

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

**Form 10-K**

(Mark one)

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. For the fiscal year ended December 31, 2016.

Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**NEWGIOCO GROUP, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation or Organization)

**000-50045**  
(Commission  
File Number)

**33-0823179**  
(I.R.S. Employer  
Identification No.)

**130 Adelaide Street, West, Suite 701**  
**Toronto, Ontario, Canada M5H 2K4**  
(Address of Principal Executive Offices) (Zip Code)  
**+39-391-306-4134**  
(Registrant's telephone number, including area code)

**Empire Global Corp.**  
(Former name or former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:  
Securities registered pursuant to Section 12(g) of the Act:

None  
Common Stock, par value \$0,0001 per share  
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act.

Yes  No

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (do not check if a smaller reporting company)

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 [X]

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2016, the last business day of the second fiscal quarter, was \$4,613,780 based on the average closing bid and asked prices for the common stock.

The number of shares outstanding of the registrant's common stock, as of the close on April 7, 2017, was 37,009,295 shares.

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#### Cautionary Statement Regarding Forward-Looking Statements

This report contains forward-looking statements. The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This report and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management's plans and assumptions regarding future events or performance. We have tried, wherever possible, to identify such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will" and similar expressions in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of current and anticipated gaming turnover, expenses, the outcome of contingencies, such as legal proceedings, and financial results. Factors that could cause our actual results of operations and financial condition to differ materially are discussed in greater detail under Item 1A - "Risk Factors" of this report.

We caution that the factors described herein and other factors could cause our actual results of operations and financial condition to differ materially from those expressed in any forward-looking statements we make and that investors should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of anticipated or unanticipated events or circumstances, except as required by federal securities laws. New factors emerge from time to time, and it is not possible for us to predict all of such factors. Further, we cannot assess the impact of each such factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

In this Form 10-K, unless the context indicates otherwise, references to "Newgioco Group" "our Company," "the Company," "we," "our," and "us" refer to Newgioco Group, Inc. a Delaware corporation, and its wholly-owned subsidiaries.

## PART I

### Item 1. BUSINESS

#### Business Overview

The Company was incorporated in the state of Delaware on August 26, 1998 as Pender International Inc. On September 30, 2005, it changed its name to Empire Global Corp., and on July 20, 2016 the Company changed its name to Newgioco Group, Inc. The Company maintains its principal executive offices headquartered in Toronto, Canada.

The Company continues to operate as a licensed gaming operator offering retail web-based and land-based gaming services in Italy through its wholly owned subsidiaries, Multigioco Srl (Multigoco) and Rifa Srl (Rifa). On July 1, 2016, the acquisition of Ulisse GmbH ("Ulisse") has increased the land-based footprint of the Company by 107 locations and the acquisition and Odissea Betriebsinformatik Beratung GmbH ("Odissea") provided the Company with an innovative state-of-the-art betting technology platform known as a Betting Operating System ("BOS").

We are continuing to evaluate and plan strategic acquisitions for expansion in this industry and to become the parent company for a variety of similar companies.

Operations are carried out under an online gaming license regulated by the Agenzia Delle Dogane e dei Monopoli ("ADM"), formerly known as the "AAMS" (Amministrazione Autonoma Monopoli dei Stato), in Italy. The Company's revenue streams, through our subsidiaries Multigioco, Rifa and Ulisse consist of wagering and gaming income from online through the internet and land-based (or "offline") in neighborhood betting shops situated throughout Italy. The product offering includes a variety of online and offline lottery and casino gaming, as well as sports betting and online poker. The Company's revenue stream through our subsidiary Odissea consists of providing BOS services to third party operators on a business-to-business basis.

On December 31, 2016, the Company had approximately 1,000 web-based betting shops, 7 corner, and 109 agency locations operating under its license. Please refer to the "Distribution Method for Products or Services" section for a detailed description of web-based and land-based betting shops.

#### History

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. Multigioco was granted its ADM Comunitaria GAD (Online Gaming) license on July 4, 2012. As a result of the acquisition of Multigioco, our principal business became a licensed leisure gaming operator offering web-based and land-based sports betting, lottery and gaming products for our customers.

Multigioco was organized under the laws of the Republic of Italy on November 4, 2010. It was formed by the founder of Newgioco Srl (a company incorporated in Italy), Beniamino Gianfelici and Doriana Gianfelici, the father-in-law and spouse respectively of our President, Alessandro Marcelli, with Newgioco Srl holding a 66% interest and Doriana Gianfelici holding a 34% interest in Multigioco, respectively.

Newgioco Srl is an Italian gaming company which is 50% owned by Laura Tabacco, an Italian citizen, and 50% owned by Beniamino Gianfelici who, along with his daughter, owned 100% of Multigioco prior to its acquisition by the Company.

Pursuant to the agreement to acquire Multigioco, the shareholders of Multigioco had the option to repurchase the shares issued, in whole or in part, no later than 90 days from the closing of the agreement. On October 31, 2014, the Company paid EUR 490,000 (approximately U.S. \$620,700) to reacquire 49% (or 980,000) of the shares issued to acquire Multigioco. The parties have informally agreed to extend the option indefinitely.

On January 1, 2015, we completed the acquisition of Rifa through Multigioco and 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 agency 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, we completed the acquisitions of Ulisse GmbH, an Austrian gaming company, increasing the land-based footprint of the Company by 107 agency locations in Italy as well as Odissea Betriebsinformatik Beratung GmbH, an Austrian gaming technology company, acquiring a proprietary BOS and making the Company a fully integrated gaming operator.

Pursuant to the agreements to acquire Ulisse and Odissea, upon completion of the Italian license auction and upon certification of the BOS by the Italian gaming regulator, respectively, the sellers of Ulisse and Odissea may sell back to the Company 50% of the shares of common stock of the Company received as consideration for the purchase price or 832,800 shares and 2,193,050 shares respectively at a fixed price of U.S. \$1.00 per share.

During the period covered by this report, the Company acquired 4 additional corner rights and 107 CED agency locations. Our subsidiaries now own a proprietary BOS, an online GAD license with approximately 1,000 web-based shops (Punti Virtuali di Ricarica), a Bersani license #4070 with 7 corner (Punto Sportivo) rights, as well as a Monti license #4583 with 2 agency (Negozio Sportivo) rights and 107 CED agency locations.

## OUR STRATEGY

Our growth plan is to expand our business both in absolute and in relative terms.

Absolute growth will be achieved by organic development of our current target audience within our operating territories by conducting a tactical business review and establishing standard operating procedures and implementing a marketing strategy we refer to as our "Rebranding Blueprint" related to target marketing as outlined below. We believe that relative growth will be achieved through a consolidation architecture as we accumulate market share through the expansion of our land-based location rights and acquisitions of competing operators interested in our innovative BOS.

### Conduct a tactical business process review

We intend to conduct a thorough review of the Italian gaming business plan, which may reveal opportunities to improve profitability through a broad range of business process models and strategies as well as techniques to trade, transfer or dispose of unproductive shops, high cost locations, low margin products and venues which may carry more risk than reward or acquire or combine additional licenses while terminating or selling others that are deemed unproductive, low margin, high risk or expensive.

Our strategy is to bring operators in the fragmented Italian gaming market under the ownership of our company and provide professional management and additional resources and services as described below, and seek to capitalize on the license tender auction known in Italy as the "Bando di Gara" for land-based license renewal that is expected to occur within the 24 months following the date of this report. By doing so, we believe that we can continue to improve on our services, develop our competitive advantage and build a national brand for gaming, wagering and entertainment.

### Establish Standard Operating Procedures ("SOP's") and best practices

After acquiring a certain group of target gaming operators, we intend to continue their businesses as before while implementing SOP's. The purpose of these SOP's is higher, more transparent control over operations. Consolidating several companies under our control will provide an opportunity to implement operating efficiencies that cannot be achieved by smaller independent operators. We expect to save costs in regulatory compliance, marketing, management, accounting, human resource, and legal services. Creating a standardized control system will be a major cost savings measure as Newgioco Group grows, and is therefore considered an essential part of the Company's strategy.

### Implement our Newgioco Rebranding Blueprint with operators acquired through consolidation

In addition to continuing existing business practices of the operators, implementing SOP's and best practices as described above, we also intend to augment the services provided by our operators by implementing our Newgioco Rebranding Blueprint with a view to achieving critical mass such that we can implement in-house administration of technology through our own BOS.

Our Newgioco Rebranding Blueprint contemplates target marketing of specific verticals within our existing client base as well as anticipated new clients assumed through acquisitions and clients that are currently patrons of competitors or of operators that may cease operations.

Consolidation Architecture

If the acquisition of a target operator involves a transfer of assets, it is likely that not all, if any, licenses or permits or other authorizations will be allowed to be transferred to a new entity along with the assets. Some of the operators we are evaluating maintain one or more licenses. It is also possible that our license may be leveraged, sold or transferred in a transaction for another license or licenses offering benefits that might fit a revised or remodeled business plan in the future. Although these concepts may be considered as part of our business development, we cannot provide any assurance that any such transaction will occur.

When considering the acquisition of a target operator, the license associated with the location rights (either a Monti or Bersani license described elsewhere in this report) dictates the method of acquisition. Certain conditions apply to a proposed sale and transfer of the specific license according to the legislative decrees associated with each Monti and Bersani licenses. In the case of Bersani licenses, any existing licensee or qualified acquirer (meaning a person or entity approved by the ADM) may acquire a Bersani license from the previous holder by simply transferring the license from the seller to the buyer. However, Monti licenses cannot be bifurcated from the corporate entity which was initially granted the Monti license unless the buyer is currently a Monti licensed legal entity or person. Instead, the acquirer, if not currently a Monti licensed entity, must acquire the licensed corporate entity, which may or may not have existing gaming location rights or business.

Addition of other services and facilities

In addition to complementing gaming offerings originally provided by our acquired operators with our Newgioco branding, we intend to add new products and services with the assistance of gaming specialists, software providers and market research professionals. Additional revenues can be realized by establishing facilities such as marketing centers and kiosks.

Our Target Markets

| AGE GROUP   | DEMOGRAPHIC   | NEXUS   |
|-------------|---|---|
| 18 - 24:    | - Pre- gaming future client   | - Almost 100% of this age group   |
|             | - New- gaming audience  | owns a cell or smart phone;   |
|             | - Desires experiential, e-gaming, imaginative fantasy games                         | - Majority of market with data packages and internet access;                          |
|             |   | - Technologically savvy consumer spending more on experiential versus material goods. |
| 25-44:      | - Mature- gaming audience   | - Majority of online gamers are   |
|             | - Desires games of chance, casino, traditional gambling tables, and sports betting. | 30 years old and currently heads of households;                                       |
|             |   | - Male and Female balanced across the group.  |
| 45- Senior: | - Grounded gamer  | - Largest growing segment of the population;  |
|             | - Baby Boomer   | - Significantly underserved;  |
|             | - Desires social interaction, easy play, bingo slots, nickel games.                 | - Needs are more social rather than self-fulfilling;                                  |
|             |   | - High disposable income;   |
|             |   | - Largest market size.  |

We have exceeded our guidance over the past 24 months and currently service approximately 86,000 client accounts and estimate that our base will increase to over 100,000 in 2 years based on projections supplied by both organic growth and acquisition of existing businesses. These clients range in age from 18 through 79 and are a mix of 70% male/30% female. In addition, we separate our revenue source to (a) sports betting, (b) casino and card game betting and (c) poker players. Our in-house ad-hoc analysis finds that sports betting is more popular among our customer base. In addition, sports betting is our most profitable revenue stream yielding the highest percentage of our Gross Gaming Revenue ("GGR") at 51% of revenues, which is representative of industry metrics when measured by completed seasons on a year over year basis.

Our internal analysis also shows different gaming patterns emerge from our male and female patrons. Male players prefer sports-bets, while about 10% of them also explore casino and poker. Alternatively, female players prefer casino and bingo while only 1% try our other game offerings like poker, sports-bets or lotteries.

**Sports-Bet:** We currently have an average of 5,500 players per month (about 22% of our total gaming accounts) that place at least 3 bets per week, for a total of 12 bets per month per player. The total number of monthly bets on our license averages between 160,000 and 180,000 tickets. The average of the amount played per ticket is EUR 7.6 (approximately U.S. \$8) such that each player that places 12 bet-spends EUR 76.8 (approximately U.S. \$81) per month.

**Casino:** We have an average of 900 unique players participating in casino games (generally about 2.5% of all gaming accounts and 8.6% of the sports-bet players), with approximately 26% of players playing on our mobile platform. Each casino player generates coin-in revenue of EUR 3,000 (approximately U.S. \$3,172) per month which represents a profit of EUR 94 (approximately U.S. \$99) per player per month. The profit of \$99 is also the metric used to measure our casino performance in "spending" of a casino player.

**Poker:** We have an average of 1,080 unique players participating in poker games through our website (about 3% of all gaming account and 9.8% of the sports-bet players) per month. Each poker player generates coin-in revenue of EUR 2,896 (approximately U.S. \$3,063) per month which represents a profit of EUR 103 (approximately U.S. \$109) per player per month. We also use the profit metric of EUR 103 (approximately U.S. \$109) to measure our casino performance in "spending" of a poker player.

Most of our patrons are located throughout Italy including Sardinia with the highest concentrations in larger centers such as Rome and Naples.

We expect that the individual patrons from the operators we acquire will continue to utilize our services. The operators we are now evaluating or attempting to acquire have existing revenues from individuals who frequent their establishments and venues. In addition to this base of customers, we plan to pursue additional licenses, contracts and relationships with institutions, both in the private and public sectors that will attract and secure new bettors that use the services of competitors.

#### Gaming Product Offerings

Our land-based locations generally offer only sports betting, virtual sports betting, horse racing and physical slots, while our website and shops offer a full suite of gaming products which include:

- Sports Betting: Considered the largest and most well-known industry segment offering both pre-live and live in-game betting opportunities for a wide variety of sports.
- Online Casino: traditional casino games, live casino, poker, bingo and interactive skilled games including:
  - Traditional Casino Games: Automated casino games such as roulette, blackjack and baccarat and slot machines.
  - Live Casino Games: Table games broadcast via live video stream with real dealers and croupiers that attempt to convey the atmosphere of a physical casino.
  - Poker: Texas Hold'em and Omaha in both cash and tournament format.
  - Bingo, Skilled and Interactive Games such as: games that are programmed with random number generation to ensure constant fairness for all parties; and can be played for real money or free play. These games are typical card games played by Italian people such as tresette (3 Sevens), scopa (Sweep) and briscola (Trump).

- Virtual Sports Betting: Various sport and racing events that are computer generated.
- Horse Racing: Live track racing events.

#### Distribution Methods for Products or Services

In Italy, gaming products and services are offered through any of three distribution methods: agencies, corners, or websites. Regardless of the distribution method, licensed operators in Italy must be connected to the ADM network using an intermediary betting software platform such as Microgame S.p.A ("Microgame") or our own Odissea BOS. Only a single license is required to operate a website based gaming service, which Multigioco owns, while each offline agency and corner must have a separate license right assigned to each location.

As of December 31, 2016, the Company used a combination of all three distribution methods as described in greater detail below. The Company's reach is currently approximately 86,000 online user accounts, 1,000 web café, 7 corner, and 109 agency locations. We expect to continue growing our distribution as we develop our business in Italy through additional acquisitions. The following describes the three distribution methods in Italy:

- (1) **Negoziò Sportivo ("NS"; "agency" or "arcade")** (translated as Sporting Store): An agency is an arcade location that is a gaming specific venue meeting strict regulatory standards. An agency must have 70% of its square-footage dedicated specifically to gaming space in addition to having a cash cage, thereby creating an 'arcade' like facility for the primary purpose of gaming and gaming related revenues.
- (2) **Punto Sportivo ("PS" or corner)** (translated as Sporting Point): A corner is distinguished from an agency insofar as the principal business situated at the location is primarily other than gaming (such as a coffee shop or bakery) with a terminal connected to the ADM network. The primary purpose of the facility is not gaming, and it only sections a small 'corner' for extra cash flow in exchange for a fee and/or commission. Specifically, a maximum of 30% of floor space of a corner location can be dedicated to gaming.
- (3) **Punti Virtuali di Recarica ("PVR"; web-based betting shops "shops"; "web cafe" or "websites")** (translated as Virtual Reload Points): A web shop is a physical location where a computer or multiple computers are connected to the web and directed to our website. Customers can access our website through the computers set up at the web shop and may also make cash deposits that are credited electronically to their online gaming accounts (i.e. virtual account reloading).

#### Websites

The Company's corporate website is [www.newgiocogroup.com](http://www.newgiocogroup.com) where general corporate information about us can be found as well as links to our Company filings with the Securities and Exchange Commission as well as information on our stock at OTC Markets, LLC. In addition, the Company provides information for investors including corporate governance policies and recent press releases.

Multigioco's main gaming website [www.newgioco.it](http://www.newgioco.it) currently operates under a third party Service Provider Agreement with Microgame to develop and host our website layout, design and functionality. Microgame provides and operates all aspects of the Newgioco online gaming website including: servers, routers, software development (for the Newgioco branded website operations), sportsbook trading, telephone betting, licensing, website hosting, payment solutions, security, and the first line of gaming related customer support needs.

Information about our Betting Operating System can be found on Odissea's website at [www.odissea.at](http://www.odissea.at) which provides general information and the services provided by Odissea as well as contact information.

#### Multigioco's client-facing websites

Multigioco websites are tailored for the Italian gaming market. The Company maintains a web-based platform directly under the branded website [newgioco.it](http://newgioco.it) (the main "channel") serving players and shops respectively. There are some variations in website style because Multigioco offers different services through distinctive marketing campaigns:

- [newgioco.it](http://newgioco.it) is mainly devoted to shops (locations), such that marketing for this brand is dedicated to webshop campaigns, branding, and proposals or marketing for prospective operators to become a "Newgioco Shop";
- [originalbet.it](http://originalbet.it) and [lovingbet.it](http://lovingbet.it) (agent web skins) are dedicated to the end-user (players), by focusing on campaigns and gaming offerings directed at players, such as welcome bonuses, rake back for poker players, etc.

The websites are only published in the Italian language. Multigioco may include additional languages if it is determined that such services are commercially viable and if we agree to pay the related development fees. We do not have any plans to expand our website to include additional languages at present.

The ADM requires that all websites are owned only by the license holder. We own our branded website url [www.newgioco.it](http://www.newgioco.it) in accordance with our ADM licensing requirements and either directly operate the websites or alternatively contract the websites to third party agents or promoters operating under the web skin urls [www.originalbet.it](http://www.originalbet.it) (see Note a) and [www.lovingbet.it](http://www.lovingbet.it) (see Note b).

Note (a): A Landing page refers to a webpage that is generally owned by a promoter (which can also be referred to as a betting shop) which redirects their marketing (social network, friends or other forms of marketing) to this webpage. Apart from a few advertisements, the landing page links patrons to sign-up or register directly on the [newgioco.it](http://www.newgioco.it) main page except that a promotional code is tied to the link, such that the web promoter can funnel his marketing through a subnet. In the Italian market, the entire subnet (a subnet is a logical grouping of connected network devices. Nodes on a subnet tend to be located in close physical proximity to each other such as on a LAN) must be connected to the ADM network.

Note (b): A White-label page is a complete gaming website (similar to the main website of the licensor (in our case Multigioco)) but with the interface and logo of the promoter (such as LovingBet). The promoter earns fees according to the turnover generated through their website.

In relation to the third party or rented websites, the promoter ("partner", "shop" or "agent") is responsible for marketing strategies, administration and costs. The promoter may utilize special promotions, draws and incentives to drive players to their website to increase gaming turnover or visits. Generally, these promoters operate in areas that are remote or distant from our central operations based in Rome, therefore, some promotions may be local events in the jurisdiction surrounding the "home base" of the promoter. The relationship with local shops and players from the promoter region remains directly with the promoter since there could be regional nuances that attract their clientele to our gaming offerings. However, the gaming business belongs to the underlying licensor or, in our case, Multigioco and is included in our overall financial results as gaming turnover.

The Promoter does not have any direct access to Multigioco client gaming accounts and is therefore not legally responsible or liable for maintaining gaming account balances. As a result, the licensor is legally responsible for compliance and client gaming account control, and is also legally required to ensure that all payouts due to players are credited to each players' gaming account and are available to players within 7 working days of the completion of the play.

Please refer to the section entitled CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS in our Current Report on Form 8-K filed August 19, 2014 for additional information on our Service Provider Agreement with Microgame, White-label Services Agreements and landing pages.

While the [www.newgioco.it](http://www.newgioco.it) website offers wagering in many categories outside of sports, we intend to capture a larger share of the Italian market by focusing on the Serie A, B, and C soccer, online poker, online casino and slots, skill games, virtual sports as well as Italian horse racing.

Otherwise, the Company offers a sufficiently diverse product and service offerings through our websites and intends to focus on creating in-house cost savings and synergies by undertaking strategic acquisitions and following a strict internal development plan.

#### Employees

Our current CEO provides day-to-day operations and management services at the Company's head office. Management expects to use consultants, attorneys, and accountants as necessary, and does not anticipate a need to engage any full-time employees in our head office so long as it is seeking and evaluating business opportunities.

On April 7, 2017, Multigioco employed 10 full time and 5 part time employees at its head office and approximately 20 outside commissioned sales agents that service our remote shops and venues in the field, while Odissea employed 14 full time staff, and Ulisse employed 10 full time staff.

## Research and Development

Neither the Company, nor its subsidiaries, engage in research and development activities.

## FACTORS AFFECTING OUR MARKET

### Government Regulations - General

The following information is presented with the understanding that we have now acquired gaming operators in Italy with an online license expiring in 2021 and a land-based license prolonged until the completion of the license renewal auction, and therefore our business is subject to the regulations described below. For this discussion, when we mention "our operators" or "our facilities" or operators or facilities that we "own", it is in reference to operators or facilities that we have acquired and may acquire in the course of our business in the future, assuming that we are able to acquire any additional operators at all.

Under Criminal Law in Italy, all gambling is illegal regardless of where it is organized. However, the law recognizes there is a difference with games of chance and games where the outcome depends on the player's skills. Sports-betting, lotteries and some other activities fall into the category of legal and regulated gaming activities, under which our business operations fall.

In Italy, the ADM (the State Agency of Customs and Monopolies) is granted the power to issue licenses and regulate gaming activities.

Beginning in 1992, some forms of gaming activities were deregulated by government decree under certain conditions to avoid potentially negative social effects associated with the industry. In 2006, beginning with a series of licenses colloquially termed as "Bersani" Licenses which will renew under license tender in 2017, the ADM implemented certain amendments with a view to liberalize the market such as:

- Legalization of real-money skill games and betting exchanges or 'books';
- Opening of the Italian gaming market to operators from EU and EFTA countries (on condition they meet certain requirements); and
- Initiating a new license tender process intended to curb the network of offline betting establishments and also provided a possibility for online gaming operators to offer their services on a legal basis.

New milestones were reached by Italian legislation in 2006 which regulated the use of the internet as a direct gaming distribution channel in Italy. The Finance Act 2007, which legalized card games in the form of tournaments with stakes equal only to tournament entry fees, and also the "Comunitaria" decree in February 2011, which regulated cash poker games and online casino games also amended laws introduced in the previous Bersani version of the decree. Licenses issued pursuant to this new decree will expire in 2021 and renew under a new tender notice process.

See the section captioned "Risk Factors" for additional information and risks we face as operators in the regulated gaming industry.

### Permits, Authorizations and Licenses

Italy maintains a federal legislated policy aimed at enhancing gaming through rigid regulations designed to protect its economic interest and comply with the law as well as to certify operators to protect so-called consumer-gamers. In Italy, there are currently two main categories of licenses (offline and online) in circulation, issued or awarded by the ADM in three series:

- Series 1 first issued by legal decree in 1992, renewed in 2009 under the Abruzzo decree and are colloquially branded as "Monti" licenses that expired in 2016 and is currently due for renewal;
- Finance Act decree of 2007 (FA7) series which were awarded by tender in 2006 and are colloquially branded as "Bersani" Licenses that expired in 2016 and is currently due for renewal; and
- New series GAD (Gioco a Distanza) issued by application process under the Comunitaria decree in 2010 and expire in 2021.

Each series of license has a 10 year renewal term.

Monti and Bersani licenses provide both NS and PS offline (agencies and corners) as well as GAD online (web-based) distribution authorizations. Offline Monti licenses and Bersani licenses are subject to and expected to be consolidated under a new decree at renewal auction which is now due, while both the Monti and Bersani GAD licenses are expected to be consolidated under a renewal tender to match up with the limited number of Comunitaria Series GAD licenses expiring in 2021.

In 2011, Multigioco applied for a New Series GAD license under the regulatory changes requiring a tender notice process. The ADM granted Multigioco a new GAD license, and on July 4, 2012 gave the final authorization for Multigioco websites.

The ADM licenses provide Multigioco the right to:

- offer only those gaming offerings that ADM authorizes for deployment in Italy (the “Territory”);
- enter into licensing, joint venture and acquisition agreements with shops and private enterprises as concessionaires that provide various local services such as convenience stores, bars, cafes, and restaurants in Italy;
- establish web cafe`s as permitted by the regulations enforced by the ADM regional office within the Territory; and
- take such steps that are deemed necessary to develop the business of regulated gaming in the Territory.

Our online license is subject to the laws of the Republic of Italy with an initial term expiring on June 15, 2021 and is renewable through the tender notice process.

#### Foreign Financial Considerations

Our gaming income is subject to income taxes based upon the laws of Italy which may also fluctuate if economic conditions in Italy remain uncertain.

For the Company’s financial reporting, our subsidiaries assets and liabilities, whose functional currency is the Euro, are translated into U.S. dollars at period-end exchange rates. Income and expense items are translated at the average rates of exchange prevailing during the period. The adjustments resulting from translating the Company's financial statements are included in Accumulated other comprehensive income or loss, a component of Stockholders' Equity. Foreign currency transaction gains and losses are recognized in net earnings based on differences between foreign exchange rates on the transaction date and settlement date. Fluctuations in the foreign exchange rates may have an adverse effect on our overall results.

#### Major Software Vendors

The following sets out a short list of various gaming software providers and a brief description:

Microgame S.p.A. provides a betting platforms to third-party operators in Italy and is a joint venture partner of Caesars Entertainment in the World Series of Poker.

Playtech Plc is a gaming software development company founded in 1999. The company provides software for online casinos, online poker rooms, online bingo games, online sports betting, scratch games, mobile gaming, live dealer games and fixed-odds arcade games online. It is listed on the London Stock Exchange and is a constituent of the FTSE 250 Index.

Amaya Inc. provides technology-based solutions, products, and services for global gaming and interactive entertainment industries worldwide. It operates through two segments, Business-to-Consumer (B2C) and Business-to-Business (B2B).

## Competition

Overall competition in the online gaming industry is moderate with various sectors and operators competing for customers in various geographic markets. These include 'land based' online casinos, poker rooms, sports/race books, bingo, skill games, lottery, betting exchanges as well as internet or web only based operators. The global reach of the internet in concert with the plentiful supply of varying games means obstacles to switching venues for the consumer are virtually non-existent which increases competition. Differing regulations worldwide make it harder to expand and the easing of regulations in some markets have led to consolidation by monopoly entities which weakens competition while the opening of new markets allow for more players to enter the marketplace to balance the competition somewhat.

We compete with a number of private and publicly traded companies that provide land-based and/or online gaming. In addition to known current competitors, traditional land based casino operators and other entities, many of which have significant financial resources, and occupy entrenched positions in the market and name-brand recognition, may provide Internet gaming services in the future, and thus become our competitors.

Particularly, our subsidiaries face direct competition in Italy from established online gaming sites like GTECH (Lottomatica), William Hill, 365sport, bwin, and many others. However, the Company has several advantages at its side, primarily local brand recognition, services that are tailored to calcio (soccer) enthusiasts. Most notably, Multigioco invests significant resources to calcio-focused marketing; fan engagement, live-streaming of calcio games; employ industry leading software; and is actively considering potential Italian celebrity partners.

We believe the principal competitive factors in our industry that create certain barriers to entry into the Italian market include but are not limited to: reputation, technology, financial stability and resources, proven track record of successful operations, critical mass and liquidity (particularly relating to online poker), regulatory compliance, independent oversight and transparency of business practices. While these barriers will limit those able to enter or compete effectively in the Italian market, it is also likely that new laws and regulations of governmental authority will be established in the future that will also offer barriers to new competitors.

Increased competition from current and future competitors may materially and adversely affect our business, revenues, operating results and financial condition.

## Major Operators

The following sets out a list of various gaming operators with a brief description:

- GTECH (Lottomatica) is focused on providing software and services in the Internet, lottery and sports betting market.
- SNAI is an Italian corporation that deals with the management of betting odds and horse racing contests. It was founded in 1990 and is listed on the Milan Stock Exchange and on March 29, 2011 Global Games S.p.A. acquired 51% of SNAI.
- Sisal is one of the longest running Italian gaming companies offering Internet Betting, lotteries, scratch to win, poker and casino, slots and arcade games.
- Bwin is one of the largest online gaming company focused primarily on sports betting, as well as Internet casino and poker.

## Key Italian Authorities

The following sets out a list of various online gaming industry authorities and their roles in the industry:

- Agenzia delle Dogane e dei Monopoli (ADM) is responsible for the licensing and authorizations granted to concessionaries, and for the monitoring of the betting activities.
- Guardia di Finanza's aim is to police criminal elements by means of a network presence throughout Italy and conducting physical inspections in bars and tobacco shops.
- Agenzia delle Entrate is a government agency supervised by the Ministry of Economy and Finance which cooperates with ADM, and is engaged in the management, investigation and litigation of taxes. Its objective is to maximize tax collection efficiency and compliance.

- Sogei is engaged in the ICT (Information, Communication and Technology) sector and is owned and operated by the Ministry of Economy and Finance. The company provides betting control, in order to assure the regulated processing of games, and management of the "Totalizzatore Nazionale" (a computer network that calculates and processes winning/payouts).

#### Trade Organizations

The following sets out a list within Italy's gaming industry trade organizations:

- International Association of Gaming Regulators (IAGR) is a forum in which gaming regulators from around the world can meet, exchange views and information, and discuss policy issues among themselves and with representatives of the international gaming industry; a means of fostering cooperation between gaming regulators in the performance of their official duties; and a central point of contact for inquiries from governments, gaming regulatory agencies and personnel, and representatives of the international gaming industry.
- European Gaming and Betting Association (EGBA) promotes implementation of a fair, competitive and regulated market for online gaming and gaming operators throughout Europe in line with EU law.
- Global Betting & Gaming Consultants (GBGC) has developed a wide range of gaming and business services that it can provide to its clients to help them operate successfully in the gaming field.
- eCogra is an internationally accredited testing agency and player protection and standards organization that provides an international framework for best operational practice requirements, with particular emphasis on fair and responsible gaming.

#### Item 1A. RISK FACTORS

In addition to the other information contained in this Form 10-K, the following risk factors should be considered carefully in evaluating the Company. Our business, financial condition, liquidity, or results of operations could be materially adversely affected by any of these risks. Accordingly, when we refer to "our operators" below, it is with reference to operators that we currently own or are in the process of acquiring or may acquire in the future, regardless of the level of ownership or operators that are involved in joint ventures with us. The risks and uncertainties described below are not the only ones facing our company, additional risks and uncertainties not presently known to us or that we currently consider immaterial may also have an adverse effect on us. If any of the matters discussed in the following risk factors were to occur, our business, financial condition, results of operations, cash flows or prospects could be materially and adversely affected.

#### RISKS RELATED TO OUR BUSINESS

##### **Because we have a limited operating history, we may not be able to successfully manage our business or achieve profitability.**

We have a limited operating history upon which you can evaluate our prospects and our potential value. If we cannot successfully manage our business, we may not be able to generate future profits and may not be able to support our operations.

We are a rapidly growing company and no additional relevant operating history involving our gaming operations exists upon which an evaluation of our performance can be made. The likelihood of our success and performance must be considered in light of the expenses, complications and delays frequently encountered in connection with the establishment and expansion of new business and the highly competitive environment in the online gaming industry.

##### **Although our financial statements have been prepared on a going concern basis, we must raise additional capital in order to continue as a going concern.**

Pitagora Revisone Srl, our independent registered accounting firm for the year ended December 31, 2016 has included an explanatory paragraph in their opinion that accompanies our audited consolidated financial statements as of and for the year ended December 31, 2016, indicating that our current liquidity position raises substantial doubt about our ability to continue as a going concern. If we are unable to improve our liquidity position we may not be able to continue as a going concern. Our ability to raise capital needed to improve our financial condition may be hindered as a result of our current liquidity position. The accompanying consolidated financial statements do not include any adjustments that might result if we are unable to continue as a going concern and, therefore, be required to realize our assets and discharge our liabilities other than in the normal course of business which would cause investors to suffer the loss of all or a substantial portion of their investment.

**We have incurred substantial losses since our inception and may never be profitable.**

We have incurred losses since inception and further losses are anticipated in the development of our business. Since we are currently in the early stages of our development and strategy, there exists substantial doubt regarding our ability to continue as a going concern. The ability to continue as a going concern is dependent upon generating profitable operations in the future and/or to obtain the necessary financing to meet our obligations and repay our liabilities arising from normal business operations. Management intends to finance operating costs over the next twelve months with existing cash on hand, loans from stockholders and directors, PIPE Financing and or private placement of our securities. As of the date of this report, no stockholder, director, or possible private placement participant has agreed to loan our company any funds nor agreed to purchase any of our securities. The failure to obtain necessary financing could result in our company ceasing all operations, which would likely result in a loss of all or a significant portion of your investment in our company.

**Failure by us to respond to changes in consumer preferences could result in lack of gaming revenues and may force us out of business.**

Our retail leisure betting business, website and web shops operate in an industry that is subject to:

- rapid technological change;
- the proliferation of new and changing online gaming sites;
- frequent new product introductions and updates; and
- changes in customer demands.

Any of the above changes that we fail to effectively anticipate could reduce the demand for our products and services, as well as any gaming service we may introduce in the future. Failure to anticipate and respond to changes in consumer preferences and demands could lead to, among other things, customer dissatisfaction, failure to attract demand for our products and lower profit margins.

**We currently depend on and may continue to be dependent on third parties to provide our online gaming platform, and any increased costs associated with third party developers or any delay or interruption in production would negatively affect both our ability to provide the platform and our ability to continue our operations.**

We currently depend on our agreements with Microgame S.p.A. (“Microgame”) and SNAITECH S.P.A. (“SNAI”) to develop and operate our online gaming platform. Until we complete the integration of our own Odyssea BOS to process all our customer transactions, we anticipate that we will continue to rely on Microgame and SNAI and other third parties to develop portions of the platform. The costs associated with relying on third parties may increase our operating and development costs and negatively affect our ability to operate because we cannot control the developer's personnel, schedule or resources. We may experience delays in finalizing platform updates, in addition, our reliance upon a third party developer exposes us to risks, including reduced control over quality assurance and costs of development. If this happens we could lose anticipated revenues from the platform and may not have the capital necessary to continue our operations. In addition, we may be required to rely on certain technology that we will license from third parties, including software that we integrate and use with software that we may develop internally. We cannot provide any assurances that these third party technology licenses will be available to us on commercially reasonable terms. The inability to establish any of these technology licenses, or the loss of such licenses if established, could result in delays in completing any platform updates or changes for us until equivalent technology could be identified, licensed and integrated. Any such delays could materially adversely affect our business, operating results and financial condition.

**If we do not comply with the terms of our agreements with Microgame and SNAI or if such agreements are terminated, our business operating results and financial condition will be adversely affected.**

Our agreements with Microgame and SNAI to develop and operate our online gaming website and process land-based retail transactions is crucial to our operations. If we fail to comply with any of the terms or conditions of the agreement, or in the event that Microgame or SNAI terminate the agreement or the agreement expires and we are unable to find a suitable replacement, our business, operating results and financial condition would be materially adversely affected.

**We depend on payments from third-party service providers, including government regulated gaming agencies. If these payments decrease or do not increase as our costs increase, our operating margins and profitability would be adversely affected.**

We depend, in part, on private entities and regulated third-party sources of payment for the gross gaming revenues earned by our operators. The amount our operators receive for their services may be adversely affected by market and cost factors as well as other factors over which we have no control, including future changes to the payment systems and the cost containment and utilization decisions of third-party service providers. The focus on gaming reform in Italy may increase the likelihood of significant changes affecting gaming services in the future. We give no assurances that future changes to odds and tax rates on game offerings, cost containment measures by private third-party service providers or other factors affecting payments for gaming services will not adversely affect our future revenues, operating margins or profitability.

**Our online website is subject to security and stability risks that could harm our business and reputation and expose us to litigation or liability.**

Online commerce and communications depend on the ability to transmit confidential information and licensed intellectual property securely over private and public networks. Any compromise of our ability to transmit such information and data securely or reliably, and any costs associated with preventing or eliminating such problems, could harm our business. Online transmissions are subject to a number of security and stability risks, including:

- our encryption and authentication technology, and access and security procedures, may be compromised, breached or otherwise be insufficient to ensure the security of customer information;
- we could experience unauthorized access, computer viruses, system interference or destruction, "denial of service" attacks and other disruptive problems, whether intentional or accidental, that may inhibit or prevent access to our websites or use of our products and services;
- someone could circumvent our security measures and misappropriate our partners' intellectual property or our customers' accounts, interrupt our operations, or jeopardize our licensing arrangements, which are contingent on our sustaining appropriate security protections;
- our computer systems could fail and lead to service interruptions;
- we may be unable to scale our infrastructure with increases in customer demand; or
- our network of facilities may be affected by a natural disaster, terrorist attack or other catastrophic events.

The occurrence of any of these or similar events could damage our business, hurt our ability to distribute gaming products and services and collect revenue, threaten the proprietary or confidential nature of our technology, harm our reputation and expose us to litigation or liability. We may be required to expend significant capital or other resources to protect against the threat of security breaches, hacker attacks or system malfunctions or to alleviate problems caused by such breaches, attacks or failures.

**A decline in the popularity of our website will negatively impact our business.**

Our primary source of revenues is dependent upon, among other things, our ability to attract and retain new users and attracting existing users to increase their activity on our sites. If we are unable to maintain or extend web traffic to, and use of, our websites, our revenues may be adversely affected.

**We depend upon a limited number of personnel and the loss of any of these individuals could adversely affect our business.**

If any of our current executive employees were to die, become disabled or leave our company, we would be forced to identify and retain individuals to replace them. They are critical employees at this time. In addition to the executives, we rely heavily on a several people that have extensive knowledge of our industry. There is no assurance that we can find suitable individuals to replace them or to add to our employee team if that becomes necessary. We are entirely dependent on these individuals as our critical personnel at this time. We have no life insurance on any of our employees, and we may not be able to hire a suitable replacement for them on favorable terms, should that become necessary.

**We may not be able to successfully implement our business strategy.**

Our operating results will be adversely affected if we fail to implement our business strategy or if we invest resources in a strategy that ultimately proves unsuccessful.

**Our future success depends, in large part, on our ability to implement our business strategy of acquiring operators for implementation of our Rebranding Blueprint.**

Our ability to implement this our business strategy depends on, among other things, our ability to:

- enter into acquisition agreements with operators we deem accretive to our business interests;
- increase the recognition of our Rebranding Blueprint;
- expand and maintain delivery of our Rebranding Blueprint in Italy.

**Implementation of our Rebranding Blueprint may not meet our expectations, and any such failure would adversely affect our ability to implement our business plan.**

We anticipate that a material portion of our revenues will be derived from the implementation of our Rebranding Blueprint into acquired operator venues and possibly through licensing our Rebranding Blueprint to other entities. We can give no assurance that our Rebranding Blueprint will be widely accepted or that we will be able to receive enough, or any, interest from operators to introduce or sustain our Rebranding Blueprint with any given operator, or at all. Because it is a new marketing approach, it is possible that wide acceptance of our Rebranding Blueprint will never be attained. Such a lack of acceptance will adversely affect our growth and profits.

**Our success depends on the scope of our intellectual property rights and not infringing the intellectual property rights of others.**

Our success depends in part on our ability to:

- obtain copyrights or trademarks or rights to copyrights or trademarks, where necessary, and to maintain their validity and enforceability;
- operate without infringing upon the proprietary rights of others; and
- prevent others from infringing on our proprietary rights.

Protection of our intellectual property rights, branding and image (collectively "image") from unauthorized use by third parties is limited by valid and enforceable copyrights or trademark laws. Our inability to protect our image could materially adversely affect our business prospects and profitability. In addition, if litigation were to take place in connection with the enforcement of our image (or to defend third party claims of infringement against us), there can be no assurance that we would prevail. Legal proceedings could result in substantial costs and diversion of management time and resources and could materially adversely affect our operations and our financial condition.

**Competition for the acquisition of new operators and other factors may impede our ability to acquire operators and may inhibit our growth.**

We anticipate that the future growth of our business will be dependent upon our successful acquisition of operators. The success of this strategy depends upon our ability to identify suitable acquisition candidates, reach agreements to acquire these operators, obtain necessary financing on acceptable terms and successfully integrate the operations of these businesses. In pursuing acquisition opportunities, we may compete with other companies that have similar growth strategies. Some of these competitors are larger and have greater financial and other resources than we have. This competition may prevent us from acquiring operators that could generate substantial revenues for our business.

**If we are unable to effectively compete for operators, patrons, sponsorship contracts with sports teams and strategic relationships, our business would be adversely affected.**

The gaming business is highly competitive. We may also be competing in the future with public and private companies to acquire additional target operators and for patrons to frequent our operators. Some of our competitors may have greater resources than we do, including financial, marketing, staff and capital resources, have or may develop new technologies or services that are attractive to other operators or patrons, or have established relationships with major organizations or third party service providers. No assurances can be given that we will be able to compete effectively in any of these areas.

**If we fail to acquire and develop operators on favorable terms, our future growth and operating results could be adversely affected.**

We plan to generate revenues and earnings by acquiring existing gaming operators and augmenting their established gaming offerings with our Rebranding Blueprint, our proprietary plan for attracting and retaining gaming patrons. The success of our business plan will be affected by our ability to identify suitable operators for acquisition and our ability to negotiate and close on operator acquisitions in a timely manner and on favorable terms or at all. There can be no assurances that we will be successful in identifying additional operators suitable for acquisition or that we will be able to close an acquisition in a timely manner and/or on terms favorable to us.

**If we are unable to implement our growth strategy at our acquired operators or unable to manage the growth of our business through the acquisition of operators our business and results of operations could be adversely affected.**

We may not be able to successfully integrate the operations of newly acquired operators with our own, and we may not realize all or any of the expected benefits of acquiring new operators as and when planned. Integrating the operations of new operators with our own will be complex, costly and time-consuming. We expect that the integration of the operations of new operators will require significant attention from our senior management and will impose substantial demands on our operations and personnel, potentially diverting attention from other important pending duties. The difficulties and risks associated with the integration of the operations of new operators into our own include, but are not limited to:

- the possibility that we will fail to implement our business plans for the growing company, including as a result of new legislation or regulation in the gaming industry that affects the timing or costs associated with our operations or our acquisition plans;
- possible inconsistencies between our standards, controls, procedures, policies and compensation structures and those of operators that we acquire;
- the increased scope and complexity of our operations following the acquisition of a number of operators;
- the potential loss of key employees and the costs associated with our efforts to retain key employees;
- provisions in contracts that we and the acquired operators have with third parties that may limit our flexibility to take certain actions;
- risks and limitations on our ability to consolidate the corporate and administrative infrastructures of new operators;
- the possibility that we may have failed to discover liabilities of new operators during our due diligence investigation as part of the acquisition for which we, as a successor owner, may be responsible;
- obligations that we will have to partners of operators when we have completed only a partial acquisition; and
- the possibility of unanticipated delays, costs or inefficiencies associated with the integration of operations of new operators with ours.

As a result of these difficulties and risks, we may not be able to successfully manage our growth within our budgetary expectations and anticipated timetable. Accordingly, we may fail to realize some or all of the anticipated benefits of acquiring new operators, including increasing the scale of our operations, diversification, cash flows and operational efficiency.

**If we do not have sufficient capital resources to complete acquisitions and develop our operators, our ability to implement our business plan could be adversely affected.**

We will need capital to implement our business plan, and may seek to finance future operator acquisitions and development projects through debt or equity financings. Disruptions to financial markets or other challenging economic conditions may adversely impact our ability to complete any such financing or the terms of any such financing may be unacceptable or unfavorable to us. To the extent that we undertake financings with our equity securities, our current shareholders will experience ownership dilution. To the extent we incur debt, we may have significant interest expense and may be subject to covenants in the related debt agreements that restrict the conduct of our business. We give no assurances that we will be able to obtain financing necessary to implement our business plan or if financing will be offered or available on terms acceptable to us or at all.

**If we are restricted from using our license associated with our acquired operators, there will be an adverse effect on our revenues and profits.**

We expect a significant portion of our revenues to come from gaming revenues earned by acquired operators. Although one or more of the target operators with which we are negotiating acquisition terms may have an active gaming license, we can provide no assurance that the existing license will be renewed, retained or if we are able to acquire the client base of any particular operator we acquire in the future. If we are restricted from acquiring target operators or their client base, our revenue and profit potential will be adversely affected.

**We may not have exclusive control over the distribution of cash from our acquired operators and may be unable to cause all or a portion of the cash of these operators to be distributed to us.**

We anticipate having a complete or a majority ownership in the operators we acquire. We expect the agreements we execute with these operators to provide for the distribution of available cash to us. However, it is possible that these agreements may impose limits on the ability of our acquired operators to make distributions of cash to us. If we are unable to cause sufficient cash to be distributed from one or more of these operators our ability to pay our obligations as they become due may be harmed.

**If we acquire an operator that has made submission and reporting errors prior to our ownership, we would most likely be liable for those errors that led to under or overpayments in gaming accounts and may be subject to penalties as well as being required to provide refunds.**

Historical submissions and reporting errors in gaming accounts made by an operator prior to our acquisition, even in the case of a pure asset acquisition, may require us to provide refunds to patrons and possibly pay penalties. In the case of overpayments, it is very unlikely that we would be able to collect funds that were owed to the operator prior to our acquisition. There can be no assurance that a compliance audit will disclose any future liabilities for overpayments that any of our operators may have incurred.

**If any principals of operators with whom we are negotiating to acquire their business are retiring and not able or willing to remain with the operator to assist with the transition of patrons to our operations, our projected revenues and profits will be adversely affected.**

Competition for operators will be a problem for us if retiring owners cannot or will not stay to assist us with the orientation and transitioning to our operations and management. We would like to retain incumbent owners for up to two years but if we are unable to do so, extra demands will be placed on us for orientation and training. This will have an adverse effect on our revenues and will increase our expenses for recruitment and we may need to fill vacancies with existing personnel from other locations.

## RISKS SPECIFIC TO OUR INDUSTRY

### **Economic conditions, particularly in Italy and Europe, that have an adverse effect on the gaming industry will adversely affect our results of operations.**

Our proposed business operations are concentrated in a single industry and geographic area (Italy and Europe) that is affected by international, national and local economic conditions. A downturn in the economy or in a specific region such as Italy and Europe constituting a significant source of our customers, or a reduction in demand for gaming, may harm our financial condition or that of our customers. We cannot predict the effect or duration of an economic slowdown or the timing or strength of any subsequent economic recovery, worldwide, in Italy and Europe or in the gaming industry, or the impact such slowdown may have on the demand for online gaming. If players have less disposable income to spend on wagers or if our customers are unable to devote resources to using our products, there could be an adverse effect on our business.

### **Intense competition in the online gaming industry may adversely affect our revenue and profitability.**

We operate in a highly competitive environment and we compete for members, patrons and advertisers with numerous well established online gaming sites, as well as many smaller and/or newer sites. If we are unable to differentiate our products and generate sufficient appeal in the marketplace, our ability to achieve our business plan may be adversely affected. The effect of such competition may put pressure on profit margins and to involve us in vigorous competition to obtain and retain consumers and advertisers. Compared to us, many of our competitors have significantly longer operating histories and greater brand recognition as well as, greater financial, management, and other resources.

### **Changes in government laws could materially adversely affect our business, financial condition and results of operations.**

Our business is regulated by diverse and evolving laws and governmental authorities in Italy and other countries in which we intend to operate in the future. Such laws relate to, among other things, online gaming, gaming in general, internet, licensing, copyrights, commercial advertising, subscription rates, foreign investment, use of confidential customer information and content. Promulgation of new laws, changes in current laws, changes in interpretations by courts and other government officials of existing laws, our inability or failure to comply with current or future laws or strict enforcement by current or future government officers of current or future laws could adversely affect us by reducing our revenue, increasing our operating expenses and/or exposing us to significant liabilities.

### **Regulators at the federal and provincial level are monitoring and restricting the renewal of existing and issuance of new licenses which could have an adverse effect on our growth.**

Federal regulators in Italy are enforcing new restrictions to reduce the number of independent operators. A moratorium on new licenses for gaming operators in Italy has been implemented. Such restrictions on the licensing of new operators could have a material effect on our business because a significant component of our planned growth is expected to come from expanding our operators into new locations within a geographical area.

### **Our records and submissions to regulatory agencies may contain inaccurate or unsupported submissions which could cause us to overstate or understate our revenue and subject us to various penalties.**

A major component of the regulatory environment is the interpretation of winnings and tax calculation procedures established by the ADM. Inaccurate or unsupported submissions, inaccurate records for gaming coin-in or turnover, client data and erroneous winning claims could result in inaccurate revenues being reported. Such errors are subject to correction or retroactive adjustment in later periods and may be reflected in financial statements for periods subsequent to the period in which the revenue was recorded. We may also find that we are required to refund a portion of the revenue that we received which, depending on its magnitude, could damage our relationship with regulatory agencies and have a material adverse effect on our results of operations or cash flows.

The ADM in Italy conducts weekly account audits and sweeps for taxes in addition to random onsite inspections for connectivity to the ADM network as well as nefarious programming or routers which can alter the reporting requirements of the ADM. It is possible that our acquired operators will receive letters from ADM auditors requesting repayment of alleged violations and errors and as such will incur expenses associated with responding to, and appealing to, these requests, as well as the costs of repaying any shortfalls and possible fines and penalties. Demands for repayments can occur even if an operator is acquired by means of an asset transfer. If we have inadequate resources to enable us to dispute and overturn such demands for overpayments, it is possible that such payments will have to be returned which could have a material adverse effect on our financial condition and results of operations.

**If we fail to comply with applicable laws and regulations, we could suffer penalties or be required to make significant changes to our operations.**

We will be subject to many laws and regulations at the federal, provincial and local government levels in the jurisdictions in which we operate. These laws and regulations require that our operators and our operations meet various licensing, certification and other requirements, including those relating to:

- ownership of our operators;
- our and our operators' relationships with sponsors and other referral sources;
- approvals and other regulations affecting the acquisition of operators, capital expenditures or the addition of services;
- qualifications of management and support personnel;
- maintenance and protection of records;
- billing for services by gaming product providers, including appropriate treatment of overpayments and credit balances; and
- privacy and security of individually identifiable personal information.

If we fail to comply with applicable laws and regulations, we could suffer civil or criminal penalties, including the loss of our license to operate. Different interpretations or enforcement of existing or new laws and regulations could subject our businesses to allegations of impropriety or illegality, or require us to make changes in our operations, facilities, equipment, personnel, services, capital expenditure programs or operating expenses. No assurances can be given that current or future legislative initiatives, government regulation or judicial or regulatory interpretations thereof will not have a material adverse effect on us, subject us to fines or penalties, or reduce the demand for our services.

**Providers in the gaming industry have been the subject of Italian federal and provincial investigations, and we may become subject to investigations in the future.**

Both Italian federal and provincial government agencies have heightened and coordinated civil and criminal enforcement efforts as part of numerous ongoing investigations of gaming companies, as well as their executives and managers. These investigations relate to a wide variety of topics, including diversion practices by disconnecting from the ADM network.

In addition, as we employ executives and managers, some of which may have worked at other gaming companies that are or may become the subject of ADM investigations and private litigation. If so, these executives and managers could be included in governmental investigations or named as defendants in private litigation. A governmental investigation of us, our executives or our managers could result in significant expense to us, as well as adverse publicity.

**If a federal or provincial agency asserts a different position or enacts new laws or regulations regarding illegal remuneration or other forms of illegal gaming, fraud and abuse, we could suffer penalties or be required to make significant changes to our operations.**

ADM enforcement officials have numerous enforcement mechanisms to combat illegal gaming, fraud and abuse. ADM enforcement officials have the ability to exclude any investors, officers and managing employees associated with business entities that have committed gaming fraud from the industry including commencing criminal proceedings against those accused of such gaming fraud. A governmental investigation or enforcement proceedings taken against us, our executives or our directors could result in significant expense to us, as well as adverse publicity.

**If regulations or regulatory interpretations change, we may be obligated to buy out interests of principals who retain equity in any operators in which we have a majority interest.**

We expect that we will acquire complete ownership of most of the operators that we choose to purchase either through share or asset purchases although in some cases, the selling principal or principals may retain a minority interest. If certain regulations or regulatory interpretations change, we may be obligated to purchase some or all of the non-controlling interests of the principal partners. The regulatory changes that could trigger such obligations include changes that:

- make the referral of client lists and other patrons to our operators by a principal affiliated with us illegal;
- create the substantial likelihood that cash distributions from limited liability companies to the affiliated principal will be illegal; or
- cause the ownership by the principal of interests in limited liability companies to be illegal.

The cost of repurchasing these non-controlling interests would be substantial if a triggering event were to result in simultaneous purchase obligations of a substantial number or of all of our operators. We anticipate that the purchase price to be paid in such event would be determined by a predefined formula set out in a shareholders' or share purchase agreement, which may also provide for the payment terms, generally over a period of time. There can be no assurance, however, that our existing capital resources would be sufficient for us to meet the obligations, if they arose, to purchase these non-controlling interests held by the principal. The determination of whether a triggering event has occurred generally would be made by the concurrence of our legal counsel and counsel for the principal partners or, in the absence of such concurrence, by a nationally recognized law firm having an expertise in gaming law jointly selected by both parties. Such determinations therefore would not be within our control. The triggering of these obligations could have a material adverse effect on our financial condition and results of operations. No assurances can be given that legislative or regulatory changes would not have an adverse impact on us.

#### RISKS RELATED TO OUR SECURITIES

**Our stock price may be volatile or may decline regardless of our operating performance, and you may lose part or all of your investment.**

While there is a very limited market for our common stock, if an active market were to develop, the market price of our common stock may fluctuate widely in response to various factors, some of which are beyond our control, including but not limited to:

- market conditions or trends in the gaming industry or in the economy as a whole;
- actions by competitors;
- actual or anticipated growth rates relative to our competitors;
- the public's response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- economic, legal and regulatory factors unrelated to our performance;
- any future guidance we may provide to the public, any changes in such guidance or any difference between our guidance and actual results;
- changes in financial estimates or recommendations by any securities analysts who follow our common stock;
- speculation by the press or investment community regarding our business;
- litigation;
- changes in key personnel; and
- future sales of our common stock by our officers, directors and significant shareholders.

In addition, the stock markets, including the over-the-counter markets in which our common stock is quoted, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These broad market fluctuations may materially affect our stock price, regardless of our operating results. Furthermore, the market for our common stock has been limited and we cannot assure you that a larger market will ever develop or be maintained. The price at which investors purchase shares of our common stock may not be indicative of the price that will prevail in the trading market. Market fluctuations and volatility, as well as general economic, market and political conditions, could reduce our market price. As a result, these factors may make it more difficult or impossible for investors to sell our common stock for a positive return on their investment. In the past, shareholders have instituted securities class action litigation against some companies following periods of market volatility. If we were involved in such securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

**Shares of our common stock lack a significant trading market, which makes it more difficult for an investor to sell our common stock.**

Shares of our common stock are not eligible for trading on any national securities exchange and are currently only quoted in the over-the-counter market on the OTCQB marketplace. There is no assurance that an active trading market in our common stock will develop, or if such a market develops, that it will be sustained. In addition, there is a greater chance for market volatility for securities quoted in the over-the-counter markets as opposed to securities traded on a national exchange. This volatility may be caused by a variety of factors, including the lack of readily available quotations, the absence of consistent administrative supervision of "bid" and "ask" quotations and generally lower trading volume. As a result, an investor may find it more difficult to dispose of, or to obtain accurate quotations as to the market value of our common stock, or to obtain coverage for significant news events concerning us, and our common stock could become substantially less attractive for investment by financial institutions, as consideration in future capital raising transactions or for other purposes.

**Future sales of shares of our common stock, or the perception in the public markets that these sales may occur, may depress our stock price.**

The market price of our common stock could decline significantly as a result of sales of a large number of shares of our common stock in the market. In addition, if our significant shareholders sell a large number of shares, or if we issue a large number of shares, the market price of our stock could decline. Any issuance of additional common stock, or warrants or options to purchase our common stock, by us in the future would result in dilution to our existing shareholders. Such issuances could be made at a price that reflects a discount or a premium to the then-current trading price of our common stock. Moreover, the perception in the public market that shareholders might sell shares of our stock or that we could make a significant issuance of additional common stock in the future could depress the market for our shares. These sales, or the perception that these sales might occur, could depress the market price of our common stock or make it more difficult for us to sell equity securities in the future at any time if at all.

**We could issue additional common stock, which might dilute the book value of our common stock.**

Our Board of Directors has authority, without action or vote of our shareholders, to issue all or a part of our authorized but unissued shares. We may issue a substantial number of additional shares of our common stock or debt securities to complete a business combination or to raise capital. Such stock issuances could be made at a price that reflects a discount or a premium from the then-current trading price of our common stock. In addition, in order to raise capital, we may need to issue securities that are convertible into or exchangeable for a significant amount of our common stock. These issuances would dilute an investor's percentage ownership interest, which would have the effect of reducing their influence on matters on which our shareholders vote, and might dilute the book value of our common stock. The investor may incur additional dilution if holders of stock options and warrants, whether currently outstanding or subsequently granted, exercise their options or warrants to purchase shares of our common stock.

**Our common stock is currently classified as a "penny stock" under SEC rules, which may make it difficult for our shareholders to resell their shares of our common stock.**

The Rules of the Securities and Exchange Commission classify as a "penny stock" any security that does not trade on a national securities exchange (e.g. NYSE, NYSE MKT or, NASDAQ, but not including the OTC markets) if the market price of the security is less than \$5.00 per share. SEC Rule 15g-9 under the Securities Exchange Act of 1934 imposes additional sales practice requirements on broker-dealers that recommend the purchase or sale of penny stocks to persons other than those who qualify as an "established customer" or an "accredited investor." This includes the requirement that a broker-dealer must make a determination on the appropriateness of investments in penny stocks for the customer and must make special disclosures to the customer concerning the risks of penny stocks. For this reason and because penny stocks are generally considered to be more risky than non-penny stocks, many brokers will not recommend the purchase of penny stock by their customers.

Our common stock is not listed on a national securities exchange and is currently priced below \$5.00, the result of which our common stock is currently classified as a penny stock. The holders of our common stock may experience greater difficulties in attempting to sell the stock, due to the limited market for penny stock. In addition, because the penny stock classification reduces the liquidity of a security, the classification may have a negative effect on the market price of our common stock, such that our shareholders may not be able to obtain a satisfactory sale price

**Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could have a material adverse effect on our business and stock price.**

Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") requires that we establish and maintain an adequate internal control structure and procedures for financial reporting and include a report of management on our internal control over financial reporting in our annual report on form 10-K. Such report must contain an assessment by management of the effectiveness of our internal control over financial reporting and must include disclosure of any material weaknesses in internal control over financial reporting that we have identified.

**Restrictions on the reliance of Rule 144 by shell companies or former shell companies.**

Historically, the SEC staff has taken the position that Rule 144 is not available for the resale of securities initially issued by companies that are, or previously were, blank check companies. The SEC has codified and expanded this position by prohibiting the use of Rule 144 for resale of securities issued by any shell companies (other than business combination related shell companies) or any issuer that has been at any time a "shell company". The SEC has provided an important exception to this prohibition, however, if the following conditions are met:

- The issuer of the securities that was formerly a shell company has ceased to be a shell company,
- The issuer of the securities is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act,
- The issuer of the securities has filed all Exchange Act reports and material required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than current reports on Form 8-K; and
- At least one year has elapsed from the time that the issuer filed current comprehensive disclosure with the SEC reflecting its status as an entity that is not a shell company.

**Item 1B. UNRESOLVED STAFF COMMENTS**

None.

**Item 2. PROPERTIES**

The Company has two mailing addresses: 130 Adelaide St. West, Suite 701, Toronto, Ontario, M5H 2K4, Canada (its main office), and 671 Westburne Dr., Concord, Ontario, L4K 4Z1. Other than these mailing addresses, the Company does not currently maintain a principal executive office or any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. These offices are provided to the Company on a rent-free basis.

It is likely that the Company will not establish an office until it has substantial needs or resources requiring an office. It is not possible to predict what arrangements will actually be made with respect to future office facilities.

Multigioco does not own any properties; however, we do rent a corporate head office space on a year by year basis located at Via J.F. Kennedy, 6 Grottaferrata, Roma, for approximately U.S. \$2,200 per month. The office is used primarily for administrative functions. There are no gaming operations provided at this office.

Our subsidiaries Ulisse GmbH and Odissea Betriebsinformatik Beratung GmbH rent office space on a year-by-year basis at Salurnerstrasse 12 – 6020, Innsbruck, Austria and pay approximately U.S. \$1,300 and approximately U.S. \$1,480 per month, respectively. The offices are used primarily for administrative functions. There are no gaming operations provided at this office.

### Item 3. LEGAL PROCEEDINGS

The Company may be subject to claims arising in the ordinary course of business. We are not aware of any legal proceeding or any action being contemplated by a governmental authority.

Subsequent to this report, on January 20, 2017 Newgioco Group, Inc. was served with a complaint filed on November 11, 2016 against the Company in connection with a Securities Purchase Agreement by and between the Company and Darling Capital, LLC dated February 29, 2016. The matter involves a \$750,000 debt plus interest that we have been and remain ready and able to pay. However, the plaintiff has sought a premium on the amount owed which we dispute. The Company considers this lawsuit to not be material or affect the future of the Company in any manner.

### Item. 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The following tables set forth the high and low sale prices for our common stock as reported by the OTCQB Marketplace for the periods covered by this report.

| 2015 PERIOD             | BID PRICES |         |
|-------------------------|------------|---------|
|                         | LOW        | HIGH    |
| January 1 - March 31    | \$ 0.51    | \$ 0.90 |
| April 1 - June 30       | 0.535      | 1.15    |
| July 1 - September 30   | 0.72       | 1.04    |
| October 1 - December 31 | 0.90       | 1.16    |

  

| 2016 PERIOD             | BID PRICES |         |
|-------------------------|------------|---------|
|                         | LOW        | HIGH    |
| January 1 - March 31    | \$ 0.87    | \$ 1.16 |
| April 1 - June 30       | 0.30       | 1.00    |
| July 1 - September 30   | 0.28       | 0.70    |
| October 1 - December 31 | 0.15       | 0.45    |

A small number of the Company's stockholders own a substantial amount of the Company's common stock, and if such stockholders were to sell those shares in the public market within a short period of time, the price of the Company's common stock could drop significantly. A large number of shares of outstanding common stock are restricted and are not freely-trading. An established public trading market for our common stock may never develop or, if developed, may not be sustained.

Please see the section captioned "Risk Factors" for more information and risks related to our securities.

Penny Stock Rules

Please see the section captioned "Risk Factors" for more information and risks regarding Penny Stock rules.

Shareholders

As of December 31, 2016, there were an estimated 310 holders of record of our common stock. A certain amount of the shares of common stock are held in street name and may, therefore, be held by additional beneficial owners.

Dividends

We have never paid a cash dividend on our common stock since inception. The payment of dividends may be made at the discretion of our Board of Directors, and will depend upon, but not limited to, our operations, capital requirements, and overall financial condition.

We do not anticipate paying cash dividends on our common stock in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting it at such time as the Board of Directors may consider relevant. We intend to follow a policy of retaining all of our earnings to finance the development and execution of our strategy and the expansion of our business. If we do not pay dividends, our common stock may be less valuable because a return on your investment will occur only if our stock price appreciates.

## Description of Securities

### Common Stock

Our certificate of incorporation authorizes the issuance of up to 80,000,000 shares of common stock, par value \$0.0001 per share. As of December 31, 2016, there were 42,990,705 authorized but unissued shares of our common stock available for future issuance, based on 37,009,295 shares of our common stock outstanding.

Please see the section captioned "Risk Factors" for more information and risks associated with our common stock.

On September 30, 2005, we completed a 1 for 10 reverse split of our common stock.

On June 30, 2005, we completed a 1 for 10 reverse split of our common stock.

On July 23, 2004, the Board of Directors approved a 7 for 1 forward split of our common stock. The common stock dividend payment date was July 26, 2004 to stockholders of record as at July 23, 2004.

### Preferred Stock

The Company has authorized 20,000,000 preferred shares, of which none have been issued.

### Securities Authorized for Issuance Under Equity Compensation Plans

Three Million (3,000,000) Common shares are authorized for issue under the 2016 Equity Incentive Plan.

### Recent Sales of Unregistered Securities

There are no recent sales of unregistered securities by the Company during the period covered by this report, which have not been previously disclosed in Form 10-Q filings or Form 8-K filings.

### Purchases of Equity Securities by the Registrant

No stock repurchases were made by the Company or affiliated purchasers within the fourth quarter of the fiscal year covered by this report.

## Item 6. SELECTED FINANCIAL DATA

Not Applicable.

## Item 7. 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, the financial statements of the Company and the accompanying notes appearing under the caption "Consolidated Financial Statements and Supplementary Data."

## General Plan of Operation

The Company was incorporated in the state of Delaware on August 26, 1998 as Pender International Inc. On September 30, 2005, it changed its name to Empire Global Corp., and on July 20, 2016 the Company changed its name to Newgioco Group, Inc. The Company maintains its principal executive offices headquartered 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 retail web-based gaming 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, we completed the acquisitions of Ulisse GmbH an Austrian gaming company, increasing the land-based footprint of the Company by 107 agency locations in Italy as well as Odissea Betriebsinformatik Beratung GmbH, an Austrian gaming technology company acquiring a proprietary BOS and making the Company a fully integrated gaming operator.

During the period covered by this report, the Company acquired 4 additional corner rights and 107 CED agency locations. Our subsidiaries now own a proprietary BOS, and with approximately 1,000 web-based shops (Punti Virtuali di Ricarica), a Bersani license #4070 with 7 corner (Punto Sportivo) rights, as well as a Monti license #4583 with 2 agency (Negozio Sportivo) rights and 107 CED agency locations.

Our revenues are derived from our subsidiaries. The product offering includes BOS services and a variety of online and offline lottery and casino gaming, as well as sports betting through locations situated throughout Italy.

## Results of Operations

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

### Overall

As a result of the acquisition of Ulisse and Odissea, our business operations have changed. Accordingly, comparisons with prior periods are generally not meaningful.

The Company is subject to risks inherent in the establishment of a new business enterprise, including limited capital resources, possible delays in the decision and implementation of a new business plan. We generate revenues by providing online and offline gaming products and services in regulated countries.

We anticipate continuing to rely on equity sales of common stock to fund our operations and to seek out additional acquisitions or enter into new business opportunities. The issuance of any additional shares will result in dilution to our existing shareholders.

### Revenues

Compared to \$4,872,902 in gross revenue for year ended December 31, 2015, our gross revenue for year ended December 31, 2016 was \$8,897,963. The following table represents a detailed breakdown of revenues from our gaming operations for years ended December 31, 2016 and December 31, 2015:

|                               | Year Ended<br>December 31,<br>2016 | Year Ended<br>December 31,<br>2015 |
|-------------------------------|------------------------------------|------------------------------------|
| <b>Turnover</b>               |                                    |                                    |
| Turnover web-based            | \$ 103,033,957                     | \$ 72,671,853                      |
| Turnover land-based           | 18,917,917                         | 4,685,660                          |
| <b>Total Turnover</b>         | <b>\$ 121,951,874</b>              | <b>\$ 77,357,513</b>               |
| <b>Winnings/Payouts</b>       |                                    |                                    |
| Winnings web-based            | 96,728,850                         | 67,722,378                         |
| Winnings land-based           | 16,487,782                         | 3,758,216                          |
| <b>Total Winnings/payouts</b> | <b>113,216,632</b>                 | <b>71,480,594</b>                  |
| <b>Gross Gaming Revenues</b>  | <b>\$ 8,735,242</b>                | <b>\$ 5,876,919</b>                |
| Less: ADM Gaming Taxes        | 1,592,926                          | 1,169,322                          |
| <b>Net Gaming Revenues</b>    | <b>\$ 7,142,316</b>                | <b>\$ 4,707,597</b>                |
| Add: Commission Revenues      | 1,105,389                          | 165,305                            |
| Add: Service Revenues         | 650,258                            | —                                  |
| <b>Total Revenues</b>         | <b>\$ 8,897,963</b>                | <b>\$ 4,872,902</b>                |

#### General and Administrative Expenses

The Company incurred \$4,512,812 in general and administrative expenses during the year ended December 31, 2016, compared to \$2,837,800 in the year ended December 31, 2015. The increase in general and administrative expenses was a result of an increase in salaries and wages as well as restricted stock based compensations in connection with the July 1, 2016 acquisitions.

The Company's major general and administrative expenses for the year ended December 31, 2016 compared to 2015 were as follows:

|  | Dec. 31, 2016 | Dec. 31, 2015 |
|--|---------------|---------------|
| Salaries   | \$ 1,156,809  | \$ 533,096    |
| Cash and non-cash professional fees including legal, consulting and audit fees | \$ 674,218    | \$ 758,257    |
| Depreciation and amortization expenses   | \$ 747,688    | \$ 460,948    |
| Management fees  | \$ 146,007    | \$ 120,000    |
| Stock-based compensations  | \$ 675,000    | Nil           |

Amortization expense includes the amortization of deferred loan costs of \$225,491 and \$31,738 in 2016 and 2015, respectively.

#### Direct Selling Expenses

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 year ended December 31, 2016 our selling expenses were \$5,846,019, compared to selling expenses of \$3,663,165 for the year ended December 31, 2015. The increase was due to the expansion of operations from 1,067 web-based, 3 corner, and 2 agency locations on December 31, 2015 to 1,000 web-based, 7 corner, and 109 agency locations during on December 31, 2016.

#### Interest Expense

The Company had incurred interest expenses, net of interest income, of \$727,328 for the year ended December 31, 2016, compared to \$205,355 in interest expense, net of interest income, for the year ended December 31, 2015.

Interest expense includes non-cash interest costs of \$569,558 for the year ended December 31, 2016, compared to \$113,456 in non-cash interest costs for the year ended December 31, 2015.

The increase in interest expense incurred was related to interest paid on debentures and promissory notes issued in 2016.

#### Change in Fair Value of Derivative Liability

Changes in fair value of derivative liability generated an income of \$426,369 for the year ended December 31, 2016, compared to an expense of \$22,808 for the year ended December 31, 2015. The decrease in the fair value of derivative liability is due to a decrease in the price of the Company's common stock and increased volatility in stock price.

#### Impairment on investment in non-consolidated entities

The Company incurred no impairment on investment in non-consolidated entities for the year ended December 31, 2016, compared to an impairment of \$30,185 for the year ended December 31, 2015.

#### Allowance for deposit on acquisitions

The Company recorded no allowance for deposits on acquisitions for the year ended December 31, 2016. Compared to an allowance for deposits on acquisitions of \$94,952 for the year ended December 31, 2015 for the deposits made towards the purchase price of the Newgioco Srl gaming assets.

#### Net Loss

For the year ended December 31, 2016, the Company had a net loss of \$1,968,659, or \$0.09 per share (basic and diluted), as compared to a net loss of \$2,022,663, or \$0.08 per share (basic and diluted) for the year ended December 31, 2015.

This decrease in net loss during 2016 is primarily due to increasing revenues over the increase in outstanding shares at December 31, 2016 as a result of acquisitions.

#### Other Comprehensive Income

Our other comprehensive income consists of foreign currency translation adjustments related to the effect of foreign exchange on the value of our assets denominated in Euro.

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 and Austria. 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.

For the year ended December 31, 2016 the Company recorded an expense of \$540,896 for foreign currency translation adjustment, compared to an income of \$84,385 for foreign currency translation adjustment for the year ended December 31, 2015.

## Liquidity and Capital Resources

### Assets

At December 31, 2016, we had a total of \$7,431,077 in assets compared to \$3,646,951 in assets at December 31, 2015. The increase in 2016 is primarily related to the increase in intangible assets in connection with the July 1, 2016 acquisitions of Ulisse and Odissea.

### Liabilities

At December 31, 2016, we had \$4,196,260 in current liabilities and \$742,189 in long term liabilities, compared to current liabilities of \$2,275,085 and long term liabilities of \$67,532 at December 31, 2015. The increase in current liabilities was a result of liabilities associated with acquisition of additional gaming operations during 2016 and the February 29, 2016 and March 31, 2016 convertible promissory notes issued.

### Working Capital

The Company had \$2,230,422 in cash and cash equivalents at December 31, 2016 compared to \$157,363 cash and cash equivalents on December 31, 2015. As of December 31, 2016, we have total accumulated deficit of \$11,263,504.

We had \$2,793,697 in current assets and \$4,196,260 in current liabilities. As such, we are left with a working capital deficit of \$1,402,563.

The Company cannot assure 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 generally sustained recurring losses and negative cash flows from operations. We currently do not generate sufficient revenue from operations. 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 300,000 (approximately U.S. \$317,250) for Multigioco and EUR 50,000 (approximately U.S. \$52,875) for Rifa from Veneto Banca 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.

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 registered securities. Any additional equity financing may result in substantial dilution to our stockholders.

### Cash Flows from Operating Activities

Cash flows from operating activities resulted in net cash provided by operating activities of \$785,880 for year ended December 31, 2016, compared to \$506,890 of net cash used in operating activities for the same period ended December 31, 2015.

### Cash Flows from Investing Activities

The net cash provided by investing activities for the year ended December 31, 2016 was \$194,028 compared to \$233,677 of net cash used in investing activities for the period ended December 31, 2015.

### Cash Flows from Financing Activities

Net cash provided by financing activities for the year ended December 31, 2016 was \$1,222,419 compared to \$489,523 of net cash provided by financing activities for the year ended December 31, 2015.

### 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 8 to 16 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:

|                                  | December 31,<br>2016 | December 31,<br>2015 |
|----------------------------------|----------------------|----------------------|
| Gold Street Capital Corp.        | \$ 1                 | \$ 138,228           |
| Doriana Gianfelici               | 51,819               | 53,447               |
| Other stockholders               | 505,729              | —                    |
| Total advances from stockholders | <u>\$ 557,549</u>    | <u>\$ 191,675</u>    |

During the year ended December 31, 2015, Gold Street Capital Corp. ("Gold Street"), the major stockholder of Newgioco Group, advanced \$271,214 to the Company, net of repayment of \$65,404. On September 30, 2015, the Company issued 144,300 shares to Gold Street to pay \$150,072 of the debt at the market price of \$1.04 per share.

During the year ended December 31, 2016, Gold Street advanced \$290,242 net of repayment of \$55,700. During the year ended December 31, 2016, the Company issued shares to Gold Street to repay the debt at the market prices as follows:

| Date      | Number of shares issued | Price per share | Total amount, USD |
|-----------|-------------------------|-----------------|-------------------|
| 31-Mar-16 | 145,500                 | \$ 0.95         | \$ 138,225        |
| 15-Nov-16 | 1,785,040               | \$ 0.15         | \$ 267,756        |
| 31-Dec-16 | 56,082                  | \$ 0.40         | \$ 22,433         |
|           | <u>1,986,622</u>        |                 | <u>\$ 428,414</u> |

Doriana Gianfelici advanced EUR 250 (approximately U.S. \$264) and EUR 8,801 (approximately U.S. \$9,770) to the Company during the years ended December 31, 2016 and 2015, respectively.

The amounts due to Gold Street Capital and Doriana Gianfelici at December 31, 2016 and 2015 are non-interest bearing and due on demand.

Advances from other stockholders include balances of approximately U.S. \$505,729 due to former stockholders of Ulisse and Odissea, of which approximately U.S. \$500,469 is the dividend accrued due to former stockholders of Ulisse. Following the July 1, 2016 acquisition, in the six months ended December 31, 2016, Luca Pasquini advanced approximately U.S. \$2,780 to the Company.

In addition, on November 15, 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. See Note 13.

#### Related-Party Debt

On February 13, 2015 the Company issued a Promissory Note for \$150,000 to Braydon Capital Corp. a Company owned by Claudio Ciavarella, the brother of our CEO, with an interest at a rate of 2% per month due in full on the Maturity Date of May 15, 2015 which was extended by mutual consent. On September 30, 2015 the Company issued 166,400 shares at the market price of \$1.04 per share to Braydon Capital Corp. to repay the debt, including principal and accrued interest of \$173,016, in full.

On December 15, 2015 the Company issued a Promissory Note for \$186,233 to Braydon Capital Corp. that bears interest at a rate of 1% per month due in full on the Maturity Date of December 15, 2016. Also, on December 15, 2015, the Company entered into a Securities Purchase Agreement with Braydon Capital Corp. for the purchase of 155,000 common shares for \$155,000 at the fair market value of \$1.00 per share.

Promissory notes payable to related parties of \$318,078 comprise of amounts due to Braydon Capital Corp., a company owned by Claudio Ciavarella, the brother of our CEO. On January 13, 2016, the Company issued a Promissory Note for \$90,750 to Braydon Capital Corp. that bears interest at a rate of 1% per month and is 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.

Also, the Company inherited a loan in connection with the acquisition of Odissea on July 1, 2016 of approximately U.S. \$56,753 from Alessandro Pasquini, cousin of our director Luca Pasquini. As of December 31, 2016, the loan was repaid. See Note 4.

On January 1, 2015 the Company acquired land-based gaming assets from Newgioco Srl for a purchase price of EUR 650,649 (approximately U.S. \$787,158) which included a forgiveness of EUR 210,507 (approximately U.S. \$256,251) in debt due for the administrative services. Pursuant to the agreement with Newgioco Srl, the Company made payments of EUR 181,000 (approximately U.S. \$200,313) and EUR 150,443 (approximately U.S. \$166,992) to Newgioco Srl during the years ended December 31, 2016 and 2015, respectively. The Company's shareholder and director, Beniamino Gianfelici, owns 50% shares of Newgioco Srl.

The Company agreed to pay management fees to Gold Street Capital Corp. of \$120,000 per year for the year ended December 31, 2016. Also, the Company paid management fees of approximately U.S.\$26,008 to Luca Pasquini, a director and Chief Technology Officer.

#### 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.

#### Critical Accounting Policies and Estimates

Preparation of our consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires us to make estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenses, as well as related disclosure of contingent assets and liabilities. Significant accounting policies are fundamental to understanding our financial condition and results as they require the use of estimates and assumptions which affect the financial statements and accompanying notes. See Note 3 - Summary of Significant Accounting Policies of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for further information.

Critical accounting policies, which we discuss further below, are those which are both most important to the portrayal of our financial condition and results, and require management to make difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters which are inherently uncertain. Estimates are based on historical experience, where applicable, and other assumptions that management believes are reasonable under the circumstances. These estimates are inherently subject to judgment and actual results could differ from those estimates.

## 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 2011 forward are open and subject to examination. The Company is not currently under examination and it has not been notified of a pending examination.

## Loss Contingencies

We may be subject to claims, suits, government investigations, and other proceedings involving competition and antitrust, intellectual property, privacy, indirect taxes, labor and employment, commercial disputes, content generated by our users, goods and services offered by advertisers or publishers using our website platforms, and other matters. Certain of these matters include speculative claims for substantial or indeterminate amounts of damages. We record a liability when we believe that it is both probable that a loss has been incurred, and the amount can be reasonably estimated. If we determine that a loss is possible and a range of the loss can be reasonably estimated, we disclose the range of the possible loss in the Notes to the Consolidated Financial Statements.

We evaluate, on a monthly basis, developments in our legal matters that could affect the amount of liability that has been previously accrued, and the matters and related ranges of possible losses disclosed, and make adjustments and changes to our disclosures as appropriate. Significant judgment is required to determine both likelihood of there being and the estimated amount of a loss related to such matters. Until the final resolution of such matters, there may be an exposure to loss in excess of the amount recorded, and such amounts could be material. Should any of our estimates and assumptions change or prove to have been incorrect, it could have a material impact on our business, consolidated financial position, results of operations, or cash flows.

## 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. During the measurement period, which is one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

## 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 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.

## 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.

## Investment in Non-consolidated Entities

Investments in non-consolidated entities are accounted for using the equity method or cost basis depending upon the level of ownership and/or the Company's ability to exercise significant influence over the operating and financial policies of the investee. When the equity method is used, investments are recorded at original cost and adjusted periodically to recognize the Company's proportionate share of the investees' net income or losses after the date of investment. When net losses from an investment are accounted for under the equity method exceed its carrying amount, the investment balance is reduced to zero and additional losses are not provided for. The Company resumes accounting for the investment under the equity method if the entity subsequently reports net income and the Company's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended. Investments are written down only when there is clear evidence that a decline in value that is other than temporary has occurred.

The Company's investment in 2336414 Ontario Inc. and Banca Veneto were accounted for using the cost method of accounting. The Company monitors its investment for impairment at least annually and make appropriate reductions in the carrying value if it determines that an impairment charge is required based on qualitative and quantitative information.

## Recently Issued Accounting Pronouncements

See Note 3 - Summary of Significant Accounting Policies of the Notes to the Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for information regarding recently issued accounting standards.

## Events Subsequent to the Balance Sheet Date

See Note 20 "Subsequent Events" of Notes to the Consolidated Financial Statements.

## Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

NEWGIOCO GROUP, INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 and 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Newgioco Group, Inc.  
Toronto, Ontario, Canada

We have audited the accompanying consolidated balance sheet of Newgioco Group, Inc. (Formerly Empire Global Corp.) and subsidiaries (the "Company") as of December 31, 2015 and the related consolidated statements of comprehensive loss, changes in stockholders' equity (deficiency), and cash flows for the year then ended. The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. Our audits of the consolidated financial statements include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As shown in the accompanying consolidated financial statements, the Company had working capital deficit of \$1,592,439 as of December 31, 2015, did not generate cash flow from operation 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 circumstances, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Paritz & Company, P.A

Hackensack, New Jersey  
April 14, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

PITAGORA  
Revisione

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To the Board of Directors and  
Stockholders of Newgioco Group Inc.  
Toronto, Ontario

We have audited the accompanying consolidated balance sheet of Newgioco Group Inc. and subsidiaries (the "Company") as of December 31, 2016 and the related consolidated financial statements of comprehensive loss, stockholders' equity (deficiency), and cash flows for the year then ended. The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit of the consolidated financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and the result of its operations and cash flows for each the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As shown in Note 2 to the accompanying consolidated financial statements, the Company had working capital deficit of \$1,402,563 as of December 31, 2016, did not generate cash flow from operation 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. Management's plans in regard to these matters are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Pitagora Revisione S.r.l.

/s/ Roberto Seymandi  
Roberto Seymandi, Partner

Turin, Italy  
April 7, 2017

NEWGIOCO GROUP, INC.  
Consolidated Balance Sheets

|   | December 31,<br>2016 | December 31,<br>2015 |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| <b>Current Assets</b>   |                      |                      |
| Cash and cash equivalents   | \$ 2,230,422         | \$ 157,363           |
| Accounts receivable   | 16,919               | —                    |
| Gaming account receivable, net of allowance for doubtful accounts of \$388,134 and \$349,374                            | 226,030              | 178,151              |
| Prepaid expenses  | 91,577               | 310,407              |
| Investment in corporate bonds   | —                    | —                    |
| Other current assets  | 228,749              | 36,725               |
| <b>Total Current Assets</b>   | <b>2,793,697</b>     | <b>682,646</b>       |
| <b>Noncurrent Assets</b>  |                      |                      |
| Restricted Cash   | 475,916              | 232,013              |
| Property, plant and equipment   | 203,660              | 88,705               |
| Intangible assets   | 3,690,978            | 2,376,540            |
| Goodwill  | 260,318              | 260,318              |
| Investment in non-consolidated entities   | 6,508                | 6,729                |
| <b>Total Noncurrent Assets</b>  | <b>4,637,380</b>     | <b>2,964,305</b>     |
| <b>Total Assets</b>   | <b>\$ 7,431,077</b>  | <b>\$ 3,646,951</b>  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                      |                      |
| <b>Current Liabilities</b>  |                      |                      |
| Line of credit - Bank   | \$ 726               | \$ 312,483           |
| Accounts payable and accrued liabilities  | 999,363              | 571,501              |
| Gaming account balances   | 621,228              | 274,942              |
| Taxes payable   | 525,361              | 165,166              |
| Advances from stockholders  | 557,549              | 191,675              |
| Liability in connection with acquisition  | 125,375              | 327,536              |
| Debenture, net of discount  | 616,517              | 107,589              |
| Derivative liability  | 211,262              | 28,375               |
| Promissory notes payable - other  | 111,285              | 108,135              |
| Promissory notes payable – related party  | 318,078              | 186,233              |
| Bank loan payable – current portion   | 102,140              | —                    |
| Other current liabilities   | 7,376                | 1,450                |
| <b>Total Current Liabilities</b>  | <b>4,196,260</b>     | <b>2,275,085</b>     |
| Bank loan payable   | 426,610              | —                    |
| Other long term liabilities   | 315,579              | 67,532               |
| <b>Total Liabilities</b>  | <b>4,938,449</b>     | <b>2,342,617</b>     |
| <b>Stockholders' Equity</b>   |                      |                      |
| Common Stock, \$0.0001 par value, 80,000,000 shares authorized; 37,009,295 and 24,126,088 shares issued and outstanding | 3,701                | 2,413                |
| Additional - paid in capital  | 14,169,062           | 10,472,501           |
| Accumulated other comprehensive income  | (416,631)            | 124,265              |
| Accumulated deficit   | (11,263,504)         | (9,294,845)          |
| <b>Total Stockholders' Equity</b>   | <b>2,492,628</b>     | <b>1,304,334</b>     |
| <b>Total Liabilities and Stockholders' Equity</b>   | <b>\$ 7,431,077</b>  | <b>\$ 3,646,951</b>  |

See notes to consolidated financial statements  
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NEWGIOCO GROUP, INC.  
Consolidated Statements of Comprehensive Loss

|  | Years ended December 31, |              |
|--|--------------------------|--------------|
|  | 2016                     | 2015         |
| Revenue  | \$ 8,897,963             | \$ 4,872,902 |
| Costs and expenses   |                          |              |
| Selling expenses   | 5,846,019                | 3,663,165    |
| General and administrative expenses                                    | 4,512,812                | 2,837,800    |
| Total Costs and Expenses   | 10,358,831               | 6,500,965    |
| Loss from operations   | (1,460,868)              | (1,628,063)  |
| Other Expenses (Income)  |                          |              |
| Interest expense, net of interest income                               | 727,328                  | 205,355      |
| Changes in fair value of derivative liabilities                        | (426,369)                | 22,808       |
| Imputed interest on related party advances                             | 8,807                    | 5,309        |
| Allowance for deposit on acquisition                                   | —                        | 94,952       |
| Impairment on investment   | —                        | 30,185       |
| Total Other Expenses   | 309,766                  | 358,609      |
| Loss before income taxes   | (1,770,634)              | (1,986,672)  |
| Income taxes   | 198,025                  | 35,991       |
| Net loss   | (1,968,659)              | (2,022,663)  |
| Other Comprehensive Income   |                          |              |
| Foreign currency translation adjustment                                | (540,896)                | 84,385       |
| Comprehensive loss   | (2,509,555)              | (1,938,278)  |
| Basic and fully diluted loss per common share                          | \$ (0.09)                | \$ (0.08)    |
| Weighted average number of common shares outstanding basic and diluted | 28,156,667               | 23,412,131   |

See notes to consolidated financial statements

NEWGIOCO GROUP, INC.  
Consolidated Statements of Changes in Stockholders' Equity (Deficiency)

|  | Common Stock      |                 | Additional Paid-     | Accumulated Other   | Accumulated            | Total               |
|--|-------------------|-----------------|----------------------|---------------------|------------------------|---------------------|
|  | Shares            | Amount          | In                   | Comprehensive       | Deficit                |                     |
| Balance at December 31, 2014                         | 23,264,800        | \$ 2,327        | \$ 9,525,357         | \$ 39,880           | \$ (7,272,182)         | \$ 2,295,382        |
| Shares issued for repayment of debt                  | 332,350           | 33              | 345,611              |                     |                        | 345,644             |
| Shares issued for services                           | 311,500           | 31              | 321,969              |                     |                        | 322,000             |
| Shares issued for warrants exercised                 | 62,438            | 6               | 64,344               |                     |                        | 64,350              |
| Common stock sold for cash                           | 155,000           | 16              | 154,984              |                     |                        | 155,000             |
| Imputed Interest on stockholder advances             |                   |                 | 5,272                |                     |                        | 5,272               |
| Beneficial conversion value of debt                  |                   |                 | 54,964               |                     |                        | 54,964              |
| Foreign currency translation adjustment              |                   |                 |                      | 84,385              |                        | 84,385              |
| Net loss   |                   |                 |                      |                     | (2,022,663)            | (2,022,663)         |
| Balance at December 31, 2015                         | 24,126,088        | \$ 2,413        | \$ 10,472,501        | \$ 124,265          | \$ (9,294,845)         | \$ 1,304,334        |
| Shares issued for repayment of debt                  | 2,226,622         | 223             | 464,191              |                     |                        | 464,414             |
| Shares issued for services                           | 90,000            | 9               | 61,291               |                     |                        | 61,300              |
| Shares issued for warrants exercised                 | 14,885            | 1               | 14,437               |                     |                        | 14,438              |
| Stock-based compensation                             | 4,500,000         | 450             | 674,550              |                     |                        | 675,000             |
| Common stock issued for the purchase of subsidiaries | 6,051,700         | 605             | 2,359,558            |                     |                        | 2,360,163           |
| Imputed interest on stockholder advances             |                   |                 | 8,503                |                     |                        | 8,503               |
| Beneficial conversion value of debt                  |                   |                 | 114,031              |                     |                        | 114,031             |
| Foreign currency translation adjustment              |                   |                 |                      | (540,896)           |                        | (540,896)           |
| Net income (loss)                                    |                   |                 |                      |                     | (1,968,659)            | (1,968,659)         |
| Balance at December 31, 2016                         | <u>37,009,295</u> | <u>\$ 3,701</u> | <u>\$ 14,169,062</u> | <u>\$ (416,631)</u> | <u>\$ (11,263,504)</u> | <u>\$ 2,492,628</u> |

See notes to consolidated financial statements  
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NEWGIOCO GROUP, INC.  
Statement of Cash Flows

|   | Years ended December 31, |                |
|---|--------------------------|----------------|
|   | 2016                     | 2015           |
| <b>Cash Flows from Operating Activities</b>                                       |                          |                |
| Net loss  | \$ (1,968,659)           | \$ (2,022,663) |
| <b>Adjustments to reconcile net loss to net cash used in operating activities</b> |                          |                |
| Depreciation and amortization   | 522,199                  | 429,210        |
| Amortization of deferred costs  | 263,046                  | 31,738         |
| Non-cash interest   | 569,558                  | 113,456        |
| Imputed interest  | 8,807                    | 5,309          |
| Changes in fair value of derivative liabilities                                   | (426,369)                | 22,808         |
| Non-cash commission and legal fees related to debenture                           | —                        | 5,000          |
| Impairment of assets  | —                        | 125,137        |
| Stock issued for services   | 297,319                  | 362,749        |
| Stock compensation  | 675,000                  | —              |
| Bad debt  | 69,268                   | 354,678        |
| <b>Changes in operating assets and liabilities</b>                                |                          |                |
| Prepaid expenses  | (164,518)                | (20,025)       |
| Accounts payable and accrued liabilities  | 168,321                  | 249,724        |
| Accounts receivable   | 348,324                  | —              |
| Gaming accounts receivable  | (125,496)                | (196,648)      |
| Gaming account liabilities  | 371,843                  | (42,409)       |
| Taxes payable   | 111,497                  | 96,950         |
| Other current assets  | (202,420)                | (20,433)       |
| Other current liabilities   | 6,251                    | (6,415)        |
| Long term liability   | 27,787                   | 4,944          |
| Customer Deposits   | 234,122                  | —              |
| Net cash provided by (used in) operating activities                               | 785,880                  | (506,890)      |
| <b>Cash Flows from Investing Activities</b>                                       |                          |                |
| Acquisition of property, plant and equipment                                      | (145,918)                | (27,922)       |
| Acquisition of intangible assets  | —                        | (88,800)       |
| Cash acquired on acquisition  | 803,482                  | 14,382         |
| Cash paid for acquisition   | (200,313)                | (189,350)      |
| Proceeds from matured corporate bond  | —                        | 355,200        |
| Increase in restricted cash   | (263,223)                | (235,535)      |
| Deposit on acquisitions   | —                        | (61,652)       |
| Net cash provided by (used in) investing activities                               | 194,028                  | (233,677)      |
| <b>Cash Flows from Financing Activities</b>                                       |                          |                |
| Proceeds (repayment) of bank credit line, net                                     | (315,526)                | 140,201        |
| Proceeds (repayment) of bank loan   | 553,350                  | (51,324)       |
| Proceeds from debenture and convertible notes issued, net of commission           | 750,000                  | 222,020        |
| Proceeds from promissory notes, net of repayment                                  | 75,403                   | 336,233        |
| Repayment of promissory notes   | —                        | (328,661)      |
| Repayment of convertible notes and debenture                                      | (135,100)                | (265,000)      |
| Proceeds from issuance of common stock  | —                        | 155,000        |
| Advances from stockholders, net of repayment                                      | 294,292                  | 281,054        |
| Net cash provided by financing activities   | 1,222,419                | 489,523        |
| <b>Effect of change in exchange rate</b>  | (129,268)                | (13,868)       |
| Net increase (decrease) in cash   | 2,073,059                | (264,913)      |
| Cash - beginning of year  | 157,363                  | 422,276        |
| Cash - end of year  | \$ 2,230,422             | \$ 157,363     |
| <b>Supplemental disclosure of cash flow information:</b>                          |                          |                |
| Cash paid during the year for:  |                          |                |
| Interest  | \$ 158,586               | \$ 74,367      |
| Income Taxes  | \$ 23,358                | \$ 15,765      |
| <b>Supplemental cash flow disclosure for non-cash activities:</b>                 |                          |                |
| Common shares issued to related parties for repayment of debt                     | 428,414                  | 323,128        |
| Common shares issued for repayment of debt  | 2,360,163                | 22,516         |
| Common shares issued for cashless exercise of warrants                            | 14,438                   | 64,350         |

See notes to consolidated financial statements  
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## Notes to Consolidated Financial Statements

### 1. Basis of Presentation and Nature of Business

#### Nature of Business

Newgioco Group, Inc. ("Newgioco Group" or "the Company") was incorporated in the state of Delaware on August 26, 1998 as Pender International Inc. On September 30, 2005 the Company changed its name to Empire Global Corp., and on July 20, 2016 the Company changed its name to Newgioco Group, Inc. The Company maintains its principal executive offices headquartered in Toronto, Canada.

The Company provides web-based and land-based gaming services through its wholly owned subsidiaries in Italy and Austria. 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 \$1,402,563 as of December 31, 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 years ended December 31, 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 operate in Europe, 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) Cash and equivalents

The Company considers all highly liquid debt instruments with maturities of three months or less at the time acquired to be cash equivalents. Cash equivalents represent short-term investments consisting of investment-grade corporate and government obligations, carried at cost, which approximates market value. The Company has no cash equivalents as of December 31, 2016 and 2015.

The Company primarily places its cash with high-credit quality financial institutions, one of which is located in the United States and is insured by the Federal Deposit Insurance Corporation for up to \$250,000 and another which is located in Italy and is insured by the Italian government.

k) 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 by cash collected 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.

l) 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.

m) 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 December 31, 2014                         | \$ | 15,397           |
| Issued during the year ended December 31, 2015    |    | 54,520           |
| Exercised during the year ended December 31, 2015 |    | (64,350)         |
| Change in fair value recognized in operations     |    | <u>22,808</u>    |
| Balance at December 31, 2015                      |    | 28,375           |
| Issued during the year ended December 31, 2016    |    | 609,256          |
| Exercised during the year ended December 31, 2016 |    | —                |
| Change in fair value recognized in operations     |    | <u>(426,369)</u> |
| Balance at December 31, 2016                      | \$ | <u>211,262</u>   |

n) Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and adjustments for impairment losses. Expenditures are capitalized only when they increase the future economic benefits embodied in an item of property, plant and equipment. All other expenditures are recognized as expenses in the statement of income as incurred.

Depreciation is charged on a straight-line basis over the estimated remaining useful lives of the individual assets. Amortization commences from the time an asset is put into operation. The range of the estimated useful lives is as follows:

|                    |             |
|--------------------|-------------|
| Trademarks / names | 14 years    |
| Office equipment   | 5 years     |
| Office furniture   | 8 1/3 years |
| Signs and displays | 5 years     |

o) Leases

Leases are reviewed and classified as capital or operating at their inception in accordance with ASC Topic 840, Accounting for Leases. For leases that contain rent escalations, the Company records rent expense on the straight line method. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent account and is included in accrued expenses and other current liabilities.

All lease agreements of the Company as lessees are accounted for as operating leases as of December 31, 2016 and 2015.

p) 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 2011 forward are open and subject to examination. The Company is not currently under examination and it has not been notified of a pending examination.

q) Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, including foreign currency translation adjustments and unrealized gains and losses on marketable securities.

The Company adopted FASB ASC 220-10-45, "Reporting Comprehensive Income". ASC 220-10-45 establishes standards for reporting and presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income consists of net income and unrealized gains (losses) on available for sale marketable securities; foreign currency translation adjustments and changes in market value of future contracts that qualify as a hedge; and negative equity adjustments.

r) 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 offline and land-based gaming assets

##### (a) Rifa Srl. And Newgioco Srl.

On January 1, 2015 the Company completed the acquisition of Rifa, an inactive legal entity incorporated in Italy. Rifa's assets include a "Monti license" and 1 Diritti Negozio Sportivo ("Agency") Concession right that enables the Company to operate Agency locations. During the year ended December 31, 2014 Multiigioco paid EUR 51,506 (approximately U.S. \$62,300) towards the acquisition of Rifa, which was classified as deposit on acquisitions at December 31, 2014. The Company paid EUR 30,000 (approximately U.S. \$36,300) towards the purchase price of Rifa and also advanced EUR 21,506 (approximately U.S. \$26,000) for payments of debts of Rifa.

Also on January 1, 2015, Multiigioco purchased offline gaming assets of Newgioco, which included a Bersani license along with 3 Diritti Punto Sportivo ("Corner") rights to operate under Multiigioco, and Rifa purchased 1 Agency right from Newgioco to operate under Rifa's Monti license. Pursuant to the agreement Rifa assumed the lease on the Newgioco Agency premises. The purchase price paid to Newgioco also includes equipment and assets related to each of the Corner and Agency locations.

Newgioco is an Italian gaming company which is 50% owned by Laura Tabacco an Italian citizen and 50% owned by Beniamino Gianfelici, who along with his daughter owned 100% of Multiigioco prior to its acquisition by Empire.

Rifa was a privately owned, inactive Italian gaming company which included a "Monti license" and 1 Diritti Negozio Sportivo ("Agency") Concession Right. The Company acquired Rifa in order to develop its land-based gaming operations in Italy.

The Company agreed to pay Newgioco EUR 650,649 (approximately U.S. \$787,158) which included EUR 450,000 (approximately U.S. \$569,700) payable in 9 cash instalments of EUR 50,000 (approximately U.S. \$63,308) each until paid in full and forgiveness of EUR 210,507 (approximately U.S. \$256,251) in debt which was recorded as due from affiliates at December 31, 2014. As of December 31, 2015, the Company has paid EUR 144,000 (approximately U.S. \$159,840) towards the cash purchase price. Additional payments of EUR 106,000 (approximately U.S. \$116,923) and EUR 75,000 (approximately U.S. \$82,729) were paid in February, 2016 and April 2016, respectively.

For accounting purposes, the purchase was accounted for using the acquisition method of accounting. The assets and liabilities of Rifa and Newgioco are included in the Consolidated Balance Sheet from the acquisition date and the results of the operation subsequent to the acquisition date are included in the Consolidated Statement of Comprehensive Loss for the year ended December 31, 2015.

The total cost of the acquisition has been allocated to the assets acquired and the liabilities assumed based upon their estimated fair values at the date of the acquisition. The Company conducted an internal assessment on the fair value of the tangible and intangible assets acquired.

The following represents the purchase price allocation:

|  |                   | Useful life  |
|--|-------------------|--------------|
| Total property, plant and equipment            | \$ 62,693         | 4 – 10 years |
| Identifiable intangible assets                 |                   |              |
| Bersani license:                               | 36,519            | 1.5 years    |
| Monti license:                                 | 36,519            | 1.5 years    |
| Corner concession rights:                      | 57,381            | 5 years      |
| Agency concession rights:                      | 226,327           | 5 years      |
| Customer relationships:                        | <u>346,931</u>    | 15 years     |
| Total identifiable intangible assets           | 703,677           |              |
| Net Liabilities assumed                        | <u>(18,895)</u>   |              |
| Total identifiable assets less net liabilities | 747,475           |              |
| Goodwill                                       | 81,079            |              |
| Total purchase price                           | <u>\$ 828,554</u> |              |

(b) 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 (the “Odissea SPA”). 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 11.85% of the issued and outstanding shares of common stock of the Company.

Pursuant to the Odissea SPA, upon completion of certification of the Betting Operating System by the ADM the sellers may exercise the option to resell to the Company 50% of the shares of common stock issued in consideration for the purchase price (or 2,193,050 shares) at a fixed price of U.S. \$1.00 per share. The repurchase option expires on June 30, 2017, 12 months after the Closing Date.

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                          | <u>(215,935)</u> |                       |
| Total identifiable assets less liabilities assumed | 1,710,579        |                       |
| Total purchase price                               | <u>1,710,579</u> |                       |
| Excess purchase price                              | <u>\$ —</u>      |                       |

(c) 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 (the “Ulisse SPA”). Ulisse operates an existing network of 107 land-based Agency locations in Italy. 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 4.50% of the issued and outstanding shares of common stock of the Company.

Pursuant to the Ulisse SPA, upon completion of the ADM license tender auction and the Rights obtained by the Company are assigned to the Ulisse locations the sellers may exercise the option to resell to the Company 50% of the shares of common stock issued in consideration for the purchase price (or 832,800 shares) at a fixed price of U.S. \$1.00 per share. The repurchase option expires on June 30, 2017, 12 months after the Closing Date.

On November 15, 2016, Ulisse obtained a bookmaker license from the Austrian gaming authority making Ulisse a licensed sports bookmaker. The Ulisse bookmaker license does not have an expiration date and renews on an annual basis.

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                          | <u>(421,976)</u> |                       |
| Total identifiable assets less liabilities assumed | 649,584          |                       |
| Total purchase price                               | <u>649,584</u>   |                       |
| Excess purchase price                              | <u>\$ —</u>      |                       |

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.

#### 5. Deposits on Acquisitions

Deposits on acquisitions includes the following:

|  | December 31,<br><u>2016</u> | December 31,<br><u>2015</u> |
|--|-----------------------------|-----------------------------|
| Acquisition of Rifa Srl.                 | \$ —                        | \$ —                        |
| Acquisition of Streamlogue Holdings Ltd. | <u>—</u>                    | <u>750,929</u>              |
|  | —                           | 750,929                     |
| Less allowance for doubtful account      | —                           | (750,929)                   |
|  | <u>\$ —</u>                 | <u>\$ —</u>                 |

On September 1, 2014 the Company entered into a Share Purchase Agreement (SPA) to acquire Streamlogue Holdings Ltd. ("Streamlogue"), a Maltese licensed gaming company. The purpose of seeking the acquisition of Streamlogue is to expand our gaming products and services outside of the Italian operations of our subsidiary Multigioco. Under the terms of the SPA, the company agreed to pay EUR 600,000 (approximately U.S. \$759,698) of outstanding debts of Streamlogue plus EUR 350,000 (approximately U.S. \$443,157) in shares of the company payable on closing of the transaction.

The Company did not make any advances during the year ended December 31, 2016. The Company advanced \$94,953 towards the acquisition of Streamlogue during the year ended December 31, 2015. The advances were credited to the purchase price for Streamlogue of EUR 950,000 (approximately U.S. \$1,202,855).

Since Streamlogue has not produced any meaningful income, the Company determined that it may not be able to realize its deposit in Streamlogue if the transaction is unsuccessful. Therefore, the Company set up a 100% allowance on the advances made during the year ended December 31, 2015.

## 6. Intangible Assets

Intangible assets consist of the following:

|                          | December 31,<br>2016 | December 31,<br>2015 | Life<br>(years) |
|--------------------------|----------------------|----------------------|-----------------|
| Betting Operating System | \$ 1,685,371         | \$ —                 | 15              |
| Licenses                 | 953,024              | 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               |
|                          | <u>4,659,322</u>     | <u>2,893,563</u>     |                 |
| Accumulated amortization | (968,344)            | (517,023)            |                 |
| Balance                  | <u>\$ 3,690,978</u>  | <u>\$ 2,376,540</u>  |                 |

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 \$458,087 and \$408,111 for the year ended December 31, 2016 and December 31, 2015, respectively.

Licenses include the GAD online license as well as the Bersani and Monti land-based licenses issued by the Italian gaming regulator to Multigioco and Rifa, respectively. These licenses were obtained by the Company in the acquisitions of Multigioco and Rifa. See Note 4.

## 7. Restricted Cash

Restricted Cash is cash held in a segregated bank account at Veneto Banca Societa Cooperativa Per Azioni ("SCpA") ("Veneto Banca") as collateral against our operating line of credit with the Veneto Banca as well as Wirecard Bank as a security deposit for Ulisse.

## 8. Long Term Debt

Long term debt represents the Italian "Trattamento di Fine Rapporto" (TFR) which is a severance amount set up by Italian companies to be paid to employees on termination or retirement as well as shop deposits that are held by Ulisse.

## 9. Line of Credit – Bank

The Company currently maintains an operating line of credit for a maximum amount of EUR 300,000 (approximately U.S. \$317,250) for Multigioco and EUR 50,000 (approximately U.S. \$52,875) 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.

## 10. 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 year ended December 31, 2016, the company paid EUR 181,000 (approximately U.S. \$200,313) to Newgioco Srl.

## 11. Investment in Non-consolidated Entities

Investments in non-consolidated entities consists of the following:

|   | December 31,<br>2016 | December 31,<br>2015 |
|---|----------------------|----------------------|
| 2336414 Ontario Inc                           | \$ 875,459           | \$ 875,459           |
| Banca Veneto                                  | 6,729                | 6,729                |
|   | 882,188              | 882,188              |
| Less impairment                               | (875,459)            | (875,459)            |
| Total investment in non-consolidated entities | <u>\$ 6,729</u>      | <u>\$ 6,729</u>      |

On December 9, 2014, the Company invested CDN \$1,000,000 (approximately U.S. \$875,459) in a private placement of common shares of 2336414 Ontario Inc. ("2336414"). The Company subscribed for 666,664 Units representing 666,664 common shares or 2.3% of 2336414. Each Unit being comprised of one (1) common share in the capital of 2336414 and one-quarter (1/4) of one common share purchase warrant, which will require four quarter warrants to acquire one additional common share in the capital of 2336414, for CDN \$2.25 within 18 months after the closing of the Offering, or such longer period of time as 2336414 may determine. The Company paid CDN \$1,000,000 (approximately \$875,459 USD) in cash, and obtained a promissory note from 2336414's subsidiary, Paymobile Inc. See Note 15 Promissory Notes Payable – Other for information regarding this promissory note.

2336414 is an Ontario corporation and the parent company of Paymobile Inc. a carrier-class, PCI compliant transaction platform, delivering Visa prepaid card programs for social disbursements, corporate payroll replacement and cheque replacement. The Company is in discussions to obtain a supplemental multi-currency payment processing system for our various clients and partners which may offer us unique, competitive, loyalty benefits in our markets.

Since Paymobile has not produced any meaningful income, the Company has determined that it may not be able to realize its investment in 2336414 and has therefore decided to set up a 100% impairment on the investment made as of December 31, 2014. If the investment in 2336414 is unsuccessful, the Company may lose some or all of its investment in 2336414 Ontario Inc.

On December 31, 2016 and 2015, the Company held \$6,729 in shares of Banca Veneto SCpA. Banca Veneto is a private mutual enterprise organized under Italian banking laws. The Company recorded impairment of \$0 and \$30,185 on the investment during the year ended December 31, 2016 and 2015, respectively.

We carry the value of the shares of Banca Veneto SCpA and 2336414 Ontario Inc. at cost less impairment. The Company accounts for investment in non-consolidated entities using the cost method of accounting if the Company has an ownership interest below 20% and does not have the ability to exercise significant influence over an investee. The shares of Banca Veneto and 2336414 Ontario Inc. do not have an active market.

## 12. 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:

|                                  | December 31,<br>2016 | December 31,<br>2015 |
|----------------------------------|----------------------|----------------------|
| Gold Street Capital Corp.        | \$ 1                 | \$ 138,228           |
| Doriana Gianfelici               | 51,819               | 53,447               |
| Other stockholders               | 505,729              | —                    |
| Total advances from stockholders | <u>\$ 557,549</u>    | <u>\$ 191,675</u>    |

During the year ended December 31, 2015, Gold Street Capital Corp. ("Gold Street"), the major stockholder of Newgioco Group, advanced \$271,214 to the Company, net of repayment of \$65,404. On September 30, 2015, the Company issued 144,300 shares to Gold Street Capital Corp to pay \$150,072 of the debt at the market price of \$1.04 per share.

During the year ended December 31, 2016, Gold Street advanced \$290,242 net of repayment of \$55,700. During the year ended December 31, 2016, the Company issued shares to Gold Street to repay the debt at the market prices as follows:

| Date      | Number of shares issued | Price per share | Total amount, USD |
|-----------|-------------------------|-----------------|-------------------|
| 31-Mar-16 | 145,500                 | \$ 0.95         | \$ 138,225        |
| 15-Nov-16 | 1,785,040               | \$ 0.15         | \$ 267,756        |
| 31-Dec-16 | 56,082                  | \$ 0.40         | \$ 22,433         |
|           | <u>1,986,622</u>        |                 | <u>\$ 428,414</u> |

Doriana Gianfelici advanced EUR 250 (approximately U.S. \$264) and EUR 8,801 (approximately U.S. \$9,770) to the Company during the years ended December 31, 2016 and 2015, respectively.

The amounts due to Gold Street Capital and Doriana Gianfelici at December 31, 2016 and 2015 are non-interest bearing and due on demand.

Advances from other stockholders include balances of approximately U.S. \$505,729 due to former stockholders of Ulisse and Odissea, of which approximately U.S. \$500,469 is the dividend accrued due to former stockholders of Ulisse. Following the July 1, 2016 acquisition, in the six months ended December 31, 2016, Luca Pasquini advanced approximately U.S. \$2,780 to the Company.

In addition, on November 15, 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. See Note 13.

#### Related-Party Debt

On February 13, 2015 the Company issued a Promissory Note for \$150,000 to Braydon Capital Corp. a Company owned by Claudio Ciavarella, the brother of our CEO, with an interest at a rate of 2% per month due in full on the Maturity Date of May 15, 2015 which was extended by mutual consent. On September 30, 2015 the Company issued 166,400 shares at the market price of \$1.04 per share to Braydon Capital Corp. to repay the debt, including principal and accrued interest of \$173,016, in full.

On December 15, 2015 the Company issued a Promissory Note for \$186,233 to Braydon Capital Corp. that bears interest at a rate of 1% per month due in full on the Maturity Date of December 15, 2016. Also, on December 15, 2015, the Company entered into a Securities Purchase Agreement with Braydon Capital Corp. for the purchase of 155,000 common shares for \$155,000 at the fair market value of \$1.00 per share.

Promissory notes payable to related parties of \$318,078 comprise of amounts due to Braydon Capital Corp., a company owned by Claudio Ciavarella, the brother of our CEO. On January 13, 2016, the Company issued a Promissory Note for \$90,750 to Braydon Capital Corp. that bears interest at a rate of 1% per month and is 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.

Also, the Company inherited a loan in connection with the acquisition of Odissea on July 1, 2016 of approximately U.S. \$56,753 from Alessandro Pasquini, cousin of our director Luca Pasquini. As of December 31, 2016, the loan was repaid. See Note 4.

On January 1, 2015 the Company acquired land-based gaming assets from Newgioco Srl for a purchase price of EUR 650,649 (approximately U.S. \$787,158) which included a forgiveness of EUR 210,507 (approximately U.S. \$256,251) in debt due for the administrative services. Pursuant to the agreement with Newgioco Srl, the Company made payments of EUR 181,000 (approximately U.S. \$200,313) and EUR 150,443 (approximately U.S. \$166,992) to Newgioco Srl during the years ended December 31, 2016 and 2015, respectively. The Company's shareholder and director, Beniamino Gianfelici, owns 50% shares of Newgioco Srl.

The Company agreed to pay management fees to Gold Street Capital Corp. of \$120,000 per year for the year ended December 31, 2016. Also, the Company paid management fees of approximately U.S.\$26,008 to Luca Pasquini, a director and Chief Technology Officer.

### 13. Stockholders' Equity

On September 15, 2015, the Company entered into a non-exclusive one year advisory agreement with Merriman Capital Inc. pursuant to which Merriman agreed to act as a capital markets advisor and placement agent to the Company. As consideration for these services, Merriman was paid a one-time retainer fee of 150,000 shares of the Company's common stock with a fair market value of \$140,985. In addition to the retainer fee, Merriman will receive performance-based compensation for services related to (1) completion of financing, and (2) if the Company qualifies for and completes an up-listing to any of the national markets designated as the NYSE, NYSE/AMEX, or NASDAQ. This amount is being amortized over one year term of this agreement. The unamortized balance of \$0 and \$99,666 is included in prepaid expenses on the accompanied balance sheet for the years ended December 31, 2016 and 2015, respectively.

On September 30, 2015, the Company issued 21,650 shares at the market price of \$1.04 per share to pay \$22,500 to CorCapital Inc. in full.

On November 25, 2015, the Company entered into a non-exclusive financial advisory and placement agent agreement with National Securities Corp.. As consideration for these services, National was paid a one-time retainer fee of 50,000 shares of the Company's common stock with a fair market value of \$55,995. The unamortized balance of \$0 and \$50,323 is included in prepaid expenses on the accompanied balance sheet for the years ended December 31, 2016 and 2015, respectively.

On December 24, 2015, the Company entered into a non-exclusive placement agent and investment banking agreement with JH Darbie & Co., Inc.. As consideration for these services, JH Darbie was paid a one-time retainer fee of 100,000 shares of the Company's common stock with a fair market value of \$115,990. The unamortized balance of \$0 and \$113,775 is included in prepaid expenses on the accompanied balance sheet for the years ended December 31, 2016 and 2015, respectively.

On December 15, 2015, the Company entered into a Securities Purchase Agreement with Braydon Capital Corp. for the purchase of 155,000 common shares for \$155,000 at the fair market value of \$1.00 per share.

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 November 15, 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.

Also on November 15, 2016, the Company issued an aggregate of 2,025,100 shares of common stock dated at 100% of the market price of \$0.15 per share as follows:

- 1,785,100 shares issued to Gold Street Capital Corp. for the payment of debt equal to \$267,756;
- 200,000 issued to Julia Lesnykh for the payment of debt equal to \$30,000;
- 40,000 issued to Andrei Sheptikita for the payment of debt equal to \$6,000

On December 31, 2016, 56,000 shares of the Company's common stock were issued to Gold Street Capital Corp. at 100% of the market price of \$0.41 per share for the payment of debt equal to \$22,433.

See Note 12 for additional common share transactions in repayment of debt.

#### 14. Debentures and Convertible Notes

Debentures and convertible notes outstanding include the following:

|   | December 31,<br>2016 | December 31,<br>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 \$85,898 | 514,102              | —                    |
| March 31, 2016 Convertible Note, net of discount of \$34,187    | 115,812              | —                    |
|   | 629,914              | 112,848              |
| Less: unamortized debt issuance costs                           | (13,397)             | (5,259)              |
|   | <u>\$ 616,517</u>    | <u>\$ 107,589</u>    |

##### 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 U.S. \$22,141) including principle and accrued interest. As of the date of this report the warrants issued for the April 2, 2015 debentures have expired.

##### 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.

##### June 18, 2015 Convertible Promissory Note

On June 18, 2015, the Company issued a convertible promissory note (the "Note") bearing an interest rate of 10% per annum to purchase a gross amount of \$330,000 which includes an Original Issue Discount ("OID") of 10% to an accredited investor. On the Closing Date the Company received the initial cash purchase price of \$115,000 which includes \$10,000 OID and \$5,000 for legal fees incurred by the Company as well as two Investor Notes of \$100,000 each bearing interest of 8% per annum. On December 14, 2015, the cashless warrant was exercised and the Company issued 62,438 shares. The Note was pre-paid on December 15, 2015. The total amount of pre-payment was \$155,233, including interest and penalties. On March 14, 2016, the Company entered into a Mutual Release Agreement with the investor to extinguish future "true-up" provisions contained within the Convertible Note and the Transfer Agent Reserve shares related to the Note. Pursuant to the agreement, the Company issued 14,885 shares of common stock to the investor.

#### 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. On April 4, 2016, the Company received the balance 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.

Repayment of the February 29, 2016 Securities Purchase Agreement is the subject of legal proceedings described in Subsequent Events. See Note 20.

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 16.

#### 15. 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. \$111,285) 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 \$13,590 and \$16,008 was recorded for the year ended December 31, 2016 and 2015, respectively.

#### 16. 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.

## 17. Warrants

On April 2, 2015, as per a Securities Purchase Agreement, the Company issued warrants to purchase 4,800 shares of the Company's common stock at \$1.25 per share which may be exercised by the warrant holder between April 2, 2016 and April 2, 2017 (See Note 14). The fair value of the warrants of \$4,291 was calculated using the Black-Scholes model on the date of issuance and was recorded as a debt issuance cost, which has been amortized over the life of the debt.

On April 27, 2015, as per a Securities Purchase Agreement, the Company issued warrants to purchase 3,900 shares of the Company's common stock at \$1.25 per share which may be exercised by the warrant holder between April 27, 2016 and April 27, 2017 (See Note 14). The fair value of the warrants of \$4,264 was calculated using the Black-Scholes model on the date of issuance and was recorded as a debt issuance cost, which has been amortized over the life of the debt.

The Company has determined that the warrants issued in connection with the debentures on April 2, 2015 and April 27, 2015 should be treated as a liability since it has been determined not to be indexed to the Company's own stock.

On June 18, 2015, as per a Securities Purchase Agreement, the Company issued a warrant to purchase 57,500 shares of the Company's common stock at \$1.00 per share which may be exercised by the warrant holder between August 28, 2016 and February 28, 2019 (See Note 14). The fair value of the warrants of \$45,964 was calculated using the Black-Scholes model on the date of issuance and was recorded as a debt issuance cost, which has been amortized over the life of the debt.

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 14). The warrant was issued in connection with the February 29, 2016 and March 31, 2016 convertible Promissory Notes. 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.

On April 4, 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 4, 2019. The warrant was issued to the placement agent in relation to securing the February 29, 2016 and March 31, 2016 convertible Promissory Notes (See Note 14). 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 debt issuance cost, which has been amortized over the life of the debt.

On April 4, 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 April 4, 2019 (See Note 14). 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 fair value of the warrants on the date of issuance as calculated using the Black-Scholes model was:

| Debenture |                   | Fair Value |
|-----------|-------------------|------------|
|           | April 2, 2015     | \$ 4,291   |
|           | April 27, 2015    | \$ 4,264   |
|           | June 18, 2015     | \$ 45,964  |
|           | February 29, 2016 | \$ 106,583 |
|           | April 4, 2016     | \$ 53,236  |
|           | April 4, 2016     | \$ 27,901  |

The following assumptions were used to calculate the fair value:

| Warrant Date      | Exercise Price per/sh | Common Stock Price per/sh | Volatility | Term  | Dividend Yield | Interest Rate | Forfeiture Risk |
|-------------------|-----------------------|---------------------------|------------|-------|----------------|---------------|-----------------|
| April 2, 2015     | \$ 1.25               | \$ 0.90                   | 392%       | 2 yrs | 0%             | 0.91%         | 0%              |
| April 27, 2015    | \$ 1.25               | \$ 1.10                   | 392%       | 2 yrs | 0%             | 0.91%         | 0%              |
| June 18, 2015     | \$ 1.00               | \$ 0.80                   | 392%       | 3 yrs | 0%             | 0.91%         | 0%              |
| February 29, 2016 | \$ 1.15               | \$ 0.90                   | 200%       | 3 yrs | 0%             | 0.91%         | 0%              |
| April 4, 2016     | \$ 1.15               | \$ 0.95                   | 195%       | 3 yrs | 0%             | 0.91%         | 0%              |
| April 4, 2016     | \$ 1.15               | \$ 0.95                   | 195%       | 3 yrs | 0%             | 0.91%         | 0%              |

A summary of warrant transactions during the year ended December 31, 2016 is as follows:

|                                  | Warrant Shares | Weighted Average Exercise Price Per Common Share | Weighted Average Life |
|----------------------------------|----------------|--|-----------------------|
| Outstanding at January 1, 2015   | 22,000         | \$ 1.34  | 1.85                  |
| Issued                           | 66,200         | \$ 1.25  | 1.29                  |
| Exercised                        | 57,500         | \$ 1.03  | ----                  |
| Expired                          | —              | —  | —                     |
| Outstanding at January 1, 2016   | 30,700         | \$ 1.32  | 1.02                  |
| Issued                           | 225,264        | \$ 1.15  | 3.00                  |
| Exercised                        | —              | —  | —                     |
| Expired                          | (22,000)       | —  | —                     |
| Outstanding at December 31, 2016 | 233,964        | \$ 1.15  | 2.13                  |
| Exercisable at December 31, 2016 | 233,964        | \$ 1.15  | 2.13                  |

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

|                              |                 |
|------------------------------|-----------------|
| Exercises price              | \$1.15 - \$1.25 |
| Common stock price per share | \$0.40          |
| Volatility                   | 447.37%         |
| Weighted average life        | 2.13 years      |
| Dividend yield               | 0%              |
| Interest rate                | 0.91%           |
| Forfeiture risk              | 0%              |

18. Revenues

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

|                          | Year Ended<br>December 31,<br>2016 | Year Ended<br>December 31,<br>2015 |
|--------------------------|------------------------------------|------------------------------------|
| Turnover                 |                                    |                                    |
| Turnover web-based       | \$ 103,033,957                     | \$ 72,671,853                      |
| Turnover land-based      | 18,917,917                         | 4,685,660                          |
| Total Turnover           | \$ 121,951,874                     | \$ 77,357,513                      |
| Winnings/Payouts         |                                    |                                    |
| Winnings web-based       | 96,728,850                         | 67,722,378                         |
| Winnings land-based      | 16,487,782                         | 3,758,216                          |
| Total Winnings/payouts   | 113,216,632                        | 71,480,594                         |
| Gross Gaming Revenues    | \$ 8,735,242                       | \$ 5,876,919                       |
| Less: ADM Gaming Taxes   | 1,592,926                          | 1,169,322                          |
| Net Gaming Revenues      | \$ 7,142,316                       | \$ 4,707,597                       |
| Add: Commission Revenues | 1,105,389                          | 165,305                            |
| Add: Service Revenues    | 650,258                            | —                                  |
| Total Revenues           | \$ 8,897,963                       | \$ 4,872,902                       |

Turnover represents the total bets processed for the period.

## 19. 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 years ended December, 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:

|  | December 31,<br>2016 | December 31,<br>2015 |
|--|----------------------|----------------------|
| U.S. Statutory rate                        | \$ (623,595)         | \$ (695,335)         |
| Tax rate difference between Italy and U.S. | (49,618)             | 2,844                |
| Change in Valuation Allowance              | 847,449              | 685,233              |
| Permanent difference                       | 23,789               | 43,249               |
| Effective tax rate                         | <u>\$ 198,025</u>    | <u>\$ 35,991</u>     |

The Company has accumulated a net operating loss carry forward ("NOL") of approximately \$11.3 million as of December 31, 2016, in the U.S. This NOL may be offset against future taxable income through the year 2036. 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:

|          | December 31,<br>2016 | December 31,<br>2015 |
|----------|----------------------|----------------------|
| Current  | \$ 198,025           | \$ 35,991            |
| Deferred | —                    | —                    |
| Total    | <u>\$ 198,025</u>    | <u>\$ 35,991</u>     |

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

|                                 | December 31,<br>2016 | December 31,<br>2015 |
|---------------------------------|----------------------|----------------------|
| Net loss carryforward - Foreign | \$ 11,874            | \$ 6,906             |
| Net loss carryforward - US      | 3,949,432            | 3,097,131            |
| Less valuation allowance        | (3,961,306)          | (3,104,037)          |
| Deferred tax assets             | <u>\$ —</u>          | <u>\$ —</u>          |

## 20. Subsequent Events

Subsequent to this report, on January 20, 2017, Newgioco Group, Inc. was served with a complaint filed on November 11, 2016 against the Company in connection with a Securities Purchase Agreement by and between the Company and Darling Capital, LLC dated February 29, 2016. The matter involves a \$750,000 debt plus interest that we have been and remain ready and able to pay. However, the plaintiff has sought a premium on the amount owed which we dispute. The Company considers this lawsuit to not be material or affect the future of the Company in any manner. See Note 14.

Subsequent to this report, on January 24, 2017, the Company closed a Securities Purchase Agreement with a group of accredited investors to raise up to CDN \$750,000 (approximately U.S. \$569,952). The Company received gross proceeds from the initial private placement of CDN \$180,000 (approximately U.S. \$136,788). The Company incurred a total of CDN \$14,400 (approximately U.S. \$10,943) in finder's fees to facilitate this transaction for net proceeds of CDN \$165,600 (approximately U.S. \$125,845). The debenture bears an interest rate of 10% per annum and is due in two years. As part of the purchase agreement, the Company also issued a warrant to purchase 18,000 of the Company's common stock at \$1.00 per share up to January 24, 2019.

Subsequent to this report, on March 27, 2017, the Company closed a Securities Purchase Agreement with a group of accredited investors to raise up to CDN \$6,750,000 (approximately U.S. \$5,083,980). The Company received gross proceeds from the initial private placement of CDN \$150,000 (approximately U.S. \$113,000). The Company incurred a total of CDN \$5,000 (approximately U.S. \$3,765) in finder's fees to facilitate this transaction for net proceeds of CDN \$145,000 (approximately U.S. \$109,235). The convertible debenture bears an interest rate of 10% per annum and is due in two years. The debenture is convertible to shares of common stock of the Company at a price of \$1.50 per share at any time up to March 27, 2019. As part of the purchase agreement, the Company also issued a warrant to purchase 15,000 of the Company's common stock at \$1.00 per share up to March 27, 2019.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Annual Evaluation of Disclosure Controls

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 December 31, 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 December 31, 2016, our internal control over financial reporting was not effective due to material weaknesses resulting from our limited resources.

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

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 year covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

## PART III

### Item 10. Directors, Executive Officers, and Corporate Governance

All directors of our company hold office until the next annual meeting of the stockholders or until their successors have been elected and qualified or have resigned. The officers of our company are appointed by our board of directors and hold office until their death, resignation or removal from office.

Our current directors and executive officers, their ages, positions held, and duration as such, as of the date of this report is as follows:

| <u>Name</u>          | <u>Age</u> | <u>Position</u>  | <u>Date First Elected</u> |
|----------------------|------------|--|---------------------------|
| Michele Ciavarella   | 54         | Chairman, Director<br>Chief Executive Officer<br>Principal Financial Officer | June 6, 2011              |
| Alessandro Marcelli  | 42         | Director<br>President  | Feb. 23, 2015             |
| Beniamino Gianfelici | 70         | Director<br>VP Regulatory Affairs  | August 7, 2015            |
| Gabriele Peroni      | 52         | Director<br>VP Business Development  | August 8, 2016            |
| Luca Pasquini        | 50         | Director<br>Chief Technology Officer   | August 8, 2016            |
| Franco Salvagni      | 41         | Director<br>VP Land-based Operations   | August 8, 2016            |
| Quirino Mancini      | 54         | Independent Director   | August 8, 2016            |
| Graham Martin        | 59         | Independent Director   | November 20, 2015         |

#### Identity of Significant Employees

Our Chief Executive Officer, Michele Ciavarella, provides a key managerial role and performs duties related to our regulatory filing requirements and corporate oversight and guidance.

Alessandro Marcelli and Beniamino Gianfelici are expected to perform key roles with the development of our gaming business in Italy.

Gabriele Peroni, Luca Pasquini, and Franco Salvagni have joined the Company as a result of the July 1, 2016 acquisitions of Odissea and Ulisse and are expected to continue to perform key roles in the growth of our business in Italy and abroad.

All of our key management personnel are expected to make a significant contribution to the business.

## Family Relationships

Alessandro Marcelli is the son-in-law of Beniamino Gianfelici and spouse of Doriana Gianfelici, the founders of Multigioco. On February 23, 2015, the Company appointed Mr. Marcelli as our President.

## Executive Resumes

Michele Ciavarella has served in various roles and executive capacities since 2004 and was appointed as our Chairman and CEO in 2011. From 2004 to 2011 Mr. Ciavarella was engaged in senior executive and director roles for a variety of private and publicly listed companies as well as business development officer for a family business in the commercial retail fixture industry. From 1990 to 2004, Mr. Ciavarella served as a senior executive, financial planner and life insurance underwriter with Dagmar Insurance Services and financial advisor with Manulife Financial. Mr. Ciavarella graduated from Laurentian University with a Bachelor of Science degree in Liberal Sciences with studies in mining engineering.

Mr. Ciavarella has over 25 years of executive, c-level and senior board level experience along with practical and lean business process management skill.

Alessandro Marcelli serves as our President and brings 20 years of professional experience in the technology industry having a broad range of applicable cross border experience including a key role as Project Manager of Software with NATO in 1996 working within the Turkish Army. He was employed with Vodafone Group PLC from 1997 through 2010 as manager of the operational and maintenance center for central and south Italy operations.

Mr. Marcelli has extensive experience in communications, team building as well as management skills in fast changing environments. Since 2007, Mr. Marcelli has been the COO and Managing Director of Multigioco and has been instrumental in its growth, expanding the Newgioco/Multigioco brand to over EUR 80 Million in gross annual gaming turnover during his tenure.

Mr. Beniamino (Benji) Gianfelici is the founder and director Newgioco Srl and serves as our director and Vice President of Legal Affairs. Prior to establishing Newgioco Srl in the gaming business in 1996, Mr. Gianfelici, formed and operated a major construction enterprise which designed, engineered and constructed a number of prominent buildings in Rome, Italy. He brings over 35 years of experience in gaming operations in Italy along with a wealth of business associations in the broader industry. In addition, Mr. Gianfelici brings to the Company relationships in several key centers around Italy.

Mr. Peroni brings 20 years of experience in the online and land-based gaming business. From 2011 to 2013, Gabriele was the senior sales manager for GoldBet sportwetten GmbH in charge of business development throughout Italy. Gabriele was influential in leading the company to doubling betting turnover to over EUR 500 million during his tenure.

In 2013, Gabriele co-founded Odissea Betriebsinformatik Beratung GmbH where he has been instrumental to securing a number of significant B2B contracts producing approximately EUR 12 million in betting turnover per week.

Mr. Pasquini brings 30 years of Information Technology experience has held the key roles of team leader, service manager and project manager in various software and technology development projects. From 2011 to 2013, Luca was IT Manager with GoldBet sportwetten GmbH where he provided executive oversight of technology adaptation and software development during a period of substantial growth in GoldBet's betting turnover.

In 2013, Luca co-founded Odissea Betriebsinformatik Beratung GmbH where he was instrumental in the planning and creation of a powerful, leading edge sports betting and gaming technology system. Luca was also instrumental in assembling a solid team of gaming specialist software engineers that have developed a comprehensive bookmaker platform and a full suite of gaming products.

Mr. Salvagni has 20 years of experience at the retail level in Italian gaming business. In 2013, Franco joined Ulisse GmbH as Area Manager in charge of developing the land-based distribution of betting shops in Italy. Franco has been a key player in rapidly growing and managing the location portfolio from start-up to over 100 locations during his tenure.

Mr. Mancini serves as an independent director and is one of the leading Italian gaming and gambling lawyers with a specialist practice of more than 15 years. He acts for many Italian and foreign-based online and land-based companies operating in the Italian gaming market. He is global head of the gaming and gambling practice at Tonucci & Partners ([www.tonucci.com](http://www.tonucci.com)), a top Italian general practice firm with offices in Rome, Milan, Brescia, Padua, Florence, Tirana, Bucharest and Belgrad.

Quirino is a regular speaker at most European and international gaming conferences and sits in the editorial board of various sector reviews and magazines. Co-founder and editor of [www.gaminglaw.eu](http://www.gaminglaw.eu), a pan-European information and commentary portal focusing on legal and regulatory issues under European and national gaming laws. In addition, he is heavily engaged in the sports & entertainment fields and regularly advises market analysts, banks, investment houses and venture capital funds directly or indirectly involved in the Italian market.

Quirino is Secretary and fellow member of the Leadership Committee of the International Masters of Gaming Law, a worldwide organisation gathering regulators, lawyers and advisors, in-house counsels and educators engaged in the gaming business.

Graham Martin serves as an independent director and is a third generation retail bookmaker and widely recognized expert in the online gaming industry. Mr. Martin brings over three decades of experience and knowledge to our board and management team. His responsibility is to attract human and financial capital to foster consolidation synergies for Newgioco Group in regulated gaming jurisdictions within which he is well versed and respected. Previously, Mr. Martin served as Chairman of Probability Games Corporation and AIM listed company from August 2006 and in 2011, founded and owned Scotbet International Limited, the largest Scottish retail bookmaking company and currently serves as a director to gaming specialist firms Cardinal House Group Pty Ltd in Australia and Catalyst Gaming Corporation Limited based in Hong Kong, as well as a number of gaming companies with a presence in European countries, Asia, and North America.

#### Involvement in Certain Legal Proceedings

No bankruptcy petition has been filed by or against any business of which any director was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time.

No current director has been convicted in a criminal proceeding and is not subject to a pending criminal proceeding (excluding traffic violations and other minor offences).

No current director has been subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities.

No director has been found by a court of competent jurisdiction (in a civil action), the Securities Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, that has not been reversed, suspended, or vacated.

#### Compliance with Section 16(a) of the Exchange Act

Based solely on a review of Forms 4 and 5 furnished to the Company and filed with the Securities and Exchange Commission under Rule 16a-3 (e) promulgated under the Securities Exchange Act of 1934, the Company believes that all directors, officers and beneficial owners of more than 10% of any class of equity securities filed on a timely basis the reports required by Section 16(a) of the Exchange Act during the most recent fiscal year.

#### Nomination Procedure for Directors

The Company has adopted a nominee committee charter; however, due to our limited operations, the Company does not have a standing nominating committee. Recommendations for candidates to stand for election as directors are made by the board of directors.

#### Identification of Audit Committee

The Company does not have an audit committee or an audit committee financial expert (as defined in Item 407 of Regulation S-K) serving on its Board of Directors. All current members of the Board of Directors lack sufficient financial expertise for overseeing financial reporting responsibilities. The Company has not yet employed an audit committee financial expert on its Board.

Although we are not legally required to have an audit committee, the Company intends to establish an audit committee of the board of directors, which will consist of independent directors. The audit committee's duties will be to recommend to the Company's board of directors the engagement of an independent registered public accounting firm to audit the Company's financial statements and to review the Company's accounting and auditing principles. The audit committee will review the scope, timing and fees for the annual audit and the results of audit examinations performed by the internal auditors and independent registered public accounting firm, including their recommendations to improve the system of accounting and internal controls. The audit committee will at all times be composed exclusively of directors who are, in the opinion of the Company's board of directors, free from any relationship which would interfere with the exercise of independent judgment as a committee member and who possess an understanding of financial statements and generally accepted accounting principles.

## Code of Ethics

On August 31, 2015, our board of directors adopted an amendment to the Company's Code of Business Conduct. The Company first adopted a Code of Ethics on December 31, 2005 and was filed as an exhibit to our Annual Report on Form 10-K on April 18, 2006. The August 31, 2015 amendment updates of the Code of Business Conduct in its entirety and adds a Whistleblower Policy and a Political Contribution Policy section that were not previously included. The amendment also expands on the Company's other Code of Business Conduct sections such as the confidentiality and compliance with laws, rules and regulations sections.

In addition to amending the Company's Code of Business Conduct, the Company also adopted Corporate Governance Guidelines to assist the Board in fulfilling its oversight responsibilities in reviewing financial information, systems of internal control, and the Company's audit and financial reporting processes.

Copies of the Corporate Governance guidelines and amended Code of Business Conduct are available on the Company's website [www.newgiocogroup.com](http://www.newgiocogroup.com), under "Investor Relations" and are incorporated by reference to this Form 10-K. The Company will provide a copy of the Code of Business Conduct to any person without charge, upon request. Requests can be sent to: Newgioco Group, Inc., Suite 701, 130 Adelaide St. W., Toronto, Ontario M5H 2K4, Canada, Attention: CEO.

## Item 11. Executive Compensation

The following table sets out compensation and awards paid to our officers and directors during the past two years.

### SUMMARY COMPENSATION TABLE

| Name and principal position                        | Year | Salary (\$) | Bonus (\$) | Stock Award(s) (\$) | Option Award(s) (\$) | Non-equity Incentive Plan Compensation (\$) | Nonqualified Deferred Compensation (\$) | All Other Compensation (\$) | Total Compensation (\$) |
|--|------|-------------|------------|---------------------|----------------------|---|---|-----------------------------|-------------------------|
| <b>Michele Ciavarella, CEO, CFO</b>                |      |             |            |                     |                      |   |   |                             |                         |
| Chairman   | 2016 | 120,000     | 0          | *225,000            | 0                    | 0   | 0                                       | 0                           | *345,000                |
|  | 2015 | 120,000     | 0          | 0                   | 0                    | 0   | 0                                       | 0                           | 120,000                 |
| <b>Alessandro Marcelli, President,</b>             |      |             |            |                     |                      |   |   |                             |                         |
| Director   | 2016 | 42,900      | 0          | 225,000             | 0                    | 0   | 0                                       | 0                           | **267,900               |
|  | 2015 | 42,900      | 0          | 0                   | 0                    | 0   | 0                                       | 0                           | **42,900                |
| <b>Gabriele Peroni, CBDO</b>                       |      |             |            |                     |                      |   |   |                             |                         |
| Director   | 2016 | 28,000      | 0          | 0                   | 0                    | 0   | 0                                       | 0                           | 28,000                  |
| <b>Luca Pasquini, CTO</b>                          |      |             |            |                     |                      |   |   |                             |                         |
| Director   | 2016 | 49,000      | 0          | 0                   | 0                    | 0   | 0                                       | 0                           | 49,000                  |
| <b>Franco Salvagni, VP Land-based Operations</b>   |      |             |            |                     |                      |   |   |                             |                         |
| Director   | 2016 | 28,000      | 0          | 0                   | 0                    | 0   | 0                                       | 0                           | 28,000                  |
| <b>Beniamino Gianfelici, VP Regulatory Affairs</b> |      |             |            |                     |                      |   |   |                             |                         |
| Director   | 2016 | 0           | 0          | 225,000             | 0                    | 0   | 0                                       | 0                           | 225,000                 |
|  | 2015 | 0           | 0          | 0                   | 0                    | 0   | 0                                       | 0                           | 0                       |
| <b>Quirino Mancini</b>                             |      |             |            |                     |                      |   |   |                             |                         |
| Independent Director                               | 2016 | 0           | 0          | 0                   | 0                    | 0   | 0                                       | 0                           | 0                       |
| <b>Graham Martin,</b>                              |      |             |            |                     |                      |   |   |                             |                         |
| Independent Director                               | 2016 | 0           | 0          | 0                   | 0                    | 0   | 0                                       | 0                           | 0                       |
|  | 2015 | 0           | 0          | 0                   | 0                    | 0   | 0                                       | 0                           | 0                       |

\*The restricted stock award shares granted to our Chairman and CEO, Michele Ciavarella, were assigned to Gold Street Capital Corp. Gold Street Capital Corp is a company owned by Gilda Ciavarella, the spouse of our Chairman and CEO, Michele Ciavarella. Michele Ciavarella disclaims any beneficial ownership over the shares of the Company held by Gold Street Capital Corp.

\*\*The salary paid to our President, Alessandro Marcelli is net of income tax and TFR deductions. Mr. Marcelli also has use of a vehicle which is leased by the Company.

There are no current employment agreements between the Company and its executive officers and directors. Our directors and officers submit invoices for services provided to the Company for business development. The directors and officers have agreed to receive shares of common stock in lieu of cash until such time as the Company receives sufficient revenues necessary to provide proper salaries to all officers and compensation for directors' participation. At this time, management cannot accurately estimate when sufficient revenues will occur to implement this compensation, or the exact amount of compensation.

There are no annuities, pensions or retirement benefits proposed to be paid to officers, directors or employees of the Company in the event of retirement at a normal retirement date pursuant to any presently existing plan provided or contributed to by the corporation.

#### Compensation of Directors

On August 8, 2016, the Company adopted an Equity Incentive Plan and approved the reservation of 3,000,000 shares of the Company's common stock for issuance upon the exercise of options granted thereunder. No payments have been made to our directors for their services as directors that have not been previously reported by the Company.

#### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

##### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The tables below set forth, as of April 7, 2017, the beneficial ownership of the Company's Common Stock (i) by any person or group known by the Company to beneficially own more than 5% of the outstanding Common Stock, (ii) by each Director and executive officer and (iii) by all Directors and executive officers as a group. Unless otherwise indicated, the Company believes that the beneficial owners of the shares have sole voting and investment power over such shares. The address of all individuals for whom an address is not otherwise indicated is Suite 701, 130 Adelaide St. W., Toronto, Ontario M5H 2K4, Canada.

| Title of Class | Name and Address of Beneficial Owner   | Amount     | Percent of Class |
|----------------|--|------------|------------------|
| Common         | Gold Street Capital Corp.<br>155 Mary Street, Zephyr House<br>Georgetown, Grand Cayman                                 | 19,716,330 | 53%              |
| Common         | Alessandro Marcelli<br>Director, President<br>Roma, Via Tuscolana, 72  | 2,500,000  | 6.8%             |
| Common         | Gabriele Peroni<br>Director, VP Business Development<br>Via Piemonte 27, Sant'Egidio alla Vibrata Teramo, Italia 64016 | 2,517,900  | 6.8%             |
| Common         | Luca Pasquini<br>Director, CTO<br>Amraserstrasse 79, Innsbruck, Tirol, Austria 6020                                    | 2,538,911  | 6.9%             |
| Common         | Mississaugas of the New Credit First Nation<br>2789 Mississauga Road RR#6<br>Hagersville, Ontario                      | 2,669,000  | 7.2%             |

Gold Street Capital Corp is a company owned by Gilda Ciavarella, the spouse of our Chairman and CEO, Michele Ciavarella. Michele Ciavarella disclaims any beneficial ownership over the shares of the Company held by Gold Street Capital Corp.

The Mississaugas of the New Credit First Nation is an autonomous First Nation situated in Ontario, Canada governed by a Chief and Counsel Board with approximately 2,324 total registered community and extra-community citizens. Additional information about the Mississaugas of the New Credit First Nation is available at <http://www.newcreditfirstnation.com/>

#### SECURITY OWNERSHIP OF MANAGEMENT

| Title of Class | Name and Address of Beneficial Owner  | Amount    | Percent of Class |
|----------------|---|-----------|------------------|
| Common         | Michele Ciavarella<br>Chairman, CEO, CFO<br>671 Westburne Dr.<br>Concord, Ontario, L4K 4Z1                                | 0         | 0%               |
| Common         | Alessandro Marcelli<br>Director, President<br>Roma, Via Tuscolana, 72   | 2,500,000 | 6.8%             |
| Common         | Beniamino Gianfelici<br>Director, VP Regulatory Affairs<br>Roma, Via Mario Chiri 3  | 1,500,000 | 4%               |
| Common         | Gabriele Peroni<br>Director, VP Business Development<br>Via Piemonte 27, Sant'Egidio alla Vibrata<br>Teramo, Italia 64016 | 2,517,900 | 6.8%             |
| Common         | Luca Pasquini<br>Director, CTO<br>Amraserstrasse 79, Innsbruck, Tirol, Austria 6020                                       | 2,538,911 | 6.9%             |
| Common         | Franco Salvagni<br>Director, VP Land-based Operations<br>Via dei Volsini 42, Latina,(RM), Italia 04100                    | 324,800   | 1%               |
| Common         | Quirino Mancini<br>Independent Director<br>Rome, Italy  | 100,000   | 0.3%             |
| Common         | Graham Martin<br>Independent Director<br>London, Piccadilly   | 100,000   | 0.3%             |
| Common         | Total shares owned by officers and directors of the Company as a group. All directors and executive officers (8 persons)  | 9,581,611 | 26.1%            |

The above tables are based upon information derived from our stock records. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, the Company believes that each of the shareholders named in this table has sole or shared voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based upon 37,009,295 shares of common stock outstanding as of April 7, 2017.

#### CHANGES IN CONTROL

None

### Item 13. Certain Relationships and Related Party Transactions, Director Independence

In the last 2 years, there have been no transactions or proposed transactions in which the Company was or was to be a party where directors or executive officers, nominees for election as a director and members of the immediate family of such persons were involved.

The Company has no parent company and was not involved in any transactions or agreements with any promoters in the last five years.

No director, executive officer, security holder, or any immediate family of such director, executive officer, or security holder has had any direct or indirect material interest in any transaction or currently proposed transaction, which the Company was or is to be a participant that exceeded the lesser of (1) \$120,000 or (2) one percent of the average of our total assets at year-end for the last two completed fiscal years, except for the following:

See Note 10 of Part II, Item 8 of this Annual Report on Form 10-K for additional information regarding liabilities in connection with acquisition.

See Note 12 of Part II, Item 8 of this Annual Report on Form 10-K for additional information regarding related party transactions.

#### Promoters and control persons

During the past fiscal year, Michele Ciavarella has been a promoter of the Company's business, however Mr. Ciavarella has not received anything of value from the Company or its subsidiaries nor is any person entitled to receive anything of value from the Company or its subsidiaries for services provided as a promoter of the business of the Company and its subsidiaries.

#### Director independence

Pursuant to Item 407(a)(1)(ii) of Regulation S-K of the Securities Act, the Company has adopted the definition of "independent director" as set forth in Rule 5605 of the NASDAQ stock market. In summary, an "independent director" means a person other than an executive officer or employee of the Company or its subsidiaries or any other individual having a relationship which, in the opinion of our board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and includes any director who accepted any compensation from the Company in excess of \$200,000 during any period of 12 consecutive months within the three past fiscal years. Also, ownership of Newgioco Group's stock will not preclude a director from being independent.

In applying this definition, our board of directors has determined that Quirino Mancini and Graham Martin qualify as an "independent directors" pursuant to Rule 5605 of the NASDAQ stock market.

### Item 14. Principal Accountant Fees and Services

#### AUDIT FEES

Audit fees are for professional services for the audit of our annual financial statements, and for the review of the financial statements included in our filing on form 10-K and for services that are normally provided in connection with statutory and regulatory filings or engagements. The Company incurred audit fees of approximately \$47,307 to Pitagora Revisione Srl. and \$48,000 to Paritz and Co. PA in connection to audits for the years ended December 31, 2016 and 2015, respectively.

#### AUDIT RELATED FEES

Audit related fees are funds paid for the assurance and related services reasonably related to the performance of the audit or the review of our financial statements. We paid no audit related fees during 2016 and 2015.

#### TAX FEES

Tax fees are those funds paid for professional services with respect to tax compliance, tax advice, and tax planning. We paid \$3,150 to Paritz and Co. PA during 2016 and no professional tax fees 2015 other than those previously disclosed.

## ALL OTHER FEES

All other fees are those fees paid for permissible work that does not fall within any of the three other fees categories set forth above. No other fees were paid during 2016 and 2015.

## PRE-APPROVED POLICY FOR AUDIT AND NON-AUDIT SERVICES

Our policy is to pre-approve all audit and permissible non-audit services performed by the independent accountants. These services may include audit services, audit-related services, tax services and other services. Under our audit committee policy, pre-approval is generally provided for particular services or categories of services, including planned services, project based services and routine consultations. In addition, the audit committee may also pre-approve particular services on a case-by-case basis. All of the services rendered to us in the past two fiscal years by Pitagora Revisione Srl. and Paritz and Co. PA were pre-approved by our Board of Directors.

## Item 15. Exhibits and Financial Statement Schedules

### EXHIBITS

The exhibits required by Item 601 of Regulation S-K listed on the Exhibit Index are included herein.

All Exhibits required to be filed with the Form 10-K are included in this annual report or incorporated by reference to our previous filings with the SEC, which can be found in their entirety at the SEC website at [www.sec.gov](http://www.sec.gov) under SEC File Number 000-50045.

| Exhibit   | Description  | Status   |
|---|--|----------|
| The Company's Code of Business Conduct and related documents are Conduct filed as an exhibit to the Company's Form 8-K filed on September 04, 2015, and incorporated herein by reference. |  |          |
| 14.1  | Code of Business   | Filed    |
| 99.1  | Board Mandate  | Filed    |
| 99.2  | Individual Director Mandate  | Filed    |
| 99.3  | Audit Committee Charter  | Filed    |
| 99.4  | Audit Committee Chair Position   | Filed    |
| 99.5  | Compensation Committee Charter   | Filed    |
| 99.6  | Compensation Committee Chair Position  | Filed    |
| 99.7  | Corporate Governance & Nominating Committee Charter  | Filed    |
| 99.8  | Corporate Governance & Nominating Committee Chair Position   | Filed    |
| 99.9  | Chairman of the Board Position   | Filed    |
| 99.10   | President & CEO Position   | Filed    |
| 99.11   | Policy for the Prevention of Money Laundering  | Filed    |
| 99.13   | Improper Payments Policy   | Filed    |
| 99.14   | Respectful Workplace Policy  | Filed    |
| 99.15   | Disclosure Policy  | Filed    |
| 99.16   | Insider Trading Policy   | Filed    |
| 99.17   | Business Practices Policy  | Filed    |
| 99.18   | Responsible Gaming Policy  | Filed    |
| 31  | Certification of Principal Executive Officer and Principal Financial Officer required under Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as amended.   | Included |
| 32  | Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. | Included |

SIGNATURES

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

Date: April 10, 2017

**Newgioco Group, Inc.**

By: /s/ Michele Ciavarella

Michele Ciavarella

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

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

| Name   | Title                                 | Date           |
|--|---------------------------------------|----------------|
| By: /s/ Michele Ciavarella<br>Michele Ciavarella     | Chief Executive Officer,<br>Director  | April 10, 2017 |
| By: /s/ Alessandro Marcelli<br>Alessandro Marcelli   | President,<br>Director                | April 10, 2017 |
| By: /s/ Beniamino Gianfelici<br>Beniamino Gianfelici | VP Regulatory Affairs,<br>Director    | April 10, 2017 |
| By: /s/ Gabriele Peroni<br>Gabriele Peroni           | VP Business Development,<br>Director  | April 10, 2017 |
| By: /s/ Luca Pasquini<br>Luca Pasquini               | Chief Technology Officer,<br>Director | April 10, 2017 |
| By: /s/ Franco Salvagni<br>Franco Salvagni           | VP Land-based Operations,<br>Director | April 10, 2017 |
| By: /s/ Quirino Mancini<br>Quirino Mancini           | Independent Director                  | April 10, 2017 |
| By: /s/ Graham Martin<br>Graham Martin               | Independent Director                  | April 10, 2017 |

CERTIFICATION Pursuant to 18 U.S.C. 1350  
(Section 302 of the Sarbanes-Oxley Act of 2002)

I, Michele Ciavarella, certify that:

1. I have reviewed this annual report on Form 10-K of Newgioco Group, Inc. for the fiscal year ended December 31, 2016;
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 this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of 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; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) 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 involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 10, 2017

By: /s/ Michele Ciavarella

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Michele Ciavarella  
Chairman of the Board, Chief Executive Officer  
and Principal Financial Officer

EXHIBIT 32

CERTIFICATION Pursuant to 18 U.S.C. 1350  
(Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the annual report on Form 10-K of Newgioco Group, Inc. (the "Company") for the year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael Ciavarella, as Chairman of the Board, Chief Executive Officer, and Principal Financial Officer of the Company, hereby certifies, 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: April 10, 2017

By: /s/ Michele Ciavarella

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Michele Ciavarella  
Chairman of the Board, Chief Executive Officer  
and Principal Financial Officer