31,488,116	23,289,257	26,298,527	23,273,042

See notes to consolidated financial statements

NEWGIOCO GROUP, INC.
(Formerly Known as Empire Global Corp.)
Consolidated Statements of Cash Flows
(Unaudited)

		Nine Months Ended, September 30, 2016		2015
Cash Flows from Operating Activities				
Net loss	$	(621,159)	$	(1,192,613)
Adjustments to reconcile net loss to net cash used in operating activities				
Depreciation and amortization		375,207		311,605
Amortization of deferred costs		163,350		14,362
Non-cash interest		400,668		26,162
Imputed interest on advances from stockholders		6,060		3,698
Changes in fair value of derivative liabilities		(291,121)		15,694
Non-cash commissions and legal fees related to debenture		—		10,721
Impairment of assets		—		94,952
Stock-based compensation		268,669		318,375
Bad debt expense		53,015		—
Changes in Operating Assets and Liabilities				
Prepaid expenses		(138,198)		23,239
Accounts payable and accrued liabilities		(336,777)		150,818
Accounts receivable		112,071		
Gaming accounts receivable		(151,372)		(152,272)
Gaming accounts liabilities		24,052		14,887
Taxes payable		237,273		175,780
Other current assets		(199,909)		(28,880)
Other current liabilities		(1,481)		(13,777)
Long term liability		20,907		—
Net Cash Used in Operating Activities		(78,745)		(227,249)
Cash Flows from Investing Activities				
Acquisition of property, plant, and equipment, and intangible assets		(56,092)		(22,458)
Cash acquired on acquisition		803,482		14,447
Cash paid for acquisition		(202,015)		(238,768)
Deposit on acquisition		—		(94,952)
Proceeds from matured corporate bond		—		133,800
Increase in restricted cash		(98,105)		—
Investment in subsidiary – Rifa		—		(33,450)
Deposit on acquisition – Rifa		—		33,450
Net Cash Provided by (Used in) Investing Activities		447,270		(207,931)
Cash Flows from Financing Activities				
Repayment of bank credit line, net of repayment		(307,902)		32,494
Proceeds from bank loan		558,050		(51,555)
Proceeds from promissory notes, net of repayment		115,103		(175,016)
Proceeds from convertible notes and debentures, net of repayment		614,900		225,474
Advances from stockholders, net of repayment		141,721		142,826
Net Cash Provided by Financing Activities		1,121,872		174,223
Effect of change in exchange rate		30,911		(18,123)
Net increase (decrease) in cash		1,521,308		(279,080)
Cash – beginning of the period		157,363		422,276
Cash – end of the period	$	1,678,671	$	143,196
Supplemental disclosure of cash flow information				
Cash paid during the period for:				
Interest	$	114,339	$	7,941
Income Tax	$	22,495	$	3,893
Supplemental cash flow disclosure for non-cash activities				
Common shares issued for the acquisition of subsidiaries	$	2,360,163	$	—
Common shares issued for repayment of debt	$	—	$	22,516
Common shares issued to related parties for repayment of debt	$	138,225	$	323,145
Common shares issued for cashless exercise of warrants	$	14,438	$	—

See notes to consolidated financial statements

NEWGIOCO GROUP, INC.
(Formerly Known as Empire Global Corp.)
Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation and Nature of Business

Basis of Presentation

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the unaudited consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of September 30, 2016 and the results of operations and cash flows for the period ended September 30, 2016 and 2015. The financial data and other information disclosed in these notes to the interim financial statements related to these periods are unaudited. The results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results to be expected for any subsequent periods or for the entire year ending December 31, 2016. The balance sheet at December 31, 2015 has been derived from the audited financial statements at that date.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the Securities and Exchange Commission's rules and regulations. These unaudited consolidated financial statements should be read in conjunction with our audited financial statements and notes thereto for the year ended December 31, 2015 as included in our Annual Report on form 10-K.

Nature of Business

Newgioco Group, Inc. (“Newgioco Group” or the “Company”), formerly known as Empire Global Corp., was incorporated in the state of Delaware on August 26, 1998 as Pender International Inc. On July 20, 2016, the Company changed its name to Newgioco Group, Inc. The Company maintains its principal executive offices in Toronto, Canada.

The Company provides web-based and land-based gaming services through its four wholly owned subsidiaries in Italy. The Company’s subsidiaries include: Multigioco Srl (“Multigioco”) which was acquired on August 15, 2014, Rifa Srl (“Rifa”) which was acquired on January 1, 2015, as well as Ulisse Gmbh (“Ulisse”) and Odissea Betriebsinformatik Beratung Gmbh (“Odissea”) which were both acquired on July 1, 2016.

Newgioco Group, is now a vertically integrated company offering a complete suite of gaming services including a variety of online and offline lottery and casino gaming, as well as sports betting through a retail distribution of leisure betting locations situated throughout Italy, in addition to operating a proprietary Betting Operating System (“BOS”).

2. Going concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates realization of assets and the satisfaction of liabilities in the normal course of business.

The Company had a working capital deficit of $601,847 as of September 30, 2016, and reported operating losses for the past two years. There are no assurances that management will be successful in achieving sufficient cash flows to fund the Company's working capital needs, or whether the Company will be able to refinance or renegotiate its obligations when they become due or raise additional capital through future debt or equity. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. No adjustments have been made to the carrying value of assets or liabilities as a result of this uncertainty.

Management plans to mitigate its losses in future years by significantly reducing its operating expenses, seeking out new business opportunities and attempting to raise debt or equity financing. However, there is no assurance that the Company will be able to obtain additional financing, reduce its operating expenses or be successful in maintaining a viable business.

3. Summary of Significant Accounting Policies

a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries, all of which are wholly owned. All significant inter-company transactions are eliminated upon consolidation.

Certain amounts of prior periods were reclassified to conform with current period presentation.

b) Use of estimates

The preparation of the financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. These estimates and assumptions include valuing equity securities issued in share based payment arrangements, determining the fair value of assets acquired, allocation of purchase price, impairment of long-lived assets, the collectability of receivables and the value of deferred taxes and related valuation allowances. Certain estimates, including evaluating the collectability of receivables and advances, could be affected by external conditions, including those unique to our industry, and general economic conditions. It is possible that these external factors could have an effect on our estimates that could cause actual results to differ from our estimates. We re-evaluate all of our accounting estimates at least quarterly based on these conditions and record adjustments when necessary.

c) Goodwill

Goodwill is recognized for the excess of the purchase price over the fair value of tangible and identifiable intangible net assets of businesses acquired. Goodwill is not being amortized, but is reviewed at least annually for impairment. In our evaluation of goodwill impairment, we perform a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the qualitative assessment is not conclusive, we proceed to a two-step process to test goodwill for impairment including comparing the fair value of the reporting unit to its carrying value (including attributable goodwill). Fair value for our reporting units is determined using an income or market approach incorporating market participant considerations and management's assumptions on revenue growth rates, operating margins, discount rates and expected capital expenditures. Fair value determinations may include both internal and third-party valuations. Unless circumstances otherwise dictate, we perform our annual impairment testing in the fourth quarter.

We perform the allocation based on our knowledge of the market in which we operate, and our overall knowledge of the gaming industry.

d) Business Combinations

We allocate the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill.

Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired users, acquired technology, and trade names from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

e) Long-Lived Assets

We evaluate the carrying value of our long-lived assets for impairment by comparing the expected undiscounted future cash flows of the assets to the net book value of the assets when events or circumstances indicate that the carrying amount of a long-lived asset may not be recoverable. If the expected undiscounted future cash flows are less than the net book value of the assets, the excess of the net book value over the estimated fair value will be charged to earnings.

Fair value is based upon discounted cash flows of the assets at a rate deemed reasonable for the type of asset and prevailing market conditions, appraisals, and, if appropriate, current estimated net sales proceeds from pending offers.

f) Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of its financial instruments, including convertible notes and stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income.

For option-based simple derivative financial instruments, the Company uses the Black-Scholes option-pricing model to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period.

g) Earnings Per Share

FASB ASC 260, "Earnings Per Share" provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. These potentially dilutive securities were not included in the calculation of loss per share for the three and nine months ended September 30, 2016 and 2015, thus the effect would have been anti-dilutive. Accordingly, basic and diluted loss per common share is the same for all periods presented.

h) Currency translation

Since the Company's subsidiaries operates in Italy, the subsidiaries functional currency is the Euro. In the consolidated financial statements, revenue and expense accounts are translated at the average rates during the period, and assets and liabilities are translated at period-end rates and equity accounts are translated at historical rate. Translation adjustments arising from the use of different exchange rates from period to period are included as a component of stockholders' equity. Gains and losses from foreign currency transactions are recognized in current operations.

i) Revenue Recognition

Revenues from sports-betting, casino, cash and skill games; slots, bingo and horse race wagers represent the gross pay-ins (also referred to as Turnover) from customers less gaming taxes and payouts to customers. Revenues are recorded when the game is closed. In addition, the Company receives commissions from the sale of scratch tickets and other lottery games. Commissions are recorded when the ticket for scratch off tickets and lottery tickets are sold.

Revenues from Betting Operating System (“BOS”) include license fees, training, installation, and product support services. Revenue is recognized when the significant risks and rewards of ownership are transferred or when the obligation is fulfilled. License fees are calculated as a percentage of each licensee’s level of activity and are contingent upon the licensee’s usage. The license fees were recognized on an accrual basis as earned.

j) Gaming accounts receivable & allowance for doubtful accounts

Gaming accounts receivable represents gaming deposits made by customers to their online gaming accounts either directly by credit card, bank wire, e-wallet or other accepted method through one of our websites or indirectly in cash at the cashier of a betting shop but not yet credited to our bank accounts and subject to normal trade collection terms without discounts. The Company periodically evaluates the collectability of its gaming accounts receivable and considers the need to record or adjust an allowance for doubtful accounts based upon historical collection experience and specific customer information. Actual amounts could vary from the recorded estimates. The Company does not require collateral to support customer receivables.

k) Gaming account balances

Gaming account balances represent customer balances, including winnings and deposits, that are held as credits in online gaming accounts and have not as of yet been used or withdrawn by the customers. Customers can request payment from the Company at any time and the payment to customers can be made through bank wire, credit card, or cash disbursement from one of our locations. Online gaming account credit balances are non-interest bearing.

l) Fair Value Measurements

ASC Topic 820, Fair Value Measurement and Disclosures, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This topic also establishes a fair value hierarchy which requires classification based on observable and unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs in which little or no market data exists, therefore developed using estimates and assumptions developed by us, which reflect those that a market participant would use.

The carrying value of the Company's short term investments, prepaid expenses, accounts receivables, other current assets, accounts payable and accrued liabilities, gaming account balance, and advances from shareholder approximate fair value because of the short-term maturity of these financial instruments.

The derivative liability in connection with the conversion feature of the convertible debt and warrants is classified as a level 3 liability, and is the only financial liability measured at fair value on a recurring basis.

The change in the Level 3 financial instrument is as follows:

Balance at December 31, 2015	$	28,375
Issued during the nine months ended September 30, 2016		609,256
Exercised during the nine months ended September 30, 2016		—
Change in fair value recognized in operations		(291,121)
Balance at September 30, 2016	$	346,510

m) Income Taxes

We use the asset and liability method of accounting for income taxes in accordance with ASC Topic 740, "Income Taxes." Under this method, income tax expense is recognized for the amount of: (i) taxes payable or refundable for the current year and (ii) deferred tax consequences of temporary differences resulting from matters that have been recognized in an entity's financial statements or tax returns. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is provided to reduce the deferred tax assets reported if based on the weight of the available positive and negative evidence, it is more likely than not some portion or all of the deferred tax assets will not be realized.

ASC Topic 740.10.30 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740.10.40 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We have no material uncertain tax positions for any of the reporting periods presented.

The Company has elected to include interest and penalties related to uncertain tax positions, if determined, as a component of income tax expense.

In Italy, tax years beginning 2010 forward are open and subject to examination. The Company is not currently under examination and it has not been notified of a pending examination.

n) Recent Accounting Pronouncements

In April 2015, the FASB issued guidance to simplify the presentation of debt issuance costs. This guidance provides that debt issuance costs related to a recognized liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability, consistent with debt discounts. The Company adopted this guidance with the annual and the interim period beginning January 1, 2016, and applied the standard on a retrospective basis as of December 31, 2015. The adoption of this standard did not have a material impact on our financial position and did not impact our results of operations or cash flows.

There are no other recently issued accounting standards that are expected to have a material effect on our financial condition, results of operations or cash flows.

4. Acquisition of Ulisse Gmbh and Odissea Betriebsinformatik Beratung Gmbh

Odissea Betriebsinformatik Beratung Gmbh (“Odissea”) Acquisition

On June 30, 2016, the Company entered into a Share Exchange Agreement, which closed on July 1, 2016, with the shareholders of Odissea organized under the laws of Austria. Odissea operates a proprietary Betting Operating System. Pursuant to the agreement, the Company issued 4,386,100 shares of common stock in consideration for 100% of the issued and outstanding shares of Odissea. As a result of this acquisition, the sellers now hold approximately 12.56% of the issued and outstanding shares of common stock of the Company.

The purchase price was allocated to the fair market value of tangible and intangible assets acquired and liabilities assumed. Intangible assets will be amortized over their remaining useful life as follows:

			Remaining Useful Life
Current assets	$	210,505	
Property, Plant and Equipment		30,638	
Identifiable intangible assets:			
Betting Operating System		1,685,371	15 years
Less: liabilities assumed		(215,935)	
Total identifiable assets less liabilities assumed		1,710,579	
Total purchase price		1,710,579	
Excess purchase price	$	—	

Ulisse Gmbh (“Ulisse”) Acquisition

On June 30, 2016, the Company entered into a Share Exchange Agreement, which closed on July 1, 2016, with the shareholders of Ulisse organized under the laws of Austria. Ulisse operates an existing network of 107 land-based Agency locations. Pursuant to the agreement, the Company issued 1,665,600 shares of common stock in consideration for 100% of the issued and outstanding shares of Ulisse. As a result of this acquisition, the sellers now hold approximately 4.77% of the issued and outstanding shares of common stock of the Company.

The purchase price was allocated to the fair market value of tangible and intangible assets acquired and liabilities assumed. Intangible assets will be amortized over their remaining useful life as follows:

		Remaining Useful Life
Current assets	$ 984,647	
Property, Plant and Equipment	2,917	
Identifiable intangible assets:		
Customer relationships	83,996	10 years
Less: liabilities assumed	(421,976)	
Total identifiable assets less liabilities assumed	649,584	
Total purchase price	649,584	
Excess purchase price	$ —	

The Company has estimated the fair value of assets acquired and liabilities assumed in connection with acquisitions and is currently undergoing a formal valuation and will adjust these estimates accordingly within the one year measurement period.

The unaudited pro forma combined historical results, as if Odissea and Ulisse had been acquired at the beginning of 2016 are as follows:

	Three Months Ended September 30, 2016	Nine Months Ended September 30, 2016
Revenue	$ 2,606,670	$ 7,122,734
Costs and expenses	(2,060,137)	(6,445,656)
Other Income (expenses)	(290,143)	(229,976)
Income tax	(220,275)	(431,546)
Net Income	$ 36,115	$ 15,556

5. Intangible Assets

Intangible assets consist of the following:

	September 30, 2016	December 31, 2015	Life (years)
Betting Operating System	$ 1,685,371	$ —	15
Licenses	959,507	956,632	1.5 - 7
Location contracts	1,000,000	1,000,000	5 - 7
Customer relationships	870,927	786,931	10 - 15
Trademarks/names	110,000	110,000	14
Website	40,000	40,000	5
	4,665,805	2,893,563	
Accumulated amortization	(869,373)	(517,023)	
Balance	$ 3,796,432	$ 2,376,540	

The Company evaluates intangible assets for impairment on an annual basis during the last month of each year and at an interim date if indications of impairment exist. Intangible asset impairment is determined by comparing the fair value of the asset to its carrying amount with an impairment being recognized only when the fair value is less than carrying value. The amortization expense was $113,183 and $352,350 for the three and nine months ended September 30, 2016, and $104,271 and $287,640 for the three and nine months ended September 30, 2015, respectively.

6. Line of Credit – Bank

The Company currently maintains an operating line of credit for a maximum amount of EUR 300,000 (approximately U.S. $336,600) for Multigioco and EUR 50,000 (approximately U.S. $56,100) for Rifa from Banca Veneto in Italy. The line of credit is secured by restricted cash on deposit at Banca Veneto and guaranteed by certain shareholders of the Company and bears a fixed rate of interest at 5% per annum on the outstanding balance with no minimum payment, maturity or due date.

7. Liability in connection with acquisition

Liability in connection with acquisition represent non-interest bearing amount due by the Company's subsidiaries toward the purchase price per purchase agreement between Newgioco Srl and the Company's subsidiaries. The Company's shareholder and director, Beniamino Gianfelici, owns 50% shares of Newgioco Srl. During the nine months ended September 30, 2016, the company paid EUR 181,000 (approximately U.S. $202,000) to Newgioco Srl.

8. Related party transactions and balances

Advances from stockholders represent non-interest bearing loans that are due on demand. Interest was imputed at 5% per annum. Balances of Advances from stockholders are as follows:

	September 30, 2016	December 31, 2015
Gold Street Capital Corp.	$ 139,887	$ 138,228
Doriana Gianfelici	54,980	53,447
Other stockholders	3,265	—
Total advances from stockholders	$ 198,132	$ 191,675

During the nine months ended September 30, 2016, Gold Street Capital Corp. ("Gold Street"), the major stockholder of the Company, advanced $139,887 net of repayment of $53,000. On March 31, 2016, the Company issued 145,500 shares to Gold Street to pay $138,228 of the debt at the market price of $0.95 per share.

Also, Doriana Gianfelici advanced approximately U.S. $1,533 to the Company during the nine months ended September 30, 2016.

Advances from other stockholders include balances of approximately U.S. $1,545 due to former stockholders of Ulisse and Odissea. Following the acquisition on July 1, 2016, in the three months ended September 30, 2016, Luca Pasquini advanced approximately U.S. $1,720 to the Company.

Related-Party Debt

	September 30, 2016	December 31, 2015
Braydon Capital Corp.	$ 318,078	$ 186,233
Alessandro Pasquini	40,392	
Total Related-Party Debt	$ 358,470	$ 186,233

On January 13, 2016, the Company issued a Promissory Note for $90,750 to Braydon Capital Corp., a company owned by Claudio Ciavarella, the brother of our CEO, that bears interest at a rate of 1% per month due in full on the maturity date of January 13, 2017. On April 29, 2016, the Note was amended to add $41,095 in funds issued to the Company from Braydon Capital Corp. for a total of $131,845.

With the purchase of Odissea on July 1, 2016, the Company inherited a loan from Alessandro Pasquini, cousin of our director Luca Pascquini. As of September 30, 2016, the balance of the loan was EUR 36,000 (approximately U.S. $40,392) and is to be repaid in EUR 5,000 (approximately U.S. $5,610) monthly installments. See Note 4.

The Company currently maintains an operating line of credit for its subsidiaries secured by restricted cash on deposit at Banca Veneto and guaranteed by certain shareholders of the Company. See also Note 6 Line of Credit - Bank.

During the nine months ended September 30, 2016, the company paid EUR 181,000 (approximately U.S. $202,000) to Newgioco Srl. The Company's shareholder and director, Beniamino Gianfelici, owns 50% shares of Newgioco Srl. See Note 7.

The Company agreed to pay management fee to Gold Street Capital Corp for $120,000 per year. During the nine months ended September 30, 2016 and 2015, the Company accrued management fee of $30,000 each quarter.

9. Stockholders' Equity

On March 8, 2016, the Company entered into a non-exclusive advisory agreement with Newbridge Securities Corp. ("Newbridge"). As consideration for these services, the Company agreed to pay Newbridge advisory fees of $15,000 and issue 50,000 restricted shares of common stock upon signing the agreement and 50,000 restricted shares of common stock upon the presentation of a Term Sheet. The Company paid a fee of $15,000, and on March 8, 2016 issued 50,000 shares of common stock which were valued at the market price of $0.97 per share and amortized over the service period of two months.

On March 14, 2016, the Company entered into a Mutual Release Agreement with Typenex Co-Investment, LLC to extinguish future "true-up" provisions contained within the Convertible Note dated June 18, 2015 and the Transfer Agent Reserve shares related to the Note. Pursuant to the agreement, the Company issued 14,885 shares of common stock to Typenex Co-Investment, LLC. Those shares were valued at market price on issuance date of $0.97 per share and recorded as an expense.

On June 6, 2016, the Company issued an aggregate of 40,000 shares of the Company's common stock to two consultants for services provided to the Company.

On July 5, 2016, the Company issued an aggregate of 4,500,000 shares of common stock as a performance based restricted stock award contingent on the closing of the July 1, 2016 acquisitions. The Company granted 1,500,000 shares each to Beniamino Gianfelici, a director of the Company, Alessandro Marcelli, a director of the Company, and Gold Street Capital, a related party. The restricted stock award was granted in lieu of a formalized equity incentive plan. The board of directors decided to reverse the transaction. These 4,500,00 shares of common stock were subsequently cancelled. No compensation expense was recorded in the three months ended September 30, 2016.

Please see Note 8 for additional common share transactions in repayment of debt.

10. Debentures and Convertible Notes

Debentures and convertible notes outstanding include the following:

	September 30, 2016	December 31, 2015
April 2, 2015 Debentures, net of discount of $0 and $2,687	$ —	$ 40,336
April 27, 2015 Debentures, net of discount of $0 and $2,816	—	31,602
July 9, 2015 Debentures net of discount of $0 and $14,090	—	40,910
February 29, 2016 Convertible Note, net of discount of $219,840	380,160	—
March 31, 2016 Convertible Note, net of discount of $69,134	80,866	—
	461,026	112,848
Less: unamortized debt issuance costs	(32,302)	(5,259)
	$ 428,724	$ 107,589

April 2, 2015 Debentures

On April 2, 2015, the Company issued debentures to a group of accredited investors to purchase 5 unsecured Debenture Units for gross proceeds of $25,000 and 5 Debenture Units for gross proceeds of CDN $25,000 (approximately U.S. $18,400). Each Debenture Unit is comprised of (i) a $5,000 and CDN $5,000 debenture, respectively, bearing interest at a rate of 15% per annum, maturing one year from the date of issuance and (ii) 500 warrants to receive one common share per warrant prior to April 2, 2017, which may be exercised at the lower of (a) $1.25 and CDN $1.25, respectively, and (b) a 25% discount to the offering price of common shares of the Company in the next equity financing of the Company. On April 2, 2016, the maturity date, the Company paid the amounts due in full of $28,770 and CDN $28,770 (approximately US $22,141) including principle and accrued interest.

April 27, 2015 Debentures

On April 27, 2015, the Company issued debentures to a group of accredited investors to purchase 4 unsecured Debenture Units for gross proceeds of $20,000 and 4 unsecured Debenture Units for gross proceeds of CDN$20,000 (approximately U.S. $15,224). Each Debenture Unit is comprised of (i) a $5,000 and CDN$5,000 debenture, respectively, bearing interest at a rate of 15% per annum, maturing one year from the date of issuance and (ii) 500 warrants to receive one common share per warrant prior to April 27, 2017, which may be exercised at the lower of (a) $1.25 and CDN$1.25, respectively, and (b) a 25% discount to the offering price of common shares of the Company in the next equity financing of the Company. On April 27, 2016, the maturity date, the Company paid the amounts due in full of $23,088 and CDN $23,088 (approximately U.S. $18,200) including principle and accrued interest.

July 9, 2015 Convertible Promissory Note

On July 9, 2015, the Company issued a convertible promissory note (the "Note") bearing an interest of 10% per annum to purchase a gross amount of $220,000 which includes an Original Issue Discount ("OID") of 10% to an accredited investor. The Note was convertible to shares of common stock of the Company at a price equal to the lower of $0.80 or 60% of the lowest trading price of the Company's common stock during the 20 consecutive trading days prior to the date on which the Investor elects to convert all or part of the Note. On July 21, 2015, the closing date, the Company received an initial consideration of $55,000, which includes an OID of $5,000. This initial consideration is a debenture. The Note was pre-paid on January 14, 2016. The total amount of pre-payment was $90,750, including interest and penalties.

February 29, 2016 and March 31, 2016 Convertible Notes

On February 29, 2016, the Company closed a Securities Purchase Agreement with an unaffiliated private investor, to raise up to $750,000. The Company received gross proceeds from the initial private placement of $600,000. Subsequently, on March 31, 2016, the Company received the second tranche of gross proceeds of $150,000, less legal expenses of $15,000. The convertible notes bear an interest rate of 12% per annum and are due in one year. The Notes are convertible to shares of common stock of the Company at the price of $0.85 per share with certain price adjustment clauses. The convertible notes were guaranteed by Confidi Union Impresa, an unrelated party. As part of the purchase agreement, the Company also issued a warrant to purchase 163,044 shares of Company's common stock at $1.15 per share. (See Note 13).

The Company has determined that the conversion feature embedded in the notes constitutes a derivative and has been bifurcated from the note and recorded as a derivative liability, with a corresponding discount recorded to the associated debt, on the accompanying balance sheet, and revalued to fair market value at each reporting period. (See Note 14).

The Company paid commissions of $8,000, $4,000, $60,000, and $15,000 for the June 18, July 9, 2015, February 29, 2016, and March 31, 2016 Notes, respectively. The Company also paid commissions of 7,500 shares of common stock at a price of $0.80 per share or $6,000 and 4,000 shares of common stock at a price of $0.75 per share or $3,000 related to the June 18 and July 9, 2015 Notes, respectively. The commissions related to the notes were amortized over the life of the notes. The Company also issued warrants to purchase 62,220 shares of the Company to the placement agent in relation to the February 29, 2016 and March 31, 2016 Notes.

Warrants issued in relation to the debentures and promissory notes are discussed in Note 11.

11. Promissory Notes Payable - Other

On December 9, 2014, the Company obtained a promissory note for CDN $500,000 (approximately U.S. $436,796) from Paymobile Inc., a subsidiary of 2336414 Ontario Inc. ("2336414") of which the Company owns 666,664 common shares, that bears interest at a rate of 1% per month on the outstanding balance.

As of the date of this filing, the final payment of CDN $150,000 (approximately U.S. $114,000) was due on February 28, 2015 plus accrued interest. The Company and 2336414 have agreed to extend the due date indefinitely by mutual consent. Interest expense of $3,439 and $10,241 was recorded for the three and nine months ended September 30, 2016, respectively.

12. Bank Loan Payable

On September 30, 2016, the Company obtained a loan of EUR 500,000 (approximately U.S. $561,000) from Banca Veneto in Italy, which is secured by the Company's assets. The loan is amortized over 57 months ending September 30, 2021 with repayment starting on January 31, 2017 in monthly installments of EUR 9,760 (approximately U.S. $10,950) with an underlying interest rate of 4.5 points above Euro Inter Bank Offered Rate ("EURIBOR"), subject to quarterly review.

13. Warrants

On February 29, 2016, as per a Securities Purchase Agreement, the Company issued a warrant to purchase 130,435 shares of the Company's common stock at $1.15 per share which may be exercised by the warrant holder between August 28, 2016 and February 28, 2019 (see Note 10). The fair value of the warrants of $106,583 was calculated using the Black-Scholes model on the date of issuance and was recorded as a debt discount, which has been amortized as interest expense over the life of the debt.

The following assumptions were used to calculate the fair value of warrants at February 29, 2016:

Exercise price	$	1.15
Common stock price per share	$	0.90
Volatility		200.38%
Life		3.0
Dividend yield		0%
Interest rate		0.91%
Forfeiture risk		0%

On March 31, 2016, the Company issued a warrant to purchase 32,609 shares of the Company's common stock at $1.15 per share which may be exercised by the warrant holder until March 31, 2019 (see Note 10). The warrant was issued in connection with the March 31, 2016 Convertible Promissory Note. The fair value of the warrants of $27,901 was calculated using the Black-Scholes model on the date of issuance and was recorded as a debt discount, which has been amortized as interest expense over the life of the debt.

The following assumptions were used to calculate the fair value of warrants at March 31, 2016:

Exercise price	$	1.15
Common stock price per share	$	0.95
Volatility		194.79%
Life		3.0
Dividend yield		0%
Interest rate		0.91%
Forfeiture risk		0%

On April 1, 2016, the Company issued a warrant to purchase 62,220 shares of the Company's common stock at $1.15 per share which may be exercised by the warrant holder until April 1, 2019 (see Note 10). The warrant was issued to the placement agent in relation to securing the February 29, 2016 and March 31, 2016 convertible Promissory Notes. The fair value of the warrants of $53,236 was calculated using the Black-Scholes model on the date of issuance, and was recorded as a deferred loan cost, which has been amortized over the life of the debt.

The following assumptions were used to calculate the fair value of warrants at April 1, 2016:

Exercise price	$	1.15
Common stock price per share	$	0.95
Volatility		194.79%
Life		3.0
Dividend yield		0%
Interest rate		0.91%
Forfeiture risk		0%

A summary of warrant transactions during the nine months ended September 30, 2016 is as follows:

	Warrant Shares		Weighted Average Exercise Price Per Common Share	Weighted Average Life
Outstanding at December 31, 2015	30,700	$	1.32	1.02
Issued	225,264	$	1.15	3.00
Exercised	—		—	—
Expired	(7,000)		—	—
Outstanding September 30, 2016	248,964	$	1.17	2.25

14. Derivative Liability and Fair Value

The Company has evaluated the application of ASC 815 Derivatives and Hedging and ASC 815-40-25 to the warrants to purchase common stock issued with the convertible notes and debentures. Based on the guidance in ASC 815 and ASC 815-40-25, the Company concluded these instruments were required to be accounted for as derivatives due to the down round protection feature on the conversion price and the exercise price. The Company records the fair value of these derivatives on its balance sheet at fair value with changes in the values of these derivatives reflected in the statements of operations as "Gain (loss) on derivative liabilities." These derivative instruments are not designated as hedging instruments under ASC 815 and are disclosed on the balance sheet under Derivative Liabilities.

The Company accounted for the issuance of the convertible note on February 29, 2016 and March 31, 2016 in accordance with ASC 815" Derivatives and Hedging." The note is convertible into an indeterminate number of shares for which the Company cannot determine if it has sufficient authorized shares to settle the transaction with. Accordingly, the embedded conversion option is a derivative liability and is marked to market through earnings at the end of each reporting period.

The gross proceeds from the sale of the debentures are recorded net of $556,020 related to the conversion feature of the embedded conversion option and $114,031 allocated to the warrants issued.

The following assumptions were used to calculate the fair value of derivative liabilities at September 30, 2016:

Exercise price	$1.00-$1.50
Common stock price per share	$0.40
Volatility	539.91%
Weighted average life	2.25
Dividend yield	0%
Interest rate	0.91%
Forfeiture risk	0%

15. Revenues

The following table sets forth the breakdown of net gaming revenues :

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Turnover				
Turnover web-based	$ 22,220,704	$ 16,469,797	$ 73,886,726	$ 46,744,639
Turnover land-based	2,712,309	1,016,499	6,043,047	3,261,988
Total Turnover	24,933,013	17,486,296	79,929,773	50,006,627
Winnings/Payouts				
Winnings web-based	20,904,633	15,364,129	69,170,147	43,465,392
Winnings land-based	2,019,550	789,349	4,729,448	2,586,865
Total Winnings/payouts	22,924,183	16,153,478	73,899,595	46,052,257
Gross Gaming Revenues	2,008,830	1,332,818	6,030,178	3,954,370
Less: ADM Gaming Taxes	407,190	258,924	1,235,285	747,919
Net Gaming Revenues	1,601,640	1,073,894	4,794,893	3,206,451
Add: Commission Revenues	772,833	46,508	852,424	121,159
Add: Service revenues	232,197	—	232,197	—
Total Revenues	$ 2,606,670	$ 1,120,402	$ 5,879,514	$ 3,327,610

Turnover represents the total bets processed for the period.

16. Income Taxes

The Company is incorporated in the United States of America and is subject to United States federal taxation. No provisions for income taxes have been made as the Company had no U.S. taxable income for the three and nine months ended September 30, 2016 and 2015.

The Company's Italian subsidiaries are governed by the income tax laws of Italy. The corporate tax rate in Italy is 32.32% (IRES at 27.5% plus IRAP ordinary at 4.85%) on income reported in the statutory financial statements after appropriate tax adjustments.

The reconciliation of income tax expense at the U.S. statutory rate of 35% to the Company's effective tax rate is as follows:

	September 30, 2016	September 30, 2015
U.S. Statutory rate	$ (130,557)	$ (395,224)
Tax rate difference between Italy and U.S.	(112,465)	30,487
Change in Valuation Allowance	483,044	396,229
Permanent difference	8,116	31,910
Effective tax rate	$ 248,138	$ 63,402

The Company has accumulated a net operating loss carry forward ("NOL") of approximately $10.4 million as of September 30, 2016, in the U.S. This NOL may be offset against future taxable income through the year 2035. The use of these losses to reduce future income taxes will depend on the generation of sufficient taxable income prior to the expiration of the NOL. The Company periodically evaluates whether it is more likely than not that it will generate sufficient taxable income to realize the deferred income tax asset. At the present time, management cannot presently determine when the Company will be able to generate sufficient taxable income to realize the deferred tax asset; accordingly, a 100% valuation allowance has been established to offset the asset.

Utilization of NOLs are subject to limitation due to any ownership change (as defined under Section 382 of the Internal Revenue Code of 1986) which resulted in a change in business direction. Unused limitations may be carried over to future years until the NOLs expire. Utilization of NOLs may also be limited in any one year by alternative minimum tax rules.

Under Italian tax law, the operating loss carryforwards available for offset against future profits can be used indefinitely. Operating loss carryforwards are only available for offset against national income tax, in the limit of 80% of taxable annual income (this restriction does not apply to the operating loss incurred in the first three years of the Company's activity, which are therefore available for 100% offsetting).

The provisions for income taxes consist of currently payable Italian income tax. The provisions for income taxes are summarized as follows:

		September 30, 2016		September 30, 2015
Current	$	248,138	$	63,402
Deferred		—		—
Total	$	248,138	$	63,402

The tax effects of temporary differences that give rise to the Company’s net deferred tax asset are as follows:

		September 30, 2016		December 31, 2015
Net loss carryforward - Foreign	$	2,122	$	6,906
Net loss carryforward - US		3,584,959		3,097,131
Less valuation allowance		(3,587,081)		(3,104,037)
Deferred tax assets	$	—	$	—

17. Subsequent Events

On October 5, 2016, Darling Capital, LLC gave the Company notice of their intent to call the Convertible Note obligations dated February 29, 2016 and March 31, 2016 (the "convertible notes"). The convertible notes were guaranteed by Confidi Union Impresa ("Confidi"), an unrelated party. As a result, the Company is currently seeking an adjudication of the guarantee with Confidi for payment of the note obligations. If the claim is approved, the Company will tender reimbursement of the amounts paid pursuant to the note obligations to Confidi. If the claim is not approved, the Company will be obligated to settle the amounts due to Darling from available cash.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Except as expressly stated, the financial condition and results of operations discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") are those of Newgioco Group, Inc. and its consolidated subsidiaries.

The MD&A is intended to provide the reader of our consolidated financial statements with a narrative explanation from the perspective of management of our financial condition, results of operations, liquidity and certain other factors that may affect future results. The MD&A is provided as a supplement to, and should be read in conjunction with, our interim unaudited consolidated financial statements and related notes on this Form 10-Q and the audited consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. The inclusion of supplementary analytical and related information herein may require us to make appropriate estimates and assumptions to enable us to fairly present, in all material respects, our analysis of trends and expectations with respect to our results of operations and financial position taken as a whole.

General Plan of Operation

Newgioco Group, Inc. (“Newgioco Group” or the “Company”), formerly known as Empire Global Corp., was incorporated in the state of Delaware on August 26, 1998 as Pender International Inc. On July 20, 2016, the Company has changed its name to Newgioco Group Inc. The Company maintains its principal executive offices in Toronto, Canada.

On August 15, 2014, we completed the acquisition of 100% ownership in Multigioco, a corporation organized under the laws of the Republic of Italy, and is now a wholly owned subsidiary of the Company. As a result of the acquisition of Multigioco, our principal business became a licensed online gaming operator offering web-based gambling and sports betting.

On January 1, 2015, we completed the acquisition of Rifa, and Multigioco purchased offline gaming assets, from Newgioco Srl, which included a Bersani license along with 3 corner rights to operate under Multigioco and Rifa purchased 1 agency right from Newgioco Srl to operate under Rifa's Monti license. Pursuant to the agreement, Rifa assumed the lease on the premises and also acquired the equipment assets within the agency. On June 1, 2015, the Company opened its second agency location in Rome under Rifa.

On July 1, 2016, the Company acquired Odissea, a company operating a proprietary Betting Operating System (“BOS”) with a fully staffed software development team.

On July 1, 2016, the Company acquired Ulisse, a company operating a network of 107 land-based agency locations throughout Italy.

As of the date of this report, our subsidiaries owned and operated 900 web-based shops, 7 corners, and 109 agencies.

Newgioco Group is now a vertically integrated company offering a complete suite of gaming services including a variety of online and offline lottery and casino gaming, as well as sports betting through a retail distribution of leisure betting locations situated throughout Italy, in addition to operating its proprietary BOS.

COMPARISON OF THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015.

Overall Results of Operations

As a result of the acquisitions of Multigioco, Rifa, Odissea, and Ulisse, our business operations have changed. Accordingly, comparisons of our results of operations and cash flows periods prior to these acquisitions are generally not meaningful.

The Company has incurred substantial costs related to the acquisition of our new businesses and is subject to risks inherent in the establishment of a new business venture, including limited capital resources, possible delays in the decision and implementation of a new business plan. Our primary focus is on increasing revenues by capturing a larger market share by acquiring new clients and gaming locations.

Revenues

The Company generated revenues of $2,606,670 and $5,879,514 for the three and nine months ended September 30, 2016, respectively, compared to $1,120,402 and $3,327,610 in revenues for the three and nine months ended September 30, 2015, respectively. The revenues are comprised of Net Gaming Revenues derived from providing online and offline gaming products, services, and BOS services in Italy.

The increase in revenues in the three and nine months ended September 30, 2016 over the same period ended September 30, 2015 is attributed to the growth in our land-based gaming operations. The Company had approximately 900 web-based shops, 7 corners and 109 agencies as of September 30, 2016, compared to approximately 900 web-based shops, 7 corners and 2 agencies as at September 30, 2015.

The Company has reduced its web-based shop footprint from 1,067 locations on June 30, 2016, to approximately 900 locations on September 30, 2016. The discontinued locations were not meeting performance goals and management expects no adverse effect on our future web-based operations and revenue stream.

The following table represents a detailed breakdown of revenue from our gaming operations for the three and nine months ended September 30, 2016 and September 30, 2015:

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
Turnover				
Turnover web-based	$ 22,220,704	$ 16,469,797	$ 73,886,726	$ 46,744,639
Turnover land-based	2,712,309	1,016,499	6,043,047	3,261,988
Total Turnover	24,933,013	17,486,296	79,929,773	50,006,627
Winnings/Payouts				
Winnings web-based	20,904,633	15,364,129	69,170,147	43,465,392
Winnings land-based	2,019,550	789,349	4,729,448	2,586,865
Total Winnings/payouts	22,924,183	16,153,478	73,899,595	46,052,257
Gross Gaming Revenues	2,008,830	1,332,818	6,030,178	3,954,370
Less: ADM Gaming Taxes	407,190	258,924	1,235,285	747,919
Net Gaming Revenues	1,601,640	1,073,894	4,794,893	3,206,451
Add: Commission Revenues	772,833	46,508	852,424	121,159
Add: Service revenues	232,197	—	232,197	—
Total Revenues	$ 2,606,670	$ 1,120,402	$ 5,879,514	$ 3,327,610

Turnover represents the total bets processed for the period.

General and Administrative Expenses

The Company incurred general and administrative expenses of $973,025 and $2,620,973 for the three and nine months ended September 30, 2016, respectively, compared to general and administrative expenses of $696,359 and $1,806,830 for the three and nine months ended September 30, 2015, respectively. The increase was a result of an increase in our distribution of land-based gaming operations.

The Company's major general and administrative expenses for the nine months ended September 30, 2016 were salaries of $644,842, cash and non-cash professional fees of $536,677, depreciation and amortization expenses of $375,207, and management fees of $90,000, compared to salaries of $299,553, cash and non-cash professional fees of $530,928, depreciation and amortization expense of $311,605, and management fees of $90,000 for the nine months ended September 30, 2015.

Direct Selling Costs

Direct selling costs represent the fees we pay to our network service provider, ADM license fees, and commissions for field agents and promoters which is essentially considered an ongoing marketing cost. During the three and nine months ended September 30, 2016 our selling expenses were $1,087,112 and $3,401,572, respectively, compared to $787,163 and $2,453,392 for the three and nine months ended September 30, 2015, respectively. The increase was due to the expansion of operations from 900 web-based, 5 corner, and 2 agency locations during the period ended September 30, 2015 to 900 web-based, 7 corner, and 109 agency locations during the period ended September 30, 2016.

Interest Expenses, net of interest income

The Company had incurred interest expenses, net of interest income, of $209,556 and $515,051 for the three and nine months ended September 30, 2016, respectively, compared to $49,782 and $82,255 in interest expense, net of interest income, for the three and nine months ended September 30, 2015, respectively.

The increase in interest expense incurred is related to non-cash interest of $168,890 and $400,668 for the three and nine months ended September 30, 2016, respectively, relating to the issuance of convertible debentures and interest accrued on debentures and promissory notes. Please see Notes 11, 12 and 13 of the consolidated financial statements.

The Company had recorded an imputed interest expense of $3,492 and $6,060 for the three and nine months ended September 30, 2016, respectively, compared to an imputed interest expense of $1,752 and $3,698 for the three and nine months ended September 30, 2015, respectively. Advances from stockholders are non-interest bearing and are due on demand. Interest was imputed at 5% per annum.

Change in Fair Value of Derivative Liability

Changes in fair value of derivative liabilities generated a loss of $77,095 and a gain of $291,121 for the three and nine months ended September 30, 2016, respectively, compared to a loss of $15,614 and a loss of $15,694 for the three and nine months ended September 30, 2015, respectively. The fluctuation is attributed to the increase of the Company's share price from $0.30 on June 30, 2016 to $0.40 on September 30, 2016.

Income Taxes

The Company recorded provision for income taxes of $220,275 and $248,138 for the three and nine months ended September 30, 2016, respectively, compared to the provision for income taxes of $36,857 and $63,402 for the three and nine months ended September 30, 2015. The increase is due to the increased taxable income in Italy and the acquisition of Odissea and Ulisse.

Net Loss

The Company had a net income of $36,115, or $0.00 per share (basic and diluted) and a net loss of $621,159, or $0.02 per share (basic and diluted) for the three and nine months ended September 30, 2016, respectively, compared to a net loss of $467,125, or $0.02 per share (basic and diluted) and $1,192,613, or $0.05 per share (basic and diluted) for the three and nine months ended September 30, 2015 respectively. The increase in net income is attributed to the revenue stream from the July 1, 2016 acquisitions. See Note 4.

Other Comprehensive Income

Our other comprehensive income consists of foreign currency translation adjustments related to the effect of foreign exchange on our operations.

The Company's reporting currency is the U.S. dollar while the functional currency of our subsidiaries is the Euro, the local currency in Italy. The financial statements of our subsidiaries are translated into United States dollars in accordance with ASC 830, using year-end rates of exchange for assets and liabilities, and average rates of exchange for the period for revenues, costs, and expenses and historical rates for equity. Translation adjustments resulting from the process of translating the local currency financial statements into U.S. dollars are included in determining other comprehensive income.

The Company experienced a foreign currency translation adjustment gain of $4,814 and a loss of $5,463 for the three and nine months ended September 30, 2016, respectively, compared to a foreign currency translation adjustment loss of $124,409 and income of $62,985 for the three and nine months ended September 30, 2015, respectively.

Cash Flows from Operating Activities

The net cash used in operating activities was $78,745 for the nine months ended September 30, 2016, compared to $227,249 in net cash used by operating activities in the nine months ended September 30, 2015. The change was attributed primarily to an increase of amortization of deferred costs, an increase of non-cash interest, a decrease of change in fair value of derivative liabilities, a decrease in accounts payable and an increase in other current assets.

Cash Flows from Investing Activities

The net cash provided by investing activities was $447,270 for the nine months ended September 30, 2016, compared to $207,931 in net cash used in investing activities for the nine ended September 30. 2015. The change was due primarily to cash acquired on acquisition.

Cash Flows from Financing Activities

Net cash provided by financing activities was $1,121,872 for the nine months ended September 30, 2016, compared to $174,223 in net cash provided by financing activities for the nine months ended September 30, 2015. The change was due to the issuance of a convertible note, promissory note, and a bank loan from Banca Veneto, net of repayment of a bank credit line.

Liquidity and Capital Resources

Assets

At September 30, 2016, we had a total of $7,147,865 in assets compared to $3,646,951 in assets at December 31, 2015.

Liabilities

At September 30, 2016, we had $3,196,243 in current liabilities and $579,610 in long term liabilities, compared to current liabilities of $2,275,085 and long term liabilities of $67,532 at December 31, 2015.

Working Capital

The Company had $1,678,671 in cash and cash equivalents at September 30, 2016, compared to $157,363 cash and cash equivalents at December 31, 2015. As of September 30, 2016, we had a total accumulated deficit of $9,916,004.

We had $3,196,243 in current liabilities and $2,594,396 in current assets, as such we are left with a working capital deficit of $601,847 as of September 30, 2016.

There is no assurance that we will be able to achieve a profitable level of operations sufficient to meet our ongoing cash needs.

During the past several years we sustained recurring losses and negative cash flows from operations. We currently have a working capital deficit. Our operations most recently have been funded through a combination of the sale of debentures, convertible and promissory notes, as well as through the issuance of our common stock. We are pursuing potential equity and/or debt investors and have engaged placement agents to assist us in this initiative. While we are pursuing the opportunities and actions described above, there can be no assurance that we will be successful in our efforts.

The Company currently maintains an operating line of credit for a maximum amount of EUR 350,000 (approximately U.S. $392,700) from Banca Veneto in Italy. The line of credit is guaranteed by certain shareholders of the Company and bears a fixed rate of interest at 5% per annum on the outstanding balance with no minimum payment, maturity or due date.

On September 30, 2016, the Company obtained a loan of EUR 500,000 (approximately U.S. $561,000) from Banca Veneto in Italy, which is secured by the Company's assets. The loan is amortized over 57 months ending September 30, 2021 with repayment starting on January 31, 2017 in monthly installments of EUR 9,760 (approximately U.S. $10,950) with an underlying interest of 4.5 points above Euro Inter Bank Offered Rate ("EURIBOR"), subject to quarterly review.

Although we intend to maintain our lending relationships with Banca Veneto, we believe that our focus should be on obtaining additional capital through the private placement and/or the sale of our securities. Any additional equity financing may result in substantial dilution to the percentage ownership of our stockholders.

Contractual Obligations

Current accounting standards require disclosure of material obligations and commitments to make future payments under contracts, such as debt, lease agreements, and purchase obligations. Please refer to Notes 6, 7, 10, 11, 12 and 13 of the Notes to the Consolidated Financial Statements for information related to debt obligations.

Off-Balance-Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources that we expect to be material to investors. We do not have any non-consolidated, special-purpose entities.

Related-Party Transactions

Advances from stockholders represent non-interest bearing loans that are due on demand. Interest was imputed at 5% per annum. Balances of Advances from stockholders are as follows:

		September 30, 2016		December 31, 2015
Gold Street Capital Corp.	$	139,887	$	138,228
Doriana Gianfelici		54,980		53,447
Other stockholders		3,265		—
Total advances from stockholders	$	198,132	$	191,675

During the nine months ended September 30, 2016, Gold Street Capital Corp. ("Gold Street"), the major stockholder of the Company, advanced $139,887 net of repayment of $53,000. On March 31, 2016, the Company issued 145,500 shares to Gold Street to pay $138,228 of the debt at the market price of $0.95 per share.

Also, Doriana Gianfelici advanced approximately U.S. $1,533 to the Company during the nine months ended September 30, 2016.

Advances from other stockholders include balances of approximately U.S. $1,545 due to former stockholders of Ulisse and Odissea. Following the acquisition on July 1, 2016, in the three months ended September 30, 2016, Luca Pasquini advanced approximately U.S. $1,720 to the Company.

Related-Party Debts

		September 30, 2016		December 31, 2015
Braydon Capital Corp.	$	318,078	$	186,233
Alessandro Pasquini		40,392		
Total Related-Party Debt	$	358,470	$	186,233

On January 13, 2016, the Company issued a Promissory Note for $90,750 to Braydon Capital Corp., a company owned by Claudio Ciavarella, the brother of our CEO, that bears interest at a rate of 1% per month due in full on the maturity date of January 13, 2017. On April 29, 2016, the Note was amended to add $41,095 in funds issued to the Company from Braydon Capital Corp. for a total of $131,845. The balance due to Braydon Capital Corp. was $318,078 and $186,233 as September 30, 2016 and December 31, 2015, respectively.

With the purchase of Odissea on July 1, 2016, the Company inherited a loan from Alessandro Pasquini, cousin of our director Luca Pascquini. As of September 30, 2016, the balance of the loan was EUR 36,000 (approximately U.S. $40,392) to be repaid in EUR 5,000 (approximately U.S. $5,610) monthly installments. See Note 4.

The Company currently maintains an operating line of credit for its subsidiaries secured by restricted cash on deposit at Banca Veneto and guaranteed by certain shareholders of the Company. See also Note 5 Line of Credit - Bank.

During the nine months ended September 30, 2016, the company paid EUR 181,000 (approximately U.S. $202,000) to Newgioco Srl. The Company’s shareholder and director, Beniamino Gianfelici, owns 50% shares of Newgioco Srl.

The Company agreed to pay management fee to Gold Street Capital Corp for $120,000 per year. During the nine months ended September 30, 2016 and 2015, the Company accrued management fee of $30,000 each quarter.

Inflation

We do not believe that general price inflation will have a material effect on the Company's business in the near future.

Foreign Exchange

Transactions involving the Company are generally denominated in U.S. dollars while the functional currency of our subsidiaries is the Euro. Changes and fluctuations in the foreign exchange rate between the Euro and the U.S. dollar will have an effect on our results of operations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Newgioco Group is a smaller reporting company (as defined by Rule 12b-2 of the Exchange Act) and is not required to provide the information required under this item.

Item 4. Controls and Procedures.

We have adopted and maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods required under the SEC's rules and forms and that the information is gathered and communicated to our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), who are the same person, to allow for timely decisions regarding required disclosure.

As required by SEC Rule 15d-15(b), our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 15d-14 as of the end of the period covered by this report. Based on the foregoing evaluation, our CEO and CFO concluded that due to our limited resources our disclosure controls and procedures are not effective in providing material information required to be included in our periodic SEC filings on a timely basis and to ensure that information required to be disclosed in our periodic SEC filings is accumulated and communicated to our management, including our CEO and CFO, to allow timely decisions regarding required disclosure about our internal control over financial reporting discussed below.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for our company. Our internal control system was designed to, in general, provide reasonable assurance to our management and board regarding the preparation and fair presentation of published financial statements, but because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, 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 assessed the effectiveness of our internal control over financial reporting as of September 30, 2016. The framework used by management in making that assessment was the criteria set forth in the document entitled "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on that assessment, our management has determined that as of September 30, 2016, our internal control over financial reporting was not effective due to material weaknesses resulting from our limited resources.

Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission. This quarterly report does not include an attestation report of the Company's registered accounting firm regarding internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The Company may be subject to claims arising in the ordinary course of business. We are not a party to, or the subject of, any pending legal proceeding.

Item 1A. Risk Factors.

Newgioco Group is a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and is not required to provide the information required under this item.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information.

During the quarter of the fiscal year covered by this report, Newgioco Group reported all information that was required to be disclosed in a report on form 8-K.

Item 6. Exhibits

(a) Index to and Description of Exhibits

All Exhibits required to be filed with the Form 10-Q are included in this quarterly report or incorporated by reference to Newgioco Group's previous filings with the SEC, which can be found in their entirety at the SEC website at www.sec.gov under SEC File Number 000-50045.

Exhibit Number	**Description**
31	Rule 13a-14(a) Certification of Chief Executive Officer and Chief Financial Officer
32	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 22, 2016

Newgioco Group, Inc

By: /s/ Michele Ciavarella

Michele Ciavarella

Chairman of the Board, Chief Executive Officer, and Chief Financial Officer

EXHIBIT 31

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michele Ciavarella, certify that:

1. I have reviewed this Form 10-Q of Newgioco Group, Inc.

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 the registrant as of, and for, the periods presented in this report;

4. The registrant'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 the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the periodic reports are 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 principals;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

   (d) Disclosed in this report any change in the registrant's internal control over financing reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant'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 the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involved management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 22, 2016

/s/ Michele Ciavarella
Michele Ciavarella
Principal Executive Officer
Principal Financial Officer

This certification accompanies each Report pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of ss.18 of the Securities Exchange Act of 1934, as amended.

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

EXHIBIT 32

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
(Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report on Form 10-Q of Newgioco Group, Inc. (the "Company") for the period ended September 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michele Ciavarella, as Principal Executive Officer and Principal Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 22, 2016

/s/ Michele Ciavarella

Michele Ciavarella
Principal Executive Officer
Principal Financial Officer