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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2017
or
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ______ to ______

Commission File Number 000-50045

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

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

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

+39-391-306-4134
(Registrant’s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No ☑
Indicate the number of shares outstanding of the issuer's common stock, as of the latest practicable date:
There were 37,009,295 shares of Common Stock outstanding as of May 17, 2017.

TABLE OF CONTENTS

PART I -	FINANCIAL INFORMATION	PAGE
Item 1	Financial Statements	3
Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operation	21
Item 3	Quantitative and Qualitative Disclosures About Market Risk	25
Item 4	Controls and Procedures	25
PART II -	OTHER INFORMATION	
Item 1	Legal Proceedings	27
Item 1A	Risk Factors	27
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	27
Item 3	Defaults Upon Senior Securities	27
Item 4	Mine Safety Disclosures	27
Item 5	Other Information	27
Item 6	Exhibits	27
SIGNATURES		28

PART I

ITEM 1. FINANCIAL STATEMENTS

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

CONTENTS PAGE

Consolidated Balance Sheets	4
Consolidated Statements of Comprehensive Loss	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7

NEWGIOCO GROUP, INC.
Consolidated Balance Sheets
(Unaudited)

ASSETS		March 31, 2017		December 31, 2016
Current Assets				
Cash and cash equivalents	$	1,829,153	$	2,230,422
Accounts receivable		95,587		16,919
Gaming account receivable, net of allowance for doubtful accounts of $392,245 and $388,134		288,014		226,030
Prepaid expenses		60,327		91,577
Other current assets		219,141		228,749
Total Current Assets		2,492,222		2,793,697
Noncurrent Assets				
Restricted Cash		480,917		475,916
Property, plant and equipment		235,311		203,660
Intangible assets		3,581,020		3,690,978
Goodwill		260,318		260,318
Investment in non-consolidated entities		91		6,508
Total Noncurrent Assets		4,557,657		4,637,380
Total Assets	$	7,049,879	$	7,431,077
Current Liabilities				
Line of credit - Bank	$	61,322	$	726
Accounts payable and accrued liabilities		1,260,058		1,006,739
Gaming account balances		541,091		621,228
Taxes payable		580,540		525,361
Advances from stockholders		559,971		557,549
Liability in connection with acquisition		126,703		125,375
Debenture, net of discount		889,181		616,517
Derivative liability		152,105		211,262
Promissory notes payable - other		112,515		111,285
Promissory notes payable – related party		318,078		318,078
Bank loan payable – current portion		122,245		102,140
Total Current Liabilities		4,723,809		4,196,260
Bank loan payable		386,732		426,610
Other long term liabilities		340,912		315,579
Total Liabilities		5,451,453		4,938,449
Stockholders' Equity				
Common Stock, $0.0001 par value, 80,000,000 shares authorized; 37,009,295 shares issued and outstanding for both periods.		3,701		3,701
Additional - paid in capital		14,187,181		14,169,062
Accumulated other comprehensive income		(486,834)		(416,631)
Accumulated deficit		(12,105,622)		(11,263,504)
Total Stockholders' Equity		1,598,426		2,492,628
Total Liabilities and Stockholders’ Equity	$	7,049,879	$	7,431,077

See notes to consolidated financial statements

NEWGIOCO GROUP, INC.
Consolidated Statements of Comprehensive Loss
(Unaudited)

	For the Three Months Ended March 31,	
	2017	2016
Revenue	$ 3,875,201	$ 1,747,186
Costs and Expenses		
Selling expenses	3,436,951	1,228,220
General and administrative expenses	1,197,571	870,846
Total Costs and Expenses	4,634,522	2,099,066
Loss from Operations	(759,321)	(351,880)
Other Expenses (Income)		
Interest expense, net of interest income	166,847	98,544
Changes in fair value of derivative liabilities	(144,626)	(4,428)
Imputed interest on related party advances	6,996	1,620
Impairment on investment	6,468	—
Total Other Expenses	35,685	95,736
Loss Before Income Taxes	(795,006)	(447,616)
Income tax provision	47,110	35,223
Net Loss	(842,116)	(482,839)
Other Comprehensive Income (Loss)		
Foreign currency translation adjustment	(70,203)	(17,215)
Comprehensive Loss	$ (912,319)	$ (500,054)
Basic and fully diluted loss per common share	$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding basic and diluted	37,009,295	24,336,473

See notes to consolidated financial statements

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

	For the Three Months Ended March 31, 2017	For the Three Months Ended March 31, 2016
Cash Flows from Operating Activities		
Net loss	$ (842,116)	$ (482,839)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	136,499	123,460
Amortization of deferred costs	55,777	18,982
Non-cash interest	121,801	64,023
Imputed interest on advances from stockholders	6,996	1,620
Changes in fair value of derivative liabilities	(144,626)	(4,428)
Impairment of assets	6,468	—
Stock issued for services	—	118,575
Bad debt expense	—	27,580
Changes in Operating Assets and Liabilities		
Prepaid expenses	(25,340)	(108,333)
Accounts payable and accrued liabilities	234,461	(127,925)
Accounts receivable	(78,276)	—
Gaming accounts receivable	(59,429)	(104,281)
Gaming accounts liabilities	(86,480)	(10,682)
Taxes payable	49,481	48,596
Other current assets	12,195	2,616
Customer deposits	14,607	—
Long term liability	7,324	—
Net Cash Used in Operating Activities	**(590,658)**	**(433,036)**
Cash Flows from Investing Activities		
Acquisition of property, plant, and equipment, and intangible assets	(55,325)	(12,010)
Cash paid for acquisition		(116,939)
Increase in restricted cash	39	—
Net Cash Used in Investing Activities	**(55,286)**	**(128,949)**
Cash Flows from Financing Activities		
Proceeds from bank credit line, net of repayment	60,424	(79,672)
Repayment of bank loan	(25,303)	—
Proceeds from promissory notes, net of repayment	—	35,750
Proceeds from convertible notes and debentures, net of repayment	226,117	600,000
Advances from stockholders, net of repayment	(3,472)	256
Net Cash Provided by Financing Activities	**257,766**	**556,334**
Effect of change in exchange rate	(13,091)	26,476
Net increase (decrease) in cash	(401,269)	20,825
Cash – beginning of the period	2,230,422	157,363
Cash – end of the period	**$ 1,829,153**	**$ 178,188**
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	$ 64,053	$ 34,487
Income Tax	$ 3,181	$ —
Supplemental cash flow disclosure for non-cash activities		
Common shares issued for repayment of debt	$ —	$ 138,225

See notes to consolidated financial statements

1. Basis of Presentation and Nature of Business

Basis of Presentation

The unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the unaudited consolidated financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments, which include only normal recurring adjustments, necessary to present fairly the financial position as of March 31, 2017 and the results of operations and cash flows for the three months ended March 31, 2017 and 2016. The financial data and other information disclosed in these notes to the interim financial statements related to these periods are unaudited. The results for the three months ended March 31, 2017 are not necessarily indicative of the results to be expected for any subsequent periods or for the entire year ending December 31, 2017. The balance sheet at December 31, 2016 has been derived from the audited financial statements at that date.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the Securities and Exchange Commission's rules and regulations. These unaudited consolidated financial statements should be read in conjunction with our audited financial statements and notes thereto for the year ended December 31, 2016 as included in our Annual Report on form 10-K.

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 changed its name to Newgioco Group, Inc. The Company maintains its principal executive offices headquartered in Toronto, Canada with wholly owned subsidiaries in Italy and Austria.

Our 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 which owns and operates an innovative Betting Platform Software (“BPS”) and offering a complete suite of online and offline leisure gaming services including a variety of lottery and casino gaming, as well as sports betting through a distribution network of retail betting locations situated throughout Italy.

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 $2,231,587 as of March 31, 2017, and reported operating losses for the past two years. There are no assurances that management will be successful in achieving sufficient cash flows to fund the Company's working capital needs, or whether the Company will be able to refinance or renegotiate its obligations when they become due or raise additional capital through future debt or equity. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. No adjustments have been made to the carrying value of assets or liabilities as a result of this uncertainty.

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

3. Summary of Significant Accounting Policies

a) Basis of consolidation

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

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

b) Use of estimates

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

c) Goodwill

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

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

d) Business Combinations

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

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

e) Long-Lived Assets

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

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

f) Derivative Financial Instruments

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

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

g) Earnings Per Share

FASB ASC 260, "Earnings Per Share" provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. These potentially dilutive securities were not included in the calculation of loss per share for the three months ended March 31, 2017 and 2016, 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 Platform Software (“BPS”) 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 March 31, 2017 and December 31, 2016.

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 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		(426,369)
Balance at December 31, 2016		211,262
Issued during the three months ended March 31, 2017		85,468
Change in fair value recognized in operations		(144,626)
Balance at March 31, 2017	$	152,104

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 March 31, 2017 and 2016.

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 January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 740): Recognition and Measurement of Financial Assets and Financial Liabilities. The provisions of this update are effective for annual and interim reporting periods beginning after December 15, 2017. ASU 2016-01 enhances the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The Company is currently assessing the impact of ASU 2016.

In February 2016, the FASB issued ASU 2016-02, Leases. This update requires organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The new guidance will also require additional disclosure about the amount, timing and uncertainty of cash flows arising from leases. The provisions of this update are effective for annual and interim periods beginning after December 15, 2018. The Company is currently assessing the impact that the adoption of ASU 2016-02 will have on the consolidated balance sheet and the consolidated results of operations.

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

4. Acquisition of Ulisse Gmbh and Odissea Betriebsinformatik Beratung Gmbh

Odissea Betriebsinformatik Beratung Gmbh (“Odissea”) Acquisition

On June 30, 2016, the Company entered into a Share Exchange Agreement, which closed on July 1, 2016, with the shareholders of Odissea organized under the laws of Austria. Odissea operates a proprietary Betting Operating System. Pursuant to the agreement, the Company issued 4,386,100 shares of common stock in consideration for 100% of the issued and outstanding shares of Odissea. As a result of this acquisition, the sellers now hold approximately 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		(215,935)	
Total identifiable assets less liabilities assumed		1,710,579	
Total purchase price		1,710,579	
Excess purchase price	$	—	

Ulisse Gmbh (“Ulisse”) Acquisition

On June 30, 2016, the Company entered into a Share Exchange Agreement, which closed on July 1, 2016, with the shareholders of Ulisse organized under the laws of Austria. Ulisse operates an existing network of 107 land-based Agency locations. Pursuant to the agreement, the Company issued 1,665,600 shares of common stock in consideration for 100% of the issued and outstanding shares of Ulisse. As a result of this acquisition, the sellers now hold approximately 4.5% 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.

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

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

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

5. Intangible Assets

Intangible assets consist of the following:

		March 31, 2017		December 31, 2016	Life (years)
Betting Platform Software	$	1,685,371	$	1,685,371	15
Licenses		954,150		953,024	1.5 - 7
Location contracts		1,000,000		1,000,000	5 - 7
Customer relationships		870,927		870,927	10 - 15
Trademarks/names		110,000		110,000	14
Websites		40,000		40,000	5
		4,660,448		4,659,322	
Accumulated amortization		(1,079,428)		(968,344)	
Balance	$	3,581,020	$	3,690,978	

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 $109,000 and $92,346 for the three months ended March 31, 2017 and 2016, 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.

6. 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.

7. 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.

Severance liability related to employees in Italy was $100,182 and $69,923 at March 31, 2017 and 2016, respectively.

Customer deposit balances related to Ulisse operations was $240,730 and $NIL at March 31, 2017 and 2016, respectively.

8. Line of Credit – Bank

The Company currently maintains an operating line of credit for a maximum amount of EUR 300,000 (approximately U.S. $320,610) for Multigioco and EUR 50,000 (approximately U.S. $53,435) 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.

9. 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 VP of Regulatory Affairs, Beniamino Gianfelici, owns 50% shares of Newgioco Srl.

10. 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:

	March 31, 2017	December 31, 2016
Gold Street Capital Corp.	$ 724	$ 1
Doriana Gianfelici	52,368	51,819
Luca Pasquini	1,109	5,260
Other stockholders	505,770	500,469
Total advances from stockholders	$ 559,971	$ 557,549

During the three months ended March 31, 2017, Gold Street, the major stockholder of Newgioco Group, advanced $69,455 to the Company and was repaid $68,732 by the Company. Also, the Company paid management fees to Gold Street Capital Corp. of $36,000 and $30,000 for the three months ended March 31, 2017 and 2016, respectively.

During the three months ended March 31, 2017, Luca Pasquini was repaid approximately U.S. $4,151 from the Company. Also, the Company paid management fees of $4,796 to Luca Pasquini for the three months ended March 31, 2017.

Advances from other stockholders comprise of the dividend accrued due to former stockholders of Ulisse.

Changes in advances from Doriana Gianfelici and other shareholders were due to the fluctuation in foreign exchange rates.

The amounts due to the stockholders at March 31, 2017 are non-interest bearing and due on demand.

Related-Party Debt

Promissory notes payable to related parties of $318,078 represents amounts due to Braydon Capital Corp., a company owned by Claudio Ciavarella, the brother of our CEO. The amount due to Braydon Capital Corp. is comprised of the following:

- a Promissory Note for $186,233 issued on December 15, 2015 that bears interest at a rate of 1% per month due in full on the Maturity Date of December 15, 2016;
- a Promissory Note for $90,750 issued on January 13, 2016 that bears interest at a rate of 1% per month due in full on the maturity date of January 13, 2017 that was subsequently amended to add $41,095 in additional funds received from Braydon Capital Corp. for a total of $131,845.

11. Stockholders' Equity

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

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

On 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 19 for additional information about Stockholders' Equity.

12. Debentures and Convertible Notes

Debentures and convertible notes outstanding include the following:

	March 31, 2017	December 31, 2016
February 29, 2016 Convertible Note, net of discount of $0 and $85,898	600,000	514,102
April 4, 2016 Convertible Note, net of discount of $0 and $34,188	150,000	115,812
January 24, 2017 Debenture, net of discount of $12,709	122,309	—
March 27, 2017 Convertible Debenture, net of discount of $82,088	30,427	—
	902,736	629,914
Less: unamortized debt issuance costs	(13,555)	(13,397)
	$ 889,181	$ 616,517

February 29, 2016 and April 4, 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. Also, the company paid $75,000 in commissions for these notes.

The Company accrued an estimated penalty of $71,282, which is recorded in accounts payable and accrued liabilities. The company also continued to accrue interest at 12% past the due date. Accounts payable and accrued liabilities included accrued interest of $78,633 and $43,018 for this Note at March 31, 2017 and 2016, respectively.

Repayment of the February 29, 2016 Securities Purchase Agreement is subject to legal proceedings brought against the Company by the investor, Darling Capital, LLC ("Darling"). On May 15, 2017, the Company and Darling reached a settlement agreement, where by the Company has agreed to pay $1,000,000 in three instalments of $350,000 on May 31, 2017; $350,000 on June 15, 2017 and $300,000 on June 30, 2017. See also Subsequent events, Note 19.

January 24, 2017 Debenture

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.

March 27, 2017 Debenture

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.

The Company has determined that the conversion feature embedded in the convertible notes and debenture 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 16.

The commissions and finders' fees related to the notes and debentures were amortized over the life of the notes.

Warrants issued in relation to the debentures and promissory notes are discussed in Note 15.

13. 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. $112,515) was due on February 28, 2015 plus accrued interest. The Company and 2336414 have agreed to extend the due date indefinitely by mutual consent. Interest expense of $3,320 and $3,448 was recorded for the three months ended March 31, 2017 and 2016, respectively.

14. 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 started on January 31, 2017 in monthly installments of EUR 9,760 (approximately U.S. $10,402) with an underlying interest rate of 4.5 points above Euro Inter Bank Offered Rate ("EURIBOR"), subject to quarterly review.

15. 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. 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. As of the date of this report the warrants issued for the April 2, 2015 debentures have expired.

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. 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. As of the date of this report the warrants issued for the April 27, 2015 debentures have expired.

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 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 12). The warrant was issued in connection with the February 29, 2016 convertible Promissory Note. 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 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 12). The warrant was issued in connection with the April 4, 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.

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 April 4, 2016 convertible Promissory Notes (See Note 12). 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 January 24, 2017, the Company issued a warrant to purchase 18,000 of the Company’s common stock at $1.00 per share which may be exercised by the warrant holder from June 24, 2017 until January 24, 2019. The warrant was issued in connection with the January 24, 2017 Debenture (See Note 12). The fair value of the warrants of $13,973 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 March 27, 2017, the Company issued a warrant to purchase 15,000 of the Company’s common stock at $1.00 per share which may be exercised by the warrant holder from August 27, 2017 until March 27, 2019. The warrant was issued in connection with the March 27, 2017 Convertible Debenture (See Note 12). The fair value of the warrant of $11,923 was calculated using the Black-Scholes model on the date of issuance and was recorded as 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 At issuance
April 2, 2015	$	4,291
April 27, 2015	$	4,264
February 29, 2016	$	106,583
April 4, 2016	$	53,236
April 4, 2016	$	27,901
January 24, 2017	$	13,973
March 27, 2017	$	11,923

The following assumptions were used to calculate the fair value at issuance:

Warrant Date	Exercise Price/sh	Common Stock Price/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%
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%
January 24, 2017	$ 1.00	$ 0.78	404%	2 yrs	0%	0.91%	0%
March 27, 2017	$ 1.00	$ 0.80	390%	2 yrs	0%	0.91%	0%

A summary of warrant transactions during the three months ended March 31, 2017 is as follows:

	Warrant Shares	Weighted Average Exercise Price Per Common Share	Weighted Average Life
Outstanding at December 31, 2016	233,964	1.15	2.13
Issued	33,000	1.00	2.00
Exercised	—	—	—
Expired	—	—	—
Outstanding at March 31, 2017	266,964	1.13	1.89
Exercisable at March 31, 2017	233,964	1.16	1.76

The following assumptions were used to calculate the fair value of warrants at March 31, 2017:

Exercises price	$1.00 - $1.25
Common stock price per share	$0.99
Volatility	393%
Weighted average life	1.89 years
Dividend yield	0%
Interest rate	0.91%
Forfeiture risk	0%

16. Derivative Liability and Fair Value

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

The gross proceeds from the sale of the convertible note issued February 29 and April 4, 2016 were recorded net of $556,020 related to the conversion feature of the embedded conversion option and $114,031 was allocated to the warrants issued. As of March 31, 2017, the Derivative Liability in connection with the February 29, 2016 and April 4, 2016 Convertible Promissory Notes has expired.

The convertible debenture issued March 27, 2017 and accrued interest are convertible into common shares at a fixed price of $1.50 prior to March 27, 2019. The gross proceeds from the sale of the debenture were recorded net of $70,716 related to the conversion feature and $11,923 was allocated to the warrants issued.

The Company accounted for the convertible note issued on February 29, 2016 and April 4, 2016 and the convertible debenture issued on March 27, 2017 in accordance with ASC 815 "Derivatives and Hedging." Accordingly, the embedded conversion option is a derivative liability and is marked to market through earnings at the end of each reporting period.

17. Revenues

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

	Three Months Ended	
	March 31, 2017	March 31, 2016
Turnover		
Turnover web-based	$ 28,749,836	$ 26,463,158
Turnover land-based	23,969,666	1,472,198
Total Turnover	$ 52,719,502	$ 27,935,356
Winnings/Payouts		
Winnings web-based	27,222,482	24,618,293
Winnings land-based	21,704,642	1,147,386
Total Winnings/payouts	48,927,124	25,765,679
Gross Gaming Revenues	$ 3,792,378	$ 2,169,677
Less: ADM Gaming Taxes	364,451	454,460
Net Gaming Revenues	$ 3,427,927	$ 1,715,217
Add: Commission Revenues	81,845	31,969
Add: Service revenues	365,429	—
Total Revenues	$ 3,875,201	$ 1,747,186

Turnover represents the total bets processed for the period.

18. Income Taxes

The Company is incorporated in the United States of America and is subject to United States federal taxation. No provisions for income taxes have been made as the Company had no U.S. taxable income for the three months ended March 31, 2017 and 2016.

The Company's Italian subsidiaries are governed by the income tax laws of Italy. The corporate tax rate in Italy is 28.82% (IRES at 24% plus IRAP ordinary at 4.82%) on income reported in the statutory financial statements after appropriate tax adjustments.

The Company's Austrian subsidiaries are governed by the income tax laws of Austria. The corporate tax rate in Austria is 25% 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:

		March 31, 2017		March 31, 2016
U.S. Statutory rate	$	(278,252)	$	(124,831)
Tax rate difference between Italy, Austria and U.S.		181,452		22,457
Change in Valuation Allowance		145,803		127,222
Permanent difference		(1,894)		10,375
Effective tax rate	$	47,109	$	35,223

The Company has accumulated a net operating loss carry forward ("NOL") of approximately $11.7 million as of March 31, 2017 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, up to 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).

Under Austrian 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, up to the limit of 75% of taxable annual income.

The provisions for income taxes consist of currently payable income tax in Italy and Austria. The provisions for income taxes are summarized as follows:

		March 31, 2017		March 31, 2016
Current	$	47,109	$	35,223
Deferred		—		—
Total	$	47,109	$	35,223

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

		March 31, 2017		March 31, 2016
Net loss carryforward - Foreign	$	145,497	$	—
Net loss carryforward - US		4,106,025		3,276,183
		4,251,522		3,276,183
Less valuation allowance		(4,251,522)		(3,276,183)
Deferred tax assets	$	—	$	—

19. Subsequent Events

Also, On May 1, 2017, the Board of Directors elected Kelly Ehler, Stefano Giorgi, and Robert Stabile to fill the vacancies left by the departure of Mr. Gianfelici, Mr. Peroni, and Mr. Salvagni. In connection with the appointment of the new directors, the Company issued 20,000 common shares (restricted stock award) to each of the new directors.

On May 15, 2017, the Company and Darling reached a settlement agreement related to legal proceedings brought against the Company on January 20, 2017, where by the Company has agreed to pay the Convertible Promissory Notes in three instalments of $350,000 on May 30, 2017; $350,000 on June 12, 2017 and $300,000 on June 26, 2017 totaling $1,000,000 in full.

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

Overview

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

The MD&A is intended to provide the reader of our consolidated financial statements with a narrative explanation from the perspective of management of our financial condition, results of operations, liquidity and certain other factors that may affect future results. The MD&A is provided as a supplement to, and should be read in conjunction with, our interim unaudited consolidated financial statements and related notes on this Form 10-Q and the audited consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. The inclusion of supplementary analytical and related information herein may require us to make appropriate estimates and assumptions to enable us to fairly present, in all material respects, our analysis of trends and expectations with respect to our results of operations and financial position taken as a whole.

General Plan of Operation

Newgioco Group, Inc. ("Newgioco Group" or "the Company") 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 changed its name to Newgioco Group, Inc. The Company maintains its principal executive offices headquartered in Toronto, Canada with wholly owned subsidiaries in Italy and Austria.

Our 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 which owns and operates an innovative Betting Platform Software (“BPS”) and offering a complete suite of online and offline leisure gaming services including a variety of lottery and casino gaming, as well as sports betting through a distribution network of retail betting locations situated throughout Italy. The Company intends to grow through acquisitions and organic development of its distribution network in Italy in addition to exploring new opportunities in regulated gaming markets internationally.

Our revenues are derived from gaming products distributed by our subsidiaries in addition to business-to-business BPS services to third party operators provided by our subsidiary Odissea.

COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016.

Results of Operations

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

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

Revenues

The Company generated revenues of $3,875,201 for the three months ended March 31, 2017, compared to $1,747,186 in revenues for the three ended March 31, 2016, respectively. The revenues are comprised of Net Gaming Revenues derived from providing online and offline gaming products, services, and BPS services in Italy.

The increase in revenues in the three months ended March 31, 2017 over the same period March 31, 2016 is attributed to the growth in our land-based gaming operations and revenues derived from BPS services that were a direct result of the July 1, 2016 acquisition of Ulisse and Odissea.

The Company had approximately 1,000 web-based shops, 7 corners and 109 agencies as of March 31, 2017, compared to approximately 1,067 web-based shops, 5 corners and 2 agencies as of March 31, 2016.

The following table represents a detailed breakdown of revenue from our gaming operations for the three months ended March 31, 2017 and 2016:

	Three Months Ended	
	March 31, 2017	March 31, 2016
Turnover		
Turnover web-based	$ 28,749,836	$ 26,463,158
Turnover land-based	23,969,666	1,472,198
Total Turnover	$ 52,719,502	$ 27,935,356
Winnings/Payouts		
Winnings web-based	27,222,482	24,618,293
Winnings land-based	21,704,642	1,147,386
Total Winnings/payouts	48,927,124	25,765,679
Gross Gaming Revenues	$ 3,792,378	$ 2,169,677
Less: ADM Gaming Taxes	364,451	454,460
Net Gaming Revenues	$ 3,427,927	$ 1,715,217
Add: Commission Revenues	81,845	31,969
Add: Service revenues	365,429	—
Total Revenues	$ 3,875,201	$ 1,747,186

Turnover represents the total bets processed for the period.

General and Administrative Expenses

The Company incurred general and administrative expenses of $1,197,571 for the three months ended March 31, 2017, compared to general and administrative expenses of $870,846 for the three months ended March 31, 2016. The increase in general and administrative expenses is attributed to the growth of the Company's land-based distribution network following the July 1, 2016 acquisitions.

The Company's major general and administrative expenses for the three months ended March 31, 2017 and 2016 were:

	Three Months Ended	
	March 31, 2017	March 31, 2016
Salaries	$ 495,929	$ 122,124
Cash and non-cash professional fees including legal, consulting and audit fees	$ 123,979	$ 222,377
Depreciation and amortization expenses	$ 184,889	$ 167,547
Management fees	$ 40,796	$ 30,000
Advertising and promotion expenses	$ 78,729	$ 63,173

Amortization expense includes the amortization of deferred loan costs of $111,065 and $73,113 for the three months ended March 31, 2017 and 2016, respectively.

Direct Selling Costs

Direct selling costs represent the fees we pay to our network service provider, ADM license fees, and commissions for field agents and promoters which is essentially considered an ongoing marketing cost.

During the three months ended March 31, 2017 our selling expenses were $3,436,951, compared to selling expenses of $1,228,220. The increase is due to the expansion of our retail operations from 9 land-based locations to approximately 118 land-based locations as a result of the July 1, 2016 acquisitions.

Interest Expenses

The Company had incurred interest expense, net of interest income, of $166,847 for the three months ended March 31, 2017, compared to interest expense, net of interest income, of $98,554 for the three months ended March 31, 2016.

Interest expense includes non-cash interest costs of $121,801 for the three months ended March 31, 2017, compared to $64,023 in non-cash interest costs for the three months ended March 31, 2016.

Change in Fair Value of Derivative Liability

Changes in fair value of derivative liabilities generated a gain of $144,626 for the three months ended March 31, 2017, compared to a gain of $4,428 for the three months ended March 31, 2016.

Income Taxes

The Company recorded provision for income taxes of $47,110 for the three months ended March 31, 2017, compared to a provision for income taxes of $35,223 for the three months ended March 31, 2016. The increase is due to the increased taxable income in Austria.

Net Loss

The Company had a net loss of $842,116, or $0.02 per share (basic and diluted) for the three months ended March 31, 2017, compared to a net loss of $482,839, or $0.02 per share (basic and diluted) for the three months ended March 31, 2016. The increase in net loss is attributed to increase in selling expenses and costs associated with July 1, 2016 acquisition of Ulisse and Odissea.

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 subsidies 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.

The Company recorded a foreign currency translation adjustment loss of $70,203 for the three months ended March 31, 2017 compared to a loss of $17,215 for the three months ended March 31, 2016.

Cash Flows from Operating Activities

The net cash used in operating activities was $590,658 for the three months ended March 31, 2017, compared to $433,036 in net cash used by operating activities in the three months ended March 31, 2016.

Cash Flows from Investing Activities

The net cash used in investing activities was $55,286 for the three months ended March 31, 2017, compared to $128,949 in net cash used in investing activities for the three months ended March 31, 2016. The change was due primarily to decrease in cash outflow related to acquisitions in 2017.

Cash Flows from Financing Activities

Net cash provided by financing activities was $257,766 for the three months ended March 31, 2017, compared to $556,334 in net cash provided by financing activities for the three months ended March 31, 2016. The change was due to a reduction in financing activities.

Liquidity and Capital Resources

Assets

At March 31, 2017, we had a total of $7,049,879 in assets compared to $7,431,077 in assets at December 31, 2016.

Liabilities

At March 31, 2017, we had $4,723,809 in current liabilities and $727,644 in long term liabilities, compared to current liabilities of $4,196,260 and long term liabilities of $742,189 at December 31, 2016.

Working Capital

The Company had $1,829,153 in cash and cash equivalents at March 31, 2017, compared to $2,230,422 cash and cash equivalents at December 31, 2016. As of March 31, 2017, we had a total accumulated deficit of $12,105,622.

We had $4,723,809 in current liabilities and $2,492,222 in current assets, as such we are left with a working capital deficit of $2,231,587 as of March 31, 2017.

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

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

The Company currently maintains an operating line of credit for a maximum amount of EUR 350,000 (approximately U.S. $374,045) from Banca Veneto in Italy. The line of credit is guaranteed by certain shareholders of the Company and bears a fixed rate of interest at 5% per annum on the outstanding balance with no minimum payment, maturity or due date.

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

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

Contractual Obligations

Current accounting standards require disclosure of material obligations and commitments to make future payments under contracts, such as debt, lease agreements, and purchase obligations. Please refer to Notes 7-10, and 12-16 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:

	March 31, 2017	December 31, 2016
Gold Street Capital Corp.	$ 724	$ 1
Doriana Gianfelici	52,368	51,819
Luca Pasquini	1,109	5,260
Other stockholders	505,770	500,469
Total advances from stockholders	$ 559,971	$ 557,549

During the three months ended March 31, 2017, Gold Street, the major stockholder of Newgioco Group, advanced $69,455 to the Company and was repaid $68,732 by the Company. Also, the Company paid management fees to Gold Street Capital Corp. of $36,000 and $30,000 the three months ended March 31, 2017 and 2017, respectively.

During the three months ended March 31, 2017, Luca Pasquini was repaid approximately U.S. $4,151 from the Company. Also, the Company paid management fees of $4,796 to Luca Pasquini for the three months ended March 31, 2017.

Advances from other stockholders comprise of the dividend accrued due to former stockholders of Ulisse.

Changes in advances from Doriana Gianfelici and other shareholders were due to the fluctuation in foreign exchange rates.

The amounts due to the stockholders at March 31, 2017 are non-interest bearing and due on demand.

Inflation

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

Foreign Exchange

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

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

Item 4. Controls and Procedures.

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

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

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for our company. Our internal control system was designed to, in general, provide reasonable assurance to our management and board regarding the preparation and fair presentation of published financial statements, but because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of March 31, 2017. 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 March 31, 2017, our internal control over financial reporting was not effective due to material weaknesses resulting from our limited resources.

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

Changes in Internal Control Over Financial Reporting

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

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

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

Subsequent to the period covered by this report, on May 15, 2017, the Company reached a settlement agreement related to legal proceedings brought against the Company by Darling Capital, LLC on January 20, 2017, where by the Company has agreed to pay the Convertible Promissory Notes in three instalments of $350,000 on May 31, 2017; $350,000 on June 15, 2017 and $300,000 on June 30, 2017 totaling $1,000,000 in full.

Item 1A. Risk Factors.

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

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information.

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

Item 6. Exhibits

(a) Index to and Description of Exhibits

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

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

SIGNATURES

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

Date: May 17, 2017

Newgioco Group, Inc
By: /s/ Michele Ciavarella

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

EXHIBIT 31

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

I, Michele Ciavarella, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the periodic reports are being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principals;

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

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

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: May 17, 2017

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

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

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

EXHIBIT 32

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

In connection with the Quarterly Report on Form 10-Q of Newgioco Group, Inc. (the "Company") for the period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michele Ciavarella, as Principal Executive Officer and Principal Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: May 17, 2017

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