

# BREAKING DATA CORP.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

For the six months ended September 30, 2018 and 2017 as at November 29, 2018

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### Introduction

The following Management's Discussion and Analysis ("MD&A") covers the operations, financial position and operating results of Breaking Data Corp. (the "Company" or "BDC") for the six month periods ended September 30, 2018 and 2017, updates information from the Company's fiscal March 31, 2018 year end MD&A, and is intended to help readers better understand operations and key financial results, as they are, in our opinion, at the date of this report (see "Consolidation, Presentation, and New Fiscal Year End" below). The MD&A has been prepared in accordance with National Instrument 51-102F1, Continuous Disclosure Obligations – Management's Discussion & Analysis, and should be read in conjunction with the interim condensed consolidated financial statements of the Company for the periods ended September 30, 2018 and 2017 and the accompanying notes which have been prepared under IFRS. These interim condensed consolidated financial statements have been reviewed by the Audit Committee of the Company and have been approved by its Board of Directors. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) as well as the Company's Web site at [www.breakingdatacorp.com](http://www.breakingdatacorp.com).

These statements are essentially forward-looking and are subject to risks and uncertainties, as described in the "Risks and Uncertainties" section, below. Actual results, levels of activity, performance or achievements could differ materially from those projected, discussed or contemplated herein and are dependent upon a number of factors, including the successful and timely completion of research and development initiatives, the uncertainties related to the market acceptance, and the commercialization of our products thereafter.

### Consolidation, Presentation, and New Fiscal Year End

On April 11, 2017, the Company completed the RTO Transaction with Sport News Media ("SNM"). The RTO Transaction was effected by way of a securities exchange between the Company and SNM. Because of the RTO, SNM becomes the legacy reporting entity, with all historical comparative numbers for this year being those of SNM. In addition, the Company adopted the SNM fiscal year end of March 31. The Company filed its first post-RTO audited annual consolidated financial statements for the year ended March 31, 2018 on July 30, 2018 and is currently filing its unaudited interim condensed statements for the six months ended September 30, 2018.

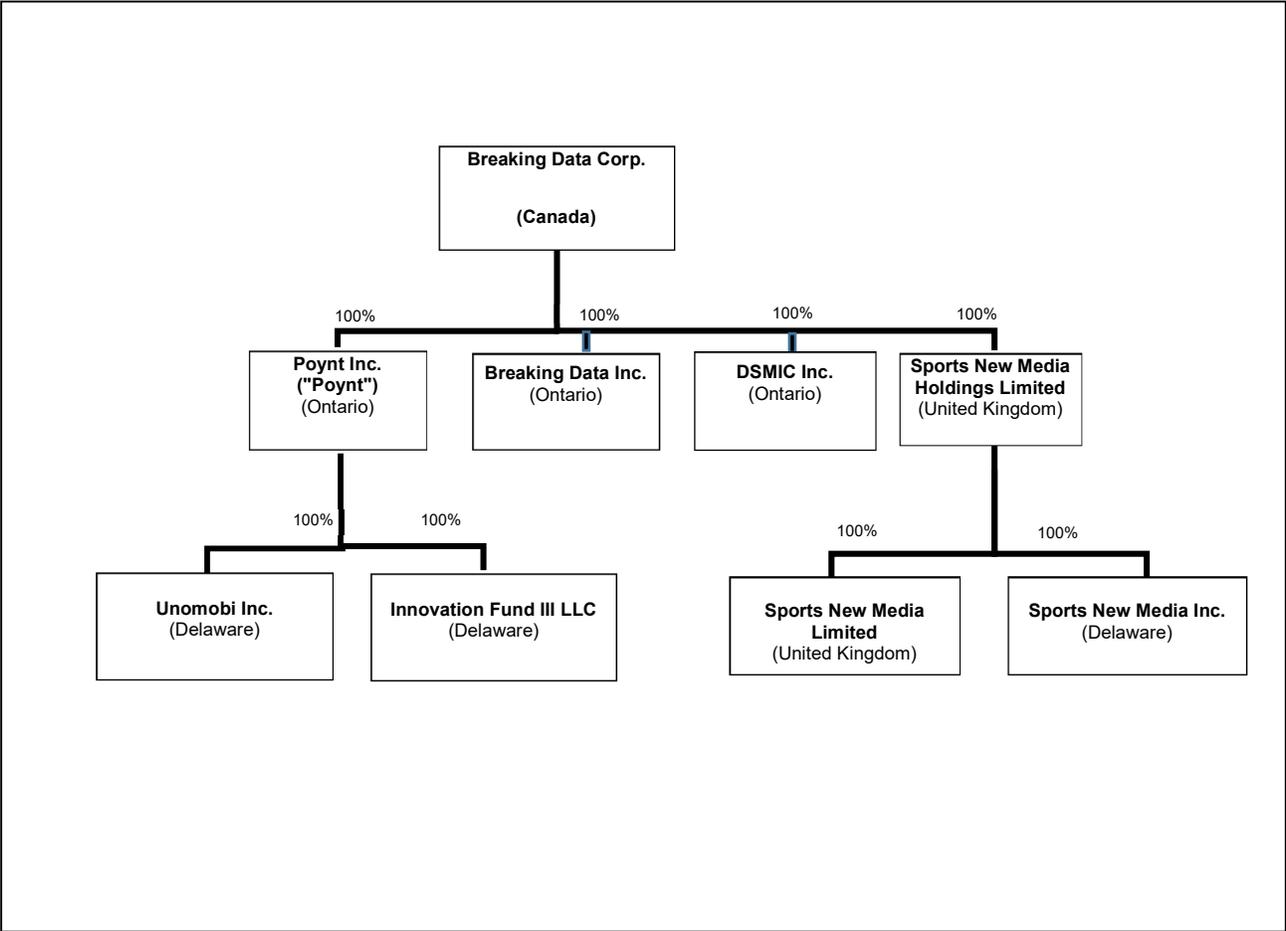
These interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Breaking Data Inc., Poynt Inc., Unomobi Inc., Innovation Fund III LLC, Sports New Media Holdings Limited, Sports New Media Limited, Sports New Media Inc., and DISMIC, Inc. ("DSMIC"), from their respective dates of acquisition. All intercompany balances and transactions have been eliminated upon consolidation. On November 30, 2017, the Company sold its subsidiary Devesys Technologies Inc., as a result of a decline in business activity, and its operating results are disclosed as discontinued operations (see note 4 – Discontinued Operations).

The registered and head office of the Company is located at 64 Jardin Drive, Suite 2A, Concord, Ontario, L4K 3P3.

After the RTO transaction, the presentation currency of the Company changed from Canadian Dollar ("CAD") to U.S Dollar ("USD"), SNM previously reported using British Pounds. The change in presentation currency is to better reflect the Company's business activities in conjunction with the acquisition of Sports New Media Holdings Limited ("SNM"), and management believes that the change in presentation currency will improve investors' ability to compare the Company's financial results with other publicly traded businesses in the industry. The comparative financial statements are represented in USD which has been applied retroactively.

The Company's presentation currency is the USD. The functional currency of the Company and its subsidiary Poynt is the CAD. The functional currency of the subsidiaries DTI is the US dollar. The functional currency of the acquired companies Sports New Media Holdings Ltd, Sports New Media Ltd, and Sports New Media Inc, is the British Pound. Where the functional currency of a subsidiary is different than the presentation currency, assets and liabilities have been translated using the exchange rate at period end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (the average for the period). All resulting exchange rate differences are recorded in the accumulated and other comprehensive (loss) income.

The following table sets out the corporate group structure of the Company:



On April 13, 2017, the Company completed the consolidation of its shares approved at the annual general and special meeting of the shareholders of the Company held on March 31, 2017. Pursuant to the Consolidation, the Shares were consolidated on the basis of one new post-consolidation share for every 10 pre-consolidation shares.

## REVERSE TAKE OVER TRANSACTION (“RTO”)

On April 11, 2017, the Company completed a transaction where it acquired Sports New Media Holdings Limited (“SNM”). The transaction was effected by way of securities exchange between the Company and SNM. Pursuant to the securities exchange, on closing of the transaction, an aggregate of 18,779,601 common shares of the Company were issued in exchange for all the issued and outstanding shares of SNM, conversion of SNM convertible debt, exercise of SNM stock options and the acquisition of DSMIC, Inc. (“DSMIC”). In addition, each option to purchase SNM shares outstanding on the date of the transaction was exchanged for options of the Company. Upon completion of this transaction, the Company owns 100% of the issued and outstanding shares of SNM.

In connection with the transaction the following occurred:

(a) Immediately prior to the closing of the transaction;

- 304,534 common shares were issued upon conversion of SNM convertible debt with a face value of \$360,604.
- 4,599,662 common shares were issued for the acquisition of DSMIC by the Company. DSMIC holds a CAD\$1,750,000 debenture which was convertible into common shares of SNM (Note 7). Upon closing of the transaction, the debenture is eliminated upon consolidation. As a result of the Company acquiring DSMIC, these common shares were included in the 11,834,124 issued in the reverse takeover.
- 315,670 common shares were issued for the exercise of stock options.

(b) On April 11, 2017, the Company completed the acquisition of Sports New Media Holdings Limited (“SNM”). The transaction was effected by way of a securities exchange between the Company and SNM and constituted a reverse take-over transaction. Pursuant to the securities exchange, on closing of the reverse takeover transaction, the issuance of the following securities occurred:

- An aggregate of 11,834,124 common shares of the Company were issued, with 7,234,462 shares issued to the former shareholder of SNM at a notional value of \$2.24 (\$2.98 CAD) per common share. The notional price paid for the common shares was determined based on the estimated fair value of common shares issued in the concurrent financing.
- An aggregate of 2,945,950 warrants (“RTO replacement warrants”) consisting of 2,751,506 warrants and 194,444 finders warrants with exercise prices ranging from \$1.80 - \$2.85 (\$2.40 - \$3.80 CAD) per share expiring between November 30, 2017 and October 31, 2018 (Note 10).
- An aggregate of 662,500 options (“RTO replacement options”) with exercise prices ranging from \$1.88 - \$4.65 (\$2.50 - \$6.20 CAD) per share expiring between October 15, 2018 and September 30, 2021 (Note 9).
- Pursuant to a consulting agreement, the Company issued 200,000 shares at a fair value of \$2.24 (\$2.98 CAD) per share with an amount of \$447,238 recorded to share capital. In addition, the Company paid a fee of \$150,060 (\$200,000 CAD) to an advisor of the Company which was recorded in the interim condensed consolidated statement of loss and comprehensive loss as part of Transaction and Acquisition costs.
- On April 13, 2017, the Company completed the consolidation of its shares approved at the annual general and special meeting of the shareholders of the Company held on March 31, 2017. Pursuant to the consolidation, the shares were consolidated based on one post-consolidation share for every ten pre-consolidation shares. These interim condensed consolidated financial statements reflect the share consolidation.

## Concurrent Financing

On March 17, 2017, and April 6, 2017 the Company closed two tranches of private placement financing including 1,000,000 and 250,000 subscription receipts at \$3.00 (\$4.00 CAD) per Subscription Receipt. Collectively under the first and second tranche of the private placement financing the Company issued 1,250,000 subscription receipts for aggregate gross proceeds of \$3,751,500 (\$5,000,000 CAD).

The Offering was completed in connection with the Company's acquisition of SNM. Each Subscription Receipt converted to one unit (a "Unit") of Breaking Data Corp, immediately following the completion of the Transaction on April 11, 2017. Each Unit is comprised of one common share of and one-half of one warrant, with each whole warrant exercisable into a common share for 24 months at an exercise price of \$5.25 (\$7.00 CAD) per share.

The Agents were paid a cash commission of \$350,000 equal to 7% of the gross proceeds raised under the Offering. In addition, the Agents were issued 131,250 compensation options equal in number to 7% of the total number of Subscription Receipts sold pursuant to the Offering, each compensation option entitling the holder to acquire one Unit at an exercise price of \$3.00 (\$4.00 CAD) per Unit for a period of two years from the date of issuance. An aggregate of 1,250,000 Shares and 625,000 warrants and 131,250 finders warrants to purchase common shares were issued on conversion of the 1,250,000 outstanding subscription receipts.

## Accounting

Pursuant to the share exchange, the Company was identified as the acquiree for accounting purposes and transaction constituted a reverse take-over of Breaking Data Corp. and was accounted for as a reverse take-over transaction in accordance with IFRS 3 Business Combinations. The allocation of the purchase price to the estimated fair value of net assets acquired is as follows on April 11, 2017:

### Purchase price:

Common shares	\$	16,174,627
Warrants		3,577,315
Common share purchase options		779,564

**Total purchase price** **\$ 20,531,506**

### Fair value of assets acquired and liabilities assumed:

Cash	\$	2,077,727
Accounts Receivable		133,959
Debenture and accrued interest		1,363,642
Prepaid expenses and deposits		126,668
Deferred patent costs		74,498
Accounts payable and accrued liabilities		(164,790)
Deferred revenue		(85,458)
Debentures (Note 7)		(258,854)

**Net assets acquired and liabilities assumed** **3,267,392**

### Fair value of intangible assets

Intellectual property 1,951,040

Notional fair value of goodwill \$ 15,313,074

Change in fair value of goodwill (8,933,700)

Foreign currency translation 226,074

**Fair value of goodwill** **\$ 6,153,300**

The Company finalized its assessment of the purchase price allocation during the quarter ended March 31, 2018. This resulted in an adjustment being recorded to the previously presented September 30, 2017 interim condensed consolidated statements of financial position between goodwill and intangible assets. The consideration paid was also adjusted from the previous interim condensed consolidated statements of financial position and statement of changes in shareholders equity for the period ended September 30, 2017 based on the fair value of the business acquired. Intangible assets of intellectual property and goodwill have been separately accounted for. Intellectual property representing proprietary technology is being amortized over a useful life of 5 years. The acquired goodwill is primarily related to the growth expectations, assembled workforce and expected cost synergies.

The Company recorded an adjustment to fair value of goodwill of \$8,933,700 on acquisition resulting in a fair value of goodwill of \$6,153,300 at the acquisition date of April 11, 2017. In addition, there was an increase to transaction and acquisition costs of \$76,540 and amortization of proprietary technology of \$190,701 recorded as part of this final assessment of purchase price allocation. These adjustments had a total impact of \$9,200,941 on the prior period net loss for the six months ended September 30, 2017.

During the three months ended September 30, 2018, the Company performed an impairment assessment on intangible assets and goodwill. In accordance with the transaction with Oryx Gaming ("Oryx"), (see note 18 Subsequent Events) Management re-focused its strategic plans from Artificial Intelligence ("AI") to the Oryx gaming platform and the integration with SNM's user base. As a result, effective August 31, 2018, the Company took steps to reduce its labour and overhead costs directly associated with its AI division and AI initiatives. Accordingly, the goodwill recorded on RTO which represented the inherent value of the Company's AI division was written down to Nil. The Company recognized a write-down for impairment of goodwill in the amount of \$6,284,747 representing the value of goodwill at August 31, 2018.

Intellectual property set up on RTO pertains to the value of the BKD's proprietary technology that was developed specifically for the SNM business. With the merger with the Oryx gaming business, certain proprietary solutions will continue to be useful and functional. Management has assessed that there is an impairment in value of intellectual property and has recorded a write-down in intangible assets of \$730,000.

## **DISCONTINUED OPERATIONS**

On November 30, 2017, the Company sold its subsidiary Devesys Technologies Inc. ("DTI"), as a result of a decline in business activity. The operating results of DTI have been presented as a discontinued operations during the year ended March 31, 2018. Note 4 to the interim condensed consolidated financial statements for period ended September 30, 2018 disclose the results of DTI classified as a discontinued operation.

## SELECTED FINANCIAL INFORMATION

The following table provides selected consolidated financial information for the Company as at and for the six months ended September 30, 2018 and 2017.

	<b>As at and for the 6 months ended September 30, 2018</b>	As at and for the 6 months ended September 30, 2017 (note1)
	\$	\$
Total assets	<b>3,805,042</b>	21,321,514
Total liabilities	<b>1,351,698</b>	1,270,020
Revenue	<b>4,255,755</b>	3,152,943
Cost of goods sold	<b>2,278,361</b>	1,492,820
Total expenses	<b>4,940,867</b>	5,097,505
Change in fair value of goodwill	-	8,933,700
Impairment of goodwill and intangible assets	<b>7,014,747</b>	-
Transaction and acquisition costs	-	772,875
Net loss from continuing operations	<b>(9,978,220)</b>	(13,311,361)
Net income from discontinued operations	-	17,890
Net loss for the period	<b>(9,978,220)</b>	(13,293,471)
Basic and diluted net loss per share from continuing operations	<b>(0.35)</b>	(0.52)
Basic and diluted net income per share from discontinued operations	<b>0.00</b>	(0.00)

Note 1: 2017 numbers have been restated to include the adjustments related to the finalization of the purchase price assessment completed March 31, 2018; as well as classifying the operating results of DTI as Discontinued Operations.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

### Caution regarding forward-looking statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Company's goal of creating shareholder value; its ability to meet its operating costs for the fiscal year ending March 31, 2018; the plans, costs, and timing for future research and development of the Company's current and future technologies, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity analysis on financial instruments that may vary from amounts disclosed; prices and price volatility the Company's media properties, mobile products and technology platforms; and general business and economic conditions.

By their nature forward-looking statements are subject to known and unknown risks, uncertainties, and other factors which may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among other things, the Company's stage of development, long-term capital requirements and future ability to fund operations, future developments in the Company's markets and the markets in which it expects to compete, risks associated with its strategic alliances and the impact of entering new markets on the Company's operations. Each factor should be considered carefully, and readers are cautioned not to place undue reliance on such forward-looking statements. See "Risk Factors."

The Company disclaims any intention or obligation to update or revise these forward-looking statements, resulting from additional information, future events or otherwise.

### **Outlook and Growth Strategy**

The Company in its pre-RTO state was a technology provider of semantic search, machine learning, artificial intelligence ("AI") and Natural Language Processing ("NLP"). The Company's proprietary technology platform, "Cluuz" uses Semantic and Machine Learning techniques to process, analyze and interpret massive volumes of aggregated data in order to extract key sentiments, facts, opinions, user interests and intents. Originally, in 2008, the desktop version of the "Cluuz" platform was launched as a prototype of a "next generation" search engine platform that returns better results than traditional search engines by going beyond simply listing links. Subsequent to launching "Cluuz", the Company undertook a strategic review process with the objective of identifying commercial opportunities related to the core technologies demonstrated in the desktop prototype. The process, which included detailed discussions with the Company's current and prospective customers, as well as industry experts and analysts, led to a comprehensive analysis and evaluation of the current market opportunity, the Company's core technology strengths, the competitive environment, as well as the emerging trends in search, discovery, advertising and commerce.

To that end, in December 2016 the Company announced that it entered into a binding letter of agreement (the "Agreement") with Sports New Media Holdings Limited ("SNM"), a corporation existing under the laws of the United Kingdom, which is the owner of GIVEMESPORT.com and its related businesses ("GIVEMESPORT"), pursuant to which Breaking Data would acquire SNM in exchange for the issuance of common shares of Breaking Data ("BDC Shares") to the security holders of SNM (the "Transaction"). On April 11, 2017, the Company completed the RTO Transaction. The RTO Transaction was effected by way of a securities exchange between the Company and SNM (See Reverse "Take Over Transaction" above).

GIVEMESPORT is a leading next generation sports media company. GIVEMESPORT's website attracts an international, mobile first audience of over 22.5 million monthly visitors (Avg; Jul-18, Aug-18, Sep-18) predominantly from the UK and Europe and is one of the world's largest online sports publishers. GIVEMESPORT has a global Alexa ranking of 896<sup>th</sup> (Sept 30<sup>th</sup> 2018), whereas Bleacher Report is ranked at 599<sup>th</sup> (Sept 30<sup>th</sup> 2018), CBS Sports at 615<sup>th</sup> (Sept 30<sup>th</sup> 2018) and Fox Sports at 1,633<sup>rd</sup> (Sept 30<sup>th</sup> 2018).

GIVEMESPORT has a deep understanding of how to produce authentic and engaging written and video content for the millennial audience and utilizes cutting edge technology to enable the optimal creation, distribution and viewability of its content.

GIVEMESPORT main business focus is in programmatic advertising, consistently delivering high performance and high viewability for many high-profile advertisers such as; Rolex , Mercedes Benz, BMW, American Express, Porsche, Omega, Jaguar and Electronic Arts.

In addition, GIVEMESPORT also has several official partnerships with the NFL, McLaren Racing, Golfing World and In Cycle.

This merger has been the next step for the future of Breaking Data. The Company's business is a combination of embedded artificial intelligence with social distribution that is an established next generation media business. GIVEMESPORT creates and delivers content that connects with its audience, wherever they might be. SNM has historically been a tech-led media business, with its business model built around proprietary technology platforms. The merger of SNM with Breaking Data allows this to continue with the integration of artificial intelligence and natural language processing.

It is important to note that most GIVEMESPORT's traffic is derived from Facebook and the Company has noticed major changes the Facebook Algorithm in fiscal Q1 and Q2 that adversely dictate the volume of traffic and increase the cost per visit of each user. Over the last 4 years GIVEMESPORT has seen major changes to the Facebook Algorithm each year. GIVEMESPORT use a combination of their knowledge and proprietary technology to understand the changes, then adapt to these challenges accordingly and as best as possible.

### **GIVEMESPORT**

SNM's highly configurable technology platform covers all aspects of the business, which it delivers to consumers under the GIVEMESPORT brand, including:

- Responsive website – fast, highly responsive and modular website;
- Proprietary content management system – quick, frictionless content creation;
- Automated article distribution – Direct distribution across Social Media, Search and Feeds;
- Real-time Facebook insights – internally developed algorithms track article velocity, virality and engagements;
- Facebook advertising services – SNM can quickly create thousands of paid Facebook Ads per day;
- Facebook monitoring services – SNM continually monitors advertising accounts against pre-configured parameters.

GIVEMESPORT's website attracts an international, mobile first audience of over 22.5 million monthly visitors (Avg; Jul-18, Aug-18, Sep-18) predominantly from the UK and Europe and is one of the world's largest online sports publishers. GIVEMESPORT has a global Alexa ranking of 896<sup>th</sup> (Sept 30<sup>th</sup> 2018), whereas Bleacher Report is ranked at 599<sup>th</sup> (Sept 30<sup>th</sup> 2018), CBS Sports at 615<sup>th</sup> (Sept 30<sup>th</sup> 2018) and Fox Sports at 1,633<sup>rd</sup> (Sept 30<sup>th</sup> 2018).

GIVEMESPORT has a deep understanding of how to produce authentic and engaging written and video content for the millennial audience. GIVEMESPORT utilizes technology to enable the optimal creation, distribution and viewability of its content.

GIVEMESPORT was an early adaptor of programmatic advertising, consistently delivering high performance and high viewability for many advertisers such as Rolex, Mercedes Benz, BMW, America Express, Porsche, Omega, Jaguar and Electronic Arts.

GIVEMESPORT has several official partnerships with the NFL, McLaren Racing, Golfing World and In Cycle.

The publishing industry is becoming increasingly aware of the importance of data and data analytics for the formulation and distribution of their content. GIVEMESPORT has been using the latest technology to monitor and control the velocity in which their content reaches their user base, including AI techniques to optimize their process. The Company uses NLP, AI and machine learning technology that allow the Company to sophisticatedly identify developing stories across social media, which will be based

on specific criteria that the Company identifies as relevant. These stories will allow the editorial staff to be aware and informed of material events that are developing in the sports world in real time. Timely news information is extremely important in the publishing world and even more so in the sports publishing sector. Material changes can affect outcomes of upcoming sports events and as such sports fans want the latest information delivered to them in the fastest means possible.

In addition, SNM, has created a configurable propriety technology platform which optimizes creation, distribution and viewability of content, which it delivers through the GIVEMESPORT brand. GIVEMESPORT uses internally developed algorithms to rank velocity, virality and engagements, which provides unique insight into how GIVEMESPORT's content is performing. Automatic article distribution allows an article to go from being written to distribution to a targeted audience of 26.24 million fans (as of Sept 30<sup>th</sup> 2018). GIVEMESPORT can quickly and easily distribute content across one, or all of its Facebook pages, and posts can be targeted to any age, gender, location, language and interest.

Facebook advertising services provide the ability to quickly and easily create paid content on Facebook. The service is designed to scale and be easily accessible on any application. Any system wishing to create an advertisement on Facebook, simply needs to send an event to our service with a set of configurable advertisement parameters.

Facebook monitoring services allows GIVEMESPORT to create paid Facebook content at scale, safe in the knowledge that overspending advertisements will be paused and deleted. GIVEMESPORT's content management system was built from the ground up with the aim of creating and distributing content as quickly and as frictionless as possible. Third party videos and images are automatically added to the system via application programming interfaces ("APIs"), allowing writers to focus on stories. Writers can choose from a plethora of options when creating articles (parallax styles, embedding media or creating picture galleries) allowing GIVEMESPORT content to be flexible and unique.

Recently re-engineered, the GIVEMESPORT website is a fast, responsive, lightweight and modular website. The finished website is also easy to test and maintain, which provides long term stability. The site is completely responsive. The delivery static content is optimized meaning users only ever get served the images, videos, CSS or JavaScript they need, and nothing more.

### **GIVEMESPORT App**

The GMS App is taking aim at a massive high growth sports audience with interest across the globe via all GIVEMESPORT properties. Utilizing the Company's proprietary semantic technology, the GMS App offers the fastest news delivery to sports fans around the world. The GMS App tracks social media in real-time for significant sports information and events and distributes summarized information through real-time push notifications to consumers. By utilizing advanced artificial intelligence techniques, the GMS App can detect events as they happen and as they are announced in social media, determine nature of the events, attribute events to participants, summarize source articles, index the underlying information, provide search of events and articles and send alerts to fantasy players, sport fans and enthusiasts.

Compared to other similar products, the GMS App has the differentiated advantage of not requiring human intervention when detecting and generating alerts, thereby enabling faster delivery of relevant information. Through a simple-to-use interface, GMS App users specify what teams and players they are interested in as well as what type of events they care about, such as injuries, roster moves, line-up changes, statistics, rumours and more.

In addition to tracking social media, the GMS App analyzes statistical and play-by-play information to auto-generate news, updating users on important facts that might not be covered through traditional sports or social media. Users are able to review

news in a familiar feed/stream interface and as search results. The app can be easily configured to include any sport, as well as potentially other categories of information, ushering the era of real-time news subscription for any topics of choice.

One of the biggest problems faced by today's mobile world is search and discovery. As a platform/network grows, so does the amount of content, which makes it increasingly difficult for consumers to find the information they want. The GMS App allows users to subscribe to their favorite teams and players so that they never miss a beat. Whether it is a headline, injury, trade, or scoring alert, the GMS App users are the first to know. The GMS App delivers the fastest breaking sports news and alerts to users by integrating social media sourced updates. Through specialized algorithms, the GMS App taps social media for the latest sports news and delivers it to users in a fully automated real-time manner.

On both iOS and Android platforms the newest version of GMS app has expanded capabilities that include better application layout, content caching allowing reading of content without connection to internet, improved navigation through the quick links and editable shortcuts to leagues, teams and players of interest as well as subscription suggestions based on user's location and expressed interests on Facebook.

Other GMS App features include:

- News Feed – View news feed for personalized subscriptions;
- Filter Alerts – Select which type of news is most important to you, from injuries to rumors;
- League News – View and search news by league for the latest updates;
- Scores – Follow current and upcoming games via the game calendar for in-game alerts;
- Player Stats – View game and season stats in player profiles;
- Individual News – Access team or player specific news by selecting them from your customizable subscription list; and
- Share – Send friends links to important updates via email or text.

### **Breaking Data's Artificial Intelligence Platform Solutions**

Breaking Data Artificial Intelligence Platform Solutions involved the licensing of core AI search, semantic, and data acquisition technology to enterprise and consumer solution providers in multiple business verticals. In accordance with the transaction announced on August 22, 2018 with Oryx Gaming ("Oryx"), Management re-focused its strategic plans from Artificial Intelligence ("AI") to the Oryx gaming platform and the integration with SNM's user base. As a result, effective August 31, 2018, the Company took steps to reduce its labour and overhead costs directly associated with its AI division and AI initiatives.

### **Semantic Analysis of Social Media Content**

Breaking Data Corp. has accumulated intellectual property and expertise in the areas natural language processing and artificial intelligence. These capabilities are utilized within our BreakingSports and GIVEMESPORT mobile applications.

### **News and events during the six months ended September 30, 2018**

The business and related public news highlights are outlined below:

#### **Appointment of new COO**

On April 18, 2018 the Company, announced today the appointment of Rick Waterlow as Chief Operating Officer. Mr. Waterlow joins from digital and TV business VICE Media, where he was President of International, responsible for overseeing the operations of more than 40 offices worldwide with a combined revenue of nearly one billion dollars. In addition, he was

instrumental, as part of the team responsible for the growth of VICE across Europe and internationally, holding several senior positions including European finance director and Chief Operating Officer during his eight years with the youth media pioneer. In conjunction with Mr. Waterlow's hiring he has been granted 400,000 options at an exercise price of \$1.11, with vesting over 3 years and expiring in April 2028.

### **Company Applauds Supreme Court PASPA Ruling and Announces Its Audience of 8.1 Million with Interest in Sports Betting and Gambling**

On May 17, 2018 the Company reported its audience connected to its leading Facebook Page, that are over 18 years old, with an interest in sports betting and gambling is approximately 8.1 million.

*(source: Facebook Audience Insights; global, sports betting + gambling + related betting brands and interests + over 18).* GIVEMESPORT is very positive about the ruling by the Supreme Court to strike down the Professional and Amateur Sports Protection Act of 1992 (PASPA), effectively clearing a path for the legalization of sports betting in the United States. GIVEMESPORT already has direct partnerships with the NBA and NFL, it is looking to extend these partnerships to other US sports. GIVEMESPORT's website is the second largest commercial sports website in the UK (*ComScore: Nov-17*), second only to SkySports.com. The Stars Group recently acquired SkyBet.

### **97% Increase in Revenues for fiscal 2018**

On July 31, 2018 the Company announced that Breaking Data's consolidated revenue from all sources has increased by 97%, for the year ended March 31, 2018 to \$8,363,234 USD, compared to \$4,244,095 USD for last fiscal year.

Breaking Data's North American Revenue grew by 222%, its United Kingdom revenue grew by 99% and European Revenue (excluding UK) dropped by -7%, this reflects the focus the team has placed on targeting the UK and North American markets. Breaking Data's Assets increased to \$12.8m USD in 2018 from \$1.29m USD in 2017 and reduced its liabilities to \$1.61m USD in 2018 from \$3.56m USD in 2017. Breaking Data has repaid all debentures and has no long-term debt.

Breaking Data's consolidated loss from operations excluding non-cash items was split between GIVEMESPORT division with an operating loss of \$1,962,655 USD and Breaking Data's AI division with an operating loss of \$1,658,294 USD, totalling a consolidated loss from operations excluding non-cash items of \$3,620,949 USD on consolidated revenues of \$8,363,234 USD. GIVEMESPORT in the UK saw its audited annual revenue increase by 82% to £5,912,919 in 2018 from £3,245,465 in 2017. Additionally, GIVEMESPORT saw its fiscal 2018 fourth quarter net advertising revenue increase by 70% in GBP, compared to last year. This is now seven successive quarters of growth for GIVEMESPORT.

### **Breaking Data Corp Enters Into Agreement to Acquire Oryx Gaming**

On August 22, 2018, the Company announced it has entered into a transaction agreement (the "Transaction Agreement") to acquire Oryx Gaming through which it will acquire all of the shares of Oryx Gaming ("Oryx").

Oryx is an international i-Gaming turnkey solution provider that offers an online, retail and mobile platform and access to diverse portfolio of proprietary and 3rd party Sportsbook, Lottery and Casino products with over 5,000 content titles included. With clients ranging from JackpotJoy Plc to GVC, it is certified, approved and licensed to provide services in Malta, Schleswig Holstein, Spain, Romania, Colombia, Croatia, Serbia, Gibraltar, UK and Slovenia.

After the completion of the acquisition of Oryx, the Company is expected to be renamed Bragg Gaming Group. Furthermore, upon completion of the Transaction, Dominic Mansour, a former chief executive of the UK's Health Lottery, will become Chief Executive of the Company, and Akshay Kumar, the former CFO of NetPlay TV plc, will become Chief Financial Officer of the Company. (See Subsequent Events)

### **80% Increase in Revenue for the Quarter ending June 30, 2018**

On September 5, 2018, the Company announced its eighth consecutive quarter of revenue increases. The quarterly increase of 80 per cent to \$2,621,552 from the \$1,456,763 for the three months ended June 30, 2018 comes as the Company gets set to move in to on line gaming through the acquisition of Oryx Gaming (“Oryx”), an international i-Gaming turnkey solution provider. The completion of the deal will see Breaking Data become Bragg Gaming Group, a group that aims to expand organically and through acquisition to become a next generation gaming company, leveraging the 26M Facebook fans of GIVEMESPORT. As part of the strategic shift towards online gaming, the Company is to launch GIVEMEBET, a new online sports betting brand, that will complement GIVEMESPORT’S leading position in digital sports publishing. This quarterly increase in revenue resulted primarily from a sustained increase in traffic to the GIVEMESPORT website over the same quarter last year and a further shift from UK desktop to UK mobile web traffic. In May alone, GIVEMESPORT generated 42 million visits globally. Additionally, during the quarter, GIVEMESPORT fully integrated its news in to Apple News, gaining millions of new visits.

### **Sale of Toronto Based Technology Team**

On Sept. 13, 2018, the Company announced that it has sold its Toronto-based technology team to Highground Technologies Corporation (“Highground”) for an undisclosed sum. Under the deal with Highground, Breaking Data will retain an agreement that will allow the Company to use the Artificial Intelligence (AI) previously built and to continue to develop machine-learning based systems for GIVEMESPORT and GIVEMEBET. GIVEMEBET is a new online sports betting brand that will complement GIVEMESPORT’s leading position in digital sports publishing. Under the sale and licensing agreement with Highground, Breaking Data will retain a 10 per cent stake in VRFY, a subsidiary of Highground. VRFY is a 21st century media company that uses AI to help consumers detect, collect and validate real time news events. The Letter of Intent that was announced on October 17, 2017 for US\$2.25m to develop and license software to Highground is superseded by this deal with Highground along with a US\$500k consulting contract that was completed by Breaking Data in early 2018.

## **RESULTS OF OPERATIONS**

Results from Continuing Operations (1)	6 months ended September 30, 2018	6 months ended September 30, 2017	Dollar Increase/ (Decrease)	Percentage Increase/ (Decrease)
<b>Revenue</b>	4,255,755	3,152,943	1,102,812	35%
Cost of goods sold	2,278,361	1,660,123	618,238	37%
<b>Gross Margin</b>	1,977,394	1,492,820	484,574	
	46.4%	47.3%		
<b>Expenses</b>				
General and administrative	769,035	663,095	105,940	16%
Salaries and subcontractors	2,196,139	2,474,229	(278,090)	(11%)
Stock based compensation	1,384,792	1,028,832	355,960	35%
Professional fees	126,127	261,546	(135,419)	(52%)
Sales and marketing	165,195	253,107	(87,912)	(35%)
Accretion on debentures	-	172,811	(172,811)	(100%)
Interest and financing fees	-	8,886	(8,886)	(100%)
Foreign exchange loss	30,924	28,668	2,256	8%
Amortization of intangible assets	247,392	199,963	47,429	24%
Depreciation of equipment	21,263	6,469	14,794	229%
<b>Total Expenses</b>	4,940,867	5,097,606	(156,739)	(3%)

Note 1: 2017 numbers have been restated to include the adjustments related to the finalization of the purchase price assessment completed March 31, 2018; as well as classifying the operating results of DTI as Discontinued Operations.

### **Analysis of revenues and expenses**

**Revenues** for the six months ended September 30, 2018 were \$4,255,755 compared to \$3,152,943 for the six months ended September 30, 2017, an increase of \$1,102,812 or 35%. This increase resulted primarily from a continuing a sustained increase in traffic to the GIVEMESPORT website over same quarter last year, a further shift from UK desktop to UK mobile web traffic (average of 23.5m visits per month in fiscal 2018 to an average of 24m visits per month for fiscal 2019 combined with an increase in the UK mobile yield from approximately \$18.50 in fiscal 2019 to over \$32. in fiscal 2019).

**Cost of goods sold** for the six months ended September 30, 2018 were \$2,278,361 compared to \$1,660,123 for the six months ended September 30, 2017 an increase of \$618,238 or 37%. This increase directly a result of increased revenues however at a marginally higher proportion of revenues compared to last fiscal year. As a result, overall profit margin percentage decreased slightly from 47.3% to 46.4% from Q2 last fiscal 2017 to Q2 this fiscal 2018. This is due, in part, to increased competition with Facebook and a change within Facebook's paid algorithms. The Company continues to monitor and adjust for these changes and intends for these adjustments to combat and improve margins, yield and other key levers in the programmatic division. In addition, some lower than expected margins materialized from the Formation division and short form video production as the Company started this initiative. These margins should also improve as the business division gains further traction.

**General and administrative** expenses were \$769,035 for the six months ended September 30, 2018 compared to \$663,095 for the six months ended September 30, 2017, representing an increase of \$105,940 or 16%. There main contributing factors to this increase which is primarily resulting from the business combination of SNM, with its office in the UK together with the Company's office in Canada. Plans to streamline are underway but there are still some overlapping and redundant costs. These costs, while carefully monitored, are now increased as a direct result of maintaining 2 offices. Also in the U.K with a transition to a larger office space, the Company incurred duplicate rent costs which will continue to impact general and administrative expenses through to December 2018. In addition, the Company is evaluating all general and administrative costs of the two offices to find savings and reduce costs wherever feasible. While costs savings initiatives are underway, and some streamlining is in the plans in the coming months, the UK office has grown and expanded into new space, so the rent costs will increase on a comparative basis in the coming quarters.

**Salaries and subcontractors'** expenses was \$2,196,139 for the six months ended September 30, 2018, compared to \$2,474,229 for the six months ended September 30, 2017, a decrease of \$278,090 or 11%. The Company has made staff reductions to become more efficient in both the technical and media content and production related areas of the business. During the six months, the Company deferred a total of \$183,223 relating to salaries and consulting fees relating to development on proprietary technology and these costs are included in intangibles assets on the statement of financial position.

**Stock-based compensation** was \$1,384,792 for the six month period ended September 30, 2018 compared to \$1,028,832 for the period ended September 30, 2017, an increase of \$355,960 or 35%. This expense is a non-cash item, with a corresponding credit to contributed surplus. On July 4, 2017, 3,690,000 options were granted to officers, directors and consultants of the Company with an exercise price of \$1.47 (\$1.90 CAD) and on April 18, 2018 another 400,000 options were granted to a new officer of the Company. The increase is the result of a new expense for the vesting of these share purchase options issued during the year that did not exist in the same period last year.

**Professional fees** for the six months ended September 30, 2018 were \$126,127 compared to \$261,546 for the six months ended September 30, 2017, a decrease of \$135,419 or 52%. The decrease in professional fees during the period was mainly due to less legal and accounting costs from the post-RTO including specific reporting and tax related items and corporate structure work related to the RTO transaction as well as general corporate legal matters that occurred last year in the period but not this year. Other costs include patent maintenance costs that fluctuate from time to time depending on the dates for payment of annual fees related to granted patents. **Sales and marketing** expense was \$165,195 for the six months ended September 30, 2018, compared to \$253,107 for the six months ended September 30, 2017, a decrease of \$87,912 or 35%. This decrease is primarily related to timing differences for the Company's web services and marketing, public relations and other marketing items. This expense decreased even while the Company continues to make efforts to increase brand awareness and drive traffic to its web and social media properties. To effectuate its strategy, the Company used various marketing resources and invested in on-line and traditional marketing campaigns. As a result, the Company has seen an increase in revenues during the 6-month period ended September 30, 2018.

**Accretion on debentures** was \$nil in the six months ended September 30, 2018 compared to \$172,811 for the six months ended September 30, 2017. This expense is a non-cash item. The accretion expense in 2017 was attributed to the accretion on debentures that were converted to equity immediately prior to the RTO transaction on April 11, 2017. There are no debentures outstanding during the current period and as a result there is no accretion expense.

**Interest and financing fees** was \$nil or the quarter ended September 30, 2018 compared to \$8,886 for the six month period September 30, 2017, a decrease of \$8,886 or 100%. This decrease was as a result of the outstanding balance of the debentures during 2017. The debenture amount outstanding throughout the six months ended September 30, 2017 was in the amount of \$258,854 which was repaid in full on February 16, 2018.

**Foreign exchange** loss was \$30,924 for the six months ended September 30, 2018 compared to a loss of \$28,668 for the six months ended September 30, 2017, an increase of \$2,256 or 8%. These losses/gains are accumulated from the combination of timing differences in invoices dates and payments dates as they relate to fluctuations in the currencies on the dates the transactions are recorded and were impacted by the increase in value of the British Pound during the period and the weakening of the Canadian dollar to both the British Pound and US dollar.

**Amortization of intangibles** was \$247,392 for the six months ended September 30, 2018 compared to \$199,963 for the six months ended September 30, 2017 an increase of \$47,429 or 24%. Amortization relates to development costs, patent costs and intellectual property acquired as part of the RTO transaction, and is higher in Q2 2018 compared to Q2 2017 due to the additional capitalized patent and development costs.

**Depreciation of equipment** was \$21,263 for the six month period ended September 30, 2018 compared to \$6,469 for the six month period ended September 30, 2017, a decrease of \$14,794 or 229%. The decrease is a result of the depreciation of specific equipment assets as balances diminish and the sale of equipment in fiscal 2018.

### **Adjustment to fair value of goodwill**

On April 11, 2017, the Company completed the RTO transaction. At that time in its quarterly filings (Note 3 - Reverse Takeover Transaction) the Company reported a deemed fair value of goodwill and other intangibles based on the implied purchase price and the assets and liabilities acquired.

Following the transaction, the Company engaged a third-party business valuation firm to provide an analysis and conclusion on the fair value of the purchase consideration and to test the goodwill amount initially recorded. Their methodology included a Discounted Cash Flow model ("DCM") and incorporated Weighted Average Return on Assets ("WARA"), an Internal Rate of Return ("IRR") and Weighted Average Cost of Capital ("WACC").

The Company finalized its assessment of the purchase price allocation during the quarter ended March 31, 2018. This resulted in an adjustment being recorded to the previously presented June 30, 2017 consolidated statements of financial position between goodwill and intangible assets. The consideration paid was also adjusted from the previous consolidated statements of financial position and statement of changes in shareholders equity for the periods ended June 30, September 30 and December 31, 2017 based on the fair value of the implied purchase price. Intangible assets of intellectual property and goodwill have been separately accounted for. Intellectual property representing proprietary technology is being amortized over a useful life of 5 years. The acquired goodwill is primarily related to the growth expectations, assembled workforce and expected cost synergies. The Company recorded an adjustment to the fair value of goodwill of \$8,933,700 on acquisition resulting in a fair value of goodwill of \$6,153,300 at the acquisition date of April 11, 2017.

### **Impairment of goodwill and intangible assets**

During the three months ended September 30, 2018, the Company performed an impairment assessment on intangible assets and goodwill. In accordance with the transaction with Oryx Gaming ("Oryx"), (see note 18 Subsequent Events) Management re-focused its strategic plans from Artificial Intelligence ("AI") to the Oryx gaming platform and the integration with SNM's user base. As a result, effective August 31, 2018, the Company took steps to reduce its labour and overhead costs directly associated with its AI division and AI initiatives. Accordingly, the goodwill recorded on RTO which represented the inherent value of the Company's AI division was written down to Nil. The Company recognized a write-down for impairment of goodwill in the amount of \$6,284,747 representing the value of goodwill at August 31, 2018.

Intellectual property set up on RTO pertains to the value of the BKD's proprietary technology that was developed specifically for the SNM business. With the merger with the Oryx gaming business, certain proprietary solutions will continue to be useful and functional. Management has assessed that there is an impairment in value of intellectual property and has recorded a write-down in intangible assets of \$730,000.

### **Liquidity and Capital Resources**

For the six months ended September 30, 2018, there was a net cash used in operating activities of \$1,520,159 compared to \$3,922,720 for the six months ended September 30, 2017, an improvement of \$2,402,561.

The decrease in cash used for operating activities was primarily due to:

- 1) A decrease in the net loss to \$9,978,220 for the period ended September 30, 2018 compared to a net loss of \$13,311,361 for the period ended September 30, 2017 which accounts for a decrease of \$3,333,141. The net loss of \$9,978,220 in the current period includes a charge for impairment of goodwill and intangible assets of \$7,014,747 while the \$13,311,361 net loss in the same period 2017 includes \$8,933,700 adjustment for change in value of goodwill related to the RTO; resulting in a decrease in net loss prior to one-time charges of \$3,333,141.
- 2) Net cash outflow resulting from the net change in non-cash working capital items related to operations of \$210,133 for the six months ended September 30, 2018 compared to \$1,418,262 for the period ended September 30, 2017, which accounts for a decrease in cash outflow of \$1,208,129 in non-cash working capital items that are added to cash flow from operations primarily due to lower payment of trade payables and accrued liabilities.
- 3) An increase in depreciation of equipment from \$6,469 for the period ended September 30, 2017, to \$21,263 for the period ended September 30, 2018, accounts for a decrease of \$14,794 in a non-cash item that is added back to cash flow from operations.
- 4) An increase in amortization of intangible assets of \$247,392 for the period ended September 30, 2018 compared to \$199,963 for the period ended September 30, 2017 which accounts for an increase of \$47,429 in non-cash items that are added back to cash flows from operations.
- 5) An increase in the non-cash stock-based compensation of \$1,384,792 for the period ended September 30, 2018, compared to \$1,028,832 for the period ended September 30, 2017, accounts for an increase of \$355,960 in non-cash item that is added back to cash flows from operations.

Offset by;

- 6) A decrease in the accretion of debentures of \$172,811 for the period ended September 30, 2018;
- 7) A charge for impairment in goodwill and intangible assets of \$7,014,747 compared to a charge for change in fair value of goodwill of \$8,933,700 accounts for a difference of \$1,918,953 in a non-cash item added back to cash flow from operations;
- 8) The addition of \$447,238 in 2017 related to common shares issued for advisory services pursuant to the RTO transaction which closed during the year ended March 31, 2018.

- 9) A decrease in cash from discontinued operations of \$17,890 for the period ended September 30, 2017 compared to nil in the period ended September 30, 2018.

Expressed in tabular form, the increase in the net cash used for operations is as follows:

Decrease in net loss for the period	\$ (3,333,131)
Lower outflows in non-cash working capital	(1,208,129)
Higher depreciation of equipment	(14,794)
Lower accretion of debentures	172,811
Charges relating to goodwill and intangibles	1,918,953
Higher amortization of intangible assets	(47,429)
Higher stock based compensation	(355,960)
Common shares issued for advisory services	447,238
Net income from discontinued operations	17,890
<b>Decrease in the net cash used for operations</b>	<b>\$ (2,402,561)</b>

### **Going Concern**

As at September 30, 2018, the Company had positive working capital of \$998,739 (March 31, 2018 – \$2,621,780), an accumulated deficit of \$36,392,453 (March 31, 2018 - \$26,414,233) and negative cash flows from operations of \$1,520,159 (September 30, 2017 - \$3,922,720).

The Company has incurred losses and is not yet cash flow positive. The Company's ongoing ability to remain liquid will depend on a number of factors including the Company's continued efforts to achieve profitability, or alternatively the ability to raise capital to fund operations. These conditions raise significant doubt about the ability of the Company to continue as a going concern without additional equity or debt financing. To date, management of the Company has been successful in raising capital through equity or debt financings. However, there is no assurance that the Company will continue to be successful in raising capital in the future.

### **Outstanding Shares**

As at September 30, 2018, the number of outstanding shares was 28,676,670 (March 31, 2018 – 28,676,670).

There were no share transactions during the six months ended September 30, 2018.

During the six months ended September 30, 2017, on April 11, 2017, the Company completed the acquisition of SNM through a reverse take-over transaction including the following:

An aggregate of 11,834,124 common shares of the Company were issued, with 7,234,462 shares issued to the former shareholder of SNM at a notional value of \$2.24 (\$2.98 CAD) per common share. The notional price paid for the common shares was determined based on the estimated fair value of common shares issued in the concurrent financing.

An aggregate of 2,751,506 warrants which consisted of 2,722,220 warrants issued with an exercise price of \$1.80 (\$2.40 CAD) expiring on October 31, 2018 and 14,286 and 15,000 warrants with an exercise price of \$3.75 (\$5.00 CAD) expiring on November 30, 2018 and December 5, 2018 respectively.

194,444 finders warrants ("RTO replacement warrants") with an exercise price \$1.35 (\$1.80 CAD) per share were issued expiring on October 31, 2018.

On March 17, 2017, and April 6, 2017 the Company closed two tranches of private placement financing. The financing was completed in connection with the Company's acquisition of SNM. One Subscription Receipt converted to one unit (a "Unit") of the Company, immediately following the completion of the Transaction on April 11, 2017. Each Unit is comprised of one common share of and one-half of one warrant, with each whole warrant exercisable into a common share for 24 months at an exercise price of \$5.25 (\$7.00 CAD) per share. 625,000 warrants to purchase common shares of the Company were issued under these terms.

In addition, 131,250 finders warrants to purchase units were issued related to the financing. Each Unit is comprised of one common share of and one-half of one warrant, with each whole warrant exercisable into a common share for 24 months at an exercise price of \$3.00 (\$4.00 CAD) per share.

Pursuant to a consulting agreement, the Company issued 200,000 shares at a fair value of \$2.24 (\$2.98 CAD) per share with an amount of \$447,238 recorded to share capital. In addition, the Company paid a fee of \$150,060 (\$200,000 CAD) to an advisor of the Company which was recorded in the interim condensed consolidated statements of loss and comprehensive loss as part of Transaction and Acquisition costs. On April 13, 2017, the Company completed the consolidation of its shares approved at the annual general and special meeting of the shareholders of the Company held on March 31, 2017. Pursuant to the consolidation, the shares were consolidated based on one post-consolidation share for every ten pre-consolidation shares. These interim condensed consolidated financial statements reflect the share consolidation.

On March 17, 2017, and April 6, 2017, the Company closed two tranches of private placement financing. The Company issued 1,000,000 and 250,000 subscription receipts of the Company at a price of \$3.00 (\$4.00 CAD) per Subscription Receipt. Collectively under the first and second tranche of the private placement financing the Company issued 1,250,000 subscription receipts of the Company for aggregate gross proceeds of \$3,751,500 (\$5,000,000 CAD).

The Offering was completed in connection with the Company's acquisition of SNM. Each Subscription Receipt converted to one unit (a "Unit") of Breaking Data Corp, immediately following the completion of the Transaction on April 11, 2017. Each Unit was comprised of one common share and one-half of one warrant, with each whole warrant exercisable into a common share for 24 months at an exercise price of \$5.25 (\$7.00 CAD) per share.

The Agents were paid a cash commission of \$350,000 equal to 7% of the gross proceeds raised under the Offering. In addition, the Agents were issued 131,250 compensation options equal in number to 7% of the total number of Subscription Receipts sold pursuant to the Offering, each compensation option entitling the holder to acquire one Unit at an exercise price of \$3.00 (\$4.00 CAD) per Unit for a period of two years from the date of issuance.

An aggregate of 1,250,000 Shares and 625,000 warrants and 131,250 finders warrants to purchase common shares were issued on conversion of the 1,250,000 outstanding subscription receipts.

On May 3, 2017 65,694 share purchase warrants for a total of 91,248 were exercised for \$1.80 (\$2.40 CAD) for total proceeds of \$114,820. An amount of \$37,282 representing the fair value of the warrants exercised was transferred from warrants to share capital.

As at November 29, 2018 the number of shares outstanding remained at 28,676,670.

### **Outstanding Options**

During the six months ended September 30, 2018 400,000 options were granted to an officer of the Company with an exercise price \$0.86 (\$1.11 CAD) and a term of ten years. During this period, 215,000 options were cancelled with an exercise price of \$1.47 (\$1.90 CAD).

During the year ended March 31, 2018, in connection with the acquisition of SNM, an aggregate of 662,500 options ("RTO replacement options") with exercise prices ranging from \$1.88 - \$4.73 (\$2.50 - \$6.30 CAD) per share were issued. These options expire between October 18, 2017 and September 30, 2021.

3,690,000 options were granted to officers, directors and consultants of the Company with an exercise price of \$1.47 (\$1.90 CAD). These options expire on July 3, 2027.

527,369 options were cancelled with exercise prices ranging from \$0.375 to \$4.73.

Using the Black-Scholes model the Company recorded \$1,384,792 of stock compensation expense during the six months ended September 30, 2018 (\$1,028,832 - 2017).

As at September 30, 2018, the Company had 4,377,168 share purchase options outstanding (March 31, 2018 – 4,192,168).

As at November 29, 2018, the number of outstanding options was 4,377,168.

### **Outstanding Warrants**

As at September 30, 2018 the Company had a total of 3,285,258 warrants and a total of 325,694 finders' warrants outstanding (March 31, 2018 3,285,258 and 325,694). On April 11, 2017, in connection with the acquisition of SNM An aggregate of 2,751,506 warrants which consisted of 2,722,220 warrants issued with an exercise price of \$1.80 (\$2.40 CAD) expiring on October 31, 2018 and 14,286 and 15,000 warrants with an exercise price of \$3.75 (\$5.00 CAD) expiring on November 30, 2018 and December 5, 2018 respectively.

194,444 finders warrants ("RTO replacement warrants") with an exercise price \$1.35 (\$1.80 CAD) per share were issued expiring on October 31, 2018.

On March 17, 2017, and April 6, 2017 the Company closed two tranches of private placement financing. The financing was completed in connection with the Company's acquisition of SNM. One Subscription Receipt converted to one unit (a "Unit") of the Company, immediately following the completion of the Transaction on April 11, 2017. Each Unit is comprised of one common share of and one-half of one warrant, with each whole warrant exercisable into a common share for 24 months at an exercise price of \$5.25 (\$7.00 CAD) per share. 625,000 warrants to purchase common shares of the Company were issued under these terms.

In addition, 131,250 finders warrants to purchase units were issued related to the financing. Each Unit is comprised of one common share of and one-half of one warrant, with each whole warrant exercisable into a common share for 24 months at an exercise price of \$3.00 (\$4.00 CAD) per share.

During the year ended March 31, 2018, 91,248 warrants were exercised for total proceeds of \$163,878. The Company included the proceeds in share capital and in addition, credited share capital for the original warrant value of \$53,211 with a corresponding reduction to warrants.

As at November 29, 2018, the number of warrants outstanding remained at 3,285,258 and the number of finders warrants outstanding was 325,694.

### Summary of Quarterly Results

The following table presents the selected financial data for each of the last eight quarters of the Company ended September 30, 2018.

	2019 (unaudited)		2018 (unaudited)				2017 (unaudited)	
	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31
Revenues	1,634,203	2,621,552	2,700,922	2,509,369	1,696,180	1,456,763	1,150,363	1,137,964
Net loss from continuing operations (\$)	(8,638,410)	(1,339,810)	(2,025,943)	(1,941,112)	(2,405,528)	(10,811,255)	(994,685)	(215,362)
Net income from discontinued operations	-	-	24,186	(2,210)	4,557	13,333	-	-
EPS - continuing operations	(0.30)	(0.05)	(0.05)	(0.07)	(0.09)	(0.42)	(0.06)	(0.02)
EPS - discontinued operations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

<sup>1</sup> The summary of quarterly results has been adjusted to reflect Discontinued Operations.

### SEGMENTED INFORMATION

The Company's management and chief operating decision maker reviews performance of the Company on a geographical basis. The Company had three geographical segments up until November 30, 2017 when it sold its wholly owned subsidiary DTI based in the United States. DTI's revenue and income are classified as discontinued operations. At September 30, 2018, the Company had two geographical segments comprising head office and general operations of Breaking Data International and Poynt Inc. in Canada, and Sports New Media operating segment which provides sports new content in The United Kingdom, and its wholly-owned subsidiary. On August 31, 2018 the Company took significant steps to reduce operational overheads in Canada, in particular, by cutting costs related to its AI division.

The Company's revenues are earned in the following geographical areas for the six months ended September 30, 2018 and 2017:

	Six months ended September 30, 2018	Six months ended September 30, 2017
North America	\$ 659,553	\$ 167,188
Europe (excluding United Kingdom)	94,777	200,137
United Kingdom	3,465,425	2,785,618
	\$ 4,255,755	\$ 3,152,943

## Revenue from external customers

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

For the six months ended September 30, 2018, sales from two significant customers amounted to \$1,947,118 and \$566,832 representing 46% and 13% of total revenues (2017 - \$1,594,444 and \$512,557 representing 51% and 16%)

## SUBSEQUENT EVENTS

1. On October 31, 2018, 2,630,972 warrants with an exercise price of \$1.80 and 194,444 finders warrants with an exercise price of \$1.35 expired.
2. On November 1, 2018, the Company granted 35,000 to purchase common shares of the Company. These stock options are exercisable at \$1.47 (\$1.90 CAD) per stock option, vest over three years and expire in November 1, 2028.
3. On November 9, 2018 at the Annual and Special Meeting, the shareholders of the Company approved the proposed transaction with Oryx Gaming ("Oryx") which was previously announced on August 22, 2018. The Company announced it has entered into a transaction agreement (the "Transaction Agreement") to acquire Oryx Gaming through which it will acquire all of the shares of Oryx Gaming ("Oryx").

Oryx is an international i-Gaming turnkey solution provider that offers an online, retail and mobile platform and access to diverse portfolio of proprietary and 3rd party Sportsbook, Lottery and Casino products with over 5,000 content titles included. With clients ranging from JackpotJoy Plc to GVC, it is certified, approved and licensed to provide services in Malta, Schleswig Holstein, Spain, Romania, Colombia, Croatia, Serbia, Gibraltar, UK and Slovenia.

After the completion of the acquisition of Oryx, the Company is expected to be renamed Bragg Gaming Group. Furthermore, upon completion of the Transaction, Dominic Mansour, a former chief executive of the UK's Health Lottery, will become Chief Executive of the Company, and Akshay Kumar, the former CFO of NetPlay TV plc, will become Chief Financial Officer of the Company.

Under the terms of the Transaction Agreement the Company will issue 21 million common shares to the shareholders of the AA Acquisition Group ("AAA") in exchange for all the shares of AAA ("the Transaction"). Legacy Eight Group Ltd. ("Legacy Eight") owns 44% of the shares of AAA, and upon completion of the Transaction would own approximately 19% of the shares of Breaking Data prior to taking into account any equity financing completed in connection with the Transaction.

AAA has entered into a Share Purchase Agreement (the "SPA") with Oryx Gaming International LLC ("Oryx") to acquire all of the shares of Oryx with the initial consideration being EUR7.5 million and the balance to be in the form of earn-outs based on the business performance of Oryx.

Financial details

- > EUR1.5 million on signing of the SPA;
- > EUR4.125 million on closing of the transaction;

> EUR1.875 million worth of common shares of the Company also on closing based on the 60 day volume weighted average price of the shares on the TSX Venture Exchange (the "TSXV") at the time of issuance, subject to a maximum of 2 million shares - in the event that the payment is limited by the maximum number of shares issuable, the balance of the payment will be paid in cash; and

> Earn-out payments comprised as follows: (i) after the first year following the closing date, a payment equal to 8 times 33% of the EBITDA of Oryx for that first year, subject to Oryx having achieved EBITDA of at least EUR2 million; and (ii) after the second year following the closing date, a payment equal to 8 times 33% of the EBITDA of Oryx for that second year, subject to Oryx having achieved EBITDA of at least EUR3 million. The earn-out payments will be partly satisfied by cash and partly by the issuance of common shares of the Company based on the 60-day volume weighted average price of the shares on the TSXV, provided that the maximum number of shares to be issued for the first earn-out payment will be 2 million shares and for the second earn-out payment will be 2.5 million shares.

The Transaction is also subject to financing, TSX Venture Exchange approval and certain other closing conditions customary in transactions of this nature.

4. Pursuant to the transaction with Oryx Gaming, On October 4, 2018, the Company announced that it has engaged Eight Capital (the "Lead Agent") to act as lead agent and sole bookrunner in connection with a brokered best efforts private placement offering of subscription receipts (each, a "Subscription Receipt") at a price of C\$0.51 per Subscription Receipt (the "Issue Price"), subject to the rules of and approval by the TSX Venture Exchange (the "TSXV"), for gross proceeds of up to C\$12,000,000 (the "Offering"), with the Lead Agent having an option to increase the Offering to a total of up to C\$13,800,000. The Offering is being completed in connection with the proposed acquisition of Oryx Gaming Corp. (the "Proposed Transaction") previously announced in a press release of Breaking Data dated August 22, 2018. Oryx Gaming Corp. ("Oryx") is a turn-key gaming solution provider specializing in offering products that are customized to work seamlessly in international gaming markets and legislative environments. Oryx is in a rapid expansion phase, most recently announcing new content partnerships with GVC, Wplay.co and Interwetten. GVC is one of the world's largest sports betting and gaming groups and is operator of leading brands bwin and PartyCasino. Wplay.co is a pioneer in the Colombian market and the first operator to secure an online gaming license under Colombia's new national regulatory framework. Interwetten is a world-renowned sports betting operator. Proceeds of the Offering will be used for general capital purposes and to fund the purchase price of the Proposed Transaction.

Each Subscription Receipt shall entitle the holder thereof to receive, upon satisfaction of the escrow release conditions on or before the escrow release deadline, including all conditions precedent to the Proposed Transaction being satisfied, and without payment of additional consideration therefor, one special warrant of the Company (a "Special Warrant"). Each Special Warrant shall be automatically exercisable into one unit of Breaking Data (each, a "Unit") consisting of one (1) common share in the capital of Breaking Data (each, an "Underlying Share") and one (1) common share purchase warrant (each, an "Underlying Warrant"), with each Underlying Warrant being exercisable into one (1) common share in the capital of Breaking Data for a period of 24 months from the closing date of the financing at a price of C\$0.76, subject to adjustment. Should the escrow release conditions not be satisfied, the Subscription Receipts will be cancelled and all proceeds from the sale of Subscription Receipts will be returned to subscribers. Each Special Warrant shall be automatically exercisable, for no additional consideration, into Units on the date (the "Automatic Exercise Date") that is the earlier of: (i) the date that is three business days following the date on which the Company obtains a receipt from the applicable securities regulatory authorities (the "Securities Commissions") for a (final) prospectus qualifying distribution of the Units underlying the Special Warrants (the "Qualifying Prospectus"), and (ii) the date that is four months and one day after the Closing of the Offering.

The Company will use its commercially reasonable efforts to obtain a receipt from the Securities Commissions for the Qualifying Prospectus as soon as possible following the closing of the Proposed Transaction, provided, however, that there is no assurance that a Qualifying Prospectus will be filed or that a receipt therefor will be issued by the Securities Commissions prior to the expiry of the statutory four month hold period. Notwithstanding the foregoing, in the event the Special Warrants have not been automatically exercised in accordance with their terms before the date that is 90 days following the completion of the Proposed Transaction, each unexercised Special Warrant will thereafter entitle the holder to receive upon the exercise thereof, at no additional consideration, 1.10 Units (instead of one (1) Unit) (the additional 0.10 Units are collectively referred to herein as the "Penalty Units"); provided, however, that any fractional entitlement to Penalty Units will be rounded down to the nearest whole Penalty Unit. In connection with the Offering, the Lead Agent will receive a cash commission equal to 6.0% of the gross proceeds of the Offering (the "Offering Fee") and compensation options ("Compensation Options") equal to 6.0% of the number of Subscription Receipts sold under the Offering, with each Compensation Option being exercisable into a Unit, at the Issue Price and for a period of 24 months from the closing date of the financing. 50% of the Offering Fee shall be paid to the Lead Agent on closing of the Offering and the remaining 50% (plus any pro rata portion of accrued interest earned thereon) shall be paid out of the escrowed funds upon satisfaction of the escrow release conditions.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **Statement of Compliance**

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The accompanying consolidated financial statements were authorized for issue by the Board of Directors on August 29, 2018.

### **Principles of Consolidation**

These interim condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Breaking Data Inc., Poynt Inc. ("Poynt"), Unomobi Inc., Innovation Fund III LLC, Sports New Media Holdings Limited ("SNM"), Sports New Media Limited, Sports New Media Inc., and DISMIC, Inc., from their respective dates of acquisition. All intercompany balances and transactions have been eliminated upon consolidation. On November 30, 2017, the Company sold its subsidiary Devesys Technologies Inc., as a result of a decline in business activity, and its operating results are disclosed as discontinued operations (note 4).

### **Basis of Presentation**

The accompanying consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified at fair value through profit or loss ("FVTPL") which are stated at fair value. The accounting policies have been applied consistently to the accounting policies outlined in the annual consolidated financial statements for the year ended March 31, 2018.

### **Presentation Currency and Functional Currency**

For the year ended March 31, 2018, the presentation currency of the Company was in U.S Dollar ("USD"), SNM previously reported using British Pounds. The change in presentation currency, which was effective for the three months ended June 30 2017 is to better reflect the Company's business activities in conjunction with the acquisition of SNM, and management believes

that the change in presentation currency will improve investors' ability to compare the Company's financial results with other publicly traded businesses in the industry. The comparative interim condensed consolidated financial statements are represented in USD which has been applied retroactively.

The functional currency of the Company and its subsidiary Poynt is the CAD. The functional currency of DTI is the US dollar. The functional currency of the acquired companies SNM, Sports New Media Ltd, and Sports New Media Inc, is the British Pound. Where the functional currency of a subsidiary is different than the presentation currency, assets and liabilities have been translated using the exchange rate at year end, and income, expenses and cash flow items are translated using the rate that approximates the exchange rates at the dates of the transactions (the average for the year). All resulting exchange rate differences are recorded in accumulated other comprehensive (loss) income.

## Recent accounting pronouncements

### Financial Instruments

Effective April 1, 2018, the Company adopted IFRS 9, Financial Instruments. In accordance with the transitional provisions, the Company adopted the standard retrospectively without restating comparatives as the change did not impact the opening balances.

IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

The Company's financial instruments consist of the following:

<b>Financial Instruments Classification</b>	<b>IAS 39</b>	<b>IFRS 9</b>
Cash	Fair value through profit or loss	Amortized Cost
Trade and other receivables	Loans and receivables	Amortized Cost
Trade payables and accrued liabilities	Other financial liabilities	Amortized Cost

The following are the Company's new accounting policies for financial instruments under IFRS 9:

### Financial assets and liabilities

#### Financial assets

Non-derivative financial assets within the IFRS 9 are classified as "financial assets at fair value (either through other comprehensive income ("FVOCI"), or through profit or loss ("FVPL"))", and "financial assets at amortized costs" as appropriate.

The Company determines the classification of its financial assets at initial recognition based on the Company's business model and contractual terms of cash flows.

All financial assets are recognized initially at fair value plus, in the case of investments not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Where the fair values of financial assets recorded on the interim condensed consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

#### *Financial assets at FVPL*

Financial assets measured at FVPL include financial assets management intends to sell and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the interim condensed consolidated statements of earnings (loss).

#### *Financial assets at FVOCI*

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not have any financial assets classified as at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the interim condensed consolidated statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

#### *Derecognition*

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the asset.

#### *Impairment of financial assets*

The Company's only financial assets subject to impairment are trade and other receivables, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

The expected lifetime loss of a financial asset at amortized cost, is estimated based on the expected credit loss ("ECL"). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

#### Financial liabilities

Non-derivative financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include trade payable and accrued liabilities which are each measured at amortized cost.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

#### *Financial liabilities at amortized cost*

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the interim condensed consolidated statements of earnings (loss).

#### *Derecognition*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gains or losses reported in other income or expense in the consolidated statements of earnings (loss).

### **IFRS 15 – Revenue from Contracts with Customers**

The Company elected to adopt IFRS15 using the modified retrospective method, with recognition of transitional adjustments in opening retained earnings on the date of initial application (April 1, 2018), without restatement of comparative figures. The adoption of IFRS 15 did not result in any changes in the timing of revenue recognition for the Company's goods and services.

#### Accounting Policy for Revenue Recognition

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps: i) identify the contract with a customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when (or as) the entity satisfies a performance obligation.

## **IFRS 16 – Accounting for Leases**

IFRS 16 replaces IAS 17, Leases was released in January 2016. This standard will bring most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and financing leases. Lessor accounting remains largely unchanged and the distinction between operating and finance leases is retained. Adoption of IFRS 16 is mandatory and will be effective for annual periods beginning on or after January 1, 2019 with earlier adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

## **RELATED PARTY TRANSACTIONS**

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

As at September 30, 2018, the Company had \$17,574 (March 31, 2018 - \$71,225) of accounts payable due to four officers of the Company and one director of the Company.

Salaries and subcontractors' expenses of \$441,234 were incurred with three officers and one former of the Company (of which two are also directors) as well two directors of the Company (one of which is a former officer) during the six months ended September 30, 2018 (September 30, 2017 - \$428,521). The officers were compensated for their roles as Chief Executive Officer, Chief Marketing Officer, Chief Financial Officer and Chief Technology Officer.

400,000 options were granted to directors and officers of the Company during the six months ended September 30, 2018 and 2,641,570 during the year ended March 31, 2018. Options are exercisable at a price of \$0.86 and \$1.47 respectively, and vest over 3 years and expire in 10 years.

## **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Management has established and continues to complement a system of disclosure controls and procedures and internal controls over financial reporting. This system is designed to provide reasonable assurance that material information relating to the issuer and its subsidiaries are available and reported to senior management and permits timely decisions regarding public disclosure. As of June 30, 2018, the Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings are effective, except as noted below, to ensure that the information required to be disclosed in reports that are filed or submitted under Canadian Securities legislation are recorded, processed, summarized and reported within the time period specified in those rules.

The Company's disclosure controls and procedures are indicative of many small and growing companies. Consequently, management has identified certain weaknesses that currently exist in the disclosure controls and procedures including, but not limited to, the segregation of duties and expertise in specific areas of public disclosure. The existence of these weaknesses is partially compensated for by senior management monitoring these issues, and in the case of complex or extraordinary transactions, consulting with external experts to advise management in their analysis and conclusions.

Throughout the year management continued to address, as required, steps to improve disclosure controls and procedures and internal controls over financial reporting. However, no specific changes to disclosure controls and procedures were made during the year. The Company recognizes this is an ongoing and dynamic process and continues to focus on internal controls related to financial reporting and disclosure controls and procedures and is committed to further improvements in the future.

## **RISKS AND UNCERTAINTIES**

### **Limited Operating History**

The Company has a limited operational history. The Company has never paid dividends and has no present intention to pay dividends. The Company is in the early commercialization stage of its business and therefore will be subject to the risks associated with early stage companies, including uncertainty of revenues, markets and profitability and the need to obtain additional funding. The Company will be committing, and for the foreseeable future will continue to commit, significant financial resources to marketing, product development and research. The Company's business and prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in the early stage of development. Such risks include the evolving and unpredictable nature of the Company's business, the Company's ability to anticipate and adapt to a developing market, acceptance by consumers of the Company's media properties, mobile products and technology platforms and the ability to identify, attract and retain qualified personnel. There can be no assurance that the Company will be successful in doing what is necessary to address these risks.

### **Key Personnel**

The semantic language and machine learned language technology industry involves a high degree of risk, which a combination of experience, knowledge and careful evaluation may not be able to overcome. The success of the Company may be dependent on the services of its senior management and consultants. The experience of these individuals may be a factor contributing to the Company's continued success and growth. The loss of one or more of its key employees or consultants could have a material adverse effect on the Company's operations and business prospects. In addition, the Company's future success will depend in large part on its ability to attract and retain additional highly skilled technical, management, sales and marketing personnel. There can be no assurance that the Company will be successful in attracting and retaining such personnel and the failure to do so could have a material adverse effect on the Company's business, operating results and financial condition.

### **Additional Financing Requirements**

In order to accelerate the Company's growth objectives, it may need to raise additional funds from lenders and equity markets in the future. There can be no assurance that the Company will be able to raise additional capital on commercially reasonable terms to finance its growth objectives. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of common shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution.

### **Protection of Intellectual Property**

Although the Company does not believe that its products infringe the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against the Company or that any such assertions or prosecutions will not materially adversely affect the Company's business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, the Company could incur significant costs and diversion of resources with respect to the defense thereof which could have a material adverse effect on the Company's business, financial condition or results of operations. The Company's performance and ability to compete are dependent to a significant degree on its proprietary technology.

While the Company will endeavor to protect its intellectual property, there can be no assurance that the steps taken by the Company will prevent misappropriation of its technology or that agreements entered into for that purpose will be enforceable. The laws of other countries may afford the Company little or no effective protection of its intellectual property. While the Company's technology is developed and owned by the Company, it may in the future also rely on technology licenses from third

parties. There can be no assurance that these third party licenses will be, or will continue to be, available to the Company on commercially reasonable terms. The loss of, or inability of the Company to maintain, any of these technology licenses' could result in delays in completing its product enhancements and new developments until equivalent technology could be identified, licensed, or developed and integrated. Any such delays would materially adversely affect the Company's business, results of operations and financial condition.

### **Competition**

The Company may not be able to compete successfully against current and future competitors, and the competitive pressures the Company faces could harm its business and prospects. Broadly speaking, the market for media companies and semantic language and machine learned language technology is competitive. The level of competition is likely to increase as current competitors improve their product offerings and as new participants enter the market. Some of the Company's current and potential competitors have longer operating histories, larger customer bases, greater name and brand recognition and significantly greater financial, sales, marketing, technical and other resources than the Company. Additionally, these competitors have research and development capabilities that may allow them to develop new or improved products that may compete with products the Company markets and distributes.

New technologies and the expansion of existing technologies may also increase competitive pressures on the Company. Increased competition may result in reduced operating margins as well as loss of market share. This could result in decreased usage of the Company's media properties, mobile products and technology platforms and may have a material adverse effect on the Company's business, financial condition and results of operations.

### **Implementation Delays**

Most of the Company's customers will be in a testing or a preliminary use stage of utilizing the Company's media properties, mobile products and technology platforms and may encounter delays or other problems during their introduction of the Company's media properties, mobile products and technology platforms. A decision not to implement these products, or a delay in implementation, could result in a delay or loss of related revenue or could otherwise harm the Company's businesses and prospects. The Company will not be able to predict when a customer that is in a testing or a preliminary use phase will adopt a broader use of the Company's media properties, mobile products and technology platforms.

### **Limited Customer Feedback Respecting Media Properties, Mobile Products and Technology Platforms**

The Company's revenue will depend on the number of customers who use the Company's media properties and mobile products and technology platforms. Accordingly, the satisfactory design and implementation of the Company's media properties, mobile products and technology platforms is critical to the Company's business, and any significant limitations or deficiencies could harm the Company's business and market acceptance. To date, the features and functionality reflected in the Company's media properties, mobile products and technology platforms have been based on its internal efforts and on feedback from a limited number of customers and potential customers. This limited feedback may not have resulted in an adequate assessment of customer requirements. Therefore, the currently specified features and functionality of the Company's offerings may not satisfy current or future customer demands. Furthermore, even if the Company identifies the feature set required by customers in the Company's market, it may not be able to design and implement products incorporating features in a timely and efficient manner, if at all.

**Developing Markets**

The market for the Company's media properties, mobile products and technology platforms continues to evolve. If the market for the Company's media properties, mobile products and technology platforms fails to develop and grow, or if the Company's media properties, mobile products and technology platforms does not gain market acceptance, the Company's business and prospects will be harmed.

**Technological Change**

The semantic language and machine learned language technology industry is susceptible to technological advances and the introduction of new products utilizing new technologies. Further, the semantic language and machine learned language technology industry is also subject to customer preferences and to competitive pressures which can, among other things, necessitate revisions in pricing strategies, price reductions and reduced profit margins. The success of the Company will depend on its ability to secure technological superiority in its product and maintain such superiority in the face of new products. While the Company believes that its product will be competitive, no assurances can be given that the product of the Company will be commercially viable or that further modification or additional products will not be required in order to meet demands or to make changes necessitated by developments made by competitors which might render the product of the Company less competitive, less marketable, or even obsolete over time.

The future success of the Company will be influenced by its ability to continue to develop new competitive products. Although the Company is committed to the development of new products and the improvement of its existing product, there can be no assurance that these research and development activities will prove profitable, or that products or improvements resulting there from, if any, will be successfully produced and marketed. The semantic language and machine learned language technology industry is characterized by technological change, changes in user and customer requirements, new product introductions and new technologies and the emergence of new industry standards and practices that could render the Company's technology obsolete or have a negative impact on sales margins the Company's media properties, mobile products and technology platforms may command. The Company's performance will depend, in part, on its ability to enhance its existing product, develop new proprietary technology that addresses the sophisticated and varied needs of its prospective customers and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of technology entails significant technical and business risks. There can be no assurance that the Company will be successful in using new technologies effectively or adapting its product to customer requirements or emerging industry standards.

**Strategic Alliances**

The Company's growth and marketing strategies are based, in part, on seeking out and forming strategic alliances and working relationships. There can be no assurance that existing strategic alliances and working relationships will not be terminated or modified in the future, nor there any assurance that new relationships, if any, will afford the Company the same flexibility under which the Company currently operates.

**Resolution of Product Deficiencies**

Difficulties in product design, performance and reliability could result in lost revenue, delays in customer acceptance of the Company's media properties, mobile products and technology platforms, and/or lawsuits, and would be detrimental, perhaps materially, to the Company's market reputation. Serious defects are frequently found during the period immediately following the introduction of new products or enhancements to existing products. Undetected errors or performance problems may be discovered in the future. Moreover, known errors which the Company considers minor may be considered serious by its customers. If the Company's internal quality assurance testing or customer testing reveals performance issues and/or desirable feature enhancements, the Company could postpone the development and release of updates or enhancements to its current product or the release of new products. The Company may not be able to successfully complete the development of planned or

future products in a timely manner, or to adequately address product defects, which could harm the Company's business and prospects. In addition, product defects may expose the Company to liability claims, for which the Company may not have sufficient liability insurance. A successful suit against the Company could harm its business and financial condition.

### **Management of Growth**

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The Company's ability to manage its growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base.

The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects. While management believes that it will have made the necessary investments in infrastructure to process anticipated volume increases in the short term, the Company may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for the Company's personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Company will also need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate, manage and retain its employees. There can be no assurance that the Company will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Company's operations or that the Company will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth.

### **Negative Cash Flow and Absence of Profits**

The Company has not earned any profits to date and there is no assurance that it will earn any profits in the future, or that profitability, if achieved, will be sustained. A significant portion of the Company's financial resources will continue to be directed to the development of its products and to marketing activities. The success of the Company will ultimately depend on its ability to generate revenues from its product sales, such that the business development and marketing activities may be financed by revenues from operations instead of external financing. There is no assurance that future revenues will be sufficient to generate the required funds to continue such business development and marketing activities.

### **Conflicts of Interest**

Certain proposed directors and officers of the Company may become associated with other reporting issuers or other Companies which may give rise to conflicts of interest. In accordance with the *Canada Business Corporations Act*, directors who have a material interest or any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Company, as the case may be. Certain of the directors have either other employment or other business or time restrictions placed on them and accordingly, these directors will only be able to devote part of their time to the affairs of the Company.