



BRAGG GAMING GROUP INC.

INTERIM UNAUDITED CONDENSED  
CONSOLIDATED  
FINANCIAL STATEMENTS

Three-month and six-month periods ended  
June 30, 2019 and June 30, 2018

**Notice for National Instrument 51-102**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim condensed consolidated financial statements; they must be accompanied by a notice indicating that the interim condensed consolidated financial statements have not been reviewed by an auditor.

The accompanying interim unaudited condensed consolidated financial statements of the Company have been prepared and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim condensed financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

# Bragg Gaming Group Inc.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (unaudited) (Expressed in Canadian Dollars)

	As at June 30, 2019	As at December 31, 2018
	\$	\$
<b>ASSETS</b>		
Current assets		
Cash	1,937,982	8,571,701
Trade and other receivables	6,079,298	6,414,785
Prepaid expenses, deposits and other assets	421,464	458,588
	8,438,744	15,445,074
Equipment, net of depreciation	235,115	292,520
Right-of-use assets (Note 11)	710,857	-
Intangible assets (Note 7)	22,763,134	23,163,248
Goodwill (Note 3)	31,189,508	31,911,945
	63,337,358	70,812,787
Assets classified as held for sale (Note 5)	1,513,814	-
	64,851,172	70,812,787
<b>LIABILITIES</b>		
Current liabilities		
Trade payables and accrued liabilities	8,536,904	12,453,083
Deferred revenue	9,143	33,367
Loans payable	60,593	151,029
Lease payable (Note 11)	230,525	-
Current taxes	-	156,759
Deferred consideration (Note 3)	800,000	3,037,952
Contingent Consideration (Note 3)	15,371,010	-
	25,008,175	15,832,190
Loans payable - non-current	453,709	434,235
Lease payable - non-current (Note 11)	486,011	-
Deferred taxes	2,583,698	2,583,698
Contingent consideration - non-current (Note 3 and 12)	17,250,530	27,095,189
	45,782,123	45,945,312
Liabilities classified as held for sale (Note 5)	2,182,349	-
	47,964,472	45,945,312
<b>SHAREHOLDERS' EQUITY (DEFICIT)</b>		
Share capital (Note 8)	58,970,546	51,824,468
Warrants (Note 8 and 16)	4,672,130	918,764
Special warrants (Note 8 and 16)	-	11,818,013
Special warrants - broker compensation options (Note 8 and 16)	-	1,021,246
Special warrant compensation options (Note 8 and 16)	1,021,246	-
Contributed surplus	16,561,972	13,984,121
Deficit	(64,230,809)	(54,594,712)
Accumulated other comprehensive loss	(108,385)	(104,425)
	16,886,700	24,867,475
	64,851,172	70,812,787

GOING CONCERN (Note 1)

ON BEHALF OF THE BOARD:

"Dominic Mansour"

"Akshay Kumar"

The accompanying notes are an integral part of these interim condensed consolidated financial statements

# Bragg Gaming Group Inc.

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS (unaudited)

(Expressed in Canadian Dollars)

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
	\$	\$	\$	\$
<b>Revenue</b> (Note 13)	<b>8,814,300</b>	-	<b>18,010,609</b>	-
Cost of revenue (excluding depreciation and amortization)	4,988,068	-	9,730,207	-
<b>Gross profit (excluding depreciation and amortization)</b>	<b>3,826,232</b>	-	<b>8,280,402</b>	-
<b>Expenses</b>				
General and administrative (Note 6)	(10,025,042)	-	(15,249,722)	-
Sales and marketing	(157,218)	-	(307,160)	-
<b>Operating loss</b>	<b>(6,356,028)</b>	-	<b>(7,276,480)</b>	-
Net financing charges (Note 6)	(13,420)	-	(24,491)	-
<b>Loss before income taxes</b>	<b>(6,369,448)</b>	-	<b>(7,300,971)</b>	-
Income tax expense (Note 14)	(58,871)	-	(118,001)	-
<b>Net loss from continuing operations</b>	<b>(6,428,319)</b>	-	<b>(7,418,972)</b>	-
Net loss from discontinued operations (Note 5)	(1,207,459)	(1,729,829)	(2,150,469)	(15,778,142)
<b>NET LOSS</b>	<b>(7,635,778)</b>	<b>(1,729,829)</b>	<b>(9,569,441)</b>	<b>(15,778,142)</b>
Cumulative translation adjustment	68,195	-	(86,577)	-
Cumulative translation adjustment due to discontinued operations (Note 5)	81,096	(291,916)	82,618	(356,958)
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>(7,486,487)</b>	<b>(2,021,745)</b>	<b>(9,573,400)</b>	<b>(16,135,100)</b>
<b>Basic and diluted net loss per share from continuing operations</b> (Note 9)	<b>(0.08)</b>	-	<b>(0.11)</b>	-
<b>Basic and diluted net income per share from discontinued operations</b> (Note 9)	<b>(0.02)</b>	(0.06)	<b>(0.03)</b>	(0.55)
<b>Weighted average number of shares - basic and diluted</b>	<b>77,863,850</b>	28,676,670	<b>66,950,632</b>	28,560,648

The accompanying notes are an integral part of these interim condensed consolidated financial statements

**Bragg Gaming Group Inc.**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (unaudited)**  
**For the six months ended June 30, 2018 and six months ended June 30, 2019**  
**(Expressed in Canadian Dollars)**

	Common Shares Number	Common Shares \$	Warrants \$	Special Warrants \$	Special Warrants - Agents Compensation Warrants \$	Special Warrant Compensation Options \$	Contributed Surplus \$	Accumulated other comprehensive income (loss) \$	Deficit \$	Total Shareholders' Equity \$
<b>Balance, January 1, 2018</b>	<b>27,676,670</b>	<b>32,987,987</b>	<b>5,535,504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,239,035</b>	<b>317,849</b>	<b>(19,031,925)</b>	<b>24,048,450</b>
Shares issued related to financing on January 23, 2018, net of issuance costs	1,000,000	2,985,000								2,985,000
Stock-based compensation							2,631,218			2,631,218
Cumulative translation adjustment								(356,958)		(356,958)
Net loss from discontinued operations for the period									(15,778,142)	(15,778,142)
<b>Balance, June 30, 2018</b>	<b>28,676,670</b>	<b>35,972,987</b>	<b>5,535,504</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,870,253</b>	<b>(39,109)</b>	<b>(34,810,067)</b>	<b>13,529,568</b>
<b>Balance, January 1, 2019</b>	<b>50,805,048</b>	<b>51,824,468</b>	<b>918,764</b>	<b>11,818,013</b>	<b>1,021,246</b>	<b>-</b>	<b>13,984,121</b>	<b>(104,425)</b>	<b>(54,594,712)</b>	<b>24,867,475</b>
Conversion of 27,058,802 special warrants to 27,058,802 shares and 27,058,802 warrants on March 14, 2019 (Note 8 and 16)	27,058,802	7,146,078	4,671,935	(11,818,013)						-
Expiry of 756,250 warrants (Note 16)			(918,569)				918,569			-
Conversion of 1,601,784 Agents Special Warrant Compensation Options to Agent Compensation Options on March 14, 2019 (Note 8 and 16)					(1,021,246)	1,021,246				-
Stock-based compensation							1,659,282			1,659,282
Impact of change in accounting policy (Note 11)								(925)	(66,656)	(67,581)
Cumulative translation adjustment								(3,035)		(3,035)
Net loss from continuing operations for the period									(7,418,972)	(7,418,972)
Net loss from discontinued operations for the period									(2,150,469)	(2,150,469)
<b>Balance, June 30, 2019</b>	<b>77,863,850</b>	<b>58,970,546</b>	<b>4,672,130</b>	<b>-</b>	<b>-</b>	<b>1,021,246</b>	<b>16,561,972</b>	<b>(108,385)</b>	<b>(64,230,809)</b>	<b>16,886,700</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements

**Bragg Gaming Group Inc.**

**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)**  
(Expressed in Canadian Dollars)

	Six months ended June 30, 2019	Six months ended June 30, 2018
	\$	\$
<b>CASH FLOWS FROM:</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period from continuing operations	(7,418,972)	-
Net loss for the period from discontinued operations	(2,150,469)	(15,778,142)
Items not affecting cash		
Amortization of intangible assets (Note 7)	1,372,748	678,751
Depreciation of property, equipment and right-of-use assets	326,511	18,672
Accretion of long-term debt	12,977	-
Interest	40,431	-
Stock-based compensation	1,659,282	2,631,218
Gain on disposal of equipment	(3,166)	(19,395)
Loss on changes in fair value of held for sale assets (Note 5)	212,436	-
Impairment of goodwill	-	11,298,350
Gain on remeasurement of deferred consideration (Note 3)	(654,266)	-
Loss on remeasurement of contingent consideration (Note 3)	5,526,351	-
Net change in working capital (Note 10)	(3,090,340)	(1,004,215)
<b>Cash used in operating activities</b>	<b>(4,166,477)</b>	<b>(2,174,761)</b>
<b>FINANCING ACTIVITIES</b>		
Repayment of debentures	-	(345,000)
Repayment of loans	(72,312)	-
Proceeds from private placement, net of issuance costs	-	2,985,000
Lease payments (Note 11)	(249,489)	-
<b>Cash (used in) provided by financing activities</b>	<b>(321,801)</b>	<b>2,640,000</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(107,979)	(154,654)
Additions in intangible assets (Note 7)	(840,499)	(614,476)
Deferred consideration paid upon business combination (Note 12)	(955,020)	-
<b>Cash used in investing activities</b>	<b>(1,903,498)</b>	<b>(769,131)</b>
<b>EFFECT OF CURRENCY TRANSLATION</b>	<b>(241,943)</b>	<b>(106,655)</b>
<b>DECREASE IN CASH FOR THE PERIOD</b>	<b>(6,633,719)</b>	<b>(410,547)</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>8,571,701</b>	<b>1,760,301</b>
<b>CASH, END OF PERIOD</b>	<b>1,937,982</b>	<b>1,349,754</b>

The accompanying notes are an integral part of these interim condensed consolidated financial statements

**BRAGG GAMING GROUP INC.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**For the three and six months ended June 30, 2019 and 2018  
(Expressed in Canadian Dollars)**

**1. BASIS OF PRESENTATION AND GOING CONCERN**

**Nature of operations**

Bragg Gaming Group. ("Bragg", "BGG", the "Company" or together with its subsidiaries the "Group") is primarily a B2B online gaming technology business. ORYX Gaming was acquired by BGG in December 2018.

Bragg's portfolio includes ORYX Gaming, a B2B gaming technology platform and casino content aggregator. Additionally the Group owns Online Media assets of GIVEMESPORT, a Facebook Sport Publisher and GIVEMEBET, a UK-focused sportsbook.

The registered and head office of the Company is located at 130 King Street West, Suite 1955, Toronto, Ontario, M5X 1E3.

**ORYX Gaming**

ORYX Gaming is a B2B gaming solution provider. ORYX offers a turnkey solution, including an omni-channel retail, online and mobile iGaming platform, as well as an advanced content aggregator, sportsbook, lottery, marketing and operational services.

Oryx is incorporated in the State of Delaware and headquartered in Las Vegas. Its primary operations are provided through its wholly owned subsidiaries in Malta, Cyprus and Slovenia.

**BRAGG GAMING GROUP INC.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**For the three and six months ended June 30, 2019 and 2018  
(Expressed in Canadian Dollars)**

**1. BASIS OF PRESENTATION AND GOING CONCERN (continued)**

**Acquisition of ORYX Gaming**

On December 20, 2018, the Company completed a business combination transaction with AA Acquisition Group Inc. ("AAA") by way of a "three-cornered amalgamation" whereby the Company acquired all of the issued and outstanding securities of AAA in exchange for the issuance to AAA shareholders of 20,999,994 Common Shares of the Company on a pro-rata basis amongst AAA shareholders, and whereby AAA amalgamated with a wholly-owned subsidiary of the Company. Upon completion of the Amalgamation, all of the property, rights, privileges and assets of AAA have continued as the property rights, privileges and assets of the amalgamated entity, Bragg Oryx Holdings Inc., a wholly owned subsidiary of the Company.

AAA was a special purpose vehicle incorporated on April 12, 2018 under the Ontario Business Corporations Act, with the primary purpose of acquiring share capital, trade and assets of Oryx Gaming International LLC ("ORYX" or "ORYX Gaming"), and its wholly-owned subsidiaries. On December 20, 2018, AAA acquired all of the issued and outstanding membership interests of Oryx (the "Oryx Acquisition").

**Acquisition of Win Gaming**

On April 30, 2019, the Company completed an acquisition transaction whereby it acquired 100% interest in WIN Gaming Limited ("WIN") in exchange for cash consideration of EUR €65,923. The purpose of the acquisition was to acquire WIN's remote gaming licence issued by the Malta Gaming Authority. WIN is a private limited liability company incorporated in Malta.

**Classification of Online Media Division assets as available for sale and operations as a discontinued.**

In June 2019, the Company made the decision to initiate a Strategic Review of the exit the Online Media business unit with a view to exit this business which included an active program to locate a buyer for its GIVEMESPORT and GIVEMEBET products. The associated assets and liabilities within the disposal group were consequently presented as held for sale and the net loss attributable to the Online Media division was reclassified as a discontinued operation in the unaudited interim condensed consolidated financial statements.



**BRAGG GAMING GROUP INC.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**For the three and six months ended June 30, 2019 and 2018  
(Expressed in Canadian Dollars)**

**1. BASIS OF PRESENTATION AND GOING CONCERN (continued)**

**Going Concern**

These unaudited interim condensed consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business, and do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying interim unaudited condensed consolidated financial statements. If the going concern assumption is not appropriate, material adjustments to the unaudited interim condensed consolidated financial statements could be required.

As at June 30, 2019, the Company had current assets of \$8,438,744 (December 31, 2018 - \$15,445,074) to cover current liabilities of \$25,008,175 (December 31, 2018 - \$15,832,190). Adjusting current liabilities to exclude deferred consideration and contingent consideration, as these will be satisfied from equity or future capital raises, current liabilities decreases to \$8,837,165. The Company has a cumulative deficit of \$64,230,809 (December 31, 2018 – \$54,594,712). The Company's continued existence is dependent upon the achievement of profitable operations and generating positive cash flows from operations. To date, management has been successful in raising additional capital through equity or debt financings, however the Company cannot provide assurance that it will be able to execute on its business strategy or be successful in future financing activities.

**BRAGG GAMING GROUP INC.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**For the three and six months ended June 30, 2019 and 2018  
(Expressed in Canadian Dollars)**

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of Compliance**

The Company prepares its unaudited interim condensed consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described herein as issued by International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. These unaudited interim condensed consolidated financial statements are in compliance with International Financial Reporting Standards 34 "Interim Financial Reporting" (IAS 34). The unaudited interim condensed consolidated financial statements do not include all of the information required for annual audited consolidated financial statements and should be read in conjunction with the Company's consolidated financial statements for the period ended December 31, 2018.

These unaudited interim condensed consolidated financial statements include the accounts of the Company and the subsidiaries over which the Company has control. The unaudited interim condensed consolidated financial statements are prepared on a going concern basis, under the historical cost convention except for the revaluation of certain financial assets and liabilities to fair value. All financial information is presented in Canadian dollars, unless otherwise noted.

The accompanying unaudited interim condensed consolidated financial statements were authorized for issue by the Board of Directors on August 26, 2019.

**Recent accounting pronouncement**

**IFRS 16 - Leases**

Effective January 1, 2019, the Company adopted IFRS 16 *Leases* which replaces IAS 17 *Leases*. This standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases and adding a requirement for the recognition of a right-of-use asset and a lease liability at the commencement of all leases except short-term leases and leases of low value assets for which the election has been applied.

In accordance with the transitional provisions, the Company adopted the standard applying the modified retrospective approach, with right-of-use assets being measured at the amount equal to the lease liability, adjusted for any amount of applicable prepaid or accrued lease payments recognized on the consolidated statement of financial position as at December 31, 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the three and six months ended June 30, 2019 and 2018  
(Expressed in Canadian Dollars)

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Recent accounting pronouncement (continued)**

**IFRS 16 – Leases (continued)**

For contracts entered into on or after January 1, 2019, the Company assesses whether a contract is, or contains, a lease. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, then the contract may contain a lease. The Company assesses whether a contract conveys the right to control the use of an asset by performing the following tests:

- Assess whether the contract involves the use of an identified asset and may be specified explicitly or implicitly. It should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a significant right to substitution, then the asset is not identified;
- Assess whether the Company has the right to obtain substantially all of the economic benefits arising from the use of the asset throughout the period of use; and
- Assess that the Company has the right to direct enjoyment of the asset. This right is identified when the Company has the decision-making rights in how and for what purpose the asset is used. In cases where the decision on how and for what purpose to use the asset has been predetermined, the Company has the right to direct the use of the asset if either it has the right to operate the asset, or the Company has designed the asset in a manner that predetermines how and for what purpose the asset will be used.

For contracts entered into prior to January 1, 2019, the Company had determined whether the arrangement contained a lease based on the following tests:

- Assess whether fulfilment of the agreement was dependent on the use of specific assets; and
- Assess whether the arrangement conveyed the right to use the asset if one of the following was met:
  - The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output;
  - Circumstances indicated that it was unlikely that third parties would take more than an insignificant amount of the output, and the price per unit was not fixed per unit of output and not equal to the current market price per unit of output.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the three and six months ended June 30, 2019 and 2018  
(Expressed in Canadian Dollars)

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Recent accounting pronouncement (continued)**

**IFRS 16 – Leases – As a lessee**

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

For the three and six months ended June 30, 2019 and 2018  
(Expressed in Canadian Dollars)

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Recent accounting pronouncement (continued)**

**IFRS 16 – Leases – As a lessee (continued)**

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term of twelve months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In the comparative period, as a lessee, the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases were classified as operating leases and were not recognized in the Company's interim condensed unaudited consolidated statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

**IFRS 3 - Business Combinations (Amendment)**

In October 2018, the International Accounting Standards Board (IASB) issued amendments to IFRS 3, incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in December 2018. The amendments clarify the definition of a business, permitting a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments were effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 with earlier application permitted. Effective January 1, 2019, the Company adopted the amendments to IFRS 3 *Business Combinations* and assessed various asset purchase transactions entered into during the year to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

**BRAGG GAMING GROUP INC.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**For the three and six months ended June 30, 2019 and 2018  
(Expressed in Canadian Dollars)**

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Recent accounting pronouncement (continued)**

**IFRS 3 - Business Combinations (Amendment) (continued)**

The Company has determined the acquisition which took place in the prior period relating to the acquisition of Oryx Gaming LLC in December 2018, as described in Note 3, met and continues to meet the definition of a business and therefore has been accounted as a business combination.

Based on the clarification related to the definition of a business the Company has determined the acquisition of Win Gaming in the April 2019, described in Note 4, meets the criteria to be classified as an asset acquisition.

**BRAGG GAMING GROUP INC.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**For the three and six months ended June 30, 2019 and 2018  
(Expressed in Canadian Dollars)**

**3. ACQUISITION OF ORYX GAMING INTERNATIONAL LLC ("ORYX") IN DECEMBER 2018**

The Company completed the acquisition of Oryx Gaming International LLC (together with its subsidiaries, "Oryx") on December 20, 2018.

**Fair value of goodwill**

Fair value allocations of the purchase price paid are unchanged from that which was reported in the consolidated financial statements for the nine-month period ended December 31, 2018. The value of deferred consideration has been remeasured and reduced by \$722,437 due to the finalization of the working capital adjustment (compared with the estimated value ascribed to it by Oryx management prior to the transaction closing) which resulted in a corresponding reduction in goodwill as shown below.

	Balances as originally reported	Measurement period adjustment	<b>Adjusted balances</b>
	\$	\$	\$
Common shares	15,119,996	-	15,119,996
Cash	6,350,772	-	6,350,772
Deferred consideration	3,037,952	(722,437)	2,315,515
Contingent consideration	27,095,189	-	27,095,189
<b>Total purchase price</b>	<b>51,603,909</b>	<b>(722,437)</b>	<b>50,881,472</b>
Brand	2,123,520	-	2,123,520
Customer relationships	7,668,994	-	7,668,994
Intellectual property	13,446,245	-	13,446,245
Cash	578,546	-	578,546
Accounts receivable	5,400,396	-	5,400,396
Prepaid expenses and deposits	254,993	-	254,993
Equipment	187,598	-	187,598
Accounts payable and accrued liabilities	(6,806,124)	-	(6,806,124)
Loan	(578,506)	-	(578,506)
Deferred tax liabilities arising on acquisition of intangible assets	(2,583,698)	-	(2,583,698)
<b>Fair value of assets acquired, and liabilities assumed</b>	<b>19,691,964</b>	<b>-</b>	<b>19,691,964</b>
<b>Fair value of goodwill</b>	<b>31,911,945</b>	<b>(722,437)</b>	<b>31,189,508</b>

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3. **ACQUISITION OF ORYX GAMING INTERNATIONAL LLC ("ORYX") IN DECEMBER 2018 (continued)**

**Fair value of goodwill (continued)**

As the acquisition is within the remeasurement period under IFRS 10, it continues to be refined. The Company continues to gather additional information to finalize the fair value of intangible assets and goodwill acquired.

**Remeasurement of deferred and contingent consideration**

For the three months and six months ended June 30, 2019, a gain on remeasurement of deferred consideration of \$654,266 (three months and six months ended June 30, 2018 - \$nil) has been recognized as a result of remeasurement of the fair value of 2,000,000 in stock to be issued to the former owner of Oryx at a closing price of \$0.40 on June 28, 2019, net of additional cash consideration required of \$488,339 (€328,031). This gain has been recognized in the interim condensed consolidated statements of loss and comprehensive loss.

For the three months and six months ended June 30, 2019, a loss on remeasurement of contingent consideration due to the former owner of Oryx of \$5,526,351 (three months and six months ended June 30, 2018 - \$nil) has been recognized in the interim condensed consolidated statements of loss and comprehensive loss. This is a result of greater certainty in the forecasting of 2019 EBITDA and, in turn, the year 1 earnout due to the Oryx vendors, combined with the unwinding of the discounted cashflows to arrive at the discounted contingent consideration as at June 30, 2019.

**Pro-forma revenues and net profit/(loss) for the comparative periods in 2018.**

On a pro-forma basis, if the acquisition of Oryx had occurred on April 1, 2018 then Oryx would have generated revenue of \$7,105,320 and net profit of \$1,896,760 for the three months ended June 30, 2018.

On a pro-forma basis, if the acquisition of Oryx had occurred on January 1, 2018 then Oryx would have generated revenue of \$12,132,629 and net profit of \$2,181,515 for the three months ended June 30, 2018.



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**4. ASSET ACQUISITION TRANSACTION**

The Company completed the acquisition of Win Gaming Limited ("WIN") on April 30, 2019 whereby it acquired 201,250 ordinary shares of WIN Gaming Limited ("WIN") in exchange for cash consideration of EUR €65,923. The purpose of the acquisition was to acquire WIN's remote gaming licence issued by the Malta Gaming Authority.

The Company has applied IFRS 3 *Business Combinations* and assessed the transaction as an asset acquisition. The gaming licence asset acquisition has been recognised as intangible asset with a fair value of \$192,218.

**5. DISCONTINUED OPERATION**

In June 2019, the Company made the decision to undertake a strategic review with a view to explore options for Online Media business and initiated an active program to locate a buyer(s) for its GIVEMESPORT and GIVEMEBET products as these verticals were non-core to the Group. The associated assets and liabilities within the disposal group were consequently presented as held for sale and the net loss attributable to the Online Media division was reclassified as a discontinued operation in the unaudited interim condensed consolidated financial statements.

**Assets and liabilities of disposal group classified as held for sale**

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operation as at June 30, 2019.

	June 30, 2019	December 31, 2018
	\$	\$
Equipment, net of depreciation	77,761	-
Right-of-use assets	712,287	-
Trade and other receivables	597,352	-
Prepaid expenses, deposits and other assets	126,414	-
<b>Assets classified as held for sale</b>	<b>1,513,814</b>	
Trade payables and accrued liabilities	1,092,270	-
Lease payable	1,090,079	-
<b>Current liabilities classified as held for sale</b>	<b>2,182,349</b>	

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**5. DISCONTINUED OPERATION (continued)**

**Financial performance and cash flow information**

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
	\$	\$	\$	\$
<b>Revenue</b>	<b>1,022,998</b>	3,384,686	<b>2,192,039</b>	6,800,511
Cost of revenue (excluding depreciation and amortization)	<b>448,930</b>	1,700,378	<b>920,607</b>	3,280,256
<b>Gross profit (excluding depreciation and amortization)</b>	<b>574,068</b>	1,684,308	<b>1,271,432</b>	3,520,255
<b>Expenses</b>				
Salaries and subcontractors	<b>903,817</b>	1,425,147	<b>1,722,428</b>	2,425,182
Professional fees	<b>65,207</b>	94,204	<b>84,346</b>	217,020
Other operational costs	<b>409,993</b>	452,865	<b>829,723</b>	1,115,593
Stock-based compensation	<b>191,383</b>	1,103,109	<b>382,767</b>	2,631,218
Transaction and acquisition costs	-	-	-	96,799
Foreign exchange loss	<b>932</b>	32,796	<b>7,624</b>	206,038
Gain on sale of equipment	<b>(3,166)</b>	-	<b>(3,166)</b>	(19,395)
Loss on changes in fair value of held for sale assets	<b>212,436</b>	-	<b>212,436</b>	-
Impairment of goodwill	-	-	-	11,298,350
Amortization of intangible assets	-	151,642	-	678,751
Depreciation of equipment	<b>77,938</b>	13,178	<b>157,818</b>	18,672
Sales and marketing	<b>88,740</b>	141,196	<b>178,677</b>	618,590
Interest and financing fees	<b>13,917</b>	-	<b>28,918</b>	11,579
<b>Total expenses</b>	<b>1,961,197</b>	3,414,137	<b>3,601,571</b>	19,298,397
<b>Loss before income taxes</b>	<b>(1,387,129)</b>	(1,729,829)	<b>(2,330,139)</b>	(15,778,142)
Income tax credit (note 13)	<b>179,670</b>	-	<b>179,670</b>	-
<b>Net loss from discontinued operations</b>	<b>(1,207,459)</b>	(1,729,829)	<b>(2,150,469)</b>	(15,778,142)
Cumulative translation adjustment	81,096	(291,916)	82,618	(356,958)
<b>Net loss and comprehensive loss from discontinued operations</b>	<b>(1,126,363)</b>	(2,021,745)	<b>(2,067,851)</b>	(16,135,100)

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**5. DISCONTINUED OPERATION (continued)**

**Financial performance and cash flow information (continued)**

	Six months ended June 30, 2019	Six months ended June 30, 2018
	\$	\$
Cash used in operating activities	(278,545)	(2,174,761)
Cash (used in) provided by financing activities	(112,776)	2,640,000
Cash used in investing activities	-	(769,131)
Effect of currency translation	(8,310)	(106,658)
<b>Decrease in cash from discontinued operation</b>	<b>(399,631)</b>	<b>(410,550)</b>

**6. EXPENSES CLASSIFIED BY NATURE IN CONTINUING OPERATIONS**

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
	\$	\$	\$	\$
<b>General and administrative</b>				
Salaries and subcontractors	1,782,493	-	3,360,181	-
Professional fees	1,237,682	-	2,149,607	-
Other operational costs	947,212	-	1,957,243	-
Stock-based compensation	358,706	-	1,276,515	-
Transaction and acquisition costs	25,537	-	25,537	-
Foreign exchange (gain) loss	(17,738)	-	67,113	-
Gain on remeasurement of deferred consideration (Note 3)	(654,266)	-	(654,266)	-
Loss on remeasurement of contingent consideration (Note 3)	5,526,351	-	5,526,351	-
Amortization of intangible assets (Note 7)	707,740	-	1,372,748	-
Depreciation of property and equipment	111,325	-	168,693	-
	<b>10,025,042</b>	<b>-</b>	<b>15,249,722</b>	<b>-</b>
<b>Net financing charges</b>				
Accretion on long-term debt	6,280	-	12,977	-
Interest and financing fees	7,140	-	11,514	-
	<b>13,420</b>	<b>-</b>	<b>24,491</b>	<b>-</b>

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**7. INTANGIBLE ASSETS**

	Intellectual Property	Customer Relationships	Brand	Gaming Licence	Development Costs	Patents	Total
<b>Cost</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>As at March 31, 2018</b>	<b>2,600,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>573,551</b>	<b>110,055</b>	<b>3,283,606</b>
Acquired through business combination (Note 3)	13,446,245	7,668,994	2,123,520	-	-	-	23,238,759
Additions	-	-	-	-	174,409	12,899	187,308
Impairment	(2,600,000)	-	-	-	(740,271)	(36,154)	(3,376,425)
Disposal	-	-	-	-	-	(86,800)	(86,800)
Foreign currency translation	-	-	-	-	(7,689)	-	(7,689)
<b>As at December 31, 2018</b>	<b>13,446,245</b>	<b>7,668,994</b>	<b>2,123,520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,238,759</b>
Acquired through asset acquisition transaction (Note 4)	-	-	-	192,218	-	-	192,218
Additions	764,728	-	-	-	-	-	764,728
Foreign currency translation	-	-	-	-	-	-	-
<b>As at June 30, 2019</b>	<b>14,210,973</b>	<b>7,668,994</b>	<b>2,123,520</b>	<b>192,218</b>	<b>-</b>	<b>-</b>	<b>24,195,705</b>
<b>Accumulated Amortization</b>							
<b>As at March 31, 2018</b>	<b>504,329</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,996</b>	<b>23,973</b>	<b>553,298</b>
Amortization	307,221	21,970	6,320	-	158,856	11,986	506,353
Impairment	(764,329)	-	-	-	(183,449)	(15,601)	(963,379)
Disposal	-	-	-	-	-	(20,358)	(20,358)
Foreign currency translation	-	-	-	-	(403)	-	(403)
<b>As at December 31, 2018</b>	<b>47,221</b>	<b>21,970</b>	<b>6,320</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,511</b>
Amortization	882,456	384,157	106,135	-	-	-	1,372,748
Foreign currency translation	(15,688)	-	-	-	-	-	-
<b>As at June 30, 2019</b>	<b>913,989</b>	<b>406,127</b>	<b>112,455</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,432,571</b>
<b>Net Book Value</b>							
As at December 31, 2018	13,399,024	7,647,024	2,117,200	-	-	-	23,163,248
<b>As at June 30, 2019</b>	<b>13,296,984</b>	<b>7,262,867</b>	<b>2,011,065</b>	<b>192,218</b>	<b>-</b>	<b>-</b>	<b>22,763,134</b>

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**8. EXERCISE OF SPECIAL WARRANTS AND SPECIAL WARRANT COMPENSATION OPTIONS**

On March 11, 2019, the Company obtained a receipt in each of the provinces of British Columbia, Alberta and Ontario for a final short form prospectus to qualify the distribution of 27,058,802 units of the Company (the "Units"), the Unit shares, the warrants and the compensation options (each as hereinafter defined, collectively the "Underlying Securities").

The Units were issued on March 14, 2019 upon deemed exercise of the Special Warrants, being the date that is three business days from obtaining the receipt of the Prospectus and constituting the "Automatic Exercise Date" as defined in the Agency Agreement. Each Unit consists of one (1) common share in the capital of the Company (each, an "Unit Share") and one (1) common share purchase warrant (each, a "Warrant"), with each Warrant being exercisable into one (1) common share in the capital of the Company (a "Warrant Share") until November 29, 2020, at a price of \$0.76.

During the six months to June 30, 2019, as a result of the exercise of the Special Warrants, the fair value ascribed to it of \$11,818,013 was attributed based on the fair value of the underlying instruments on the day of exercise. This results in 60.5% being ascribed to Unit Shares and 39.5% being ascribed to Warrants. This resulted in an increase in common shares of \$7,146,078 and an increase in warrants of \$4,671,935. The Unit Shares were valued at \$0.61 being the closing price on the day prior to the exercise. The Warrants were valued using a Black-Scholes valuation assuming an exercise price of \$0.76, a volatility of 142% and a risk-free rate of 1.94%.

Further, on March 14, 2019, each 1,601,784 Special Warrant Compensation Options of the Agents were converted, upon deemed exercise and without payment of any additional consideration into one compensation option of the Company (a "Compensation Option"). Each Compensation Option issued to the Agents entitles the holder thereof to acquire one unit (a "Compensation Option Unit") at the exercise price of \$0.51 per Compensation Option Unit for a period of 24 months following the Closing Date, each Compensation Option Unit being comprised of one Common Share (a "Compensation Option Share") and one Warrant (a "Compensation Option Warrant"). Each Compensation Option Warrant shall entitle the holder thereof to purchase one Warrant Share (a "Compensation Option Warrant Share") at a price of \$0.76 at any time before November 29, 2020.

During the six months to June 30, 2019, as a result of the conversion of Special Warrant Compensation Option of the Agents, an increase in Agent Compensation Options of \$1,021,246 and a corresponding decrease in 'Special Warrants – Agents Compensation Warrants' was recognized. This is the value that was ascribed to the 'Special Warrants – Agents Compensation Warrants' when they were issued on November 29, 2018 calculated using a Black-Scholes valuation assuming an exercise price of \$0.51, a volatility of 117% and a risk-free rate of 1.94%.

**9. NET LOSS PER SHARE**

There is no difference between the basic and diluted loss per share as the effect of the stock options, warrants and debt conversion options would be anti-dilutive.

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**10. SUPPLEMENTARY CASH FLOW INFORMATION**

	<b>Six months ended June 30, 2019</b>	Six months ended June 30, 2018
	\$	\$
Increase in trade and other receivables	<b>(397,256)</b>	(471,842)
Increase in prepaid expenses, deposits and other assets	<b>(97,588)</b>	(165,621)
Decrease in trade payables and accrued liabilities	<b>(2,595,496)</b>	(366,752)
	<b>(3,090,340)</b>	(1,004,215)

Supplemental non-cash items;

- Common shares issued for exercise of Special Warrants of \$7,146,078 (Six months ended June 30, 2018 - \$nil)
- Fair value of common shares to be issued upon settlement of deferred consideration of \$800,000 (Six months ended June 30, 2018 - \$nil)

**11. ADOPTION OF NEW ACCOUNTING STANDARDS – IFRS 16 LEASES**

As referenced in note 2, the Company adopted IFRS 16 *Leases* on January 1, 2019. The impact of the Company's transition to IFRS 16 is summarized below.

The Company identified two office leases in the UK and Slovenia as meeting the criteria for recognition under IFRS 16. An incremental borrowing rate of 5% and 2.62% was applied to the UK and Slovenia leases respectively. The table below illustrates the impact of adoption of IFRS 16 to the interim unaudited condensed consolidated statement of financial position as at January 1, 2019:

	Original January 1, 2019 (IAS 17)	Adjustment on adoption of IFRS 16	<b>January 1, 2019 (IFRS 16)</b>
	\$	\$	\$
Right-of-use assets	-	1,812,755	<b>1,812,755</b>
<b>Net impact on total assets</b>		1,812,755	<b>1,812,755</b>
Lease payable	-	(426,940)	<b>(426,940)</b>
Lease payable – non-current	-	(1,548,722)	<b>(1,548,722)</b>
Trade payables and accrued liabilities	(7,780,750)	95,327	<b>(7,685,423)</b>
<b>Net impact on total liabilities</b>		(1,880,335)	
<b>Deficit</b>	54,594,712	66,656	<b>54,661,368</b>
<b>Accumulated other comprehensive income (loss)</b>	(104,425)	925	<b>(103,500)</b>

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**11. ADOPTION OF NEW ACCOUNTING STANDARDS – IFRS 16 LEASES (continued)**

On January 1, 2019 the Company entered into an office lease agreement in Canada. On commencement of the agreement, a right-of-use asset and lease liability of \$160,067 was identified. The agreement has a minimum term of 19 months and expires July 31, 2020. An incremental borrowing rate of 4.29% has been applied.

The table below illustrates the impact of the adoption of IFRS 16 to the unaudited interim condensed consolidated financial statements of loss and comprehensive loss for the three months and six months ended June 30, 2019:

	<b>Three months ended June 30, 2019</b>	<b>Six months ended June 30, 2019</b>
	\$	\$
<b>Impact on net loss for the period</b>		
(Increase) in depreciation of property and equipment	(128,997)	(258,633)
(Increase) in interest and financing fees	(19,693)	(40,431)
Decrease in other operational costs	141,228	283,167
<b>(Increase) in net loss for the period</b>	<b>(7,462)</b>	<b>(15,897)</b>
(Increase) in net loss for the period – continuing operations	(2,529)	(5,011)
(Increase) in net loss for the period – discontinued operations	(4,933)	(10,886)
<b>Impact on net loss per share</b>		
Decrease in basic and diluted earnings per share – continuing operations	(0.00)	(0.00)
Decrease in basic and diluted earnings per share – discontinued operations	(0.00)	(0.00)

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**12. RELATED PARTY BALANCES AND TRANSACTIONS**

The following balances and transactions with related parties and key management personnel are included in the accompanying interim unaudited condensed consolidated financial statements:

- a. As at June 30, 2019, the Company had \$nil (December 31, 2018 - \$949,716) of trade payable and accrued liabilities due to current and former directors and officers of the Company.
- b. As at June 30, 2019, the Company had \$699,958 (December 31, 2018 - \$711,838) of trade payable to a shareholder of the Company.
- c. As at June 30, 2019, the Company had \$95,230 (December 31, 2018 - \$149,143) of amounts receivable from a director of Oryx Gaming International LLC.
- d. Salaries and subcontractors' expenses incurred with officers and directors during the three and six months ended June 30, 2019 were \$381,648 and \$761,186, respectively (three months ended June 30, 2018 - \$297,530, six months ended June 30, 2018 - \$595,378).
- e. In the three and six months to June 30, 2019, the Company settled deferred consideration of \$955,020 (€639,251) to the vendor 60 days post close of the transaction that resulted in the acquisition of Oryx (three and six months to June 30, 2018 - \$nil). As at June 30, 2019, the Company has contingent cash consideration of \$32,621,540 and deferred consideration payable by way of capital stock measured at a fair value of \$800,000 due to the vendor who is a director of Oryx International LLC (as at June 30, 2018 - \$nil).



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**13. SEGMENTED INFORMATION**

The Company's management and chief operating decision maker reviews performance of the Company on a geographical and divisional basis. The Company had three geographical segments as at and for the three and six months ended June 30, 2019 and three and six months ended June 30, 2018. The Company's revenues are earned in the following geographical areas for the three and six months ended June 30, 2019 and three and six months ended June 30, 2018:

	<b>Three months ended June 30, 2019</b>	<b>Three months ended June 30, 2018</b>	<b>Six months ended June 30, 2019</b>	<b>Six months ended June 30, 2018</b>
	\$	\$	\$	\$
<b>Continuing operations</b>				
North America	1,813,570	-	5,115,958	-
Europe (excluding United Kingdom)	7,000,730	-	12,894,651	-
	<b>8,814,300</b>	-	<b>18,010,609</b>	-
<b>Discontinued operations</b>				
North America	140	627,867	6,102	1,705,900
Europe (excluding United Kingdom)	-	106,481	-	422,269
United Kingdom	1,022,858	2,650,338	2,185,937	4,672,342
	<b>1,022,998</b>	3,384,686	<b>2,192,039</b>	6,800,511

The geographical segmentation of the Group's revenue generating customers is not correlated to the geographical location of the Group's worldwide user base.

**Disaggregation of revenues**

As at and for the three and six months ended June 30, 2019, the Company had two reporting divisions – B2B Online Gaming and Online Media. B2B Online Gaming consists of services provided by Oryx and includes Oryx games, Oryx's iGaming platform and turnkey services. Online Media consists of online advertising revenues and other online media services such as social media monitoring. In June 2019 the Company made the decision to sell the Online Media division (note 5).

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**13. SEGMENTED INFORMATION (continued)**

**Disaggregation of revenues (continued)**

The Group's revenue by division for the three and six months ended June 30, 2019 and three and six months ended June 30, 2018 are as follows:

	<b>Three months ended June 30, 2019</b>	<b>Three months ended June 30, 2018</b>	<b>Six months ended June 30, 2019</b>	<b>Six months ended June 30, 2018</b>
	\$	\$	\$	\$
B2B Online Gaming	<b>8,814,300</b>	-	<b>18,010,609</b>	-
Online Media – discontinued operations	<b>1,022,998</b>	3,384,686	<b>2,192,039</b>	6,800,511
	<b>9,837,298</b>	3,384,686	<b>20,202,648</b>	6,800,511

Information about the Company's non-current assets by location of assets are detailed below:

	<b>Right-of-use Assets</b>		<b>Equipment</b>		<b>Intangible assets</b>		<b>Held for sale assets</b>	
	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>	<b>December 31, 2018</b>	<b>December 31, 2018</b>	<b>June 30, 2019</b>	<b>December 31, 2018</b>
	\$	\$	\$	\$	\$	\$	\$	\$
North America	<b>109,520</b>	-	-	7,745	<b>13,296,984</b>	13,399,024	-	-
Europe (excluding United Kingdom)	<b>601,337</b>	-	<b>235,115</b>	187,042	<b>9,273,932</b>	9,764,224	-	-
United Kingdom	-	-	-	97,733	-	-	<b>1,002,484</b>	-
	<b>710,857</b>	-	<b>235,115</b>	292,520	<b>22,570,916</b>	23,163,248	<b>1,002,484</b>	-

Right-of-use assets consists of assets identified upon adoption of IFRS 16 *Leases* (note 10) applying the modified retrospective approach and, therefore, no restatement of prior-period balances was required.

Held for sale assets as at June 30, 2019 consist of right-of-use assets of \$924,723 and equipment assets of \$77,761 (note 5)

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**14. INCOME TAX CREDIT**

In the three months and six months ended June 30, 2019 the Group received UK research and development tax credits of \$179,670 settled in cash and recognized an associated reduction in net loss from discontinued operations for the same amount in the three months and six months ended June 30, 2019.

In the same three months and six months ended June 30, 2019 the Group recognized a current income tax expense of \$58,871 and \$118,001, respectively as part of continuing operations (three months and six months ended June 30, 2018 - \$nil).

**15. SHARE OPTIONS**

The Group's two Share Option Schemes are detailed below.

**Fixed Stock Option Plan**

The Company's shareholders have approved and adopted a Fixed Stock Option Plan (the "2018 Plan") for directors, officers, employees and consultants which permits the Company to issue Stock Options over 12,766,893 Common Shares are available for purchase upon the exercise of options awarded by the Company, including options previously awarded and outstanding under the former Stock Option Plans.

**DSU Plan**

The Company's shareholders have approved and adopted a Deferred Share Unit Plan (the "DSU Plan") for directors, officers and, employees which permits the Company to issue DSUs 2,500,000 Common Shares of which 1,450,000 were granted in the comparative period and 100,000 were granted on March 15, 2019 (note (a) below) These DSUs vest on the date of grant. A participant in the DSU plan is entitled to redeem their DSUs during the period commencing on the business day immediately following their termination date for a period of 90 days. Upon redemption the holder of the DSU may elect to receive:

- a cash payment equal to the number of Deferred Share Units credited to participant's account as of the termination date multiplied by the share price on the termination date;
- Common Shares purchased on the participant's behalf on the open market by a broker; or
- a percentage of the number of Deferred Share Units paid out in cash and the remaining percentage of the DSUs paid out as Common Shares or purchased on the participant's behalf on the open market by a broker.

**BRAGG GAMING GROUP INC.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**For the three and six months ended June 30, 2019 and 2018  
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**15. SHARE OPTIONS (continued)**

**Directors and Officers**

The following table details outstanding options (including DSUs) as at June 30, 2019 and December 31, 2018 to Directors & Officers:

Issue date	Exercise price CDN\$	Expiry	Note	Options outstanding as at December 31, 2018	Issued	Cancelled / Lapsed / Forfeited	Exercised	Options outstanding as at June 30, 2019
Jul 04, 2017	1.90	Jul 03, 2027		1,750,000	-	-	-	1,750,000
Apr 11, 2017	3.33	May 04, 2026		46,570	-	-	-	46,570
Apr 15, 2018	1.11	Apr 14, 2028		400,000	-	-	-	400,000
Dec 27, 2018	0.56	Dec 26, 2023		1,800,000	-	-	-	1,800,000
Dec 27, 2018	nil	N/A		1,450,000	-	-	-	1,450,000
Mar 15, 2019	nil	N/A	(a)	-	100,000	-	-	100,000
Mar 15, 2019	0.56	Mar 14, 2024	(b)	-	1,000,000	-	-	1,000,000
<b>Total</b>				<b>5,446,570</b>	<b>1,100,000</b>	<b>-</b>	<b>-</b>	<b>6,546,570</b>

- (a) During the six months ended June 30, 2019 the Company granted 100,000 DSUs to newly appointed Directors of the Company. These DSUs are exercisable on termination at nil value. The following assumptions were used in the Back-Scholes pricing model: expected dividend yield of 0%, expected volatility of 142%, expected life of 5 years, risk free interest rate of 1.94%. These DSUs vest upon grant. These DSUs were granted under the DSU plan and can be exercised on the employees' termination of employment.
- (b) During the six months ended June 30, 2019 the Company granted 1,000,000 stock options to purchase common shares of the Company to new Directors and Officers of the Company. These stock options are exercisable at \$0.56 per stock option. The following assumptions were used in the Back-Scholes pricing model: expected dividend yield of 0%, expected volatility of 142%, expected life of 5 years, risk free interest rate of 1.94%. These options vest quarterly over three years in equal tranches.

**BRAGG GAMING GROUP INC.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

**For the three and six months ended June 30, 2019 and 2018  
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**15. SHARE OPTIONS (continued)**

**Employees and Consultants**

The following table details outstanding options as at June 30, 2019 and December 31, 2018 to employees and consultants:

<b>Issue date</b>	<b>Exercise price CDN\$</b>	<b>Expiry</b>	<b>Note</b>	<b>Options outstanding as at December 31, 2018</b>	<b>Issued</b>	<b>Cancelled / Lapsed / Forfeited</b>	<b>Exercised</b>	<b>Options outstanding as at June 30, 2019</b>
Nov 05, 2014	3.60	Nov 04, 2019		40,000	-	-	-	40,000
Nov 05, 2014	4.80	Nov 04, 2019		10,000	-	-	-	10,000
Mar 10, 2015	4.50	Mar 09, 2020		7,500	-	-	-	7,500
Mar 13, 2015	6.20	Mar 12, 2020		15,000	-	-	-	15,000
Mar 23, 2015	6.20	Mar 22, 2020		7,500	-	-	-	7,500
Dec 10, 2015	2.50	Dec 09, 2020		302,500	-	-	-	302,500
Apr 11, 2017	3.33	Jun 05, 2026		15,523	-	-	-	15,523
Apr 11, 2017	0.50	May 22, 2025		227,575	-	-	-	227,575
Jul 04, 2017	1.90	Jul 03, 2027		735,000	-	-	-	735,000
Nov 01, 2018	1.90	Oct 31, 2028		35,000	-	-	-	35,000
Dec 27, 2018	0.56	Dec 26, 2023		1,200,000	-	-	-	1,200,000
Feb 07, 2019	1.00	Feb 06, 2024	(c)	-	500,000	-	-	500,000
<b>Total</b>				<b>2,595,598</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>3,095,598</b>

- (c) During the six months ended June 30, 2019 a consultant was granted 500,000 stock options to purchase common shares of the Company. These stock options are exercisable at \$0.75 per stock option and expire on February 06, 2024. The following assumptions were used in the Back-Scholes pricing model: expected dividend yield of 0%, expected volatility of 143%, expected life of 5 years, risk free interest rate of 1.94%. These options vest immediately.

**BRAGG GAMING GROUP INC.**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**

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**16. WARRANTS**

The following table summarizes activity of the Company's warrants, exercisable for common shares:

Issue date	Exercise price CDN\$	Expiry	Note	Warrants outstanding as at December 31, 2018	Issued	Cancelled / Lapsed	Exercised	Warrants outstanding as at June 30, 2019
Apr 11, 2017	7.00	Apr 11, 2019		625,000	-	(625,000)	-	-
Apr 11, 2017	4.00	Apr 11, 2019		131,250	-	(131,250)	-	-
Mar 14, 2019	0.76	Nov 29, 2020	(a)		27,058,802			27,058,802
<b>Total</b>				<b>29,416,836</b>	<b>27,058,802</b>	<b>(756,250)</b>	<b>(28,660,586)</b>	<b>27,058,802</b>

- (a) On March 14, 2019, the Special Warrants issued as part of the Oryx acquisition were converted to a Unit consisting of one common share of and one whole warrant. Each whole warrant is exercisable into a common share until November 29, 2020 at an exercise price of \$0.76 per share (note 8).

In addition, to the warrants exercisable for common shares described above, the Company has issued 1,601,784 Compensation Option. Each Compensation Option entitles the holder thereof to acquire one unit (a "Compensation Option Unit") at the exercise price of \$0.51 per Compensation Option Unit. Each Compensation Option Unit comprises of one Common Share (a "Compensation Option Share") and one Warrant (a "Compensation Option Warrant").