

NYX

G A M I N G G R O U P

September 30, 2016

Unaudited Interim Condensed Consolidated Financial Statements



www.nyxgg.com

NYX Gaming Group Limited
Condensed Consolidated Statements of Financial Position
(unaudited)

| CAD\$ (in 000s) | <u>Note</u> | As of <u>September 30, 2016</u> | As of <u>December 31, 2015</u> |
|---------------------------------------------------|-------------|------------------------------------|-----------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash | | 16,095 | 9,710 |
| Trade and other receivables | 6 | 58,998 | 17,040 |
| Prepaid expense | | 5,242 | 3,442 |
| Deposits and other current assets | | 487 | 219 |
| Total current assets | | <u>80,822</u> | <u>30,411</u> |
| Non-current assets: | | | |
| Property, plant and equipment | | 7,504 | 4,273 |
| Other intangible assets | | 369,076 | 175,051 |
| Other investments | | 179 | 179 |
| Other non-current assets | | 4,017 | 1,809 |
| Deferred tax asset | | 2,693 | — |
| Goodwill | 7 | 381,544 | 80,089 |
| Total non-current assets | | <u>765,013</u> | <u>261,401</u> |
| Total assets | | <u>845,835</u> | <u>291,812</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Trade payables and accrued liabilities | 8 | 38,587 | 30,366 |
| Customer deposits and deferred revenue | 9 | 16,539 | 4,669 |
| Borrowings | 10 | 16,328 | 9,589 |
| Other liabilities | 13 | 6,012 | 14,865 |
| Total current liabilities | | <u>77,466</u> | <u>59,489</u> |
| Non-current liabilities: | | | |
| Borrowings | 10 | 272,378 | 59,818 |
| Deferred tax liability | | 67,108 | 29,648 |
| Derivative liability | 12 | 75,366 | 3,586 |
| Convertible preferred shares | 11 | 74,249 | — |
| Other liabilities | 13 | 14,259 | 4,581 |
| Total non-current liabilities | | <u>503,360</u> | <u>97,633</u> |
| Total liabilities | | <u>580,826</u> | <u>157,122</u> |
| Stockholders' equity: | | | |
| Share capital | 15 | 267,877 | 134,020 |
| Share-based payments | 15 | 1,655 | 1,821 |
| Other components of equity | 15 | 29,333 | 37,155 |
| Retained deficit | | (33,856) | (38,306) |
| Total equity | | <u>265,009</u> | <u>134,690</u> |
| Total liabilities and stockholders' equity | | <u>845,835</u> | <u>291,812</u> |

Approved and authorized on behalf of the Board of Directors on November 15, 2016

/s/ Matthew Davey
Matthew Davey, CEO

/s/ Eric Matejevich
Eric Matejevich, CFO

NYX Gaming Group Limited
Condensed Consolidated Income Statement
(unaudited)

| CAD\$ (in 000s) | Note | Three Months Ended | | Nine Months Ended | |
|-----------------------------------------------------------|------|--------------------|----------------|-------------------|---------------|
| | | September 30 | | September 30 | |
| | | 2016 | 2015 | 2016 | 2015 |
| Revenue | 5 | 54,363 | 13,296 | 109,225 | 33,931 |
| Cost of sales | | (5,290) | (2,195) | (13,157) | (4,972) |
| Gross profit | | 49,073 | 11,101 | 96,068 | 28,959 |
| Income (expenses): | | | | | |
| Administrative expenses: | | | | | |
| Marketing costs | | (2,228) | (1,191) | (4,084) | (3,005) |
| Administrative expense | | (17,876) | (5,624) | (38,548) | (12,727) |
| Impairment intangibles and goodwill | | — | — | (6,651) | — |
| Personnel cost | | (24,440) | (8,949) | (50,128) | (21,803) |
| Acquisition and restructuring cost | | (694) | (6,637) | (16,813) | (8,637) |
| Other income (expense) | | 557 | 134 | 5,923 | 195 |
| Foreign exchange gain (loss) | | 39 | (276) | 516 | (1,984) |
| Gain on acquisition | | — | — | — | 17,395 |
| Loss on exchange of debt | | — | — | (15,382) | — |
| Finance income | | — | 6 | — | 19 |
| Finance expense | | (7,523) | (1,509) | (17,912) | (2,013) |
| Fair value adjustment to derivative | 12 | 41,737 | 6,284 | 47,004 | 5,507 |
| Income (loss) before taxes | | 38,645 | (6,661) | (7) | 1,906 |
| Income tax benefit (expense) | | (181) | — | (157) | — |
| Deferred income tax benefit (expense) | | 2,886 | 161 | 3,346 | 429 |
| Income (loss) attributable to owners of the parent | | 41,350 | (6,500) | 3,182 | 2,335 |
| Basic earnings (loss) per share | | 0.45 | (0.14) | 0.05 | 0.06 |
| Diluted earnings (loss) per share | | 0.44 | (0.14) | 0.05 | 0.06 |

NYX Gaming Group Limited
Condensed Consolidated Statement of Comprehensive Income
(unaudited)

| CAD\$ (in 000s) | Three Months Ended | | Nine Months Ended | |
|---------------------------------------------------------------------------|---------------------------|-------------|--------------------------|-------------|
| | September 30 | | September 30 | |
| | 2016 | 2015 | 2016 | 2015 |
| Income (loss) for the period | 41,350 | (6,500) | 3,182 | 2,335 |
| Other comprehensive income (loss): | | | | |
| Items to be reclassified subsequent to profit (loss) | | | | |
| Exchange differences on translating foreign operations | 2,996 | 3,662 | (7,822) | 4,876 |
| Other comprehensive income (loss), net of tax | 2,996 | 3,662 | (7,822) | 4,876 |
| Total comprehensive income (loss) attributable to owners of parent | 44,346 | (2,838) | (4,640) | 7,211 |

NYX Gaming Group Limited
Condensed Consolidated Statement of Changes in Equity
(unaudited)

| CAD\$ (in 000s) | | | | | | |
|---------------------------------------------|-------------|--------------------------|---------------------------------|-------------------------------------------|-----------------------------|---------------------|
| | Note | Share Capital | Share-Based Payments | Other Components of Equity | Retained Deficit | Total Equity |
| Balance at December 31, 2015 | | 134,020 | 1,821 | 37,155 | (38,306) | 134,690 |
| Employee share-based payments | | — | 1,268 | — | — | 1,268 |
| Equity issuance | 15 | 137,194 | — | — | — | 137,194 |
| Fees on equity issuance | 15 | (6,554) | — | — | — | (6,554) |
| Expiration of warrants | | — | (1,268) | — | 1,268 | — |
| Equity issuance Game360 earnout | 15 | 2,543 | — | — | — | 2,543 |
| Shares issued-stock option | 15 | 674 | (166) | — | — | 508 |
| Total transactions with stockholders | | 133,857 | (166) | — | 1,268 | 134,959 |
| Profit for the period | | — | — | — | 3,182 | 3,182 |
| Other comprehensive income | | — | — | (7,822) | — | (7,822) |
| Total comprehensive income (loss) | | — | — | (7,822) | 3,182 | (4,640) |
| Balance at September 30, 2016 | | 267,877 | 1,655 | 29,333 | (33,856) | 265,009 |
| | | | | | | |
| Balance at December 31, 2014 | | 64,989 | 1,887 | 432 | (29,903) | 37,405 |
| Employee share-based payments | | — | 562 | — | — | 562 |
| Shares issued-stock options | | 850 | — | — | — | 850 |
| Shares issued-convertible note | | 207 | — | — | — | 207 |
| Exercise of stock options | | 342 | (342) | — | — | — |
| Issuance of ordinary shares | | 69,997 | — | — | — | 69,997 |
| Cost of issuance of ordinary shares | | (3,304) | — | — | — | (3,304) |
| Convertible preferred shares | | — | — | 35,260 | — | 35,260 |
| Total transactions with stockholders | | 68,092 | 220 | 35,260 | — | 103,572 |
| Loss for the period | | — | — | — | 2,335 | 2,335 |
| Other comprehensive income | | — | — | 4,876 | — | 4,876 |
| Total comprehensive income (loss) | | — | — | 4,876 | 2,335 | 7,211 |
| Balance at September 30, 2015 | | 133,081 | 2,107 | 40,568 | (27,568) | 148,188 |

NYX Gaming Group Limited
Condensed Consolidated Statement of Cash Flows
(unaudited)

| CAD\$ (in 000s) | Nine Months Ended | | |
|----------------------------------------------------------------------------------------------------|-------------------|--------------------|--------------------|
| | Note | September 30, 2016 | September 30, 2015 |
| Operating activities: | | | |
| Net income | | 3,182 | 2,335 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | | 19,288 | 5,798 |
| Impairment of intangibles and goodwill | | 6,651 | — |
| Loss on exchange of debt | | 15,382 | — |
| Fair value adjustment to derivative | 12 | (41,737) | (5,507) |
| Gain on acquisition | | — | (17,395) |
| Share-based payments | 15 | 1,268 | 562 |
| Finance expense | | 3,666 | 1,415 |
| Unrealized foreign currency loss | | — | — |
| Deferred tax benefit (expense) | | (3,346) | (429) |
| Discount amortization on convertible note | | 465 | 742 |
| Net changes in working capital: | | | |
| Decrease (increase) in receivables | | (573) | 3,186 |
| Decrease (increase) in prepaids | | 1,571 | (1,651) |
| Decrease (increase) in other assets | | (2,433) | 30 |
| Increase (decrease) in trade payables, provision & other liabilities | | 1,062 | (1,563) |
| Net cash provided by (used in) operating activities | | 4,446 | (12,477) |
| Investing activities: | | | |
| Acquisitions, net of cash acquired | | (507,787) | (123,063) |
| Purchase of property, plant and equipment | | (921) | (862) |
| Capitalized development cost | | (7,873) | (6,459) |
| Acquired IP | | — | (396) |
| Net cash used in investing activities | | (516,581) | (130,780) |
| Financing activities: | | | |
| Issuance of ordinary shares, net of issuance costs | | 109,742 | 56,771 |
| Issuance of debt and preferred shares | 10,11 | 409,599 | 65,175 |
| Repayment of debt | 10 | — | (1,121) |
| Exercise of stock options | | 674 | — |
| Net cash provided by financing activities | | 520,015 | 120,825 |
| Net change in cash | | 7,880 | (22,432) |
| Cash - beginning of the year | | 9,710 | 28,099 |
| Exchange rate differences on cash | | (1,495) | 752 |
| Cash - end of the period | | 16,095 | 6,419 |

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

1. Nature of Business

NYX Gaming Group Limited (“NYX” or “Group” or “Company”) as a business was originally named NextGen, which was founded in 1999 and reconstituted as the Company in April 2010. The company trades on the TSX-V under the ticker symbol NYX. NYX’s registered offices are in Guernsey and our principal offices are in the United States, the United Kingdom, Sweden, and Australia. NYX is a digital gaming software supplier for the online gaming, land-based gaming, social gaming, and mobile gaming markets with a comprehensive suite of gaming solutions: a distribution platform with over 1,000 proprietary and third party games for real-money and social gaming markets, full real-money and social gaming process support services, and brand and player management. We have 1,040 employees (including 537 engineers and developers) and over 180 customers. We currently provide our technology to customers in the United Kingdom, Malta, Sweden, Canada, France, Denmark, Netherlands, Alderney, Singapore, Gibraltar, and the United States.

NYX’s gaming portfolio is built on a fully-flexible system, able to be deployed across hundreds of virtual and land-based casinos globally, and supports all parts of its customers’ business (online, mobile, and social networks), including over 750 proprietary lottery, bingo, and casino products developed to address the multi-channel content and distribution strategy of its customers. NYX’s platform supports interactive game play and enables the deployment of software applications for mobile, casino, lottery, bingo, and social games over web-based, tablet/mobile, and social media applications. The platform solutions are designed to provide a complete account suite with full back-office capabilities including tournaments, bonuses, affiliates, campaigns, data warehouses, and data analytics across multiple products, while providing players with traditional gaming, community and social media-based entertainment content to maximize their playing experience.

2. General Information and Basis of Preparation

The condensed interim consolidated financial statements (the "interim financial statements") are for the nine months ending September 30, 2016 and are presented in Canadian Dollars ("CAD"), which is the functional currency of the parent company. They have been prepared in accordance with IAS 34 'Interim Financial Reporting.' They do not include all of the information required in the annual financial statements in accordance with IFRS, and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2015. Certain amounts in the interim financial statements for the previous year have been reclassified to be consistent with the current period presentation. These reclassifications had no effect on the previously reported loss for the period.

NYX is the Group's ultimate parent company. It is a limited liability company incorporated and domiciled in Guernsey. Its registered office is Roseneath, The Grange, St Peter Port, Guernsey GY 3SJ. These financial statements are unaudited and have been approved by the Board of Directors on November 15, 2016.

3. Significant Accounting Policies and Recent Pronouncements

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended December 31, 2015.

4. Estimates

When preparing the interim financial statements, management undertakes a number of judgments, estimates, and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will be seldom equal to the estimated results..

The judgments, estimates, and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last annual financial statements for the year ended December 31, 2015.

Negative Cash Flows from Operations

The Corporation has performed a detailed analysis of its cash flows, including cash flows from operations, income (losses) from operations, working capital, cash flow projections, and anticipated cash inflows and outflows. The Company has determined that funds from operations, as well as existing and future financial resources, should be sufficient to meet the Corporation’s requirements

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

for the foreseeable future. The Corporation has sold its European poker business, which has had a negative impact on cash generated from operations. Furthermore, OpenBet is expected to generate significant cash from operations per month and is expected to generate positive cash flows annually over the next three years.

The Corporation has historically had negative operating cash flows. During the fiscal year ended December 31, 2015, the Corporation had negative cash flow from operating activities in the amount of approximately \$15.0 million. The Corporation's cash and cash equivalents at September 30, 2016 was approximately \$16.1 million. For the nine months ended September 30, 2016, cash flow from operating activities was \$4.4 million. Although the Corporation anticipates it will have positive cash flow from operating activities in future periods, it is possible the Corporation may have negative cash flow in any future period as the Corporation continues to progress its business plans and its capacity of operations.

5. Revenue and Geographical Breakdown

The Company operates with one segment- the marketing, production, and distribution of Diversified Gaming Solutions. Revenue from external customers attributed to countries based on location of the customers are as follows:

| CAD\$ (in 000s) | Three Months Ended | | Nine Months Ended | |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Revenue | | | | |
| United Kingdom and Europe | 51,301 | 10,082 | 101,604 | 25,729 |
| Americas and Caribbean | 3,062 | 3,047 | 6,620 | 7,777 |
| Australasia | — | 167 | 1,001 | 425 |
| Total | 54,363 | 13,296 | 109,225 | 33,931 |
| <hr/> | | | | |
| Royalty and License | 26,488 | 11,471 | 64,698 | 28,336 |
| Professional Services | 24,729 | 436 | 38,059 | 1,353 |
| Social Gaming | 3,146 | 1,389 | 6,468 | 4,242 |
| Total | 54,363 | 13,296 | 109,225 | 33,931 |

| CAD\$ (in 000s) | September 30, 2016 | December 31, 2015 |
|---------------------------|--------------------|-------------------|
| Non-Current Assets | | |
| United Kingdom and Europe | 698,146 | 206,257 |
| Americas and Caribbean | 56,094 | 48,645 |
| Australasia | 10,773 | 6,499 |
| Total | 765,013 | 261,401 |

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

6. Trade and Other Receivables

The Company's accounts and other receivables include the following:

| CAD\$ (in 000s) | September 30, 2016 | December 31, 2015 |
|-----------------------------|--------------------|-------------------|
| Trade receivables, gross | 32,558 | 15,196 |
| Allowance for credit losses | — | — |
| Trade receivables, net | 32,558 | 15,196 |
| Accrued revenue | 21,117 | — |
| Other | 5,323 | 1,844 |
| Total | 58,998 | 17,040 |

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. All of the Company's trade and other receivables have been reviewed for indications of impairment and, at this time, no receivables have been found to be impaired.

7. Goodwill

The following table shows the movement in goodwill:

| CAD\$ (in 000s) | September 30, 2016 | December 31, 2015 |
|-------------------------------------------------|--------------------|-------------------|
| Gross carrying amount | | |
| Balance at the beginning of the year | 81,587 | 9,646 |
| Acquired through business combination | 336,280 | 69,140 |
| Net exchange differences | (34,825) | 2,801 |
| Balance at the end of the period | 383,042 | 81,587 |
| Accumulated impairment | | |
| Balance at the beginning of the year | (1,498) | — |
| Impairment loss recognized | — | (1,498) |
| Net exchange differences | — | — |
| Balance at the end of the period | (1,498) | (1,498) |
| Carrying amount at the end of the period | 381,544 | 80,089 |

Impairment Testing

For the purpose of annual impairment testing, goodwill is allocated to the operating cash generating unit expected to benefit from the synergies of the business combinations in which the goodwill arises. In this case, goodwill was allocated to our Open Platform System ("OPS") product offering and to the specific acquisitions made during the current and prior fiscal year. The goodwill allocated to the value of OPS was calculated by an extrapolation of expected cash flows over a five-year period using growth rates of 20.0%, 19.0%, 15.0%, 6.1% and 6.1% for the years 2016 through 2020, respectively. These future cash flows have been discounted at rate of 15.0%, which is the Company's estimate of its long-term weighted average cost of capital. The discount rate reflects appropriate adjustments relating to market risk and specific risk for similar software companies. Management's key assumptions include stable profit margins, based on past experience in this market. Management believes that this is the best available input for forecasting this market. The estimated present value of the goodwill exceeded its net carrying amount and no impairment was necessary.

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

8. Accounts Payable and Accrued Liabilities

| CAD\$ (in 000s) | September 30, 2016 | December 31, 2015 |
|----------------------------|--------------------|-------------------|
| Trade payables | 36,426 | 28,524 |
| Superannuation payable | 45 | 47 |
| Payroll taxes payable | 1,276 | 884 |
| Accrued expenses and other | 840 | 911 |
| Total | 38,587 | 30,366 |

The carrying values approximate fair value.

9. Customer Deposits and Deferred Revenue

| CAD\$ (in 000s) | September 30, 2016 | December 31, 2015 |
|----------------------------------------|--------------------|-------------------|
| Customer deposits and deferred revenue | 13,179 | 4,608 |
| Customer prizes | 3,360 | 61 |
| Total | 16,539 | 4,669 |

10. Borrowings

| CAD\$ (in 000s) | September 30, 2016 | December 31, 2015 |
|------------------------------------------|--------------------|-------------------|
| Principal outstanding balance | | |
| Senior secured debentures | 77,065 | 59,818 |
| Senior secured credit facilities | 191,732 | — |
| Convertible notes | 15,104 | 9,589 |
| Betdigital loan | 4,805 | — |
| Total borrowings | 288,706 | 69,407 |
| Current portion - convertible note | 16,328 | 9,589 |
| Non-current portion of borrowings | 272,378 | 59,818 |

Senior Secured Debentures

On July 31, 2015, as a result of the completion of the acquisition of Chartwell Technology Inc. and CryptoLogic Limited, NYX Gaming Group issued \$70.0 million of senior secured notes ("Debentures"). Each debt unit consists of one \$1,000 10.0%, subject to an interest ratchet, (see paragraph below) senior secured debenture and 70 ordinary share purchase warrants. The Debentures are senior secured obligations of NYX Gaming Group and have an interest rate of 10.0% per annum payable semi-annually in arrears on the last day of June and December each year commencing December 31, 2015.

On April 4, 2016, the Corporation entered into certain waivers, undertakings and consents with two debenture holders (the "Majority Holders") representing in excess of two-thirds majority of the outstanding 10.0% Senior Secured Debentures due June 2020 of the Corporation (the "Initial Debentures") in order to amend the indenture dated July 16, 2015 (the "Debenture Indenture") by and among the Corporation, the guarantors named therein and Equity Financial Trust Company, in its capacity as trustee and collateral agent, pursuant to a first supplemental indenture (the "First Supplemental Indenture"). The First Supplemental Indenture, among other matters, amends the terms of the Initial Debentures to become 10.0% Senior Secured Series A Debentures due December 31, 2019 and effective as of June 30, 2016 (the "Series A Debentures") and creates two new series of 10.0% Senior

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

Secured Debentures due December 31, 2019 (the “Series B and Series C Debentures” and together with the Series A Debentures, the “2016 Debentures”), which do not trade on the TSXV or any other securities exchange. Holders of the Initial Debentures on June 29, 2016 (the “Record Date”) also received on June 30, 2016 incremental Series A Debentures equal to 10.0% of the aggregate principal amount of their Initial Debentures on the Record Date, rounded down to the nearest \$1,000 and ordinary share purchase warrant coverage equal to 35.0% of the aggregate principal amount of their Initial Debentures on the Record Date to purchase ordinary shares. On June 30, 2016, each of the Majority Holders also converted all or some of their Series A Debentures into Series B Debentures or Series C Debentures, as applicable.

The exchange of debt was treated as an extinguishment of debt and the associated unamortized fees and the 9.0% of the principal value was treated as loss on exchange of debt. The company recognized \$15.4 million of losses related to the exchange, of which \$6.3 million was the additional principal and the remaining amount was unamortized fees.

The Majority Holders also agreed to subscribe for, in aggregate, \$6.9 million of additional 2016 Debentures (the “Debenture Subscriptions”), and on May 20, 2016 received warrants to purchase a number of ordinary shares reflecting warrant coverage of 96.0% of the aggregate principal value of their applicable Debenture Subscriptions (an aggregate of 1,879,405 warrants), at an initial exercise price of \$3.50 with a term of three years.

The Debentures shall be direct senior secured obligations of the Corporation and will be secured by a first priority Lien (subject to Permitted Liens and to the extent and for the maximum amount permitted by Applicable Law) on all of the existing and after acquired Personal Property and real property of the Corporation and each of the Guarantors including for an avoidance of doubt the Equity Interests of OB Holdco and excluding specific security documents and charges over Equity Interests of any other non-Guarantor Subsidiaries (the “Collateral”). The Corporation and the Guarantors shall execute and deliver in favor of the Collateral Agent certain security documents and charges granting the Collateral Agent a first ranking security interest on the Collateral, provided that the security documents and charges to be granted by Wagerlogic Casino Software Limited, NYX Digital Gaming (International) Limited, NYX Digital Gaming (Malta) Limited and NYX Interactive Malta Ltd. in connection with the First Supplemental Indenture will rank after any security previously granted by such entities (the “Previous Security”) pursuant to the Original Indenture and in no way will it be substituting and/or novating the Previous Security.

The Debentures authorized to be issued hereunder consists of \$83.2 million aggregate principal amount of Debentures, which shall be initially allocated as follows: \$76.3 million aggregate principal amount of the Series A Debentures issued on the applicable effective date and shall be designated as 10.0% Senior Secured Series A Debentures due December 31, 2019, \$5.0 million of the Series B Debentures issued on the applicable effective date and shall be designated as 10.0% Senior Secured Series B Debentures due December 31, 2019 and \$1.9 million of the Series C Debentures issued on the applicable effective date and shall be designated as 10.0% Senior Secured Series C Debentures due December 31, 2019.

The Debentures may be redeemed in whole or in part at the option of the Company on not more than 60 days (and not less than 30 days) prior notice at a price equal to 107.0% of the principal amount plus accrued and unpaid interest on or after June 30, 2016 to June 30, 2018, 104.5% on or after June 30, 2018, and 100.0% at a price equal to the principal amount plus accrued and unpaid interest on or after June 30, 2019.

The interest payable on the Series A Debentures has rate of 10.0%, subject to the interest ratchet, each computed on the basis of a 360-day year composed of twelve 30-day months. Commencing on December 31, 2016, the interest rate on the Debentures is subject to an interest ratchet based upon the value of the Corporation’s cash and cash equivalents as at September 30 of any given year and the Corporation’s gross secured leverage ratio, each as based on the Corporation’s unaudited interim condensed consolidated financial statements for the nine month period ended September 30 of any given year and the three month period ended December 31 of the immediately preceding year (the “Interest Ratchet”): if cash and cash equivalents are less than \$20.0 million or the gross secured leverage ratio is greater than 4:1, the interest rate for the Debentures shall be adjusted to 11.0%; if cash and cash equivalents are greater than \$30.0 million and the gross secured leverage ratio is less than 4:1, the interest rate for the Debentures shall be adjusted to 9.0%, and; in all other situations, the interest rate shall remain at the applicable interest rate.

Based on the Company's cash and cash equivalents of \$16.1 million at September 30, 2016 the interest rate will be adjusted to 11% on December 31, 2016.

The amendment to the Debenture were considered a material modification and considered an early extinguishment of debt. As result for the nine months ended September 30, 2016, the Company recognized a loss on the exchange in the amount of \$15.4 million.

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

Each warrant entitles the holder thereof to acquire one warrant share for an exercise price of \$3.50 per warrant share for a period of three years following the closing date.

As part of the warrants granted, the expected life of the warrant had to be determined. The expected life is estimated using the contractual life of the warrant of three years. The volatility is estimated based on the trading history of NYX's stock since its initial public offering. It was determined that the original fair value of the each warrant was \$0.92 and the fair value of the 7.0 million warrants was \$6.5 million. The value of the warrants is shown separately as a derivative liability and adjusted to fair value at each period end (See Note 12). The carrying amount on the accompanying condensed consolidated balance sheet as of September 30, 2016 and December 31, 2015 were as follows:

| CAD\$ (in 000s) | Note | September 30, 2016 | December 31, 2015 |
|----------------------------------------|------|--------------------|-------------------|
| Face value of Series A Debentures | | 76,300 | 70,000 |
| Face value of Series B Debentures | | 5,000 | — |
| Face value of Series C Debentures | | 1,852 | — |
| Unamortized fees | | (7,994) | (10,182) |
| Current portion - accumulated interest | | 1,908 | — |
| Carrying value of debentures | | 77,066 | 59,818 |
| Fair value of derivative | 12 | 4,826 | 2,369 |

Senior Secured Credit Facilities

On May 20, 2016, NYX received £125.0 million senior secured credit facilities from a leading alternative credit provider, consisting of a £120.0 million term loan facility and a £5.0 million revolving credit facility. The term loan facility bears interest at an initial annual rate of LIBOR plus 725 basis points (LIBOR floor of 0.75%) and has a term of 5.5 years. The term loan facility is prepayable at 101% of the principal balance outstanding within the first three years and at par thereafter. Proceeds of this loan were used to finance in part the OpenBet Acquisition and refinance the existing indebtedness of OpenBet. The carrying amount on the accompanying condensed consolidated balance sheet as of September 30, 2016 and May 20, 2016 were as follows:

| CAD\$ (in 000s) | Note | September 30, 2016 | May 20, 2016 |
|--------------------------------------------|------|--------------------|--------------|
| Face value of Senior Secured Debt | | 229,060 | 229,060 |
| Face value of Revolving Line of Credit | | 9,544 | 9,544 |
| Unused Portion of Revolving Line of Credit | | (9,544) | (9,544) |
| Unamortized fees | | (13,031) | (15,414) |
| Net exchange differences | | (24,297) | — |
| Carrying value of debentures | | 191,732 | 213,646 |

\$10.0 Million Unsecured Convertible Debenture

On November 17, 2014, NYX Gaming Group concluded a strategic investment transaction whereby NYX issued a \$10.0 million unsecured convertible debenture to Amaya, which matures two years after the date of issuance and bears PIK interest at 6.0% per annum, payable at maturity. Both interest and principal are payable in common shares of the Company. The Company estimated the value of the derivative instrument embedded in convertible debt using the binomial option model. The model takes into account management's best estimate of the conversion price of the stock, an estimate of the expected time to conversion, the current price of the underlying stock, an estimate of the stock's volatility, and the risk-free rate of return expected for an instrument with a term equal to the duration of the convertible debt. The effective interest rate on the debenture was 16.8%. The carrying amount on the accompanying condensed consolidated balance sheet as of September 30, 2016 and December 31, 2015 was as follows:

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

| CAD\$ (in 000s) | Note | September 30, 2016 | December 31, 2015 |
|---------------------------------------|-----------|--------------------|-------------------|
| Face value of debenture | | 10,000 | 10,000 |
| Conversion of debt into common shares | | (200) | (200) |
| Accumulated interest | | 1,103 | 662 |
| Discount on debenture | | (159) | (874) |
| Carrying value of debenture | | 10,744 | 9,588 |
| Fair value of derivative | 12 | 9 | 1,217 |

\$10.5 Million Unsecured Convertible Debenture

On June 22, 2016, NYX Gaming Group entered into a private placement offering for a \$10.5 million unsecured convertible debenture and 2,863,636 ordinary share purchase warrants with a private investor, completed on June 22, 2016 (the "Private Investor Private Placement"). The ordinary share purchase warrants have a three year term and a strike price of \$3.50. The convertible debenture will bear interest at a rate of 10.0% annually, which interest may be payable in ordinary shares priced at \$2.75 (the "PIK Shares"), subject to a dilution cap and increased interest described below. The convertible debenture will mature on January 1, 2020. It may be converted into ordinary shares at a conversion rate of \$2.75 per ordinary share with a maximum dilution of 4,200,000 ordinary shares (after taking into account the PIK Shares) (the "Dilution Cap"). After such Dilution Cap has been reached, the interest rate on the convertible debenture may be increased to a maximum of 14.4% such that the same number of PIK Shares shall be issuable at the then applicable market price at the increased interest rate as would have been issuable at \$2.75 per ordinary share at the original interest rate. The proceeds of the Private Investor Private Placement was used to settle in part amounts owed by a subsidiary of the Corporation to another private investor, which related to a prior investment from December 2015. The Company estimated the value of the derivative instrument embedded in convertible debt using the binomial option model. The model takes into account management's best estimate of the conversion price of the stock, an estimate of the expected time to conversion, the current price of the underlying stock, an estimate of the stock's volatility, and the risk-free rate of return expected for an instrument with a term equal to the duration of the convertible debt. The carrying amount on the accompanying condensed consolidated balance sheet as of September 30, 2016 and was as follows:

| CAD\$ (in 000s) | Note | September 30, 2016 |
|-----------------------------|-----------|--------------------|
| Face value of debenture | | 10,500 |
| Accumulated interest | | 263 |
| Discount on debenture | | (6,403) |
| Carrying value of debenture | | 4,360 |
| Fair value of derivative | 12 | 2,590 |

Betdigital

On May 27, 2016, NYX acquired Betdigital, a UK based supplier of gaming content and platforms. The acquisition of Betdigital, a creator of content and systems for online, mobile, interactive TV and land-based gaming platforms provides NYX with a game development platform and studio that caters to the UK retail and online markets. The purchase was funded through a prepayment of revenue for services the Corporation is to provide under a long term development agreement and a loan that will be repaid with the cash flows of the Company. On each repayment date, the Company shall make a payment which shall be applied in an amount equal to the cashflow for that period, provided that, immediately following any such repayment, there will be an amount of cash on the balance sheet of the Company that is not less than the sum of 200,000 British Pound Sterling plus a net working capital adjustment. At September 30, 2016, the amount of the outstanding principal balance was \$4.8 million.

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

11. Convertible Preferred Shares

In connection with the OpenBet Acquisition, the Company issued a number of Convertible Preference Shares, as defined, for an aggregate subscription price of £100.0 (\$187.0) million of Holdco, a wholly-owned subsidiary of the Corporation and the sole shareholder of the purchaser, with a par value of \$1,000 per Convertible Preference Share to William Hill Steeplechase Limited (“William Hill”) and Cyan Blue Holdco 4 Limited (“SkyBet”). The Convertible Preference Shares are convertible into ordinary shares at an initial conversion price of \$4.00 per ordinary share, resulting in an initial conversion ratio of 250 ordinary shares for each Convertible Preference Share (the “Initial Conversion Ratio”). After the date of issuance, the conversion ratio (“Conversion Ratio”) increases by a ratchet of 6.0% per annum, compounded annually. The Convertible Preference Shares have certain conversion rights, pre-emptive rights and anti-dilutions protections, each of which are set out in more detail in the management information circular dated June 7, 2016 relating to the annual and special meeting of shareholders to be held on July 15, 2016 (the “MIC”) incorporated by reference herein. The number of ordinary shares to which the Preference Share Investors, as defined, are entitled are also subject to various adjustments, which are also set out in more detail in the MIC incorporated by reference herein.

The Company estimated the value of the derivative instrument embedded in convertible preferred shares using the Monte Carlo Simulation model. The model takes into account management's best estimate of the conversion price of the stock, an estimate of the expected time to conversion, the current price of the underlying stock, an estimate of the stock's volatility, and the risk free rate of return expected for an instrument with a term equal to the duration of the convertible debt. The carrying amount on the balance sheet at September 30, 2016 and at inception are as follows:

| CAD\$ (in 000s) | Note | September 30, 2016 | May 20, 2016 |
|------------------------------------------------------|-----------|--------------------|--------------|
| Face value convertible preferred shares, net of fees | | 184,202 | 184,202 |
| Discount | | (104,349) | (105,362) |
| Accumulated interest | | 3,831 | — |
| Net exchange differences | | (9,435) | — |
| Carrying value of debenture | | 74,249 | 78,840 |
| Fair value of derivative | 12 | 61,728 | 105,362 |

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

12. Derivative Financial Liabilities

The Company's derivative financial instruments are measured at fair value and are summarized below:

| CAD\$ (in 000s) | September 30, 2016 | December 31, 2015 |
|-----------------------------------------------------------------|--------------------|-------------------|
| Conversion option convertible preferred shares | 61,728 | — |
| Conversion option within convertible loan (\$10.0 million face) | 9 | 1,217 |
| Conversion option within convertible loan (\$10.5 million face) | 2,590 | — |
| Warrants | 4,826 | 2,369 |
| .25 Warrants | 6,212 | — |
| Derivative financial liabilities | 75,366 | 3,586 |
| Fair value beginning of the period | 3,586 | 2,612 |
| Issuance of convertible preferred shares | 105,362 | — |
| Issuance of warrants | 10,545 | 7,595 |
| Issuance of .25 warrants | 13,685 | — |
| Issuance of convertible loan | 4,198 | — |
| Fair value movement of convertible preferred shares | (28,627) | — |
| Fair value movement of convertible loans | (4,853) | (1,396) |
| Fair value movement of warrants | (6,050) | (5,226) |
| Fair value movement of .25 warrants | (7,473) | — |
| Net exchange differences | (15,006) | — |
| Fair value at end of period | 75,366 | 3,586 |

The conversion option within the \$10.0 million convertible loan was accounted for at fair value, as determined by a binomial option pricing model using the following weighted-average assumptions:

| | September 30, 2016 | December 31, 2015 |
|------------------------------------------------------------|--------------------|-------------------|
| Expected volatility | 64.9% | 55.4% |
| Expected life | 4 Months | 10 Months |
| Expected forfeiture rate | —% | —% |
| Risk-free interest rate | 0.7% | 2.0% |
| Dividend yield | —% | —% |
| Weighted average exercise price | C\$3.20 | C\$3.20 |
| Weighted average fair value of the Company's shares | C\$1.92 | C\$2.75 |
| Weighted average of remaining contractual life outstanding | 4 Months | 10 Months |

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

The conversion option within the \$10.5 million convertible loan was accounted for at fair value, as determined by a binomial option pricing model using the following weighted-average assumptions:

| | September 30, 2016 | June 22, 2016 |
|------------------------------------------------------------|---------------------------|----------------------|
| Expected volatility | 64.9% | 64.9% |
| Expected life | 3.25 Years | 3.5 Years |
| Expected forfeiture rate | —% | —% |
| Risk-free interest rate | 0.7% | 1.1% |
| Dividend yield | —% | —% |
| Weighted average exercise price | C\$2.75 | C\$2.75 |
| Weighted average fair value of the Company's shares | C\$1.92 | C\$2.46 |
| Weighted average of remaining contractual life outstanding | 3.25 Years | 3.5 Years |

The 4.9 million warrants related to the \$70.0 million senior secured loan was accounted for at fair value, as determined by Black Scholes option pricing model using the following weighted-average assumptions:

| | September 30, 2016 | December 31, 2015 | July 31, 2015 |
|------------------------------------------------------------|---------------------------|--------------------------|----------------------|
| Expected volatility | 63.3% | 55.4% | 51.1% |
| Expected life | 1.8 Years | 2.6 Years | 3.0 Years |
| Expected forfeiture rate | —% | —% | —% |
| Risk-free interest rate | 0.7% | 2.0% | 2.0% |
| Dividend yield | —% | —% | —% |
| Weighted average exercise price | C\$5.00 | C\$5.00 | C\$5.00 |
| Weighted average fair value of the Company's shares | C\$1.92 | C\$2.72 | C\$4.45 |
| Weighted average of remaining contractual life outstanding | 1.8 Years | 2.6 Years | 3.0 Years |

The 11.7 million warrants related to the exchange of the \$70.0 million senior secured notes, the issuance of \$6.9 million senior secured debentures, and the \$10.5 million convertible notes were accounted for at fair value, as determined by Black Scholes option pricing model using the following weighted-average assumptions:

| | September 30, 2016 | June 22, 2016 | May 20, 2016 |
|------------------------------------------------------------|---------------------------|----------------------|---------------------|
| Expected volatility | 63.3% | 64.9% | 64.9% |
| Expected life | 2.75 Years | 3.0 Years | 3.0 Years |
| Expected forfeiture rate | —% | —% | —% |
| Risk-free interest rate | 0.7% | 0.7% | 0.7% |
| Dividend yield | —% | —% | —% |
| Weighted average exercise price | C\$3.50 | C\$3.50 | C\$3.50 |
| Weighted average fair value of the Company's shares | C\$1.92 | C\$2.46 | C\$2.59 |
| Weighted average of remaining contractual life outstanding | 2.75 Years | 3.0 Years | 3.0 Years |

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

The 13.6 million warrants issued as a result of the \$150.0 million equity issuance, were accounted for at fair value, as determined by Black Scholes option pricing model using the following weighted-average assumptions:

| | September 30, 2016 | May 20, 2016 | Inception |
|------------------------------------------------------------|---------------------------|---------------------|------------------|
| Expected volatility | 63.3% | 64.9% | 64.9% |
| Expected life | 2.75 Years | 3.0 Years | 3.0 Years |
| Expected forfeiture rate | —% | —% | —% |
| Risk-free interest rate | 0.7% | 0.7% | 0.7% |
| Dividend yield | —% | —% | —% |
| Weighted average exercise price | C\$3.50 | C\$3.50 | C\$3.50 |
| Weighted average fair value of the Company's shares | C\$1.92 | C\$2.59 | C\$2.75 |
| Weighted average of remaining contractual life outstanding | 2.75 Years | 3.0 Years | 3.0 Years |

In connection with the OpenBet Acquisition, the Company issued a number of Convertible Preference Shares, as defined, for an aggregate subscription price of £100.0 (\$187.0) million of Holdco, a wholly-owned subsidiary of the Corporation and the sole shareholder of the purchaser, with a par value of \$1,000 per Convertible Preference Share to William Hill Steeplechase Limited (“William Hill”) and Cyan Blue Holdco 4 Limited (“SkyBet”). The Convertible Preference Shares have certain conversion rights, pre-emptive rights and anti-dilutions protections, each of which are set out in more detail in the MIC incorporated by reference herein. The number of ordinary shares to which the Preference Share Investors, as defined, are entitled are also subject to various adjustments, which are also set out in more detail in the MIC incorporated by reference herein. The Company estimated the value of the derivative instrument embedded in convertible preferred shares using a Monte Carlo Simulation model. The model takes into account management's best estimate of the conversion price of the stock, an estimate of the expected time to conversion, the current price of the underlying stock, an estimate of the stock's volatility, and the risk free rate of return expected for an instrument with a term equal to the duration of the convertible debt. The inputs to determine fair value at inception and on September 30, 2016, as determined by a Monte Carlo Simulation model are as follow:

| | September 30, 2016 | Inception |
|------------------------------------------------------------|---------------------------|------------------|
| Expected volatility NYX ordinary shares | 63.3% | 64.9% |
| Expected volatility GPB/CAD FX rate | 12.0% | 12.0% |
| Expected life | 4.7 Years | 4.9 Years |
| Risk-free interest rate | 0.7% | 0.7% |
| Weighted average exercise price | C\$4.00 | C\$4.00 |
| Weighted average fair value of the Company's shares | C\$1.92 | C\$2.59 |
| Weighted average of remaining contractual life outstanding | 9.7 Years | 9.9 Years |

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

13. Financial Assets and Liabilities

Note 2 in the Company's fiscal year 2015 financial statements provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

| Financial Assets CAD\$ (in 000s) | AFS | Cash and Receivables | Total |
|-----------------------------------|------------|-------------------------|---------------|
| September 30, 2016 | | | |
| Other investments | 179 | — | 179 |
| Trade and other receivables | — | 58,998 | 17,041 |
| Cash | — | 16,095 | 9,710 |
| Total | 179 | 75,093 | 26,930 |

| | | | |
|-----------------------------|------------|---------------|---------------|
| December 31, 2015 | | | |
| Other investments | 179 | — | 179 |
| Trade and other receivables | — | 17,040 | 17,040 |
| Cash | — | 9,710 | 9,710 |
| Total | 179 | 26,750 | 26,929 |

| Financial Liabilities CAD\$ (in 000s) | FVTPL Derivatives (FV) | Other Liabilities (Amortized Cost) | Total |
|---------------------------------------|---------------------------|---------------------------------------|----------------|
| September 30, 2016 | | | |
| Non-current borrowings | — | 272,378 | 272,378 |
| Current borrowings | — | 16,328 | 16,328 |
| Convertible preferred shares | — | 74,249 | 74,249 |
| Derivative financial instruments | 75,366 | — | 75,366 |
| Contingent consideration | — | 19,418 | 19,418 |
| Trade and other payables | — | 38,587 | 38,587 |
| Total | 75,366 | 420,960 | 496,326 |

| | | | |
|----------------------------------|--------------|----------------|----------------|
| December 31, 2015 | | | |
| Non-current borrowings | — | 59,818 | 59,818 |
| Current borrowings | — | 9,589 | 9,589 |
| Derivative financial instruments | 3,586 | — | 3,586 |
| Contingent consideration | — | 15,047 | 15,047 |
| Trade and other payables | — | 30,336 | 30,336 |
| Total | 3,586 | 114,789 | 118,376 |

AFS Financial Assets

Other investments represent an 8.2% equity interest in an unlisted company that supplies gaming content to NYX. The fair value of the investment cannot be estimated reliably due to the inherent uncertainty regarding the future trading of the business resulting from lack of reliable data. For this reason, the investment is carried at cost less any impairment charges, which is currently zero.

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

Determination of Fair Value

Financial assets and financial liabilities recorded at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs for the asset or liability that are not based on observable market data.

The financial assets were all Level 1. The classification of the Company's financial liabilities carried at fair value is set out below:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------------------|---------------|----------------|---------------|----------------|
| September 30, 2016 | | | | |
| Financial Liabilities CAD\$ (000s) | | | | |
| Senior secured debentures | 68,530 | — | — | 68,530 |
| Senior secured credit facilities | — | 191,732 | — | 191,732 |
| Betdigital loan | — | 4,805 | — | 4,805 |
| Convertible preferred shares | — | 74,249 | — | 74,249 |
| Convertible notes | — | 15,104 | — | 15,104 |
| Contingent consideration | — | — | 14,259 | 14,259 |
| Derivative financial instruments | — | 75,366 | — | 75,366 |
| Net fair value | 68,530 | 361,257 | 14,259 | 444,045 |
| December 31, 2015 | | | | |
| Financial Liabilities CAD\$ (000s) | | | | |
| Senior secured debentures | 65,800 | — | — | 65,800 |
| Convertible notes | — | 9,589 | — | 9,589 |
| Contingent consideration | — | — | 15,047 | 15,047 |
| Derivative financial instruments | — | 3,586 | — | 3,586 |
| Net fair value | 65,800 | 3,586 | 15,047 | 94,022 |

The carrying amounts of all current debt obligations approximate their fair value since the interest rates on these instruments either approximate the current market rates offered to the Company or the interest rates in these instruments change with market interest rates. On initial recognition, the fair value of long-term debt was established based on current interest rates. The \$76.3 million of 10.0% senior secured debentures are quoted on the TSXV exchange. The quoted price of the debentures was \$890 per debenture.

The carrying amounts of contingent consideration are based on the present value of the underlying events established at the time the obligation was recognized. The consideration is contingent on certain events occurring at some point in the future and judgment is used to determine the likely outcome of those events materializing. At each valuation date, the unobservable inputs used to determine the fair value is evaluated and a gain or loss is recognized in the period in which the inputs are evaluated. Below is a breakdown of contingent consideration and a discussion regarding the inputs used to value the contingent consideration. There has been no change in management's estimate of the fair value of contingent consideration since acquisition.

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

The Company's derivative financial instruments are measured at fair value and are detailed in Note 12.

| CAD (in 000s) | | | | | |
|----------------------------------------------|----------------|----------------|--------------------|------------------------------------|-----------------------|
| Description | Original Value | Settlements | Gains/ (Losses) | Foreign Exchange Differences | September 30, 2016 |
| Betdigital ⁽¹⁾ | 6,341 | | — | | 6,341 |
| EGC ⁽⁴⁾ | 5,939 | — | (6,077) | 138 | — |
| Game 360 ⁽⁵⁾ | 4,740 | (4,972) | — | 232 | — |
| Net exchange difference | (329) | | — | | (329) |
| Total other liabilities - current | 16,691 | (4,972) | (6,077) | 370 | 6,012 |
| Betdigital ⁽¹⁾ | 8,733 | — | — | — | 8,733 |
| Side City ⁽²⁾ | 3,478 | — | — | — | 3,478 |
| SNG purchase ⁽³⁾ | 889 | — | — | — | 889 |
| Net exchange differences | 306 | — | — | — | 306 |
| Contingent consideration - non-current | 13,406 | — | — | — | 13,406 |
| Other liabilities - non-current | — | — | — | — | 853 |
| Total other liabilities - non-current | — | — | — | — | 14,259 |
| Total contingent consideration | 30,097 | (4,972) | (6,077) | 370 | 19,418 |

- 1) The amount payable is based upon 2.5 times, 1.75 times and 1.00 time over an annual hurdle rate of adjusted EBIT for calendar years 2016-2018. The amount was recorded based on a three year forecast of the business and discounted to the present value using a discount rate of approximately 12%. The forecast was based on prior financial results and current projects in the pipeline to derive annual cash flows per year.
- 2) The amount payable is based upon six times and three times adjusted EBITDA for calendar years 2016 and 2017. The earnout has minimum and maximum payment of \$1.0 and \$4.0 million over the two years. The amount was recorded based on a two year forecast of the business at the time of the acquisition and discounted to the present value using a discount rate of approximately 15%. The forecast was based on prior financial results and current projects in the pipeline to derive annual cash flows over the earnout period.
- 3) The amount payable is based on other states, within the United States, passing real money online casino legislation within three years from the closing of the transaction in May 2015. NYX is required to pay \$1.0 million per each new jurisdiction opening and the launching of the first real money customer in that state. The maximum payment is \$3.0 million in aggregate and \$1.0 million per each new jurisdiction. The amount that was recognized was based on the probability of three new jurisdictions opening and the present value of the \$1.0 million payment for each new jurisdiction. The probability factors applied 1, .5, and .25 for each of the \$1.0 million dollar payments and discounted using a discount factor of 15%.
- 4) On April 4, 2016, NYX reached an agreement to sell substantially all of its European Poker Business, a division within the business known as Ogame. As part of the agreement the contingent consideration for the acquisition of EGC was no longer an obligation of the Company. The liability was written off and a gain was recognized for \$6.1 million during the first quarter of 2016.
- 5) The amount payable is based upon six times adjusted EBITDA for calendar year 2015. The amount was recorded based on the forecast of the business at the time of the acquisition and discounted to the present value, at the time of the acquisition, from the expected pay date in July 2016. The amount is payable in NYX shares or cash or a combination of both. NYX has the sole discretion to issue up to 50% of the earnout in NYX ordinary shares. Game360 earnout was settled in September 2016 50% payable in cash and 50% shares. 2.5 million ordinary shares were issued in Q3.

There were no transfers into or out Level 1, Level 2, and Level 3 during 2015 or through the nine month period ending September 30, 2016.

14. Earnings Per Share

Basic earnings per common share are computed by dividing the earnings for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per share are computed using the treasury stock method by dividing the earnings for the period applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional ordinary shares that would have been outstanding if potentially dilutive common shares had been issued.

Both the basic and diluted earnings per share have been calculated using the profit attributable to stockholders of NYX as the numerator. No material adjustment to net profit (loss) was necessary for the nine months ending September 30, 2016 and 2015, respectively.

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

15. Stockholders' Equity

Share Capital

The authorized share capital of the Group consists of 106.9 million and 50.6 million ordinary shares at September 30, 2016 and December 31, 2015, respectively. \$1.3 million and \$0.6 million have been recorded for share-based payments in the share-based payments reserve for the nine months ended September 30, 2016 and September 30, 2015, respectively. Amounts related to the exercise of employee options that were reclassified from the reserve to share capital were:

| | September 30, 2016 | December 31, 2015 |
|---------------------------------------------------------|--------------------|-------------------|
| Shares issued and fully paid (in 000s) | | |
| Beginning of the year | 50,635 | 33,800 |
| Share issue - stock options | 513 | 802 |
| Share issue | 55,773 | 16,033 |
| Shares issued and fully paid | 106,921 | 50,635 |
| Share capital CAD\$ (in 000s) | | |
| Balance, beginning of the year | 134,020 | 64,989 |
| Share issue - ordinary | 139,737 | 71,143 |
| Share issue - stock options | 674 | 1,192 |
| Cost of issuance of ordinary shares | (6,554) | (3,304) |
| Share issued and fully paid | 267,877 | 134,020 |
| Reserve for share-based payments CAD\$ (in 000s) | | |
| Balance, beginning of the year | 1,821 | 1,887 |
| Expiration of warrants | (1,268) | — |
| Employee stock options | 1,268 | 276 |
| Exercise of stock options | (166) | (342) |
| Total | 1,655 | 1,821 |

\$40.0 Million Convertible Preferred Shares

On July 31, 2015, as a result of the completion of the acquisition of Chartwell Technology Inc. and CryptoLogic Limited, NYX Gaming Group issued \$40.0 million of Exchangeable Preferred Shares. The Exchangeable Preferred Shares, as defined, will (i) rank in priority to all outstanding common shares and any other preferred shares of NYX; (ii) be redeemable for cash at any time at the discretion of NYX, at a price equal to the Initial Liquidation Preference, as defined, (\$5.00 per share or 8.0 million shares) multiplied by an adjustment factor calculated by dividing the then current Exchange Ratio, as defined, by the Initial Exchange Ratio, as defined; (iii) be issuable in denominations of \$1,000 per Exchangeable Preferred Share and have an aggregate initial liquidation preference of \$40.0 million; (iv) not be entitled to receive any dividends; (v) not be transferable or assignable, except to an affiliate of Amaya; and (vi) be retractable in consideration for ordinary shares, as defined, of NYX at any time after 12 months from their date of issue, in whole or in part, upon 35 days' advance written notice from Amaya to NYX, at the then applicable exchange ratio, which initially will be 8.0 million ordinary shares (derived by dividing the Initial Liquidation Preference by \$5.00). The Initial Liquidation Preference will adjust 3.0% every six months as long as the preferred shares are outstanding.

The Company estimated the value of the convertible preferred shares based on the binomial option model. The model takes into account management's best estimate of the conversion price of the stock, an estimate of the expected time to conversion, the current price of the underlying stock, an estimate of the stock's volatility, and the risk-free rate of return expected for an instrument with a term equal to the duration of the convertible debt. The effective interest rate on the debenture was 8.61%. The amount that was recorded in share capital at inception is as follows:

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

| CAD\$ (in 000s) | Issue Date |
|---------------------------------------------|---------------|
| Face value of exchangeable preferred shares | 40,000 |
| Value of the embedded option | (3,140) |
| Fees capitalized | (1,600) |
| Amount recorded in share capital | 35,260 |

Warrants

In consideration for the services rendered by the underwriters in the public offering in 2014, NYX Gaming Group agreed to issue 848,640 warrants to the underwriters, that equaled 6.0% of the number of shares sold pursuant to the public offering. Each broker warrant is exercisable to purchase one share at the offering price of \$3.50 for a period of 18 months. In addition, NYX Gaming Group agreed to issue to the underwriters 1,236,721 service warrants that equaled 4.0% of the total fully dilutive shares outstanding prior to the closing of the public offering. After one year from the date of issuance, the warrants will be subject to a 30-day forced exercise provision if NYX Gaming Group's daily volume weighted average share price has been greater than 20.0% of the exercise price for 20 consecutive trading days. Amounts recorded in the share-based payment reserve was \$1.3 million for the fair value of the warrants at the time of issuance. The warrants expired on June 30, 2016 and the share-based payment reserve was reduced by \$1.3 million in the third quarter of 2016.

Other Components of Equity

The Group's presentational currency is Canadian Dollars. Foreign currency exchange differences on translating foreign operations into the reporting currency are reported in other comprehensive income and included in equity. For the nine month periods ending September 30, 2016 and September 30, 2015, \$(7.8) million and \$4.9 million were recorded, respectively. Foreign currency translation reserves were \$(5.9) million and \$1.9 million at September 30, 2016 and December 31, 2015, respectively.

Share-based payment reserves were \$1.7 million and \$1.9 million at September 30, 2016 and December 31, 2015, respectively.

Equity Raise

On April 26, 2016, NYX issued 38,713,636 subscription receipts at a price of \$2.75 per Subscription Receipt. Pursuant to the Subscription Receipt Agreement dated April 26, 2016 and upon the satisfaction of the Escrow Release Conditions, satisfied on May 20, 2016, each Subscription Receipt automatically converted into, without payment of additional consideration or further action on the part of the holder, one (1) Special Warrant in the capital of NYX. The Special Warrants issued under the Subscription Receipt Private Placement Offering are governed by the terms of a special warrant indenture (the "A-1 Special Warrant Indenture") dated April 26, 2016. On April 26, 2016, the Corporation also issued a \$10,000,000 10.0% unsecured convertible debenture (the "Convertible Debenture") to a certain a strategic investor. In connection with the satisfaction of the Escrow Release Conditions, the Convertible Debenture automatically converted into 3,636,364 Special Warrants being the principal amount of the Convertible Debenture divided by the Subscription Receipt Offering Price.

On May 20, 2016, the Corporation issued an additional 12,200,000 Special Warrants at the Subscription Receipt Offering Price per Special Warrant.

All Special Warrants were exercised without payment of any additional consideration on July 20, 2016.

In third quarter of 2016, the Corporation issued 2.5 million ordinary shares representing 50% of the earnout related to the purchase of Game360. The amount payable is based upon six times adjusted EBITDA for calendar year 2015. The amount was recorded based on the forecast of the business at the time of the acquisition and discounted to the present value, at the time of the acquisition, from the expected pay date in July 2016. The remaining 50% is payable in cash.

Pursuant to the terms of the Special Warrant Indentures, each Special Warrant entitles the holder thereof to receive one (1) equity unit in the capital of the Corporation (an "Equity Unit") comprised of one (1) ordinary share in the capital of the Corporation and one-quarter (1/4) of one (1) ordinary share purchase warrant in the capital of the Corporation (each whole warrant, a "Warrant"), subject to adjustment and acceleration in certain circumstances in accordance with the Special Warrant Indentures and the Warrant Indentures, without payment of additional consideration upon the exercise or deemed exercise of the Special Warrants at any time after the issuance of the Special Warrants. Each holder of a Warrant who received such Warrant pursuant to the Subscription Receipt Private Placement or Convertible Debenture Offering will be entitled to purchase one ordinary share at a price of \$3.50 for a period of three years. On July 14, 2016, 54,550,000 of Special Warrants converted into ordinary shares as per the Special Warrant

NYX Gaming Group Limited
Notes to the Unaudited Consolidated Financial Statements

Indenture. The Company accounted for Special Warrants at the fair value, as determined by Black Scholes option pricing model and recorded treated the Special Warrants as a derivative liability. Please see Note 12 for further information.

On July 31, 2015, NYX Gaming Group issued 13.5 million of its ordinary shares at a price per share of \$4.45 for a total of \$56.8 million after broker's commissions and expenses of \$3.0 million.

Acquisition of Remaining 50% Interest in Sportech-NYX Gaming, LLC

On May 28, 2015, NYX Gaming Group acquired the remaining 50.0% interest in Sportech-NYX Gaming, LLC (“SNG”) from its joint-venture partner Sportech Games Holdco, LLC (“Sportech”). As part of the transactions, NYX Gaming, LLC issued 2.2 million common shares at \$4.51 per share.