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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 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 November 8, 2017.

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PART I

ITEM 1. FINANCIAL STATEMENTS

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

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NEWGIOCO GROUP, INC.
Consolidated Balance Sheets
(Unaudited)

		September 30, 2017		December 31, 2016
Assets				
Current Assets				
Cash and cash equivalents	$	3,183,550	$	2,230,422
Accounts receivable		89,120		16,919
Gaming account receivable		987,196		535,408
Prepaid expenses		113,049		91,577
Other current assets		5,731		8,705
Total Current Assets		4,378,646		2,883,031
Noncurrent Assets				
Restricted cash		578,840		475,916
Property, plant and equipment		277,624		203,660
Intangible assets		3,358,242		3,690,978
Goodwill		260,318		260,318
Investment in non-consolidated entities		1		6,508
Total Noncurrent Assets		4,475,025		4,637,380
Total Assets	$	8,853,671	$	7,520,411
Current Liabilities				
Line of credit - bank	$	337,287	$	726
Accounts payable and accrued liabilities		1,259,279		1,006,739
Gaming account balances		870,545		710,562
Taxes payable		803,621		525,361
Advances from stockholders		647,184		557,549
Liability in connection with acquisition		140,052		125,375
Debenture, net of discount		977,185		616,517
Derivative liability		183,987		211,262
Promissory notes payable - other		120,195		111,285
Promissory notes payable – related party		318,078		318,078
Bank loan payable – current portion		118,006		102,140
Total Current Liabilities		5,775,419		4,285,594
Bank loan payable		387,553		426,610
Other long-term liabilities		492,399		315,579
Total Liabilities		6,655,371		5,027,783
Stockholders' Equity				
Common Stock, $0.0001 par value, 80,000,000 shares authorized; 37,009,295 shares issued and outstanding at September 30, 2017 and December 31, 2016 respectively		3,701		3,701
Additional - paid in capital		14,225,116		14,169,062
Accumulated other comprehensive income		(409,965)		(416,631)
Accumulated deficit		(11,620,552)		(11,263,504)
Total Stockholders' Equity		2,198,300		2,492,628
Total Liabilities and Stockholders’ Equity	$	8,853,671	$	7,520,411

See notes to consolidated financial statements

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

	For the Three Months ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue	$ 5,121,019	$ 2,606,670	$ 13,090,643	$ 5,879,514
Costs and Expenses				
Selling expenses	3,126,025	1,087,112	9,037,176	3,401,572
General and administrative expenses	1,441,290	973,025	3,932,468	2,620,973
Total Costs and Expenses	4,567,315	2,060,137	12,969,644	6,022,545
Income (Loss) from Operations	553,704	546,533	120,999	(143,031)
Other Expenses (Income)				
Interest expense, net of interest income	110,391	209,556	360,778	515,051
Changes in fair value of derivative liabilities	(108,750)	77,095	(245,445)	(291,121)
Imputed interest on related party advances	8,248	3,492	22,535	6,060
Impairment on investment	186	—	6,758	—
Total Other Expenses (Income)	10,075	290,143	144,626	229,990
Income (Loss) Before Income Taxes	543,629	256,390	(23,627)	(373,021)
Income tax provision	271,964	220,275	333,419	248,138
Net Income (Loss)	271,665	36,115	(357,046)	(621,159)
Other Comprehensive Income (Loss)				
Foreign currency translation adjustment	43,259	4,814	6,666	(5,463)
Comprehensive Income (Loss)	$ 314,924	$ 40,929	$ (350,380)	$ (626,622)
Income (loss) per common share - basic	$ 0.01	$ 0.00	$ (0.01)	$ (0.02)
Income (loss) per common share - diluted	$ 0.01	$ 0.00	$ (0.01)	$ (0.02)
Weighted average number of common shares outstanding – basic	37,009,295	30,362,394	37,009,295	26,298,527
Weighted average number of common shares outstanding - diluted	37,552,008	31,488,116	37,009,295	26,298,527

See notes to consolidated financial statements

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

	For the Nine Months Ended September 30, 2017	For the Nine Months Ended September 30, 2016
Cash Flows from Operating Activities		
Net loss	$ (357,046)	$ (621,159)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	426,258	375,207
Amortization of deferred costs	72,460	163,350
Non-cash interest	170,236	400,668
Imputed interest on advances from stockholders	22,535	6,060
Changes in fair value of derivative liabilities	(245,445)	(291,121)
Impairment of assets	6,758	—
Stock issued for services	—	268,669
Bad debt expense	98,068	53,015
Changes in Operating Assets and Liabilities		
Prepaid expenses	(92,052)	(138,198)
Accounts payable and accrued liabilities	163,655	(336,777)
Accounts receivable	(66,191)	112,071
Gaming accounts receivable	(459,436)	(151,372)
Gaming accounts liabilities	66,983	24,052
Taxes payable	204,316	237,273
Other current assets	3,967	(199,909)
Other current liabilities	—	(1,481)
Customer deposits	118,037	—
Long term liability	13,811	20,907
Net Cash Provided by (Used in) Operating Activities	146,914	(78,745)
Cash Flows from Investing Activities		
Acquisition of property, plant, and equipment, and intangible assets	(140,551)	(56,092)
Cash acquired on acquisition	—	803,482
Cash paid for acquisition	—	(202,015)
Increase in restricted cash	(44,499)	(98,105)
Net Cash Provided by (Used in) Investing Activities	(185,050)	447,270
Cash Flows from Financing Activities		
Proceeds from bank credit line, net of repayment	317,165	(307,902)
Repayment of bank loan	(80,208)	558,050
Proceeds from promissory notes, net of repayment	—	115,103
Proceeds from debentures and convertible notes, net of repayment	401,653	614,900
Advances from stockholders, net of repayment	24,695	141,721
Net Cash Provided by Financing Activities	663,305	1,121,872
Effect of change in exchange rate	327,959	30,911
Net increase (decrease) in cash	953,128	1,521,308
Cash – beginning of the period	2,230,422	157,363
Cash – end of the period	$ 3,183,550	$ 1,678,671
Supplemental disclosure of cash flow information		
Cash paid during the period for:		
Interest	$ 190,803	$ 114,339
Income tax	$ 180,004	$ 22,495
Supplemental cash flow disclosure for non-cash activities		
Common shares issued for the acquisition of subsidiaries	$ —	$ 2,360,163
Common shares issues to related parties for repayment of debt	$ —	$ 138,225
Common shares issued for cashless exercise of warrants	$ —	$ 14,438

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 September 30, 2017 and the results of operations and cash flows for the period ended September 30, 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 and nine months ended September 30, 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, certified 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 $1,396,773 as of September 30, 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 leisure betting and 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 nine months ended September 30, 2017 and the nine months ended September 30, 2016, because the effect would have been anti-dilutive while the Company had income per share for the three months ended September 30, 2017 and three months ended September 30, 2016. Accordingly, basic and diluted loss per common share is the same for these periods.

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 had no cash equivalents as of September 30, 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

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. The company recorded bad debt expense of $33,118 and $98,068 for the three and nine months ended September 30, 2017, respectively. All balances previously recorded as allowance for doubtful accounts were written off as uncollectible.

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 nine months ended September 30, 2017		218,170
Change in fair value recognized in operations		(245,445)
Balance at September 30, 2017	$	183,987

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 September 30, 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, while in Austria companies are open and subject to inspection for 5 years and 10 years for inspection of serious infractions. 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.

In May 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation (Topic 718), Scope of Modification Accounting. The amendments in this Update provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendments in this Update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017.

In July 2017, the FASB issued ASU 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815). The amendments in Part I of this Update change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity’s own stock. The amendments also clarify existing disclosure requirements for equity-classified instruments. The amendments in Part I of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is currently assessing the impact of ASU 2016.

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, which was obtained on June 30, 2017, 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 "Odissea Put Option"). As of the date of this report, the Odissea Put Option has been extended indefinitely by mutual consent.

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 approximately 140 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 4.50% 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 "Ulisse Put Option"). As of the date of this report, the Ulisse Put Option has been extended indefinitely by mutual consent.

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 upon completion of the third-party valuation.

5. Intangible Assets

Intangible assets consist of the following:

		September 30, 2017		December 31, 2016	Life (years)
Betting Platform Software	$	1,685,371	$	1,685,371	15
Licenses		965,467		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
		4,671,765		4,659,322	
Accumulated amortization		(1,313,523)		(968,344)	
Balance	$	3,358,242	$	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 $112,233 and $332,739 for the three and nine months ended September 30, 2017, 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 Veneto Banca as well as Wirecard Bank as a security deposit for Ulisse betting operations.

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 $117,271 and $91,865 at September 30, 2017 and 2016, respectively.

Customer deposit balances related to Ulisse operations was $375,128 and $223,714 at September 30, 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. $354,390) for Multigioco and EUR 50,000 (approximately U.S. $59,065) 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 as per a 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:

		September 30, 2017		December 31, 2016
Gold Street Capital Corp.	$	30,163	$	1
Doriana Gianfelici		57,886		51,819
Luca Pasquini		76		5,260
Other stockholders		559,059		500,469
Total advances from stockholders	$	647,184	$	557,549

During the nine months ended September 30, 2017, Gold Street, the major stockholder of Newgioco Group, advanced $193,046 to the Company and was repaid $162,884 by the Company. Also, the Company paid management fees to Gold Street Capital Corp. of $108,000 and $90,000 for the nine months ended September 30, 2017 and September 30, 2016, respectively.

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

During the nine months ended September 30, 2017, Luca Pasquini was repaid approximately U.S. $5,184 by the Company. Also, the Company paid management fees of $15,032 to Luca Pasquini for the nine months ended September 30, 2017.

Advances from other stockholders comprise of the dividend accrued due to former stockholders of Ulisse for the six month period prior to the acquisition of Ulisse on July 1, 2016.

The amounts due to the stockholders at September 30, 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. The Company and Braydon Capital have agreed to extend the Maturity Date indefinitely by mutual consent.

- 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. The Company and Braydon Capital have agreed to extend the Maturity Date indefinitely by mutual consent.

11. Stockholders' Equity

On June 15, 2017, the Company issued a total of 80,000 Restricted Stock Units to the independent Directors of the company, 20,000 units each. These Restricted stock units are vested at 25% per year after each completed year served on the Board of Directors.

12. Debentures and Convertible Notes

Debentures and convertible notes outstanding include the following:

	September 30, 2017	December 31, 2016
February 29, 2016 Convertible Note, net of discount of $0 and $85,000	$ 600,000	$ 514,102
April 4, 2016 Convertible Note, net of discount of $0 and $10,968	150,000	115,812
January 24, 2017 Debenture, net of discount of $9,207	135,027	—
March 27, 2017 Convertible Debenture, net of discount of $61,396	58,799	—
June 5, 2017 Convertible Debenture, net of discount of $85,351	34,844	—
June 9, 2017 Convertible Debenture, net of discount of $43,412	16,685	—
	995,355	629,914
Less: unamortized debt issuance costs	(18,170)	(13,397)
	$ 977,185	$ 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. Also, the company paid $75,000 in commissions for these notes. 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. These notes bear an interest rate of 12% per annum and were due in one year. The company continued to accrue interest at 22% past the due date. The notes were guaranteed by Confidi Union Impresa, an unrelated party.

The Company repaid a total of $125,000 in the nine months ended September 30, 2017. These payments were applied to the interest accrued at the date of the payments with the remainder applied towards the accrued penalty.

Accounts payable and accrued liabilities included a penalty and accrued interest on this Note of $193,244 and $33,756 at September 30, 2017 and September 30, 2016, respectively. See also Note 19.

January 24, 2017 Debenture

On January 24, 2017, the Company received gross proceeds from the initial private placement of CDN $180,000 (approximately U.S. $136,788) with a group of accredited investors. 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 Convertible Debenture

On March 27, 2017, the Company received gross proceeds from the initial private placement of CDN $150,000 (approximately U.S. $113,000) with a group of accredited investors. 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.

June 5, 2017, and June 9, 2017 Convertible Debentures

On June 5, 2017, the Company received gross proceeds from the initial private placement of CDN $150,000 (approximately U.S. $115,470) with a group of accredited investors. The Company incurred a total of CDN $7,500 (approximately U.S. $5,774) in finder's fees to facilitate this transaction for net proceeds of CDN $142,500 (approximately U.S. $109,696). 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 June 5, 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 from November 5, 2017 to June 5, 2019.

On June 9, 2017, The Company received additional gross proceeds of CDN $75,000 (approximately U.S. $57,735) in connection with the June 5, 2017 Securities Purchase Agreement. The Company incurred a total of CDN $3,750 (approximately U.S. $2,887) in finder's fees to facilitate this transaction for net proceeds of CDN $71,250 (approximately U.S. $54,848). 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 June 5, 2019. As part of the purchase agreement, the Company also issued a warrant to purchase 7,500 of the Company's common stock at $1.00 from November 9, 2017 to June 9, 2019.

The Company has determined that the conversion feature embedded in the convertible notes and debentures 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 report, the final payment of CDN $150,000 (approximately U.S. $112,515) was due on February 28, 2015. The Company and 2336414 have agreed to extend the due date indefinitely by mutual consent. Interest expense of $10,284 and $10,202 was recorded for the nine months ended September 30, 2017, and September 30, 2016, respectively.

14. Bank Loan Payable

On September 30, 2016, the Company obtained a loan of EUR 500,000 (approximately U.S. $590,650) 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. $11,529) with an underlying interest rate of 4.5 points above Euro Inter Bank Offered Rate ("EURIBOR"), subject to quarterly review.

The company repaid EUR 72,031 (approximately U.S. $85,090) during the nine months ended September 30, 2017.

15. Warrants

On February 29, 2016, as per a Securities Purchase Agreement, the Company issued a warrant to purchase 130,435 shares of the Company’s common stock at $1.15 per share which may be exercised by the warrant holder between August 28, 2016 and February 28, 2019 (See Note 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 as interest expense 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.

On June 5, 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 holder from November 5, 2017 to June 5, 2019. The warrant was issued in connection with the June 5, 2017 Convertible Debenture (see Note 12). The fair value of the warrant of $14,826 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.

On June 9, 2017, the Company issued a warrant to purchase 7,500 of the Company's common stock at $1.00 per share which may be exercised from November 9, 2017 to June 9, 2019. The warrant was issued in connection with the June 9, 2017 Convertible Debenture (see Note 12). The fair value of the warrant of $7,489 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:

Warrant		Fair Value At issuance
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
June 5, 2017	$	14,826
June 9, 2017	$	7,489

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
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%
June 5, 2017	$	1.00	$	0.99	445%	2 yrs	0%	0.91%	0%
June 9, 2017	$	1.00	$	0.99	445%	2 yrs	0%	0.91%	0%

A summary of warrant transactions during the nine months ended September 30, 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	55,500	$	1.00	2.00
Exercised	—		—	—
Expired	(8,700)		—	—
Outstanding at September 30, 2017	280,764	$	1.09	1.51
Exercisable at September 30, 2017	258,264	$	1.12	1.46

The following assumptions were used to calculate the fair value of warrants at September 30, 2017:

Exercises price	$1.00 - $1.15
Common stock price per share	$1.09
Volatility	392%
Weighted average life	1.51 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 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 $70,617 related to the conversion feature and $11,923 was allocated to the warrants issued.

The Convertible Debenture issued June 5, 2017, and accrued interest are convertible into common shares at a fixed price of $1.50 prior to June 5, 2019. The gross proceeds from the sale of the debenture were recorded net of $86,815 related to the conversion feature and $14,826 was allocated to the warrants issued.

The Convertible Debenture issued June 9, 2017, and accrued interest are convertible into common shares at a fixed price of $1.50 prior to June 9, 2019. The gross proceeds from the sale of the debenture were recorded net of $43,874 related to the conversion feature and $7,489 was allocated to the warrants issued.

The Company accounted for the convertible debentures issued on March 27, 2017, June 5, 2017, and June 9, 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				Nine Months Ended			
	September 30, 2017		September 30, 2016		September 30, 2017		September 30, 2016	
Turnover								
Turnover web-based	$	22,033,214	$	22,220,704	$	78,282,283	$	73,886,726
Turnover land-based		26,093,287		2,712,309		72,135,336		6,043,047
Total Turnover	$	48,126,501	$	24,933,013	$	150,417,619	$	79,929,773
Winnings/Payouts								
Winnings web-based		20,947,833		20,904,633		74,233,981		69,170,147
Winnings land-based		21,914,946		2,019,550		62,860,944		4,729,448
Total Winnings/payouts		42,862,779		22,924,183		137,094,925		73,899,595
Gross Gaming Revenues		5,263,722	$	2,008,830	$	13,322,694	$	6,030,178
Less: ADM Gaming Taxes		334,647		407,190		1,159,858		1,235,285
Net Gaming Revenues	$	4,929,075	$	1,601,640		12,162,836	$	4,794,893
Add: Commission Revenues		55,086		772,833		218,585		852,424
Add: Service Revenues		136,858		232,197		709,222		232,197
Total Revenues	$	5,121,019	$	2,606,670	$	13,090,643	$	5,879,514

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 nine months ended September 30, 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:

	September 30, 2017		September 30, 2016	
U.S. Statutory rate	$	(8,269)	$	(130,557)
Tax rate difference between Italy, Austria and U.S.		45,860		(112,465)
Change in Valuation Allowance		330,199		483,044
Permanent difference		(34,371)		8,116
Effective tax rate	$	333,419	$	248,138

The Company has accumulated a net operating loss carry forward ("NOL") of approximately $12.6 million as of September 30, 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:

	September 30, 2017	September 30, 2016
Current	$ 333,419	$ 248,138
Deferred	—	—
Total	$ 333,419	$ 248,138

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

	September 30, 2017	September 30, 2016
Net loss carryforward - Foreign	$ 94,848	$ 2,122
Net loss carryforward - US	4,393,558	3,584,959
	4,488,406	3,587,081
Less valuation allowance	(4,488,406)	(3,587,081)
Deferred tax assets	$ —	$ —

19. Commitments and Contingencies

On May 15, 2017, the Company and Darling Capital reached a settlement agreement related to legal proceedings brought against the Company on January 20, 2017, whereby the Company 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. The Company paid $125,000 towards the amount due on May 30, 2017. Since the balance of the payments as agreed were late, Darling entered the Consent Judgment as stipulated in the Settlement Agreement.

As a result, the Company will pay an annual interest rate of 22% on agreed settlement amount of $1,000,000 less payments made from May 15, 2017, the date of the Settlement Agreement, until paid in full. The Company is currently in the process of negotiating a lower rate re-financing to pay the balance due to Darling.

See also Note 12.

20. Subsequent Events

The Company has evaluated subsequent events through the filing date of these financial statements on form 10-Q and has determined that there were no subsequent events to recognize or disclose in these financial statements.

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 products 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 AND NINE MONTHS ENDED SEPTEMBER 30, 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 $5,121,019 and $13,090,643 for the three and nine months ended September 30, 2017, respectively, compared to revenues of $2,606,670 and $5,879,514 for the three and nine months ended September 30, 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 and nine months ended September 30, 2017 over the same period ended September 30, 2016 is attributed to the growth in our land-based gaming operations and revenues derived from BPS services that were a result of the July 1, 2016 acquisition of Ulisse and Odissea.

The Company had approximately 1,000 web-based shops, 7 corners and 140 agencies as of September 30, 2017, compared to approximately 900 web-based shops, 7 corners and 140 agencies as of September 30, 2016.

The following table represents a detailed breakdown of revenue from our gaming operations for the three and nine months ended September 30, 2017 and 2016:

	Three Months Ended		Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Turnover				
Turnover web-based	$ 22,033,214	$ 22,220,704	$ 78,282,283	$ 73,886,726
Turnover land-based	26,093,287	2,712,309	72,135,336	6,043,047
Total Turnover	$ 48,126,501	$ 24,933,013	$ 150,417,619	$ 79,929,773
Winnings/Payouts				
Winnings web-based	20,947,833	20,904,633	74,233,981	69,170,147
Winnings land-based	21,914,946	2,019,550	62,860,944	4,729,448
Total Winnings/payouts	42,862,779	22,924,183	137,094,925	73,899,595
Gross Gaming Revenues	5,263,722	$ 2,008,830	$ 13,322,694	$ 6,030,178
Less: ADM Gaming Taxes	334,647	407,190	1,159,858	1,235,285
Net Gaming Revenues	$ 4,929,075	$ 1,601,640	12,162,836	$ 4,794,893
Add: Commission Revenues	55,086	772,833	218,585	852,424
Add: Service Revenues	136,858	232,197	709,222	232,197
Total Revenues	$ 5,121,019	$ 2,606,670	$ 13,090,643	$ 5,879,514

Turnover represents the total bets processed for the period.

General and Administrative Expenses

The Company incurred general and administrative expenses of $1,441,290 and $3,932,468 for the three and nine months ended September 30, 2017, respectively, compared to general and administrative expenses of $973,025 and $2,620,973 for the three and nine months ended September 30, 2016, respectively. 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 nine months ended September 30, 2017 and 2016 were as follows:

	Nine Months Ended	
	September 30, 2017	September 30, 2016
Salaries	$ 1,864,122	$ 644,842
Cash and non-cash professional fees including legal, consulting and audit fees	$ 476,049	$ 536,677
Depreciation and amortization expenses	$ 491,324	$ 375,207
Management fees	$ 123,032	$ 90,000
Advertising and promotion expenses	$ 146,952	$ 96,270

Amortization expense includes the amortization of deferred loan costs of $3,879 and $65,073 for the three and nine months ended September 30, 2017, respectively, and $61,354 and $137,123 for the three and nine months ended September 30, 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 and nine months ended September 30, 2017 our selling expenses were $3,126,025 and $9,037,176, respectively, compared to selling expenses of $1,084,353 and $3,401,572 for the three and nine months ended September 30, 2016, respectively. The increase is due to the expansion of our retail operations from 7 land-based locations to approximately 148 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 $110,391 and $360,778 for the three and nine months ended September 30, 2017, respectively, compared to interest expense, net of interest income, of $209,556 and $515,051 for the three and nine months ended September 30, 2016, respectively.

Interest expense includes non-cash interest costs of $31,449 and $170,236 for the three and nine months ended September 30, 2017, respectively, compared to $231,779 and $400,668 in non-cash interest costs for the three and nine months ended September 30, 2016, respectively.

Change in Fair Value of Derivative Liability

Changes in fair value of derivative liabilities generated a gain of $108,750 and $245,445 for the three and nine months ended September 30, 2017, respectively, compared to a loss of $77,095 and a gain of $291,121 for the three and nine months ended September 30, 2016, respectively.

Income Taxes

The Company recorded provision for income taxes of $271,964 and $333,419 for the three and nine months ended September 30, 2017, respectively, compared to a provision for income taxes of $196,490 and $248,138 for the three and nine months ended September 30, 2016, respectively. The increase is due to the increased taxable income in Austria.

Net Income / Loss

The Company had a net income of $271,665 or $0.01 per share (basic and diluted), and a net loss of $357,046, or $0.01 per share (basic and diluted) for the three and nine months ended September 30, 2017, respectively, compared to a net income of $36,115, or $0.00 per share (basic and diluted) and a net loss of $621,159, or $0.02 per share (basic and diluted) for the three and nine months ended September 30, 2016, respectively. The increase in net income is due to the general growth and stabilization of our business 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 gain of $43,259 and $6,666 for the three and nine months ended September 30, 2017, respectively, compared to a gain of $4,814 and a loss of $5,463 for the three and nine months ended September 30, 2016, respectively.

Cash Flows from Operating Activities

The net cash generated by operating activities was $146,914 for the nine months ended September 30, 2017, compared to $78,745 in net cash used in operating activities in the nine months ended September 30, 2016. The increase was due to increase in net income from operations related to acquisitions.

Cash Flows from Investing Activities

The net cash used in investing activities was $185,050 for the nine months ended September 30, 2017, compared to $447,270 in net cash generated by investing activities for the nine months ended September 30, 2016. The decrease was primarily related to acquisitions and increased spending on property, plant and equipment.

Cash Flows from Financing Activities

Net cash provided by financing activities was $663,305 for the nine months ended September 30, 2017, compared to $1,121,872 in net cash provided by financing activities for the nine months ended September 30, 2016. The change was due to a reduction in financing activities.

Liquidity and Capital Resources

Assets

At September 30, 2017, we had a total of $8,853,671 in assets compared to $7,305,503 in assets at December 31, 2016.

Liabilities

At September 30, 2017, we had $5,775,419 in current liabilities and $879,952 in long term liabilities, compared to current liabilities of $4,290,730 and long-term liabilities of $742,189 at December 31, 2016.

Working Capital

The Company had $3,183,550 in cash and cash equivalents at September 30, 2017, compared to $2,230,422 cash and cash equivalents at December 31, 2016.

We had $5,775,419 in current liabilities and $4,378,646 in current assets, as such we are left with a working capital deficit of $1,396,773 as of September 30, 2017.

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

As of September 30, 2017, we had a total accumulated deficit of $11,620,552.

During the development phase of our business over the past several years, we sustained recurring losses and negative cash flows from operations. As a result, 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 and from operating cash flow. 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. $354,390) for Multigioco and EUR 50,000 (approximately U.S. $59,065) 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.

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. $11,529) 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, 12-16 and 19 of the Notes to the Consolidated Financial Statements for information related to debt obligations.

Off-Balance-Sheet Arrangements

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

Related-Party Transactions

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

		September 30, 2017		December 31, 2016
Gold Street Capital Corp.	$	30,163	$	1
Doriana Gianfelici		57,886		51,819
Luca Pasquini		76		5,260
Other stockholders		559,059		500,469
Total advances from stockholders	$	647,184	$	557,549

During the nine months ended September 30, 2017, Gold Street, the major stockholder of Newgioco Group, advanced $193,046 to the Company and was repaid $162,884 by the Company. Also, the Company paid management fees to Gold Street Capital Corp. of $108,000 and $90,000 for the nine months ended September 30, 2017 and September 30, 2016, respectively.

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

During the nine months ended September 30, 2017, Luca Pasquini was repaid approximately U.S. $5,184 by the Company. Also, the Company paid management fees of $15,032 to Luca Pasquini for the nine months ended September 30, 2017.

Advances from other stockholders comprise of the dividend accrued due to former stockholders of Ulisse for the six-month prior to the acquisition of Ulisse on September 30, 2017.

The amounts due to the stockholders at September 30, 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. The Company and Braydon Capital have agreed to extend the Maturity Date indefinitely by mutual consent.

- 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. The Company and Braydon Capital have agreed to extend the Maturity Date indefinitely by mutual consent.

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), to allow for timely decisions regarding required disclosure.

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

Management's Annual Report on Internal Control over Financial Reporting

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

Our management assessed the effectiveness of our internal control over financial reporting as of September 30, 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 September 30, 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.

On May 15, 2017, the Company and Darling reached a settlement agreement related to legal proceedings brought against the Company on January 20, 2017, whereby the Company 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. The Company paid $125,000 towards the amount due on May 30, 2017, since the balance of the payments as agreed were late, Darling entered the Consent Judgement as stipulated in the Settlement Agreement.

As a result, the Company will pay an annual interest rate of 22% on agreed settlement amount of $1,000,000 less payments made from May 15, 2017, the date of the Settlement Agreement, until paid in full. The Company is currently in the process of negotiating a lower rate re-financing to pay the balance due to Darling.

Item 1A. Risk Factors.

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

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information.

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

Item 6. Exhibits

(a) Index to and Description of Exhibits

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

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

SIGNATURES

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

Date: November 8, 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: November 8, 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 June 30, 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: November 8, 2017

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