

GLOBAL DAILY FANTASY SPORTS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

This discussion and analysis of financial position and results of operation is prepared as at April 28, 2017 and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2016 and 2015 of Global Daily Fantasy Sports Inc. ("GDFS" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Forward-Looking Statements

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. The information set forth in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, "forward-looking statements". These statements concerning possible or assumed future results of operations of the Company are preceded by, followed by or include the words "believes", "expects", "anticipates", "estimates", "intends", "plans", "forecasts", or similar expressions. Forward-looking statements are not guarantees of future performance. These forward-looking statements are based on current expectations that involve certain risks, uncertainties and assumptions. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. These factors should be considered carefully, and readers should not place undue reliance on forward-looking statements. The Company has no intention and undertakes no obligation to update or revise any forward-looking statements, whether written or oral that may be made by or on the Company's behalf.

All of the Company's public disclosure filings, including its most recent filing statement, management information circular, material change reports, press releases and other information, may be accessed via www.sedar.com and readers are urged to review these materials.

Company Overview and Change of Business

The Company was incorporated on December 2, 1985 under the provisions of the Company Act (British Columbia). On June 17, 2016 the Company changed its name from Lariat Energy Ltd. to Global Daily Fantasy Sports Inc. The Company is listed and traded on the TSX Venture Exchange ("TSXV") under the symbol "DFS". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia V6E 3V7 Canada and its records office is located at #910- 800 West Pender Street, Vancouver, British Columbia V6C 2V6.

The Company's past principal business activity was the acquisition, exploration and development of petroleum and natural gas interests. Effective December 31, 2015 the Company disposed of its petroleum and natural gas interests and commenced searching for other business opportunities. In January 2016 the board of directors of the Company made a decision to explore the daily fantasy sports ("DFS") space and, if promising, change the Company's business focus to the DFS industry.

On March 16, 2016 the Company formally announced its intention to change its business and transition to the online DFS industry as a business to business ("B2B") technology provider of DFS software and network for regulated markets globally, which will allow its customers the ability to offer a customized and fully-branded DFS product to their clients. Trading in the Company's common shares was halted on March 14, 2016 and resumed trading on August 4, 2016. On August 17, 2016 the Company received TSXV approval to the change of business. The Company is in the final stage of completing the development of its initial DFS product and platform. See "Description of the Company's Business - DFS Platform and Network".

In July and August 2016 the Company completed a non-brokered financing of 20,000,000 units to raise \$2,000,000. Subsequently the Company also agreed to conduct a non-brokered private placement of 15,000,000 units to raise \$6,000,000. See “Results of Operations - Financing Activities”.

Description of the Company’s Business

On July 27, 2016 the Company submitted an application, in the form of a filing statement with the TSXV for the Company’s change of business, which was approved on August 17, 2016.

The Company is developing its business to become a B2B technology provider of DFS software and network, for regulated markets globally, which will allow its customers the ability to offer a customized and fully branded DFS Product to their end users. DFS is an accelerated variant of traditional Fantasy Sports Games that are conducted over shorter periods, such as a weekly or daily competition, as opposed to those that are played across an entire season, and is one of the fastest growing segments of the fantasy sports industry today.

The Company’s target customers will include gaming operators, such as sports books, land-based groups, media companies and big database groups who wish to quickly and easily break into the DFS industry with a customized software solution. The Company will allow its customers to seamlessly integrate into its DFS Product thereby allowing their individual end users easy access to a variety of DFS contests and content. The Company’s customers will also have the option to offer ring-fenced (internal) contests for their own database or join networked contests with all of the Company’s customers.

The Company’s revenues will be derived from a number of sources. First will be set up and customization fees for customers to integrate into the DFS Product. Second will be tournament or license fees, which is an agreed percentage of a predetermined prize pool or contest. Third will be fees for managed services which will include hosting and bandwidth, customer and technical support, scheduling contests both for ring-fenced or networked events, marketing support, sports feed and a host of other services the Company intends to offer to its customers.

The online gaming industry is heavily regulated and it is the Company’s intention to operate in regulated markets where there is clear understanding of regulation. Initially the Company’s target markets are Europe, Asia and Latin America.

Daily Fantasy Sports

DFS is a subset of year long Fantasy Sport Games. As with traditional fantasy sports games, site end users compete against others by building a team of professional athletes from a particular league or competition and earn points based on the actual statistical performance of the players in real-world competitions. DFS are an accelerated variant of traditional Fantasy Sports Games that are conducted over short-term periods, such as a week or single day of competition, as opposed to those that are played across an entire season. DFS are structured in the form of competitions referred to as a contest, where site end users pay an entry fee in order to participate, and build a team of athletes in a certain sport while complying with different contest rules. Depending on the overall performance of the athletes selected, site end users may win a share of a pre-determined prize pool.

Principal Products and Services

The Company platform will be a multi-tenant B2B gateway, which will allow customers to offer their end users the DFS Product. The DFS Product will be built with a mobile first philosophy that will allow for seamless integration at the customer level without having to share/compromise any sensitive end user data. Joining the Company’s network will allow customers to capitalize on a mature infrastructure with shared liquidity, without conflict of interest and built specifically for regulated market environments.

As a true B2B global network, the Company will be a SaaS product that will offer a turn-key solution for sportsbook operators, land-based operators, media groups, and big database groups to break into the DFS industry without having to incur large upfront costs to monetize this new business and add incremental revenue.

The Company’s online offering will be designed for gaming operators worldwide. As the platform will be integrated into a gaming operator’s websites, the DFS Product will be immediately available to the gaming

operator's end users. The end user will easily be able to access the DFS Product using any modern browser via desktop or mobile device. This will allow any customer end user the ability to access the content from any device accessible to him or her, with the benefit that a user can pause and transition the experience across any number of devices. While the end user will access the offering through an operator's website, the Company will maintain and operate the platform to ensure a safe and secure ecosystem without conflict of interest. More information about the Company's objectives, product offering and software can be found at www.gdfsi.com.

The networked nature of the online product offering combined with the unique features of the platform will allow end users of different operators, at the operator's discretion, to compete against each other. By combining the player base of the operators, each player will have access to contests that are appropriate to his or her skill level and risk tolerance.

It is anticipated that DFS contests will be offered across a variety of sports.

Product Development

Effective May 12, 2016, the Company and Bellwether Technologies, Inc. ("Bellwether") entered into an agreement (the "Bellwether Agreement") pursuant to which Bellwether:

- (i) granted the Company a perpetual license for a software platform (the "Bellwether Platform License");
- (ii) agreed to build and integrate a proprietary software (the "DFS Product") onto the Bellwether Platform for commercial use; and
- (iii) agreed to provide maintenance and support for the Bellwether Platform and the DFS Product for an initial term of two years, subject to extension for an additional three year period.

The development of the DFS Product will occur over the following four stages:

- (i) Phase I - DFS Product development;
- (ii) Phase II - internal (Alpha) testing of the DFS Product;
- (iii) Phase III - Beta Testing of the DFS Product with a select group of gamers on the third-party platform using a non-public version of the third-party network; and
- (iv) Phase IV - DFS Product launch: Date of First Use.

In consideration for the Bellwether Platform License, the Company agreed to pay Bellwether a one-time license fee of US \$400,000, of which US \$150,000 (\$194,685) was paid on May 26, 2016 and US \$250,000 is due upon the completion and sign-off by the Company of the Phase III - Beta Testing of the DFS Product. In connection with the development of the DFS Product by Bellwether, the Company also agreed to pay Bellwether an initial development fee of US \$490,000, to be paid in monthly installments of US \$70,000 commencing on May 12, 2016. The fees to be paid under the contract were subject to management approved changes which required additional funding. As at December 31, 2016 the Company has paid Bellwether development fees totalling \$731,331 (US \$560,000) in connection with the development of the DFS Product.

Distribution Methods

The Company's products and services will be distributed through the Internet via mobile and desktop, which may provide customers/network partners with advantages over traditional offline gaming competitors, including global reach and additional mobility, a reduced cost base, 24/7/365 access, greater levels of player liquidity and enhanced innovation with respect to contest offerings and technology.

Principal Markets and Restricted Markets

The Company will operate in regulated market environments and will not be engaging in partnerships in any market where there is not a clear and legal framework to operate. The Company will have a global presence with an initial focus to partner with gaming operators in the United Kingdom/European Union, Latin America, and Asia. The management of the Company believes that these markets are underdeveloped and potential for growth exists. Additional opportunities for expansion may exist across Europe, Australia, and India if the Company develops sports and contest offerings that are localized for those respective regions.

Marketing Plans and Strategies

The DFS industry is in its infancy and just beginning to take shape in Europe and other markets outside of North America. As the Company's focus will be building a B2B platform and network, it will benefit from the focus of consumer facing platforms. Central to the Company's marketing strategy will be to align with key distribution partners in its target markets. These distribution partners will have relationships and access to potential target customers. The Company intends to leverage the customer database and will not have to participate in the bidding war for acquiring end users of the DFS Product. On May 31, 2016 the Company entered into an agreement (the "NYX Agreement") with NYX Digital Gaming (USA), LLC ("NYX"), a wholly-owned subsidiary of NYX Gaming Group Limited, to establish a strategic relationship with NYX to develop and distribute the DFS Product on NYX's proprietary suite of software (the "OGS Platform") and NYX's customer and operator base (the "OGS Network") to NYX clients worldwide. Under the NYX Agreement:

- (i) the Company and NYX will co-operate in the development of the DFS Product;
- (ii) NYX granted the Company an exclusive, irrevocable, non-transferable (except to an affiliate or a third party non-competitor of NYX) worldwide right to distribute the DFS Product on the OGS Network (the "Network Distribution Rights");
- (iii) NYX granted the Company an exclusive, irrevocable, non sub-licensable and nontransferable (except to an affiliate or a third party non-competitor of NYX) worldwide license to use and exploit the OGS Platform and to use, display, install, copy and create derivative works or otherwise exploit the OGS Platform in connection with the distribution of the DFS Product on the OGS Network (the "OGS License"); and
- (iv) NYX agreed to offer and promote the DFS Product to its current and future customer base as its sole daily fantasy sports solution and to use its sales and marketing teams to maximize commercial exploitation of the DFS Product throughout the OGS Network.

In consideration for the Network Distribution Rights and the OGS License, the Company has paid NYX a total of \$322,663 (US \$250,000).

The Company must also make a payment of US \$250,000 to NYX upon the commercial launch of the DFS Product on the OGS Platform and the OGS Network. In addition, the Company will pay to NYX a monthly royalty payment for clients through the OGS Network with some minimum guarantees after the product is launched.

The Company's obligation to remit the applicable DFS Royalty will begin 30 days after the commercial launch of the DFS Product on the OGS Platform and the OGS Network. The term of the NYX Agreement is five years from the commercial launch of the DFS Product on the OGS Platform and the OGS Network, which initial term may be renewed by the Company on written notice to NYX for an additional five year period.

In the short-term, the Company will build its marketing campaign by attending industry conferences, using direct sales tactics, utilizing a multi-pronged search engine optimization strategy, developing its website, utilizing print advertisements in trade magazines and connecting and networking with new third party platform relationships.

Competition

The Internet media, entertainment, fantasy sports, and i-gaming industry are highly competitive.

FanDuel Inc. and DraftKings, Inc. have established themselves as the leaders in North America due, in part, to their member base, prize pools, and the exposure they have received by drastically outperforming the competition. Both companies remain consumer-facing platforms (B2C) that have yet to make a mark outside of North America; however DraftKings launched in the UK early in 2016 and Germany early in 2017 and FanDuel launched in the UK in August 2016.

In today's European DFS marketplace, there currently exists no true B2B DFS network of fantasy gaming operators. To the best of the Company's knowledge, the Company will be the only company that is experienced with regulated markets, well financed which will offer a product that integrates with existing wallets of partner databases. The combination of having all three mentioned components, in addition to the fact that the Company's management has existing fantasy and distribution relationships, will position the Company for growth from its onset.

Consumer facing operators such as Mondogal, Oulala and PlayOn, who have entered the marketplace within the last 24 months, are all relatively new to DFS and are all challenged to build a marketplace with sustainable liquidity. Recently some of the above referenced brands are trying to add white label businesses to their strategy to help boost liquidity. Building out the first true, DFS network of B2B gaming operators is the essence of what makes the Company's model unique in the European gaming market.

Proprietary Protections

The Company will own 100% of the DFS Product. The Company will rely on a combination of patent, trademark, copyright and trade-secret laws, as well as confidentiality agreements and technical measures to protect its proprietary rights.

Regulatory Matters

The Company expects to seek a gaming license in Malta with the Malta Gaming Authority ("MGA"). The Company has made initial application towards a United Kingdom gaming license from the United Kingdom Gambling Commission. Apart from the requirement to obtain the aforementioned gaming licenses there are no material regulatory approvals required for the Company to carry out its proposed business objectives.

DFS Platform and Network Update

On November 17, 2016 the Company provided an update on the development status of its DFS Product for the European markets. Integration is now complete into NYX's OGS Platform. This is a significant part of the Company's market entry strategy as this one integration provides access to over 200 gaming brands for which NYX currently provides content, the OGS network.

The Company has now demonstrated the DFS Product to select operators and has incorporated their feedback to enhance elements of the platform. The development of the DFS Product is ongoing and the Company will be submitting its product to regulators for licensing and certification in the upcoming months. The Company will enter selected European markets soon thereafter offering the five major European football leagues; English Premier League, Serie A, La Liga, Bundesliga, and Ligue 1.

The Company's DFS Product will provide the following competitive advantages to the industry poised to grow outside of North America:

- Enables multiple operators to join a network as regulation permits to share liquidity.
- Enables operators the option to offer its clients entry into ring-fenced contests or network wide contests for enhanced liquidity and prize pools.
- Uniquely designed guided custom lobby experience will ensure players easy access to enter contests and maximize customer retention.
- Specifically designed games such as the "pick em" contest will give the casual new user unprecedented ease of entry in new emerging markets.
- Platform architecture has been designed to scale and load testing has performed exceptionally in determining the system's behaviour under both normal and anticipated peak load conditions.

Changes in Management

In conjunction with the proposed change of business, on March 26, 2016 Mr. Emerson resigned as the Company's President and Chief Executive Officer ("CEO") and Mr. Darcy Krogh was appointed as a director, President and CEO of the Company. Mr. Krogh has been involved in iGaming in various capacities for the past seventeen years. In 1999 he co-founded Chartwell Technology Inc., ("Chartwell") a publicly traded technology company specializing in the development of games, gaming systems, and entertainment content for the on-line gaming industry. Mr. Krogh served as a director and Vice-President of Business Development of Chartwell until July 2011 and facilitated the merger between Chartwell and Amaya Inc ("Amaya"). Post-merger he continued his role in business development with Amaya until July 2015 where he assisted Amaya with the divestiture of its B2B asset portfolio to NYX Gaming Group Limited.

On May 16, 2016 Mr. Justin Shulman was appointed as the Chief Operating Officer (“COO”) of the Company. Mr. Shulman co-founded and was the president and managing director of Fantasy Feud Inc. from April 2011 to May 2016. Mr. Shulman owned and managed the software platform that brought fantasy sports competitors together by hosting contests that were based on the outcome of real athlete performances. He oversaw all areas of the business from operations, customer service, marketing, business development, and technology development while directly managing the business leaders for all above departments. In June of 2015 Fantasy Feud Inc. was acquired as part of a gaming roll-up on the TSXV by Gaming Nation Inc. Mr. Shulman was recognized by playinglegal.com as one of the top 50 DFS influencers. Mr. Shulman holds a Bachelor of Arts degree from the University of Western Ontario.

On November 17, 2016 the Company appointed Mr. Chris Neville as its Chief Revenue Officer (“CRO”). Mr. Neville holds two undergraduate degrees from Cape Breton University: a Bachelor of Arts (Psychology) and a Bachelor of Business Administration. In 2004, Mr. Neville completed his Masters of Business Administration from the University of New Brunswick in Finance and International Marketing. Mr. Neville brings more than 10 years of experience in online gaming and has an exceptional track record of leading companies through rapid growth and profitability. Mr. Neville founded the Life of Sports website, an online gaming company that swiftly expanded to eight online gaming sites before being acquired. Mr. Neville will be responsible for all facets of revenue generation and will work closely with all partners of the DFS platform as part of the managed services team to maximize revenue.

On March 1, 2017 the Company appointed Mr. James R. Penturn as a director and the chairman of the board. Mr. Penturn is a graduate of the University of Toronto with a BA (honours) in combined specialist political economy and is currently the president of SpectraLegal Ltd. in the United Kingdom, a private firm arranging innovative finance to law firms. During his professional career that spans over 30 years, Mr. Penturn has been involved in a diversified portfolio of merchant banking opportunities and has advised his clients on capital raises of over US \$1 billion. He has held senior-executive-level positions and corporate directorships in both private and public companies, where he gained extensive experience in senior management and financial decision making functions. He has considerable public and private board governance and advisory committee experience.

As at the date of this MD&A, the board of directors and officers of the Company are as follows:

Darcy Krogh	Director, President and Chief Executive Officer (“CEO”)
James Penturn	Director and Chairman of the Board
Scott Emerson	Director
Nick DeMare	Director
Mike Marrandino	Director
Justin Shulman	Chief Operating Officer (“COO”)
Chris Neville	Chief Revenue Officer (“CRO”)
Harvey Lim	Chief Financial Officer (“CFO”) and Corporate Secretary

Selected Financial Data

The following selected financial information is derived from the audited annual financial statements of the Company prepared in accordance with IFRS.

	Years Ended December 31,		
	2016 \$	2015 \$	2014 \$
Operations:			
Revenues, net of royalties	Nil	5,539	16,215
Expenses	853,528	111,235	239,628
Other items	6,988	(9,987)	2,480
Net loss and comprehensive loss	(846,540)	(115,683)	(220,933)
Basic and diluted loss per share	(0.02)	(0.01)	(0.02)
Dividends per share	Nil	Nil	Nil
Statement of Financial Position:			
Working capital	5,739,147	134,568	233,101
Total assets	7,346,791	173,405	268,764
Total long-term liabilities	Nil	Nil	(2,250)

The following selected financial information is derived from the unaudited condensed interim financial statements of the Company prepared in accordance with IFRS.

	Fiscal 2016				Fiscal 2015			
	Dec. 31/16 \$	Sep. 30/16 \$	Jun. 30/16 \$	Mar. 31/16 \$	Dec. 31/15 \$	Sep. 30/15 \$	Jun. 30/15 \$	Mar. 31/15 \$
Operations:								
Revenue, net of royalties	Nil	Nil	Nil	Nil	1,545	Nil	1,902	2,092
Expenses	405,610	216,748	172,201	58,969	20,705	24,238	20,878	45,414
Other items	9,005	3,809	(5,771)	(55)	(13,650)	1,138	1,058	1,467
Net loss	(396,605)	(212,939)	(177,972)	(59,024)	(32,810)	(23,100)	(17,918)	(41,855)
Basic and diluted loss per share	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)
Dividends per share	Nil							
Statement of Financial Position:								
Working capital	5,739,147	5,501,101	453,988	75,544	134,568	151,865	174,965	192,160
Total assets	7,346,791	6,738,784	1,458,403	150,968	173,405	205,415	222,404	243,473
Total long-term liabilities	Nil	Nil	Nil	Nil	Nil	(2,369)	(2,342)	(2,402)

Results of Operations

On December 31, 2015 the Company disposed of its remaining petroleum and natural gas interest. As a result, the Company did not conduct any petroleum and natural gas activities during fiscal 2016. Since January 2016 the Company's efforts have been focused on its change of business to the DFS industry, negotiating an agreement with Bellwether for the development of the DFS Product, establishing the strategic relationship with NYX, preparing of the Company's filing statement and raising capital. See also "Description of the Company's Business - DFS Platform and Network Update".

Three Months Ended December 31, 2016 Compared to Three Months Ended December 31, 2015

Operations

During the three months ended December 31, 2016 ("Q4/2016") the Company reported a net loss of \$396,605 (\$0.00 per share), compared to a net loss of \$32,810 (\$0.01 per share) for the three months ended December 31, 2015 ("Q4/2015"). The \$363,795 increase in loss during Q4/2016 is primarily attributed to:

- (i) a total of \$112,500 (Q4/2015 - \$6,000) was incurred for professional services provided by current and former officers and directors of the Company. The increase of \$106,500 was due to the appointments and compensation for additional directors and new officers. See also "Related Party Transactions and balances";
- (ii) during Q4/2016 the Company incurred a total of \$27,794 (Q4/2015 - \$3,300) for rent, of which \$7,303 was for office rent in Toronto and \$18,290 for office rent in Malta. The Toronto office was established in July 2016 and the Malta office was established in September 2016;
- (iii) during Q4/2016 the Company was billed \$16,500 (Q4/2015 - \$2,900) by Chase Management Ltd. ("Chase"), a private company owned by Mr. DeMare, a director of the Company, for bookkeeping, accounting, administration and management services provided by Chase personnel, excluding Mr. DeMare. See "Related Party Transactions and Balances";
- (iv) a \$33,976 increase in travel costs, from \$3,721 in Q4/2015 to \$37,697 in Q4/2016, mainly for travel overseas to review regulations, identify market opportunities and monitor the development of the DFS Product; and
- (v) during Q4/2016 the Company incurred \$81,937 professional fees to review regulations, identify market opportunities for DFS markets. During Q4/2015 the Company did not incur any professional fees.

During Q4/2015 the Company disposed of its interest in the Willesden Green North Property and recognized a loss of \$14,351.

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

Operations

During the year ended December 31, 2016 (“fiscal 2016”) the Company reported a net loss of \$853,528 (\$0.02 per share), compared to a net loss of \$115,683 (\$0.01 per share) for the year ended December 31, 2015 (“fiscal 2015”), an increase in loss of \$737,845, reflecting the increased activities and costs incurred in the Company’s transition to the DFS industry.

At the end of fiscal 2015 the Company disposed of its interest in the Willesden Green North Property and, accordingly, did not have any petroleum operations in fiscal 2016. During fiscal 2015 the Company reported natural gas revenues of \$6,338 from the sale of 2,491 mcf gas. Royalties totalling \$799 and operating costs of \$5,827 were incurred and the Company recorded \$2,237 for depletion and depreciation.

The Company experienced a significant increase in activities in fiscal 2016 as a result of its change of business. General and administrative expenses increased from \$111,235 during fiscal 2015 to \$905,116 during fiscal 2016 as follows:

	2016	2015
	\$	\$
Accounting and administrative	59,416	14,050
Accretion of decommission liabilities	-	37
Audit	17,632	10,400
Corporate development	6,955	-
Depletion and depreciation	1,975	2,237
Investment conference	5,559	-
Legal	112,564	3,820
Management and directors compensation	235,500	24,000
Office	60,178	3,206
Petroleum operating costs	-	5,827
Professional fees	97,495	5,714
Regulatory	27,144	10,843
Rent	44,387	13,200
Salaries and benefits	54,719	-
Shareholder costs	3,851	744
Sponsorship	3,998	-
Transfer agent	11,519	6,527
Travel and related	99,754	10,630
Website design and maintenance	10,882	-
	<u>853,528</u>	<u>111,235</u>

During fiscal 2016 the Company:

- (i) was billed \$55,100 (2015 - \$14,050) by Chase Management Ltd. (“Chase”), a private company owned by Mr. DeMare, a director of the Company, for bookkeeping, accounting, administration and management services provided by Chase personnel, excluding Mr. DeMare. See “Related Party Transactions and Balances”. In addition, the Company was also billed \$4,316 for accounting services provided by a third party for the Company’s Malta subsidiaries;
- (ii) a total of \$235,500 (2015 - \$24,000) was incurred for services provided by current and former officers and directors of the Company. The \$211,500 increase was due to the appointments and compensation for additional directors and new officers. See also “Related Party Transactions and Balances”;
- (iii) incurred \$97,495 for professional services to review regulations and identify market opportunities for DFS markets. During fiscal 2015 the Company incurred \$5,714 for professional services for the preparation of the Company’s reserve report related to the oil and gas interest in Alberta; and
- (iv) incurred a \$108,744 increase in legal costs, from \$3,820 during fiscal 2015 to \$112,564 during fiscal 2016, relating to costs associated and services rendered to the Company’s corporate structuring for the DFS business, preparation of the filing statement with the TSXV and private placement documents;

- (v) incurred \$99,754 for travel costs, mainly to travel to Malta, Toronto and Las Vegas to negotiate the Bellwether and NYX agreements, review strategic opportunities and monitor the development of the DFS Product. During fiscal 2015 the Company incurred \$10,630 travel costs to review business opportunities;
- (vi) an increase of \$21,293 in regulatory and transfer agent fees, from \$17,370 during fiscal 2015 to \$38,663 during the fiscal 2016, relating to various filings, the corporate name change, the change of business and private placements;
- (vii) incurred \$44,387 (2015 - \$13,200) for rent, of which \$14,607 was for office rent in Toronto and \$25,380 for office rent in Malta. The Toronto office was established in July 2016 and the Malta office was established in September 2016;
- (viii) incurred \$54,719 for salaries and benefits for staff in Malta; and
- (ix) incurred \$60,178 (2015 - \$3,206) for office expenses, of which \$9,523 was for office expenses in Toronto and \$23,663 for office expenses in Malta.

Financing Activities

During fiscal 2016 the Company:

- (i) completed a non-brokered private placement of 20,000,000 units, at a price of \$0.10 per unit for proceeds of \$2,000,000. Each unit consisted of one common share of the Company and one quarter of one non-transferable warrant. Each whole warrant entitles the holder to purchase an additional common share at an exercise price of \$0.15 per share for a period of 24 months after the closing.
- (ii) completed a non-brokered private placement financing of 15,000,000 units, at a price of \$0.40 per unit for proceeds of \$6,000,000. Each unit consisted of one common share of the Company and one half of one non-transferable warrant. Each whole warrant entitled the holder to purchase an additional common share for a period of 24 months after closing, at an exercise price of \$0.75 per share for the initial 12 months after the closing and, thereafter, at an exercise price of \$1.00 per share. The Company incurred a finder's fee of \$132,676 on this private placement.

The Company incurred a total of \$50,762 for legal and filing costs associated with these private placements.

No equity financings were conducted by the Company during fiscal 2015.

Investment Activities

During fiscal 2016 the Company incurred a total of \$1,344,015 recorded as intangible costs, of which \$926,016 was paid to Bellwether and \$322,663 was paid to NYX pursuant to agreements. See "Description of the Company's Business - Product Development and Marketing Plans and Strategies". In addition the Company incurred \$95,336 for website and other development costs. The Company has spent a total of \$23,403 for office furniture and equipment for its Toronto and Malta offices.

No investing activities were conducted during fiscal 2015.

Financial Condition / Capital Resources

The Company's operations have been primarily funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. During fiscal 2016 the Company raised \$8,000,000 through the sale of its common shares and, as at December 31, 2016, had working capital in the amount of \$5,739,147. Management considers that the Company has adequate resources to successfully develop its on-line gaming platform and necessary infrastructure and establish future profitable operations. However, the Company recognizes the Company's objectives and scope of expenditures may change with ongoing results and, as a result, it may be required to obtain additional financing. While the Company has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future. If for any reason the Company is unable to continue as a going concern, it could impact the Company's ability to realize assets at their recognized values and to meet its liabilities in the ordinary course of business at the amounts stated in the condensed interim financial statements.

Contractual Commitments

The Company has lease commitments for office space in Toronto, Canada and Valletta, Malta. The Company also has entered into a license agreement whereby it has agreed to pay monthly fees for access to real-time sports data feed and content.

Estimated contractual payments are as follows:

	2017 \$	2018 - 2019 \$	Total \$
Office rent	102,800	137,300	240,100
Data license	42,400	111,600	154,000
	<u>145,200</u>	<u>248,900</u>	<u>394,100</u>

The Company must make a payment of US \$250,000 to NYX upon the commercial launch of the DFS Product on the OGS Platform and the OGS Network. In addition, the Company will pay to NYX a monthly royalty payment. See also "Description of the Company's Business - Marketing Plans and Strategies".

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Changes in Accounting Principles

The following accounting policies were adopted by the Company during fiscal 2016:

Property, Plant and Equipment

Property, plant and equipment are carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment are depreciated annually on a straight-line basis over the estimated useful life of the assets, at a rate of between 25% and 30% for office furniture and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss in the statement of comprehensive income or loss.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

The Company compares the carrying value of property, plant and equipment to estimated net recoverable amounts, based on estimated future cash flows, to determine whether there is any indication of impairment whenever events or circumstances warrant.

Intangible Assets

Intangible assets consists of licenses and costs incurred to develop software platforms and internet websites and mobile phone applications to promote, advertise and earn revenue with respect to the Company's business operations. Costs are capitalized when the expenditure can be directly attributed or allocated on a reasonable and consistent basis, and was incurred for its intended use in accordance with IFRS, and in accordance with IAS 38, *Intangible Assets*, as issued by the IASB. Content developed for advertising or promoting is recognized as an expense when incurred.

The development cost will not be amortized until the product or technologies are commercialized, at which time they will be amortized over the estimated life of the commercial production.

Critical Accounting Estimates

The preparation of financial statements in conformity IFRS 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 date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include the determination of mineralized reserves, plant and equipment lives, estimating the fair values of financial instruments, impairment of long-lived assets, reclamation and rehabilitation provisions, valuation allowances for future income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

Related Party Transactions and Balances

Transactions with related parties are made in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(a) *Transaction with Key Management Personnel*

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's Board of Directors and executive officers.

During fiscal 2016 the Company incurred the following compensation amounts to the directors and officers of the Company, as follows:

	2016 \$	2015 \$
Darcy Krogh, director, President and CEO ⁽¹⁾	90,000	-
Justin Shulman, COO ⁽²⁾	75,000	-
Mike Marrandino, director, former President and CEO ⁽³⁾	6,000	6,000
Scott Emerson, director, former President and CEO ⁽⁴⁾	22,500	6,000
Nick DeMare, director	6,000	6,000
Harvey Lim, CFO and Corporate Secretary	6,000	6,000
Chris Neville, CRO ⁽⁵⁾	30,000	-
	<u>235,500</u>	<u>24,000</u>

(1) Mr. Krogh became a director of, and was appointed the President and CEO of the Company on March 16, 2016.

(2) Mr. Shulman was appointed the COO of the Company on May 16, 2016.

(3) Mr. Marrandino resigned as the President and CEO of the Company on January 22, 2016 and was replaced by Mr. Emerson

(4) Mr. Emerson resigned as the President and CEO of the Company on March 16, 2016.

(5) Mr. Neville was appointed the CRO of the Company on November 17, 2016.

As at December 31, 2016, \$22,500 (2015 - \$36,000) remained unpaid.

(b) *Transaction with Other Related Parties*

During fiscal 2016 the Company was charged \$55,100 (2015 - \$14,050) by Chase for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. As at December 31, 2016, \$9,600 (2015 - \$2,300) remained unpaid.

- (c) During fiscal 2016 the Company completed two non-brokered private placements of which directors, officers and close family members purchased 8,410,000 units, at \$0.10 per unit, for \$841,000 and a director of the Company purchase 62,500 units, at \$0.40 per unit, for \$25,000.

Risk Factors

The Company is a digital entertainment company focused on daily fantasy sports games, social media and advertising and is subject to certain risks. These risks could have a significant impact on the Company's business, revenues, cash flows, earnings financial condition, results of operations and prospects for the future. The following risk factors are not a definitive list of all risk factors associated with the Company's business.

Additional Financing

The Company may need additional financing. The Company's ability to obtain additional financing will depend on investor demand, operating performance, the condition of the capital markets and other factors. If the Company raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of holders of the Company shares, and existing holders of such shares may experience dilution.

Risks Related to Potential Inability to Protect Proprietary Technology

To protect its proprietary technology, the Company will rely principally upon copyright and trade secret protection. All proprietary information that can be copyrighted will be marked as such. There can be no assurance that the steps taken by the Company in this regard will be adequate to prevent misappropriation or independent third-party development of the Company's technology. Further, the laws of certain countries in which the Company anticipates licensing its technologies and products do not protect software and intellectual property rights to the same extent as the laws of Canada. The Company will generally not include in its software any mechanism to prevent or inhibit unauthorized use, but the Company will generally require the execution of an agreement that restricts unauthorized copying and use of its products. If unauthorized copying or misuse of its products were to occur, the Company's business and results of operations could be materially adversely affected.

While the disclosure and use of the Company's proprietary technology, know-how and trade secrets will be generally controlled under agreements with the parties involved, there can be no assurance that all confidentiality agreements will be honoured, that others will not independently develop similar or superior technology, that disputes will not arise concerning the ownership of intellectual property, or that dissemination of the Company's proprietary technology, know-how and trade secrets will not occur. Further, if an infringement claim is brought against the Company, litigation would be costly and time consuming, but may be necessary to protect its proprietary rights and to defend itself. The Company could incur substantial costs and diversion of management resources in the defense of any claims relating to the proprietary rights of others or in asserting claims against others. If the Company cannot prevent other companies from infringing on its technologies, it may not achieve profitability and an investor may lose his or her investment.

Risks Related to Potential Intellectual Property Rights Claims

Companies in the Internet, technology and media industries own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. The Company may be subject to intellectual property rights claims in the future and its technologies may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert management resources and attention. An adverse determination also could prevent the Company from offering its products and services to others and may require that it procure substitute products or services for these members.

With respect to any intellectual property rights claim, the Company may have to pay damages or stop using technology found to be in violation of a third party's rights. The Company may have to seek a license for the technology, which may not be available on reasonable terms and may significantly increase its operating expenses. The technology also may not be available for license to the Company at all. As a result, the Company may also be required to develop alternative non-infringing technology, which could require significant effort and expense. If the Company cannot license or develop technology for the infringing aspects of its business, it may be forced to limit its product and service offerings and may be unable to compete effectively. Any of these results could harm the Company's brand and prevent the Company from generating sufficient revenue or achieving profitability.

Risks Related to Uncertainty of Online Fantasy Sports and Gaming

Online, social, causal and mobile gaming is a relatively new industry that continues to evolve. The success of this industry and the Company's DFS business will be affected by future developments in social networks, mobile platforms, legal or regulatory developments (such as the passage of new laws or regulations or the extension of existing laws or regulations to fantasy sports and online gaming activities), data privacy laws and regulations, and other factors that the Company is unable to predict and which are beyond the Company's control.

Potential Changes in Laws and Regulations Relating to the Resulting Issuer's Business

Apart from obtaining a gaming license in Malta with the Malta Gaming Authority and a United Kingdom gaming license from the United Kingdom Gambling Commission, the Company does not anticipate requiring any government approvals to carry out its business plan and launch the DFS Product. However further licensing may be required as the Company's business matures and enters new markets globally. Legislation regarding fantasy sports is in a flux and not uniform. Changes in applicable laws or regulations or evolving interpretations of existing law could, in certain circumstances, result in increased compliance costs or capital expenditures, which could affect the Company's profitability, or impede the Company's ability to carry on its business which could affect its revenues.

Changes in existing gaming regulations or industry standards may hinder or prevent the Company from continuing to operate in those jurisdictions where it intends to carry on business, which would harm its operating results and financial condition. In particular, the enactment of unfavourable legislation or government efforts affecting or directed at fantasy sports, such as taxing or attempts to restrict the content or access to fantasy sports products may have a negative impact on the Company's operations. It cannot be assured that the Company will be able to adequately adjust to such potential changes.

Public opinion can also exert a significant influence over the regulation of the fantasy sports. A negative shift in the public's perception of fantasy sports could affect future legislation in individual jurisdictions. Negative public perception could lead to new restrictions on fantasy sports in jurisdictions in which the Company proposes to operate.

Risks Related to Potential for Regulations that May be Adopted with Respect to the Internet and Electronic Commerce

In addition to regulations pertaining to the fantasy sports and gaming industry, the Company may become subject to any number of laws and regulations that may be adopted with respect to the Internet and electronic commerce. New laws and regulations that address issues such as user privacy, pricing, online content regulation, taxation, advertising, intellectual property, information security, and the characteristics and quality of online products and services may be enacted. As well, current laws, which predate or are incompatible with the Internet and electronic commerce, may be applied and enforced in a manner that restricts the electronic commerce market. The application of such pre-existing laws regulating communications or commerce in the context of the Internet and electronic commerce is uncertain. Moreover, it may take years to determine the extent to which existing laws relating to issues such as intellectual property ownership and infringement, libel and personal privacy are applicable to the Internet. The adoption of new laws or regulations relating to the Internet, or particular applications or interpretations of existing laws, could decrease the growth in the use of the Internet, decrease the demand for the Company's DFS Product, increase the Company's cost of doing business or could otherwise have a material adverse effect on the Company's business, revenues, operating results and financial condition.

Risks Related to Changing Customer Preferences

The demands of the Company's customers and the end users of the DFS Product and their preferences will be continually changing. In the gaming industry, there is constant pressure to develop and market new game content and technologically innovative products. The Company's revenues will be dependent on the earning power and life span of its DFS Product. The Company will therefore face increased pressure to design and deploy new successful game content to maintain and increase its revenue and remain competitive. The success of newly introduced technology and products will be dependent on customer acceptance of the Company's products.

As a result of changing consumer preferences, many Internet websites are successfully marketed for a limited period of time. Even if the Company's products become popular, there can be no assurance that any of its DFS Product will continue to be popular for a period of time. The Company's success will be dependent upon its ability to develop new and improved product lines. The Company's failure to introduce new features and product lines and to achieve and sustain market acceptance could result in it being unable to continually meet consumer preferences and generate significant revenues.

Competition

The Internet media, entertainment fantasy sports and Internet gaming industry are highly competitive. To the Company's knowledge there are no established true B2B products and networks presently in the market place that will compete with the Company.

New competitors may enter the Company's key market areas. If the Company is unable to obtain significant early market presence or it loses market share to its competitors, it will materially affect its results of operations and future prospects.

Reliance on Key Personnel and Absence of Key Person Insurance

The Company's future success will depend heavily upon the continuing services of the members of its senior management team. If one or more of its senior executives or other key personnel are unable or unwilling to continue in their present positions, the Company may not be able to replace them easily or at all, and the Company's business may be disrupted and its financial condition and results of operations may be materially and adversely affected. Competition for senior management and key personnel is intense, the pool of qualified candidates is very limited, and the Company may not be able to retain the services of its senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. It is anticipated that the Company will not initially maintain key man insurance on its senior managers. The loss of the services of its senior management team and employees could result in a disruption of operations which could result in reduced revenues.

Reliance on Highly Skilled Personnel

The Company's performance and future success will depend on the talents and efforts of highly skilled individuals. The Company will need to identify, hire, develop, motivate and retain highly skilled personnel for all areas of its organization. Competition in the software industry for qualified employees is intense. The Company's ability to compete effectively will depend on its ability to attract new employees and to retain and motivate existing employees.

As competition in its industry intensifies, it may be more difficult for the Company to hire, motivate and retain highly skilled personnel. If the Company does not succeed in attracting additional highly skilled personnel or retaining or motivating the existing personnel, it may be unable to grow and effectively generate sufficient revenues and achieve profitability.

Risks Relating to Potential Inability to Adapt or Expand Existing Technology Infrastructure to Accommodate Greater Demand for Services

The Company expects that its DFS Product will serve a large number of users and customers. The Company's technology infrastructure will be highly complex and may not provide satisfactory service in the future, especially as the number of customers increases. The Company may be required to upgrade its technology infrastructure to keep up with the increasing demand for its services, such as increasing the capacity of its hardware servers and the

sophistication of its software. If the Company fails to adapt its technology infrastructure to accommodate greater demand for services, its users and customers may become dissatisfied with its services and switch to competitors' products, which will prevent the Company from achieving profitability.

Risks Relating to Potential Inability to Develop and Enhance the DFS Product

The markets for the Company's DFS Products will be characterized by rapidly changing technology, evolving industry standards and increasingly sophisticated customer requirements. The introduction of products embodying new technology and the emergence of new industry standards could render the Company's DFS Product obsolete and unmarketable. It is critical to the success of the Company to be able to anticipate, react and adapt quickly to changes in technology or in industry standards and to successfully develop and introduce new, enhanced and competitive products on a timely basis. Further, the Company's competitors may adapt to an emerging technology more quickly or effectively than the Company, resulting in the creation of products that are technologically superior to the Company's, more appealing to customers, or both. The Company cannot give assurance that it will successfully develop new products or enhance and improve its existing DFS Product, that new products or an enhanced and improved version of the DFS Product will achieve market acceptance or that the introduction of new products or enhanced existing products by others will not render the Company's DFS Product obsolete.

Reliance on Development and Maintenance of the Internet Infrastructure

The success of the Company's services will depend largely on the development and maintenance of the Internet infrastructure. This includes maintenance of a reliable network backbone with the necessary speed, data capacity, and security, as well as timely development of complementary products, for providing reliable Internet access and services. The Internet has experienced, and is likely to continue to experience, significant growth in the numbers of users and amount of traffic. The Internet infrastructure may be unable to support such demands. In addition, increasing numbers of users, increasing bandwidth requirements, or problems caused by "viruses", "worms", and similar programs may harm the performance of the Internet. The backbone computers of the Internet have been the targets of such programs. The Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure, and it could face outages and delays in the future. These outages and delays could reduce the level of Internet usage generally as well as the level of usage of the DFS Product and reduce the Company's revenues.

Risks Related to Potential Interruption or Failure of the Resulting Issuer's Information Technology and Communications Systems

The Company's ability to provide the DFS Product will depend on the continuing operation of its information technology and communications systems. Any damage to or failure of its systems could interrupt its service. Service interruptions could reduce the Company's revenues and profits and damage its brand if its system is perceived to be unreliable.

Risks Related to Potential Inability of Internet Infrastructure to Meet the Demand

The growth of Internet usage has caused frequent interruptions and delays in processing and transmitting data over the Internet. There can be no assurance that the Internet infrastructure or the Company's own network systems will be able to meet the demand placed on it by the continued growth of the Internet, the overall online fantasy sports and gaming industries or of the Company's customers.

The Internet's viability could be affected if the necessary infrastructure is not sufficient, or if other technologies and technological devices eclipse the Internet as a viable channel.

Risks Related to Potential Undetected Errors in the Resulting Issuer's DFS Product

The Company's DFS Product could contain undetected errors or "bugs" that could adversely affect its performance. This could cause the Company to lose market share, damage its reputation and brand name, and reduce its revenues.

Risks Related to Potential Systems, Network Failures or Cyber-Attacks

The Company's operations and databases of business or customer information will be susceptible to outages due to fire, floods, power loss, break-ins, cyber-attacks, network penetration, data privacy or security breaches, denial of service attacks and similar events. The Company's DFS Product will be vulnerable to viruses, malicious software, worms, Trojan horses or spy-ware, which could have a material adverse effect on the Company's business, reputation, operating results and financial condition.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares with no par value. As at April 28, 2017 there were 47,426,293 common shares issued and outstanding. In addition, there were 12,500,000-warrants outstanding at exercise prices ranging from \$0.15 to \$0.75 per share.