UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

|X| ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

|_| TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to __________

Commission file number 333-120120-01

SHOAL GAMES LTD.

(Exact name of registrant as specified in its charter)

ANGUILLA, B.W.I.	98-0206369
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Hansa Bank Building, Ground Floor, Landsome Road
AI 2640, The Valley, Anguilla, B.W.I

(Address of principal executive offices)

(888) 374-2163

(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Exchange Act:

None

(Title of Each Class & Name of each exchange on which registered)

Securities registered under section 12(g) of the Exchange Act:

COMMON STOCK, NO PAR VALUE PER SHARE

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

State issuer's revenues for its most recent fiscal year. $93,475

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

Our common stock is currently quoted on the Over the Counter Markets – The Venture Marketplace ("OTCQB") operated by OTC Markets Group Inc. (http://www.otcmarkets.com/) under the symbol "SGLDF" and on the TSX Venture Exchange in Canada under the symbol "SGW". The closing share price as of March 20, 2018, being US$0.60 per share under the symbol SGLDF on the OTC Markets Group Inc. and CAD$0.67 under symbol SGW on the TSX Venture Exchange : $43,383,822.

APPLICABLE ONLY TO CORPORATE REGISTRANTS

Indicate the number of shares outstanding of the registrant's common stock, no par value per share, was 72,474,703 as of March 20, 2017.

DOCUMENTS INCORPORATED BY REFERENCE

The merger of Bingo.com, Inc. with Shoal Games Ltd., which was approved by the Securities Exchange Commission on March 8, 2005, and is effective on April 7, 2005, is described in the prospectus filed under Rule 424(b) of the Securities Act and the Form S-4, which were filed on March 9, 2005, and March 4, 2005, respectively. The Company filed Form SB2 on September 18, 2007, for the registration of shares originally issued in the private placement. In addition, the Company filed a TSX Venture Exchange Listing Application for the TSX-V listing on June 29, 2015.

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PART I

This Annual Report on Form 10-K contains forward-looking statements that involve risks and uncertainties. All statements contained herein that are not statements of historical fact constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Discussions containing forward-looking statements may be found in the material set forth under "Business," and "Management's Discussion and Analysis or Plan of Operation," as well as in this Annual Report generally. We generally use words such as "believes," "intends," "expects," "anticipates," "plans," and similar expressions to identify forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. These forward-looking statements are subject to risks, uncertainties and other factors, some of which are beyond our control, which could cause actual results to differ materially from this forecast or anticipated in such forward-looking statements.

You should not place undue reliance on these forward-looking statements, which reflect our view only as of the date of this report. We undertake no obligation to update these statements or publicly release the result of any revisions to these statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

ITEM 1. BUSINESS

INTRODUCTION

Shoal Games Ltd. (TSXV : SGW) (OTCQB : SGLDF) (www.shoalgames.com) is the parent company of a group of companies, which creates consumer mobile software products and games. The Company is managed by an experienced team of technology entrepreneurs who have a long history in video games, enterprise software, mobile software, and Internet products.

The primary focus of Shoal Games is the development and marketing of the Rooplay EdTech platform for children and families. Rooplay is currently live exclusively on Google Play in 27 languages and 135 countries. Rooplay has no ads, no in-app purchases, no long downloads, no instant messaging, and no outbound links of any form. These characteristics make the product a unique platform of game content that is entirely safe for children.

The games on the Rooplay platform are designed to both entertain and educate. Children engaging with Rooplay learn technology, solve puzzles, paint pictures, practice language, learn math, and much more. Shoal Games is developing a content system with Rooplay that builds tech literacy and encourages early learning. The Company believes that to be able to teach children, they must first hold their attention. Rooplay mixes entertainment with education so that long player sessions are created in a safe environment so that children have fun and are challenged in new ways with every session. Rooplay has hundreds of interactive games in every imaginable format.

Shoal Games management believes that through the development of the Rooplay platform, and the production of exclusive EdTech game content that it can create a defensible position in the market as a premium provider of mobile games content for kids. Shoal Games has a long history in games and software development and believes that its experienced team can establish Rooplay as a global provider of mobile entertainment for children. Rooplay generates revenue for the Company from consumer subscriptions which customers pay to unlock the Rooplay game catalog. Shoal Games management believes that the development of a platform system such as Rooplay will create a significant and sustainable revenue stream for the Company.

Shoal Games management is pursuing an aggressive growth strategy by approaching local partners in many regions of the world who are interested in distributing Rooplay. Rooplay's games are not restricted to any particular region and the Company believes the demand for early learning systems such as Rooplay is strong.

With more than 6.8 billion mobile phone subscriptions in place globally the demand for mobile content systems is enormous. Rooplay fills a particular need for families and with every additional piece of content that is added to the system the draw to Rooplay in comparison to other systems becomes stronger. With the competition fierce between network operators for new mobile subscribers, Shoal Games' management believes that owning a content platform system such as Rooplay will create long-term value for the Company's shareholders.

Shoal Games' other mobile products include Garfield's Bingo (www.garfieldsbingo.com), the first mobile bingo game to feature a mega-brand; and Trophy Bingo (www.trophybingo.com), live across mobile platforms with over 590,000 installs. Trophy Bingo and Garfield's Bingo are innovative free-to-play mobile games live in the Apple, Google and Amazon App Stores. The Company has generated its main source of revenue to-date from players making in-app purchases in Trophy Bingo and Garfield's Bingo.

References in this document to "the Company," "we," "us," and "our" refer to Shoal Games Ltd. and our subsidiaries, which are described below.

Our executive offices are located at Hansa Bank Building, Ground Floor, Landsome Road, The Valley, AI 2640, The Valley, Anguilla, B.W.I. Our telephone number is (888) 374-2163.

History and Corporate Structure

The Company was originally incorporated in the State of Florida on January 12, 1987.

Effective January 22, 1999, the Company acquired the use of the second level domain name bingo.com and embarked on a strategy to become a leading online provider of bingo based games and entertainment.

Effective April 7, 2005, the shares of Bingo.com, Ltd. by way of a merger between Bingo.com, Inc. and Bingo.com, Ltd., began trading under the new ticker symbol "BNGOF".

Effective December 31, 2014 the URL www.bingo.com and the online bingo business were sold to Unibet, plc.

On January 22, 2015, Bingo.com, Ltd. filed Articles of Amendment with the Anguilla Registrar of Companies changing its name to "Shoal Games Ltd.". Effective at the open of markets on January 27, 2015, the Common Shares commenced trading under the new trading symbol "SGLDF" on the OTC-QB.

On June 29, 2015, the Company filed a TSX Venture Exchange Listing Application for the TSX-V listing and commenced trading on July 2, 2015, under the symbol "SGW".

We conduct our business through the Anguilla incorporated entity and through our wholly-owned subsidiaries Shoal Media (Canada) Inc. ("Shoal Media Canada"), Shoal Games (UK) plc ("Shoal UK"), Coral Reef Marketing Inc. ("Coral Reef"), Shoal Media Inc. ("Shoal Media"), Rooplay Media Ltd. ("Rooplay Media"), Shoal Media UK Ltd. ("Shoal Media UK"), and Rooplay Media Kenya Limited. ("Rooplay Kenya")

Shoal Media Canada was incorporated under the laws of British Columbia, Canada, on February 10, 1998, as 559262 B.C. Ltd. and changed its name to Bingo.com (Canada) Enterprises Inc. on February 11, 1999. It subsequently changed its name to English Bay Office Management Limited on September 8, 2003. Effective March 11, 2016, it changed it name to Shoal Media (Canada) Inc.

On August 15, 2002, 99% of the share capital of Shoal UK was acquired. Shoal UK was incorporated under the laws of England and Wales on August 18, 2000, as CellStop plc. and changed its name to Bingo.com (UK) plc. on August 5, 2002. During the year ended December 31, 2015, the Company changed the name of the company to Shoal Games (UK) plc.

On January 21, 2008, Coral Reef Marketing Inc., was incorporated under the laws of Anguilla, British West Indies.

On January 1, 2013, 100% of the share capital of Shoal Media Inc., an Anguillian Company was acquired.

On October 25, 2016, Rooplay Media Ltd., was incorporated under the laws of British Columbia, Canada.

On March 27, 2017, Shoal Media UK Ltd. was incorporated under the laws of England and Wales.

On July 12, 2017, Rooplay Media Kenya Limited was incorporated under the laws of Kenya.

The Company also maintains a number of inactive wholly-owned subsidiaries. These are:

- Bingo.com (Antigua), Inc., ("Bingo.com (Antigua)") incorporated as an Antigua International Business Corporation on April 7, 1999, as Star Communications Ltd. and changed its name to Bingo.com. (Antigua), Inc. on April 21, 1999;
- Bingo.com (Wyoming), Inc., incorporated in the State of Wyoming on July 14, 1999;
- Bingo.com Acquisition Corp., incorporated in the State of Delaware on January 9, 2001.

All three of the inactive subsidiaries were incorporated to facilitate the implementation of business plans that we have since modified and refocused and, consequently, there is no activity in these entities.

Our common shares are currently quoted on the Over the Counter Markets - The Venture Marketplace ("OTCQB") operated by OTC Markets Group Inc. under the symbol "SGLDF" and on the TSX Venture Exchange in Canada under the symbol "SGW". We have not been subject to any bankruptcy, receivership or other similar proceedings.

Development of the Business

The primary focus of Shoal Games is the development and marketing of the Rooplay edugame system for children and families. Shoal Games management believes that Rooplay could become a popular global platform of educational and entertainment games for kids and is executing the business strategy to achieve this goal.

Shoal Games Domain Names

Shoal Games owns the domain names Rooplay.com, Shoalgames.com, Shoalgames.net, Shoalmedia.com, Garfieldsbingo.com, Trophybingo.com, and Trophybingo.ca and many other smaller domains.

BUSINESS OVERVIEW

The current focus of Shoal Games is the development and marketing of Rooplay, an innovative platform of interactive games for families and children.

Product Strategy

Rooplay is a Netflix of games for children and families. Rooplay has no ads, no in-app purchases, no long downloads, no instant messaging, and no outbound links of any form. These characteristics make the product a unique platform of game content that is entirely safe for children.

Rooplay generates revenue from consumer subscriptions which are paid to access the Rooplay library of games. Shoal Games management believes that the development of a platform system such as Rooplay will create a significant and sustainable revenue stream for the Company.

In addition to developing and maintaining the Rooplay system, Shoal Games develops original content that it publishes into the App Stores as single apps and onto Rooplay to expand the library of content on the platform. Mobile users can choose to download and play Shoal Games single apps, or access the entire library of hundreds of games from within Rooplay.

Marketing & Distribution Strategy

Shoal Games pursues both a business-to-consumer strategy and a business-to-business strategy with Rooplay. With the Company's direct to consumer strategy, new users of Rooplay are created via paid performance marketing, search engine marketing, word-of-mouth, and from links and promotions in the Company's other mobile products.

The business-to-business distribution strategy involves targeted business development efforts with mobile handset manufacturers, cable companies, and mobile telecommunications operators to encourage them to partner with Shoal Games to distribute Rooplay to their customers. Shoal Games offers revenue share opportunities to potential partners who are interested in providing content systems such as Rooplay to their customers.

Pricing Strategy

Shoal Games is pursuing an aggressive penetration pricing strategy with Rooplay by offering monthly subscriptions to its library of hundreds of games and its exclusive Rooplay Originals (branded Games developed by the Company) . All users acquired via the direct-to-consumer model will be offered a free trial period before the subscription fee becomes payable. Rooplay users acquired via partner relationships will have varying periods of free trial and pricing as determined by the partner's circumstances and region.

Growth Strategy

Shoal Games management is pursuing an aggressive growth strategy by approaching local partners in many regions of the world who are interested in distributing Rooplay. Rooplay's games are not restricted to any particular region and the Company believes the demand for early learning systems such as Rooplay is strong.

With more than 6.8 billion mobile phone subscriptions in place globally the demand for mobile content systems is enormous. Rooplay fills a particular need for families and with every additional piece of content that is added to the system the draw to Rooplay in comparison to other systems becomes stronger. With the competition fierce between network operators for new mobile subscribers, Shoal Games management believes that owning a content platform system such as Rooplay will create long-term value for the Company's shareholders.

International Strategy

The first release of Rooplay is in English, but the system has been designed from conception to provide value to children and families of every language. Most games are developed without the requirement of any text to learn and play so Rooplay's potential for localization and international publishing is ideal. Furthermore, all of Shoal Games' original productions for Rooplay ("Rooplay Originals") are built to support learning in any language.

With densely populated regions such as China interested in games, the English language, and early learning technology such as Rooplay, Shoal Games management is actively pursuing local partners to assist in the distribution of Rooplay in China.

Trophy Bingo & Garfield's Bingo

The Company has completed the social bingo games Trophy Bingo and Garfield's Bingo which are available on Apple's iOS, Google's Android and Amazon Android systems. Revenue is generated in the games via in-app purchases and advertising. Shoal Games management continues to support Trophy Bingo and Garfield's bingo to grow revenues and provide cash to the Company.

OPERATIONS

Employees

As of December 31, 2017, we had eleven full-time employees, not including temporary personnel, consultants, and independent contractors. Since 2006 it has been, and continues to be, the Company's objective to control its costs by retaining consultants, as needed, to provide special expertise in developing internal strategic, marketing, accounting and technical services. The Company ceased outsourcing its software development personnel in September 2016 following the bankruptcy of its outsource supplier. The Company immediately hired the key personnel from that organization whom are now our full-time employees. None of our employees or consultants are represented by a labor union, and we believe that our relationship with our employees and consultants is good.

We are substantially dependent upon the continued services and performance of J. M. Williams, Chief Executive Officer and T. M. Williams, Executive Chairman. The loss of the services of these key individuals would have a material adverse effect on our business, financial condition and results of operations. We do not carry any key man life insurance on any individuals.

Seasonality

We do not believe that seasonality has an effect on our product demand or our revenue realization.

Competition

Rooplay competes with systems such as ABCMouse, Homer, Lingokids, and other learning products that are based on subscription. Rooplay differs in that it is not only an educational system, but an entertainment system with hundreds of games both for fun and learning. Most of the competition relies on videos and e-books for content, whereas Rooplay is only games. ABCMouse raised US$150 million at a valuation of more than US$1Billion. The Company views the success of ABCMouse as proof of the size of the market and is developing Rooplay to be a superior and differentiated product.

In the mobile bingo market, large operators have acquired the companies behind the two leading social bingo games. Caesars Interactive Entertainment acquired Buffalo Studios, the makers of Bingo Blitz, in 2012 for $53 million. More recently in 2014, GSN Games purchased Bash Gaming, the makers of Bingo Bash, for $160 million. The Company views these acquisitions as confirmation that the social bingo marketplace is valuable although costly to compete with.

Costs and Effects of Compliance with Environmental Laws

The Company is in the business of developing and marketing Rooplay, Garfield's Bingo, and Trophy Bingo. To the best of our knowledge, no federal, state or local environmental laws are applicable to our business.

BRITISH COLUMBIA SECURITIES COMMISSION

Effective September 15, 2008, the British Columbia Securities Commission ("BCSC") issued rule 51-509 Issuers Quoted in the U.S. Over-the-Counter Markets. Rule 51 - 509 requires all Over-the-Counter Companies that have connections to British Columbia (BC) to comply with BC securities law and certain public disclosure requirements. The Company is deemed to have connection to BC due to the fact that administration and a director are located in BC. The Company has complied with rule 51-509 and registered and filed the necessary documents on SEDAR. The Company is deemed, due to the fact that there are less than 50% of the Company's shareholders located in BC, to be a foreign reporting issuer in accordance with NI 71-102 "Continuous Disclosure and Other Exemptions Relating to Foreign Issuers". Therefore the Company is only required to file what it files with the Securities and Exchange Commission on SEDAR.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

The equipment of the Company to operate the operations of the Company is located in Anguilla, United Kingdom, and Canada. The revenue from in-app purchases is worldwide, with the majority from Europe and the USA.

AVAILABLE INFORMATION

The Company makes available through the Corporate Shoal Games section of its internet website at http://investor.shoalgames.com its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Press Releases, Research Reports, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after electronically filing such material with the Securities and Exchange Commission.

You may read and copy any reports, statements or other information that we file with the Securities and Exchange Commission at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the Securities and Exchange Commission. Please call the Securities and

Exchange Commission at 1-800-SEC-0330 for further information on the operation of the Public Reference Room.

We file our reports with the Securities and Exchange Commission electronically through the Securities and Exchange Commission's Electronic Data Gathering, Analysis and Retrieval ("EDGAR") system. The Securities and Exchange Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding companies that file electronically with the Securities and Exchange Commission through EDGAR. The address of this Internet site is http://www.sec.gov.

In addition, we file our reports on SEDAR, for TSX Venture companies. The address of this Internet site is http://www.sedar.com.

ITEM 2. PROPERTIES.

Since 2005 our executive office is located in The Valley, Anguilla, British West Indies. We commenced the present lease agreement on April 1, 2010, for a period of one year. Unless 3 month's notice is given it automatically renews for a future 3 months until notice is given. To date no notice has been given. The monthly rental is $250.

Our primary administrative and development facility is located in leased space in Vancouver, British Columbia. During the year ended December 31, 2016, the Company signed a lease expiring December 31, 2016. After December 31, 2016, unless 30 day notice is given this lease is extended on a month-to-month basis. To date no notice has been given. This facility comprises approximately 1,651 square feet. The monthly rental is approximately $1,142.

We operate sales and marketing offices in London, United Kingdom and in Amsterdam, the Netherlands. There are no direct monthly rental fees in either location.

We believe that these facilities will be adequate to meet our requirements for the near future and that suitable additional space will be available if needed. Other than described above, neither we, nor any of our subsidiaries presently own or lease any other property or real estate.

ITEM 3. LEGAL PROCEEDINGS.

We are not currently a party to any legal proceedings and were not a party to any other legal proceeding, during the fiscal year ended December 31, 2017. We are currently not aware of any legal proceedings proposed to be initiated against us. However, from time-to-time, we may become subject to claims and litigation generally associated with any business venture.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

We held our Annual Meeting of Stockholders in Anguilla on November 1, 2017. The Annual Meeting is for the purposes of electing our directors and to ratify the appointment of Davidson & Company LLP, Chartered Professional Accountants, as our independent auditors for the 2017 fiscal year, to ratify our Rolling Stock Option plan and for any other regular business. The Company issued a schedule 14A proxy statement to the shareholders on September 20, 2017.

All nominees for directors were elected; the appointment of auditors was ratified; and the Rolling Stock Option plan was ratified. The voting on each matter is set forth below:

a) Elected to set the number of directors at 4.

For	Against	Abstain	Not Voted
43,011,933	8,470	-	8,286,842

b) Elected the following persons to serve as directors until the next annual meeting or until their successors are duly qualified:

T. M. Williams
J. M. Williams
F. Curtis (Non Executive Director)
W. Moore (Non Executive Director)

Election of the Directors of the Company.

Nominee	For	Against	Abstain	Not Voted
T. M. Williams	42,995,329	-	25,073	8,286,843
J. M. Williams	42,995,429	-	24,973	8,286,843
F. Curtis	42,996,154	-	24,248	8,286,843
W. Moore	42,996,354	-	24,048	8,286,843

(c) Approved the selection of Davidson & Company LLP, Chartered Professional Accountants as the Company's independent auditors for the fiscal year ending December 31, 2017.

For	Against	Abstain	Not Voted
51,274,794	-	32,451	-

(d) The ratification of the existing Rolling Stock Option plan was approved.

For	Against	Abstain	Not Voted
42,984,744	35,658	-	8,286,843

Mr. Jason Williams will continue as President and CEO of the Shoal Games Ltd. organization and Mr. T. M. Williams, will continue to serve as Executive Chairman.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is currently quoted on the TSX Venture Exchange in Canada under the symbol "SGW" and on the Over the Counter Markets – The Venture Marketplace ("OTCQB") operated by OTC Markets Group Inc. under the symbol "SGLDF".

On March 19, 1997, our common stock was approved for trading on the National Association of Securities Dealers OTC Bulletin Board (the "OTCBB") under the symbol "PGLB". In January 1999, when we changed our name to Bingo.com, Inc., our OTCBB symbol was changed to "BIGG". On July 26, 1999, we changed our trading symbol from "BIGG" to "BIGR". On April 7, 2005, Bingo.com, Inc. completed a merger with its wholly- owned subsidiary Bingo.com, Ltd. The principal reason for Bingo.com, Inc.'s merger with its subsidiary Bingo.com, Ltd. was to facilitate Bingo.com, Inc.'s reincorporation under the International Business Companies Act of Anguilla, B.W.I. Effective April 7, 2005, the shares of Bingo.com, Ltd. began trading under the new ticker symbol "BNGOF". In 2011, we transferred to the Over the Counter Markets - The Venture Marketplace ("OTCQB") operated by OTC Markets Group Inc., whilst continuing our ticker symbol "BNGOF". The bid quotations set forth below, reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not reflect actual transactions. During the year ended December 31, 2015, the Company changed its name to Shoal Games Ltd. and changed our trading symbol from "BNGOF" to "SGLDF". Effective July 2, 2015, the Company additionally commenced trading on the TSX Venture Exchange in Canada under the symbol "SGW".

Quarter Ended	High (1)	Low (1)
December 31, 2017	$0.45	$0.25
September 30, 2017	$0.49	$0.38
June 30, 2017	$0.48	$0.34
March 31, 2017	$0.40	$0.33
December 31, 2016	$0.47	$0.35
September 30, 2016	$0.50	$0.45
June 30, 2016	$0.54	$0.35
March 31, 2016	$0.50	$0.34

1. Prices as per Yahoo! TM Finance

On March 20, 2018, the last reported sale price of our common stock, as reported by the OTCQB, was $0.60 per share and CAD$0.67 per share on the TSX Venture Exchange.

As of March 20, 2018, we believe there are approximately 1,181 shareholders (including nominees and brokers holding street accounts) of our shares of common stock.

Other than described above, our shares of common stock are not and have not been listed or quoted on any other exchange or quotation system.

Dividend Policy

We have not declared or paid any cash dividends on our common stock since our inception. The Board of Directors is presently reviewing the Company's dividend policy. Any future payment of dividends will depend upon our results of operations, financial condition, cash requirements and other factors deemed relevant by our Board of Directors.

Recent Sales of Unregistered Securities

During the year ended December 31, 2016, the Company had a private placement with two closings for a total of 3,337,934 common shares at CAD$0.60 per share, which raised proceeds of US$1,562,479 (CAD$2,002,760).

On October 11, 2016, the Company closed its rights issue raising US$80,949 (CAD$107,168) from the issuance of 172,681 common shares at an average price of CAD$0.626 per share.

During the quarter ended June 30, 2017, the Company closed a TSX Venture Exchange approved non-brokered private placement financing totaling CAD$1.045 million ($790,281). The private placement consisted of 2,323,779 units priced at CAD$0.45 ($0.34) per unit. Each Unit was comprised of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share of the Company for 12 months following closing. The exercise price of the warrants is CAD$0.55 per share for the first six months following closing and CAD$0.65 per share for the period which is 7-12 months following closing.

During the quarter ended September 30, 2017, the Company closed a TSX Venture Exchange approved non-brokered private placement financing totaling $1,010,763. The private placement consisted of 2,887,895 units priced at $0.35 per unit. Each Unit was comprised of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share of the Company for 12 months following closing. The exercise price of the warrants is $0.44 per share for the first six months following closing and $0.52 per share for the period which is 7-12 months following closing.

During the quarter ended December 31, 2017, the Company closed a TSX Venture Exchange approved non-brokered private placement financing totaling $45,011. The private placement consisted of 128,600 units priced at $0.35 per unit. Each Unit was comprised of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share of the Company for 12 months following closing. The exercise price of the warrants is $0.44 per share for the first six months following closing and $0.52 per share for the period which is 7-12 months following closing.

During the quarter ended December 31, 2017, two warrants holders exercised their warrants for 121,111 shares at CAD$0.55 (approximately US$0.43) per share raising a total of US$52,310.

Subsequent to the year ended December 31, 2017, a warrant holder exercised their warrant for 15,000 shares at $0.44 per share raising a total of $6,600.

Subsequent to the year ended December 31, 2017, the Company closed a TSX Venture Exchange approved private placement financing totaling $2,551,500. The private placement consisted of 7,290,000 shares priced at $0.35 per share.

Securities authorized for issuance under equity compensation plans.

In 2015, the shareholders approved the 2015 plan. Under the 2015 plan we have reserved 10% of the number of Shares of the Company issued and outstanding as of each Award Date. Pursuant to this plan we have 1,605,000 stock purchase options (2016 - 1,010,000) outstanding at December 31, 2017. During the year ended December 31, 2017, there were nil (2016 – nil) options exercised and 130,000 (2016 – nil) options cancelled, issued under this plan.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options and rights	Weighted average exercise price of outstanding options and rights	Number of securities remaining available for future issuance
	(a)	(b)	(c)
Equity compensation plans approved by security holders	1,605,000	0.42	4,911,970
Equity compensation plans not approved by security holders	0	0	0
Total	1,605,000	0.42	4,911,970

As of the date of this report no further options have been awarded and 40,000 options were cancelled unexercised subsequent to the year ended December 31, 2017.

ITEM 6. SELECTED FINANCIAL DATA.

Consolidated Statement of Operations Data for continuing operations:

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Revenue	93,475	278,921	111,610	32,470	26,389
Trophy Bingo amortization	-	482,013	482,012	482,013	-
Gross (loss) profit	93,475	(203,092)	(370,402)	(449,543)	26,389
Operating expenses excluding interest and other income (expenses)	(1,860,785)	(2,447,298)	(2,612,194)	(2,221,663)	(780,754)
Gain on derivative liability – warrants	78,712	-	-	-	-
Interest and other income	18	155	1,089	510	840
Income tax recovery / (expense)	30,761	(1,294)	(480)	(848)	(1,666)
Promissory note accretion and interest	(84,132)	(5,982)	-	-	-
Loss on prepaid development	-	(498,791)	-	-	-
Net loss from continuing operations	$ (1,741,951)	$ (3,156,302)	$ (2,981,987)	$ (2,671,544)	$ (755,191)
Discontinued Operations					
Gaming revenue	-	-	-	1,684,047	1,912,301
Cost of producing revenue	-	-	-	-	-
Gain from the sale of the domain name	-	-	16,305	6,677,759	-
Selling and marketing	-	-	-	(628,029)	(1,942,885)
Net (loss) profit	(1,741,951)	(3,156,302)	(2,965,682)	5,062,233	(785,766)
Basic and diluted net loss per share from continuing operations	$ (0.03)	$ (0.05)	$ (0.05)	$ (0.04)	$ (0.01)
Weighted average common shares outstanding	61,730,928	58,227,957	55,812,511	67,165,374	64,156,392

	Year Ended December 31,				
	2017	2016	2015	2014	2013
Consolidated Balance Sheet Data:					
Cash	$ 478,397	$ 60,190	$ 570,086	$ 2,876,386	$ 491,203
Total assets	557,853	129,093	1,129,526	3,996,745	3,607,123
Total liabilities	705,262	444,680	177,792	156,579	238,540
Total stockholders' (deficit) equity	(147,409)	(315,587)	951,734	3,840,166	3,368,583
Working capital	345,184	13,896	454,447	2,856,230	646,015

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information contained in this Management's Discussion and Analysis or Plan of Operation contains "forward looking statements." Actual results may materially differ from those projected in the forward looking statements as a result of certain risks and uncertainties set forth in this report. Although management believes that the assumptions made and expectations reflected in the forward looking statements are reasonable, there is no assurance that the underlying assumptions will, in fact, prove to be correct or that actual future results will not be materially different from the expectations expressed in this Annual Report. The following discussion should be read in conjunction with the audited Consolidated Financial Statements and related Notes thereto included in Item 7 and with the Special Note regarding forward-looking statements included in Part I.

OVERVIEW

The primary focus of Shoal Games is the development and marketing of the Rooplay EdTech platform for children and families. Rooplay is live exclusively on Google Play in 27 languages and 135 countries. Rooplay has no ads, no in-app purchases, no long downloads, no instant messaging, and no outbound links of any form. These characteristics make the product a unique platform of game content that is entirely safe for children.

The games on the Rooplay platform are designed to both entertain and educate. Children engaging with Rooplay learn technology, solve puzzles, paint pictures, practice language, learn math, and much more. Shoal Games is developing a content system with Rooplay that builds tech literacy and encourages early learning. The Company believes that to be able to teach children, they must first hold their attention. Rooplay mixes entertainment with education so that long player sessions are created in a safe environment so that children have fun and are challenged in new ways with every session. Rooplay has hundreds of interactive games in every imaginable format.

Shoal Games management believes that through the development of the Rooplay platform, and the production of exclusive EdTech game content with its branded Rooplay Originals that it can create a defensible position in the market as a premium provider of mobile games content for kids. Shoal Games has a long history in games and software development and believes that its experienced team can establish Rooplay as a global provider of mobile entertainment for children. Rooplay generates revenue for the Company from consumer subscriptions which customers will pay to unlock the Rooplay game catalog. Shoal Games management believes that the development of a platform system such as Rooplay will create a significant and sustainable revenue stream for the Company.

Shoal Games management is pursuing an aggressive growth strategy by approaching local partners in many regions of the world who are interested in distributing Rooplay. Rooplay's games are not restricted to any particular region and the demand for early learning systems such as Rooplay is strong.

With more than 6.8 billion mobile phone subscriptions in place globally the demand for mobile content systems is enormous. Rooplay fills a particular need for families and with every additional piece of content that is added to the system the draw to Rooplay in comparison to other systems becomes stronger. With the competition fierce between network operators for new mobile subscribers, Shoal Games' management believes that owning a content platform system such as Rooplay will create long-term value for the Company's shareholders.

Shoal Games' other mobile products include Garfield's Bingo (www.garfieldsbingo.com), the first mobile bingo game to feature a mega-brand; and Trophy Bingo (www.trophybingo.com), live across mobile platforms with over 590,000 installs. Trophy Bingo and Garfield's Bingo are innovative free-to-play mobile games live in the Apple, Google and Amazon App Stores. The Company has generated its main source of revenue to-date from players making in-app purchases in Trophy Bingo and Garfield's Bingo.

CRITICAL ACCOUNTING POLICIES

The following discussion of critical accounting policies is intended to supplement the Summary of Significant Accounting Policies presented as Note 2 to our audited consolidated financial statements presented elsewhere in this report. Note 2 summarize the accounting policies and methods used in the preparation of our consolidated financial statements. The policies discussed below were selected because they require the more significant judgments and estimates in the preparation and presentation of our financial statements. On an ongoing basis, management evaluates these judgments and estimates, including whether there are any uncertainties as to compliance with the revenue recognition criteria described below, and recoverability of long-lived assets, as well as the assessment as to whether there are contingent assets and liabilities that should be recognized or disclosed for the consolidated financial statements to fairly present the information required to be set forth therein. We base our estimates on historical experience, as well as other events and assumptions that are believed to be reasonable at the time. Actual results could differ from these estimates under different conditions.

We consider the following accounting policies to be both those most important to the portrayal of our financial condition and require the most subjective judgment:

- Revenue recognition;
- Software development

Revenue Recognition

Trophy Bingo and Garfield's Bingo revenues have been recognized from the sale of in-game purchases, net of platform fees, at the time of purchase by the player. The revenue from in-game advertising is recognized when advertising is served to the player.

Advertising revenues, not generated in Trophy Bingo and Garfield's Bingo, have been recognized when collection of the amounts are reasonably assured.

Rooplay revenues have been recognized when collection of the subscriptions are reasonably assured and the provision of service has occurred.

Software Development Costs

Software development costs incurred in the research and development of new software products and enhancements to existing software products for external use are expensed as incurred until technological feasibility has been established. After technological feasibility is established, any software development costs are capitalized and amortized at the greater of the straight-line basis over the estimated economic life of the related product or the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for the related product. Commencing January 1, 2014, the Company obtained technological feasibility and is amortizing the capitalized software development costs over a period of 3 years. The Company performs an annual review of the estimated economic life and the recoverability of such capitalized software costs, using a net realizable value test. The Company completed the amortization of the capitalized Trophy Bingo software development expenses on December 31, 2016.

If a determination is made that capitalized amounts are not recoverable based on the estimated cash flows to be generated from the applicable software, any remaining capitalized amounts are written off. Although the Company believes that its approach to estimates and judgments as described herein is reasonable, actual results could differ and the Company may be exposed to increases or decreases in revenue that could be material.

Total software development costs for the development of Rooplay, Garfield's Bingo, and Trophy Bingo were $5,768,476 as at December 31, 2017 (2016 - $4,935,274).

SOURCES OF REVENUE AND REVENUE RECOGNITION

We generate our revenue from the following:

- The sale of in-app purchases in Rooplay Originals (Branded EdTEch games for children and families), Garfield's Bingo and Trophy Bingo in the Google play, Apple iOS and Amazon App stores.
- In-game advertising, whereby players watch advertising to gain in-game currency.
- The sale of advertising on our websites. We recognize revenue on this basis based on the amount paid to us upon the delivery and fulfillment of advertising, provided that the collection of the resulting receivable is probable.
- Consumer subscription from players paying to unlock the Rooplay game catalog.

SUPPLEMENTARY FINANCIAL INFORMATION

Quarterly Results of Operations

The following tables present our unaudited consolidated quarterly results of operations for each of our last eight quarters. This data has been derived from unaudited consolidated financial statements that have been prepared on the same basis as the annual audited consolidated financial statements and, in our opinion, include all normal recurring adjustments necessary for the fair presentation of such information. These unaudited quarterly results should be read in conjunction with our audited consolidated financial statements, included in Item 8 of this report.

	Three Months Ended			
	December 31, 2017 (Unaudited)	September 30 2017 (Unaudited)	June 30 2017 (Unaudited)	March 31 2017 (Unaudited)
Revenue	18,587	18,853	22,776	33,259
Cost of sales	-	-	-	-
Gross profit	18,587	18,853	22,776	33,259
Operating expenses and other (income) / expenses	(537,533)	(484,121)	(439,949)	(399,164)
Gain on derivative liability – warrants	54,043	24,669	-	-
Promissory note accretion and interest	(22,110)	(22,111)	(21,869)	(18,042)
Loss before income taxes	(487,013)	(462,710)	(439,042)	(383,947)
Income tax recovery	30,761	-	-	-
Loss after tax	$ (456,252)	$ (462,710)	(439,042)	(383,947)
Basic and diluted loss per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.00)
Weighted average common shares, basic and diluted	65,025,158	62,063,832	60,069,795	59,708,318

	Three Months Ended			
	December 31, 2016 (Unaudited)	September 30 2016 (Unaudited)	June 30 2016 (Unaudited)	March 31 2016 (Unaudited)
Revenue	37,783	52,758	77,821	110,559
Cost of sales				
Trophy Bingo amortization	120,503	120,503	120,504	120,503
Gross loss	(82,720)	(67,745)	(42,683)	(9,944)
Operating expenses and other (income) / expenses	655,364	589,561	578,294	623,924
Loss on prepaid development	-	498,791	-	-
Promissory note accretion and interest	5,982	-	-	-
Loss before income taxes	(744,066)	(1,156,097)	(620,977)	(633,868)
Income tax (expense) recovery	(1,302)	(1)	9	-
Loss after tax	$ (745,368)	$ (1,156,098)	$ (620,968)	$ (633,868)
Basic and diluted loss per share	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.01)
Weighted average common shares, basic and diluted	59,708,318	59,535,637	57,474,435	56,197,703

Our financial statements and related schedules are described under “Item 8. Financial Statements”.

RESULTS OF OPERATIONS

Years Ended December 31, 2017 and 2016

Revenue

Total revenue from operations were $93,475 for the year ended December 31, 2017, a decrease from revenue of $278,921 for the same period in the prior year. The decrease in total revenue compared to fiscal 2016, is due to the Company ceasing to market it's legacy product in mid 2016 while it developed and prepared for the full launch of Rooplay in late 2017. Rooplay revenues are subscription based and are expected to grow slowly initially.

Selling and marketing expenses

Sales and marketing expenses from operations were $244,810 for the year ended December 31, 2017, a decrease of 39% over expenses of $403,523 for the same period in the prior year. This decrease in sales and marketing expenses was due to a low marketing spend in 2017 for our legacy products in order to preserve cash and prepare for the main launch of Rooplay which began in late 2017. Selling and marketing expenses principally include publishing services and user acquisition costs to acquire players for the Rooplay platform.

We expect to incur increased sales and marketing expenses to bring new players to Rooplay and our bingo games now that all three products are commercially viable. There can be no assurances that these expenditures will result in increased traffic or significant additional revenue.

General and administrative expenses

General and administrative expenses were $256,303 for the year ended December 31, 2017, an increase of 14% over costs of $225,422 for the previous year. This increase in general and administrative expenses is largely due to the increased expenditures incurred in raising capital in 2017. General and administrative expenses consist primarily of legal and professional fees, premises costs for our offices, and other general corporate and office expenses.

We expect to continue to incur general and administrative expenses to support the business, and there can be no assurances that we will be able to generate sufficient revenue to cover these expenses.

Salaries, wages, consultants and benefits

Salaries, wages, consultants and benefits expenses, excluding salaries incurred for the development of our products increased to $461,416 during the year ended December 31, 2017, an increase of 12% over expenses of $413,166 for the previous year.

Depreciation and amortization

Equipment is depreciated using the declining balance method over the useful lives of the assets, ranging from three to five years. Depreciation increased to $4,068 during the year ended December 31, 2017, over depreciation of $3,570 during the prior year. This increase in depreciation and amortization compared to fiscal 2016, is due to the disposal of old obsolete equipment and the depreciation on new equipment.

Development and amortization

The Company expensed $833,202 in development costs during the year ended December 31, 2017, a decrease of 23% over $1,077,638 of development costs in the prior year. This decrease in development costs is due to a smaller team developing the Rooplay platform technology and our Originals gaming engines.

Commencing January 1, 2014, the Company ceased to capitalize the development costs of Trophy Bingo and commenced amortizing the capitalized development costs over the life of the game. These costs were fully amortized in fiscal 2016.

Stock-based compensation expense

During the year ended December 31, 2017, the Company incurred non-cash stock compensation expenses of $43,212 from the issuance of 725,000 stock options at CAD$0.54 per option compared to stock compensation expenses of $257,293 in fiscal 2016 from the issuance of 1,010,00 stock options at CAD$0.54 per option. The options are issued to consultants and employees as per the Companies 2015 Stock Option Plan.

Other income and expenses

During the year ended December 31, 2017, the Company has a foreign exchange loss of $12,274 compared to foreign exchange loss of $33,020 in the prior year. These losses are due to the exchange rate movements of the US Dollar compared to the Pound Sterling and the Canadian Dollar.

During the year ended December 31, 2017, we received interest income of $18 compared to interest income of $155 in the prior year. The interest income is received from bank term deposits from investing our cash. The decrease in interest income is due to lower bank account balances in fiscal 2017 compared to fiscal 2016.

During the year ended December 31, 2017, the Company closed a TSX Venture Exchange approved non-brokered private placement financing totaling CAD$1.045 million. The private placement consisted of 2,323,779 units priced at CAD$0.45 ($0.34) per unit. Each Unit was comprised of one common share and one share purchase warrant. The warrants have an exercise price in Canadian dollars whilst the Company's functional currency is US Dollars. Therefore, in accordance with ASU 815 – Derivatives and Hedging, the warrants have a derivative liability value. This liability value has no effect on the cashflow of the Company and does not represent a cash payment of any kind. During the year ended December 31, 2017, the Company recognized a gain of $78,712 on this derivative liability.

Loss on prepaid development

During the second quarter of fiscal 2016, the Company prepaid $863,660 in development costs, in order to lessen our expected overall development costs. Effective August 31, 2016, Roadhouse Interactive Limited, our outsourced developer, was placed in receivership. There was $498,791 in development expenses which had not been utilized. The Company immediately expensed these costs and hired the key members of the Roadhouse development staff that had been working on the Company's products. The Company, at all times, has retained ownership and copies of all requisite source code and art work in all its products.

Income taxes

During the year ended December 31, 2017, a subsidiary of the Company applied for a Canadian tax credit in relation to fiscal 2016. The Company received a tax credit of $30,761. This compares to an income tax expense in relation to profits earned in its subsidiaries in different jurisdictions of $1,294 during the year ended December 31, 2016.

During the year ended December 31, 2005, the Bingo.com, Inc. merged with its subsidiary Bingo.com, Ltd. in Anguilla, British West Indies. Anguilla is a zero-tax jurisdiction.

Net loss and loss per share

The net loss after taxation for the year ended December 31, 2017, amounted to $1,741,951, a loss of $0.03 per share, compared to a net loss of $3,156,302, a loss of $0.05 per share, in year ended December 31, 2016. The net loss in fiscal 2016 included the one time write off of $498,791 of prepaid development costs due to the unfortunate bankruptcy of our primary software development supplier.

LIQUIDITY AND CAPITAL RESOURCES

We had cash of $478,397 and working capital of $345,184 at December 31, 2017. This compares to cash of $60,190 and working capital of $13,896 at December 31, 2016.

During the year ended December 31, 2017, we used cash of $1,638,837 in operating activities compared to using cash of $2,476,707 in the prior year.

Net cash generated by financing activities was $2,060,684 in the year ended December 31, 2017, which compares to cash generated by financing activity of $1,974,215 in fiscal 2016. This cash generated by financing activity is due to the cash raised from the private placements and warrant exercise during the year ended December 31, 2017 compared to the cash raised from the private placements and rights issue during the year ended December 31, 2016

Cash of $3,640 was used in investing activities in fiscal 2017, compared to $7,404 in the prior year. This decrease in cash used in investing activities is due to the acquisition of equipment and furniture for new employees in fiscal 2016.

Our future capital requirements will depend on a number of factors, including costs associated with the further development of Rooplay, Garfield's Bingo and Trophy Bingo; the cost of marketing and player acquisition costs for Rooplay, Garfield's Bingo and Trophy Bingo, and the success of Rooplay, Garfield's Bingo and Trophy Bingo.

Off Balance Sheet Arrangements

We did not have any Off Balance sheet arrangements for the year ended December 31, 2017 and 2016.

AUDIT COMMITTEE

Our audit committee consists of four directors and reports to the Board of Directors. The audit committee meets regularly throughout the year and met with the independent auditors on March 20, 2018, and approved the financial statements for the year ended December 31, 2017.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

SHOAL GAMES LTD. and subsidiaries

Consolidated Financial Statements

Years ended December 31, 2017 and 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Shoal Games Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Shoal Games Ltd. (the "Company"), as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in stockholders' equity (deficiency), and cash flows for the years ended December 31, 2017 and 2016, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Shoal Games Ltd. as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years ended December 31, 2017 and 2016 in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. According, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statement. We believe that our audits provide a reasonable basis for our opinion.

"DAVIDSON & COMPANY LLP"

We have served as the Company's auditor since 2010.

Vancouver, Canada
March 20, 2018

Chartered Professional Accountants

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Telephone (604) 687-0947 Davidson-co.com

SHOAL GAMES LTD. and subsidiaries

(Expressed in United States Dollars)

Consolidated Balance Sheets

As at December 31,		2017		2016
Assets				
Current assets:				
Cash	$	478,397	$	60,190
Accounts receivable, less allowance for doubtful accounts $27,666 (2016 - $27,666) (Note 3)		15,022		17,194
Prepaid expenses (Note 4)		54,714		33,494
Total Current Assets		548,133		110,878
Equipment, net (Note 5)		9,720		10,148
Security deposits		-		8,067
Deferred tax asset, less valuation allowance of $102,809 (December 31, 2016 - $15,017) (Note 10)		-		-
Total Assets	$	557,853	$	129,093
Liabilities and Stockholders' Deficiency				
Current liabilities:				
Accounts payable	$	30,111	$	3,667
Accrued liabilities		84,081		87,959
Accounts payable and accrued liabilities - related party (Note 11)		44,185		5,356
Derivative liability – warrants (Note 2j and 8)		44,572		-
Total Current Liabilities		202,949		96,982
Promissory notes (note 7)		502,313		347,698
Total Liabilities		705,262		444,680
Commitments (Note 9)				
Stockholders' Deficiency (Note 8):				
Common stock, no par value, unlimited shares Authorized 65,169,703 shares issued and outstanding (December 31, 2016 - 59,708,318)		23,133,400		21,223,271
Accumulated deficit		(23,305,389)		(21,563,438)
Accumulated other comprehensive income:				
Foreign currency translation adjustment		24,580		24,580
Total Stockholders' Deficiency		(147,409)		(315,587)
Total Liabilities and Stockholders' Deficiency	$	557,853	$	129,093

See accompanying notes to consolidated financial statements.

SHOAL GAMES LTD. and subsidiaries

(Expressed in United States Dollars)

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31,		2017		2016
Total revenue	$	93,475	$	278,921
Cost of sales:				
Game development amortization (Note 6)		-		482,013
Total cost of sales		-		482,013
Gross income (loss)		93,475		(203,092)
Operating expenses:				
Depreciation and amortization (Note 5)		4,068		3,570
Directors fees		5,500		6,000
General and administrative		256,303		225,422
Promissory note accretion and interest (Note 7)		84,132		5,982
Provision for doubtful debts (Note 3)		-		27,666
Salaries, wages, consultants and benefits		461,416		413,166
Selling and marketing		244,810		403,523
Stock-based compensation (Note 8)		43,212		257,293
Game development (Note 6)		833,202		1,077,638
Total operating expenses		1,932,643		2,420,260
Loss before other income (expense) and income taxes		(1,839,168)		(2,623,352)
Other income (expense):				
Gain on derivative liability – warrants (Note 8)		78,712		-
Foreign exchange loss		(12,274)		(33,020)
Interest and other income		18		155
Loss on prepaid development (Note 4)		-		(498,791)
Loss before income taxes		(1,772,712)		(3,155,008)
Income tax recovery (expense) (Note 10)		30,761		(1,294)
Loss after tax	$	(1,741,951)	$	(3,156,302)
Other comprehensive income (loss)		-		-
Comprehensive income (loss)	$	(1,741,951)	$	(3,156,302)
Basic and diluted loss per common share (Note 2)	$	(0.03)	$	(0.05)
Weighted average common shares outstanding, basic (Note 2)		61,730,928		58,227,957
Weighted average common shares outstanding, diluted (Note 2)		61,730,928		58,227,957

See accompanying notes to consolidated financial statements.

SHOAL GAMES LTD. and subsidiaries

(Expressed in United States Dollars)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)

Years ended December 31, 2017 and 2016

	Common stock			Accumulated Other Comprehensive income	
	Shares	Amount	Accumulated Deficit	Foreign currency translation adjustment	Total Stockholders' Equity (Deficiency)
Balance, December 31, 2015	56,197,703	$19,334,290	($18,407,136)	$ 24,580	$951,734
Discount on promissory note	-	58,284	-	-	58,284
Private placements	3,337,934	1,562,479	-	-	1,562,479
Rights issue	172,681	80,949	-	-	80,949
Share issuance costs	-	(70,024)	-	-	(70,024)
Stock-based compensation	-	257,293	-	-	257,293
Net loss	-	-	(3,156,302)	-	(3,156,302)
Balance, December 31, 2016	59,708,318	21,223,271	(21,563,438)	24,580	(315,587)
Discount on promissory note	-	23,461	-	-	23,461
Gain on extinguishment and reissuance of promissory notes with related parties	-	94,191	-	-	94,191
Private placements	5,340,274	1,846,055	-	-	1,846,055
Exercise of Warrants	121,111	52,310	-	-	52,310
Share issuance costs	-	(25,816)	-	-	(25,816)
Stock-based compensation	-	43,212	-	-	43,212
Derivative liability – warrants	-	(123,284)	-	-	(123,284)
Net loss	-	-	(1,741,951)	-	(1,741,951)
Balance, December 31, 2017	65,169,703	$23,133,400	($23,305,389)	$ 24,580	($147,409)

See accompanying notes to consolidated financial statements.

SHOAL GAMES LTD. and subsidiaries
(Expressed in United States Dollars)

Consolidated Statements of Cash Flows

Years ended December 31,		2017		2016
Cash flows from operating activities:				
Net loss	$	(1,741,951)	$	(3,156,302)
Adjustments to reconcile net (loss) income to net cash used in operating activities:				
Depreciation and amortization		4,068		3,570
Game development amortization		-		482,013
Accretion of promissory note		84,132		5,171
Gain on derivative liability – warrants		(78,712)		-
Stock-based compensation		43,212		257,293
Changes in operating assets and liabilities:				
Accounts receivable		2,172		27,754
Prepaid expenses		(21,220)		(16,289)
Security deposits		8,067		893
Accounts payable and accrued liabilities		61,395		(80,810)
Net cash used in operating activities		(1,638,837)		(2,476,707)
Cash flows from investing activities:				
Acquisition of equipment		(3,640)		(7,404)
Net cash used in investing activities		(3,640)		(7,404)
Cash flows from financing activities:				
Private placements		1,846,055		1,562,479
Promissory note		188,135		400,811
Rights issue		-		80,949
Share issuance costs		(25,816)		(70,024)
Warrant exercised		52,310		-
Net cash provided by financing activities		2,060,684		1,974,215
Change in cash		418,207		(509,896)
Cash, beginning of year		60,190		570,086
Cash, end of year	$	478,397	$	60,190
Supplementary information:				
Interest paid	$	-	$	-
Income taxes (recovery) paid	$	(30,761)	$	1,294
Non-cash financing activity – Extinguishment and reissuance of promissory notes	$	94,191	$	-
Non-cash financing activity – Discount on related party loans	$	23,461	$	58,284
Non-cash investing activity	$	-	$	-

See accompanying notes to consolidated financial statements.

1. Introduction:

Nature of business

The primary focus of Shoal Games Ltd. (the "Company") is the development and marketing of the Rooplay edugame system for children and families. Rooplay is an advertising free platform of game content that is directed at children.

The games on the Rooplay system are designed to both entertain and educate. Children engaging with Rooplay learn technology, solve puzzles, paint pictures, practice language, learn math, and other educational games. Shoal Games is developing a content system with Rooplay that builds tech literacy and encourages early learning.

Rooplay will generate revenue for the Company from consumer subscriptions which customers pay to unlock the Rooplay game catalog.

Shoal Games' other mobile products Garfield's Bingo (www.garfieldsbingo.com), and Trophy Bingo (www.trophybingo.com), are free-to-play mobile games live in the Apple, Google and Amazon App Stores. The Company has generated its main source of revenue to-date from players making in-app purchases in Trophy Bingo and Garfield's Bingo.

Continuing operations

These consolidated financial statements have been prepared on the going concern basis, which presumes the realization of assets and the settlement of liabilities in the normal course of operations. The application of the going concern basis is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continued operations, or, in the absence of adequate cash flows from operations, obtaining additional financing. The Company has reported losses from operations for the year ended December 31, 2017 and 2016, and has an accumulated deficit of $23,305,389 as at December 31, 2017. This raises substantial doubt about the Company's ability to continue as a going concern.

In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts and settlement of the liability amounts shown in the accompanying balance sheets is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Management continues to review operations in order to identify additional strategies designed to generate cash flow, improve the Company's financial position, and enable the timely discharge of the Company's obligations. If management is unable to identify sources of additional cash flow in the short term, it may be required to further reduce or limit operations.

(Expressed in United States Dollars)

2. Summary of significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") applicable to annual financial information and with the rules and regulations of the United States Securities and Exchange Commission. The financial statements include the accounts of the Company's subsidiaries:

Company	Registered	% Owned
Shoal Media (Canada) Inc.	British Columbia, Canada	100%
Coral Reef Marketing Inc.	Anguilla	100%
Rooplay Media Ltd.	British Columbia, Canada	100%
Rooplay Media Kenya Limited	Kenya	100%
Shoal Media Inc.	Anguilla	100%
Shoal Games (UK) Plc	United Kingdom	99%
Shoal Media (UK) Ltd.	United Kingdom	100%

In addition, there are the following dormant subsidiaries; Bingo.com (Antigua) Inc., Bingo.com (Wyoming) Inc., and Bingo Acquisition Corp.

During the year ended December 31, 2016, English Bay Office Management Limited changed its name to Shoal Media (Canada) Inc. During the year ended December 31, 2016, Rooplay Media Ltd. was registered in British Columbia, Canada.

During the year ended December 31, 2017, Shoal Media UK Ltd. was incorporated under the laws of England and Wales and Rooplay Media Kenya Limited was incorporated under the laws of Kenya.

All inter-company balances and transactions have been eliminated in the consolidated financial statements.

(b) Use of estimates:

The preparation of consolidated financial statements in conformity with US GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and recognized revenues and expenses for the reporting periods.

Significant areas requiring the use of estimates include the collectibility of accounts receivable, the valuation of promissory notes, stock-based compensation and the estimated market rate of 15%, the derivative liability – warrants valuation and the valuation of deferred tax assets. Actual results may differ significantly from these estimates.

2. Summary of significant accounting policies (Continued):

(c) Revenue recognition:

Trophy Bingo and Garfield's Bingo revenues have been recognized from the sale of in-game purchases, net of platform fees, at the time of purchase by the player. The revenue from in-game advertising is recognized when advertising is served to the player.

Advertising revenues, not generated in Trophy Bingo or Garfield's Bingo, have been recognized when collection of the amounts are reasonably assured.

Rooplay revenues have been recognized when collection of the subscriptions are reasonably assured and the provision of service has occurred.

(d) Foreign currency:

The consolidated financial statements are presented in United States dollars, the functional currency of the Company and its subsidiaries. The Company accounts for foreign currency transactions and translation of foreign currency financial statements under Statement ASC 830, Foreign Currency Matters. Transaction amounts denominated in foreign currencies are translated at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities are adjusted at each balance sheet date to reflect the exchange rate at that date. Non-monetary assets and liabilities are translated at the exchange rate on the original transaction date.

Gains and losses from restatement of foreign currency monetary and non-monetary assets and liabilities are included in operations. Revenues and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings.

(e) Accounts receivable:

Trade and other accounts receivable are reported at face value less any provisions for uncollectible accounts considered necessary. Accounts receivable includes receivables from online platforms and trade receivables from customers. The Company estimates doubtful accounts on an item-by-item basis and includes over-aged accounts as part of allowance for doubtful accounts, which are generally ones that are ninety-days overdue. Bad debt expense, for the year ended December 31, 2017, was $nil (2016 - $27,666).

(f) Equipment:

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided for annually on the declining balance method over the following periods:

Equipment and computers	3 years
Furniture and fixtures	5 years

2. Summary of significant accounting policies (Continued):

(f) Equipment: (Continued)

Expenditures for maintenance and repairs are charged to expenses as incurred. Major improvements are capitalized. Gains and losses on disposition of equipment are included in operations as realized.

(g) Software Development Costs:

Software development costs incurred in the research and development of new software products and enhancements to existing software products for external use are expensed as incurred until technological feasibility has been established. After technological feasibility is established, any software development costs are capitalized and amortized at the greater of the straight-line basis over the estimated economic life of the related product or the ratio that current gross revenues for a product bear to the total of current and anticipated future gross revenues for the related product. Commencing January 1, 2014, the Company obtained technological feasibility and amortized the capitalized software development costs over a period of 3 years. The Company performs an annual review of the estimated economic life and the recoverability of such capitalized software costs, using a net realizable value test. The Company completed the amortization of the capitalized Trophy Bingo software development expenses on December 31, 2016.

If a determination is made that capitalized amounts are not recoverable based on the estimated cash flows to be generated from the applicable software, any remaining capitalized amounts are written off. Although the Company believes that its approach to estimates and judgments as described herein is reasonable, actual results could differ and the Company may be exposed to increases or decreases in revenue that could be material.

Total software development costs for the development of all three games; Rooplay, Garfield's Bingo and Trophy Bingo, were $5,768,476 as at December 31, 2017 (December 31, 2016 - $4,935,274).

(h) Advertising:

The Company expenses the cost of advertising in the period in which the advertising space or airtime is used. Advertising costs from continuing operations charged to selling and marketing expenses in 2017 totaled $244,810 (2016 - $403,523).

(i) Stock-based compensation:

The Company recognizes all stock-based compensation as an expense in the financial statements and that such cost be measured at the fair value of the award.

2. Summary of significant accounting policies (Continued):

(i) Stock-based compensation: (Continued)

The fair value of each option grant has been estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions:

	2017	2016
Expected dividend yield	-	-
Expected stock price volatility	25%	78%
Weighted average volatility	25%	78%
Risk-free interest rate	1.56%	1.9%
Expected life of options	5 years	5 years
Forfeiture rate	5%	0%

(j) Derivative liability – warrants

The warrants have an exercise price in Canadian dollars whilst the Company's functional currency is US Dollars. Therefore, in accordance with ASU 815 – Derivatives and Hedging, the warrants have a derivative liability value. This liability value has no effect on the cashflow of the Company and does not represent a cash payment of any kind.

A fair value of the derivative liability of $123,284 was been estimated on the date of the subscription using the Binomial Lattice pricing model. During the year ended December 31, 2017, there was a gain on derivative liability - warrants of $78,712 and the derivative liability – warrants value reduced to $44,572 with the following assumptions:

	December 31, 2017	June 16, 2017 Subscription date
Average stock price	CAD$0.65	CAD$0.64
Expected dividend yield	-	-
Expected stock price volatility	93.74%	33%
Risk-free interest rate	1.66%	0.71%
Expected life of warrants	0.5 year	1 year

The average stock price is calculated on the probability weighted average price of the exercise of the warrants.

(k) Impairment of long-lived assets and long-lived assets to be disposed of:

The Company accounts for long-lived assets in accordance with the provisions of ASC 360, Property, Plant and Equipment and ASC 350, Intangibles-Goodwill and Others. During the periods presented, the only long-lived assets reported on the Company's consolidated balance sheet are equipment, and security deposits. These provisions require that long-lived assets and certain identifiable recorded intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset.

2. Summary of significant accounting policies (Continued):

(k) Impairment of long-lived assets and long-lived assets to be disposed of: (Continued)

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount and the fair value less costs to sell.

(l) Income taxes:

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. The Company recognizes the income tax recovery from the receipt of tax credits upon receipt of funds. Deferred income taxes are provided based on the estimated future tax effects of temporary differences between financial statement carrying amounts of assets and liabilities and their respective tax bases, as well as the benefit of losses available to be carried forward to future years for tax purposes.

Deferred tax assets and liabilities are measured using the enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered and settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. A valuation allowance is recorded for deferred tax assets when it is not more likely than not that such future tax assets will be realized.

(m) Net (loss) income per share:

ASC 260, "Earnings Per Share", requires presentation of basic earnings per share ("Basic EPS") and diluted earnings per share ("Diluted EPS"). Basic earnings (loss) per share is computed by dividing earnings (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution, using the treasury stock method, that could occur if outstanding options or warrants were exercised and converted into common stock. In computing diluted earnings per share, the treasury stock method assumes that outstanding options and warrants are exercised and the proceeds are used to purchase common stock at the average market price during the period.

Options and warrants will have a dilutive effect under the treasury stock method only when the average market price of the common stock during the period exceeds the exercise price of the options and warrants. In periods where losses are reported, the weighted average number of common shares outstanding excludes common stock equivalents because their inclusion would be anti-dilutive. A total of 1,605,000 (2016 - 1,010,000) stock options and 5,219,163 (2016 - nil) warrants were excluded as at December 31, 2017.

(Expressed in United States Dollars)

2. Summary of significant accounting policies (Continued):

(m) Net (loss) income per share: (Continued)

The earnings per share data for the year ended December 31, 2017 and 2016 are summarized as follows:

		2017		2016
Loss for the year	$	(1,741,951)	$	(3,156,302)
Basic and diluted weighted average number of common shares outstanding		61,730,928		58,227,957
Basic and diluted (loss) earnings per common share outstanding	$	(0.03)	$	(0.05)

(n) New accounting pronouncements and changes in accounting policies:

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers and issued subsequent amendments to the initial guidance in August 2016, March 2016, April 2016, and May 2016 within ASU 2016-04, ASU 2016-08, ASU 2016-10, ASU 2016-11 and ASU 2016-12, respectively. The guidance in this update supersedes the revenue recognition requirements in ASC 605, Revenue Recognition, and most industry-specific guidance throughout the Codification. Additionally, this update supersedes some cost guidance included in ASC 605-35, Revenue Recognition - Construction-Type and Production-Type Contracts. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (for example, assets within the scope of ASC 360, Property, Plant, and Equipment, and intangible assets, within the scope of ASC 350, Intangibles - Goodwill and Other) are amended to be consistent with the guidance on recognition and measurement in this update. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity should also disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard was to be effective for the Company as of January 1, 2017, but in August 2016, the FASB delayed the effective date of the new revenue accounting standard to January 1, 2019, and would permit early adoption as of the original effective date. Earlier adoption is not otherwise permitted for public entities. An entity can apply the revenue standard retrospectively to each prior reporting period presented (full retrospective method) or retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application in retained earnings (modified retrospective method). The Company is currently assessing the impact of this update on its consolidated financial statements. The Company adopted ASC 2014-09 as of January 1, 2018 using the modified retrospective method. The new standard will therefore be applied to all contracts not completed as of January 1, 2018. The Company does not believe the adoption

2. Summary of significant accounting policies (Continued):

(n) New accounting pronouncements and changes in accounting policies: (Continued)

of ASC 606 will have a material impact to its results of operations or cash flows.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"), which requires that equity investments, except for those accounted for under the equity method or those that result in consolidation of the investee, be measured at fair value, with subsequent changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. ASU 2016-01 also impacts the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted only for certain provisions. The Company does not expect that the adoption of ASU 2016-01 will have a material effect on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize most leases on the balance sheet. This ASU requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. The ASU does not significantly change the lessees' recognition, measurement and presentation of expenses and cash flows from the previous accounting standard. Lessors' accounting under the ASC is largely unchanged from the previous accounting standard. In addition, the ASU expands the disclosure requirements of lease arrangements. Lessees and lessors will use a modified retrospective transition approach, which includes a number of practical expedients. The provisions of this guidance are effective for annual periods beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. Management is evaluating the requirements of this guidance and has not yet determined the impact of the adoption on the Company's financial position or results of operations.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". The accounting standard changes the methodology for measuring credit losses on financial instruments and the timing when such losses are recorded. ASU No. 2016-13 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. Early adoption is permitted for fiscal years, and interim periods within those years, beginning after December 15, 2018. The Company is currently evaluating the impact of ASU No. 2016-13 on its financial position, results of operations and liquidity.

2. Summary of significant accounting policies (Continued):

(n) New accounting pronouncements and changes in accounting policies: (Continued)

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows (Topic 230)". The new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. ASU No. 2016-15 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted, provided that all of the amendments are adopted in the same period. The guidance requires application using a retrospective transition method. The Company adopted ASC 2014-09 as of January 1, 2018. The impact of ASU 2016-15 will be the disclosure of the interest on the promissory note in the Statement of Cash Flows. The Company will reclassify \$11,289 (2016 - \$811) of interest relating to the principal portion of the promissory note from net cash used in operating activities to cash flows from financing activities. The Company does not expect ASU 2016-15 to have any other material impact on its consolidated financial statements.

In October 2016, FASB issued ASU No. 2016-16, Income Taxes (Topic 740). The standard improves the accounting for income tax consequences of intra-entry transfers of assets other than inventory. This pronouncement is effective for annual reporting periods beginning after December 15, 2017. The amendments in this ASU should be applied using a modified retrospective approach. The Company adopted ASU 2016-16 on January 1, 2018 and it did not have an impact on its consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting. The new standard provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. This pronouncement is effective for annual reporting periods beginning after December 15, 2017 but early adoption is permitted. The Company adopted ASU 2017-09 on January 1, 2018 and it did not have an impact on its consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 850), the objective of which is to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. In addition, the amendments in this Update make certain targeted improvements to simplify the application and disclosure of the hedge accounting guidance in current general accepted accounting principles. This pronouncement is effective for public entities for fiscal years beginning after December 15, 2018. Early application is permitted in any period after issuance. For cash flow and net investment hedges existing at the date of adoption, an entity should apply a cumulative-effect adjustment related to eliminating the separate measurement of ineffectiveness to accumulated other comprehensive income with a corresponding adjustment to the opening balance of retained earnings as of the beginning of the fiscal year

2. Summary of significant accounting policies (Continued):

(n) New accounting pronouncements and changes in accounting policies: (Continued)

that an entity adopts the amendments in this Update. The amended presentation and disclosure guidance is required only prospectively. The Company is currently evaluating the impact of adopting this guidance on its financial position, results of operations and liquidity.

In February 2018, FASB issued Accounting Standards Update ("ASU") 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" to address a narrow-scope financial reporting issue that arose as a consequence of the change in the tax law. On December 22, 2017, the U.S. federal government enacted a tax bill, H.R.1, An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (Tax Cuts and Jobs Act of 2017). The ASU permits a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate. The amount of the reclassification would be the difference between the historical corporate income tax rate of 34% and the newly enacted 21% corporate income tax rate. ASU 2018-02 is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years with early adoption permitted, including adoption in any interim period, for (i) public business entities for reporting periods for which financial statements have not yet been issued and (ii) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The changes are required to be applied retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act of 2017 is recognized. The Company is currently evaluating the impact of adopting this guidance.

In February 2018, FASB issued ASU 2018-03, “Technical Corrections and Improvements to Financial Instruments (Subtopic 825-10) – Recognition and Measurement of Financial Assets and Financial Liabilities”. This update was issued to clarify certain narrow aspects of guidance concerning the recognition of financial assets and liabilities established in ASU No. 2016-01, “Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities”. This includes an amendment to clarify that an entity measuring an equity security using the measurement alternative may change its measurement approach to a fair valuation method in accordance with Topic 820, Fair Value Measurement, through an irrevocable election that would apply to that security and all identical or similar investments of the same issued. The update is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years beginning after June 15, 2018. The Company is currently assessing the impact that adopting this new accounting standard will have on our consolidated financial statements.

2. Summary of significant accounting policies (Continued):

(m) New accounting pronouncements and changes in accounting policies: (Continued)

There have been no other recent accounting standards, or changes in accounting standards, during the year ended December 31, 2017, as compared to the recent accounting standards described in the Annual Report, that are of material significance, or have potential material significance, to us.

(o) Financial instruments:

(i) Fair values:

The fair value of accounts receivable, accounts payable, accrued liabilities and accounts payable and accrued liabilities - related party approximate their financial statement carrying amounts due to the short-term maturities of these instruments. Cash is carried at fair value using a level 1 fair value measurement.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves.

Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and included situations where there is little, if any, market activity for the asset. The Company's cash was measured using Level 1 inputs. Stock-based compensation and derivative liability – warrants were measured using Level 2 inputs.

The Company deemed a fair value of the promissory notes by discounting the notes in a manner that reflects the entity's borrowing rate when interest cost is recognized in subsequent periods. The Company applied level 3 inputs by applying an estimated market rate of 15% to the promissory notes. In doing so, the Company used the discounted cash flow approach to value the present value of the notes.

(ii) Foreign currency risk:

The Company operates internationally, which gives rise to the risk that cash flows may be adversely impacted by exchange rate fluctuations. The Company has not entered into any forward exchange contracts or other derivative instrument to hedge against foreign exchange risk.

(Expressed in United States Dollars)

3. Accounts Receivable:

The accounts receivable as at December 31, 2017, is summarized as follows:

		2017		2016
Accounts receivable	$	42,688	$	44,860
Provision for doubtful accounts		(27,666)		(27,666)
Net accounts receivable	$	15,022	$	17,194

The Company had bank accounts with the National Bank of Anguilla. During the year ended December 31, 2016, the National Bank of Anguilla filed for chapter 11 protection. The Company expensed the balance on account of $27,666 in fiscal 2016 as a doubtful debt.

4. Prepaid expenses

During the year ended December 31, 2016, the Company had prepaid for future development expenses for Garfield's Bingo and Trophy Bingo. As at August 31, 2016, Roadhouse Interactive Limited, the Company's outsourced developer of Trophy Bingo and Garfield's Bingo was placed in receivership. The Company immediately hired the key developers to continue development of the Company's products in-house. Shoal Games owned all the source code and art works for the Company's products.

		2016
Prepaid development paid	$	863,660
Expensed during the year		(364,869)
Loss on prepaid development		(498,791)
Net prepaid development	$	-

The Company has other prepaid expenses of $54,714 (2016 - $33,494) including prepaid licenses fees of $33,502 (2016 - $7,835) for the year ended December 31, 2017.

(Expressed in United States Dollars)

5. Equipment:

2017		Cost		Accumulated depreciation		Net book Value
Equipment and computers	$	116,444	$	107,444	$	9,000
Furniture and fixtures		7,541		6,821		720
	$	123,985	$	114,265	$	9,720

2016		Cost		Accumulated depreciation		Net book Value
Equipment and computers	$	112,804	$	103,555	$	9,249
Furniture and fixtures		7,541		6,642		899
	$	120,345	$	110,197	$	10,148

Depreciation expense was $4,068 (2016 - $3,570) for the year ended December 31, 2017.

6. Game development assets:

During the year ended December 31, 2012, the Company commenced development of a social bingo game, Trophy Bingo. During the year ended December 31, 2014, the Company soft launched Trophy Bingo. The Company ceased to capitalize the development costs and commenced the amortization of the capitalized development costs over a period of three years. As at December 31, 2016, the capitalized development costs were amortized in full.

December 31, 2016		Capitalized Expenses		Accumulated amortization		Net book Value
Capitalized development expenses	$	1,446,038	$	1,446,038	$	-

During the year ended December 31, 2016, the Company obtained the license to develop Garfield's Bingo. The game was launched in November 2016. In addition, during the year ended December 31, 2016, the Company obtained the license for Rooplay. The Company commenced development of the Rooplay platform. During the year ended December 31, 2017 and 2016, the Company has expensed the development costs of all three products as incurred and has expensed the following development costs for its three products.

		2017		2016
Opening total game development costs	$	4,935,274	$	3,857,636
Game development during the year		833,202		1,077,638
Closing total game development costs	$	5,768,476	$	4,935,274

(Expressed in United States Dollars)

7. Promissory notes:

The Company has issued unsecured promissory notes from shareholders of the Company. The notes were repayable on March 31, 2018. The interest on the notes are 2% per annum, calculated and compounded annually and paid annually. Interest in arrears shall accrue interest. The unpaid principal amount due hereunder may be reduced to zero from time to time without affecting the validity of this note.

The promissory notes are accounted for by discounting the notes in a manner that reflects the entity's borrowing rate when interest cost is recognized in subsequent periods. The Company applied an estimated market rate of 15% to the promissory notes. In doing so, the Company used the discounted cash flow approach to value the present value of the notes. The cash flow stream from the coupon interest payments and the final principal payment were discounted at 15% to arrive at the valuations. The Company used a deemed rate of 15% as the appropriate discount rate after examining the interest rates for similar instruments issued in the same time frame for similar companies without the conversion feature. During the year ended December 31, 2017, the Company issued $188,135 (2016 - $400,000) promissory notes and recognized a discount on the promissory notes of $23,461 (2016 - $58,284) and $72,844 (2016 - $5,171) of interest accretion.

On March 31, 2017, the maturity date on the promissory notes was extended to April 1, 2020. The Company treated the change as an extinguishment and reissuance of the notes. The Company recognized a discount on the promissory notes of $94,191 from the extinguishment and reissuance of the notes through equity since the notes are from related parties.

		2017		2016
Opening balance	$	347,698	$	-
Promissory note issued		188,135		400,000
Discount on promissory note		(23,461)		(58,284)
Gain on extinguishment and reissuance of promissory notes with related parties		(94,191)		-
Extinguishment of promissory notes to related parties		(418,181)		-
Reissuance of promissory notes to related parties		418,181		-
Accrued interest		11,288		811
Interest accretion		72,844		5,171
Closing balance	$	502,313	$	347,698

8. Stockholders' deficiency:

The holders of common stock are entitled to one vote for each share held. There are no restrictions that limit the Company's ability to pay dividends on its common stock. The Company has not declared any dividends since incorporation. The Company's common stock has no par value per common stock.

(a) Common stock issuances:

Fiscal 2017

In December 2017, two warrant holders exercised their warrants and acquired 121,111 common shares of the Company at CAD$0.55 (approximately $0.43) per share totaling $52,310.

In October 2017, the Company closed a TSX Venture Exchange approved non-brokered private placement financing totaling $45,011. The private placement consisted of 128,600 units priced at $0.35 per unit. Each Unit was comprised of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share of the Company for 12 months following closing. The exercise price of the warrants is $0.44 per share for the first six months following closing and $0.52 per share for the period which is 7-12 months following closing.

In September 30, 2017, the Company closed a TSX Venture Exchange approved non-brokered private placement financing totaling $1,010,763. The private placement consisted of 2,887,895 units priced at $0.35 per unit. Each Unit was comprised of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share of the Company for 12 months following closing. The exercise price of the warrants is $0.44 per share for the first six months following closing and $0.52 per share for the period which is 7-12 months following closing.

In ended June 2017, the Company closed a TSX Venture Exchange approved non-brokered private placement financing totaling CAD$1.045 million (approximately $790,281). The private placement consisted of 2,323,779 units priced at CAD$0.45 ($0.34) per unit. Each Unit was comprised of one common share and one share purchase warrant. Each share purchase warrant is exercisable into one common share of the Company for 12 months following closing. The exercise price of the warrants is CAD$0.55 per share for the first six months following closing and CAD$0.65 per share for the period which is 7-12 months following closing.

The Company incurred issuance costs of $25,816 (2016 - $70,024) from the private placements and warrant exercise.

Fiscal 2016

During the year ended December 31, 2016, the Company had a private placement with two closings for a total of 3,337,934 common shares at CAD$0.60 per share, which raised

(Expressed in United States Dollars)

8. Stockholders' deficiency: (Continued)

(a) Common stock issuances: (Continued)

proceeds of $1,562,479 (CAD$2,002,760). The Company incurred issuance costs of $33,876.

On October 11, 2016, the Company closed its rights issue raising $80,949 (CAD$107,168) from the issuance of 172,681 common shares at an average price of CAD$0.626 per share. The Company incurred issuance costs of $36,148.

Fiscal 2018
Subsequent to the year ended December 31, 2017, a warrant holder exercised their warrant for 15,000 shares at $0.44 per share raising a total of $6,600.

Subsequent to the year ended December 31, 2017, the Company closed a TSX Venture Exchange approved private placement financing totaling $2,551,500. The private placement consisted of 7,290,000 shares priced at $0.35 per share. Pursuant to the private placement the Company shall pay a commission of $253,750.

(b) Warrants

A summary of warrant activity for the warranty for the years ended December 31, 2017 and 2016 are as follows:

	Number of options		Exercise price	Expiry date
Outstanding, December 31, 2016 and 2015	-	$	-	
Granted	2,323,779		0.43 – 0.49	June 15, 2018
Granted	2,887,895		0.44 – 0.52	September 28, 2018
Granted	128,600		0.44 – 0.52	October 26, 2018
Exercised	(121,111)		(0.43)	June 15, 2018
Outstanding December 31, 2017	5,219,163		0.48	

(c) Stock option plans:

2015 stock option plan
In the year ended December 31, 2015, the shareholders approved the 2015 stock option plan and the 1999, 2001 and the 2005 plans were discontinued. The 2015 stock option plan is intended to provide incentive to employees, directors, advisors and consultants of the Company to encourage proprietary interest in the Company, to encourage such employees to remain in the employ of the Company or such directors, advisors and consultants to remain in the service of the Company, and to attract new employees, directors, advisors and consultants with outstanding qualifications. The maximum number of shares issuable under the Plan shall not exceed 10% of the number of Shares of the Company issued and outstanding as of each Award Date unless shareholder approval is obtained in advance in accordance unless shareholder approval is obtained in advance in accordance. The Board of Directors determines the terms of the options granted, including the number of options

(Expressed in United States Dollars)

8. Stockholders' deficiency: (Continued)

(c) Stock option plans: (Continued)

granted, the exercise price and their vesting schedule. The maximum term possible is 10 years. Under the 2015 plan we have reserved 10% of the number of Shares of the Company issued and outstanding as of each Award Date.

During the year ended December 31, 2017, the Company granted 725,000 (2016 - 1,010,000) options with an exercise price of CAD$0.54 (approximately $0.42) (2016 – CAD$054, approximately $0.42) per share, expiring November 8, 2022 (2016 - December 20, 2021). As at December 31, 2017, there were a total of 1,605,000 stock options (2016 – 1,010,000) outstanding. During the year ended December 31, 2017, there were nil options exercised (2016 - nil) and 130,000 options expired unexercised (2016 – nil).

Of the options outstanding at December 31, 2017, a total of 1,230,000 (2016 -1,010,000) were fully vested and a total of 375,000 (2016 - nil) were issued where 10% vests at the grant date, 15% one year following the grant date and 2% per month starting 13 months after the grant date. A total of 1,267,500 (2016 – 1,010,000) of these common stock purchase options had vested at December 31, 2017.

A summary of stock option activity for the stock option plans for the years ended December 31, 2017 and 2016 are as follows:

	Number of options		Weighted average exercise price
Outstanding, December 31, 2015	-	$	-
Granted	1,010,000		0.42
Exercised	-		-
Outstanding, December 31, 2016	1,010,000		0.42
Granted	725,000		0.42
Exercised	-		-
Cancelled	(130,000)		(0.42)
Outstanding December 31, 2017	1,605,000	$	0.42

The aggregate intrinsic value for options as of December 31, 2017 was $nil (2016 - $nil).

The following table summarizes information concerning outstanding and exercisable stock options at December 31, 2017:

Range of exercise prices per share	Number outstanding	Number exercisable	Expiry date
$ 0.42	880,000	880,000	December 20, 2021
0.42	725,000	387,500	November 8, 2022
	1,605,000	1,267,500	

(Expressed in United States Dollars)

8. Stockholders' deficiency: (Continued)

(c) Stock option plans: (Continued)

The Company recorded stock-based compensation of $43,212 on the 725,000 options granted and vested (2016 – $257,293) and as per the Black-Scholes option-pricing model, with a weighted average fair value per option of $0.13 (2016 - $0.34).

Subsequent to the year ended December 31, 2017, 40,000 options were cancelled unexercised.

(d) Escrow shares

In conjunction with the Listing Application for the TSX-V listing, the Company's major shareholders were required to place 33,909,104 common shares of the Company in escrow under the terms of a TSX-V Tier 1 issuer. The escrow shares were released in thirty three percent (33%) tranches on the dates that were six, twelve and eighteen months after the listing date (July 2, 2015).

The Escrow Shares were released as follows:

	Number of shares
Balance December 31, 2015	22,606,069
Released in 2016	(22,606,069)
Balance December 31, 2016	-

9. Commitments:

The Company leases office facilities in Vancouver, British Columbia, Canada, and The Valley, Anguilla, British West Indies. These office facilities are leased under operating lease agreements. The Canadian operating lease expired on December 31, 2016, but unless 30 day notice is given this lease automatically renews for a future 3 months until notice is given. The Anguillan operating lease expired on April 1, 2011 but unless 3 month's notice is given it automatically renews for a future 3 months until notice is given.

Minimum lease payments under these operating leases are approximately as follows:

2018	$	1,478
2019		-

The Company paid rent expense totaling $19,018 for the year ended December 31, 2017 (2016 - $26,152).

The Company has a management consulting agreement with T.M. Williams (Row), Inc., an Anguilla incorporated company, and Mr. T. M. Williams. During the year ended December 31, 2014, the Company amended a previous agreement with Mr. T. M. Williams to provide for a

(Expressed in United States Dollars)

9. Commitments: (Continued)

consultancy payment of 2.5% of the monthly social bingo business with a minimum of $11,000 and a maximum of $25,000 per month.

During the year ended December 31, 2014, the Company entered into an agreement with Jayska Consulting Ltd. and Mr. J. M. Williams, Chief Executive Officer of the Company for the provision of services of Mr. J. M. Williams as Chief Executive Officer of the Company. The Consulting agreement provides for a consultancy payment of GBP£5,000 per month. In addition, during the year ended December 31, 2014, the Company entered into an agreement with LVA Media Inc. and Mr. J. M. Williams, for the provision of services of Mr. J. M. Williams as Chief Executive Officer of the Company. The Consulting agreement provides for a consultancy payment of 2.5% of the monthly social bingo business with a minimum of $7,500 and a maximum of $25,000 per month.

As at December 31, 2017, the Company had a number of renewable license commitments with large brands, including, Garfield, Moomins, Mr Men and Little Miss, Mr. Bean, Peter Rabbit and the Winx club. These agreements have commitments to pay royalties on the revenue from the licenses subject to the following minimum guarantee payments:

2018	$	31,418
2019		30,585
2020		3,000

The Company expensed the minimum guarantee payments over the life of the agreement and recognized license expense of $12,888 (2016 - $499) for the year ended December 31, 2017.

10. Income taxes:

The Company is domiciled in the tax-free jurisdiction of Anguilla, British West Indies. The computed benefit / expense differed from the amounts computed by applying the United States of America federal income tax rate of 34% and various other rates for other jurisdictions to the pretax income / losses from operations as a result of the following:

		2017		2016
Computed “expected” tax benefit (expense)	$	592,264	$	1,072,702
Reduction in income taxes resulting from income taxes in other tax jurisdictions		(494,697)		(1,072,270)
Other		(30)		(35)
Change in taxation rates in other jurisdictions		-		-
Change in exchange rates		21,016		1,190
Change in valuation allowance		(87,792)		(2,881)
	$	30,761	$	(1,294)

(Expressed in United States Dollars)

10. Income taxes: (Continued)

The Tax Cuts and Jobs Act ("Tax Act") was signed into law on December 22, 2017. Included as part of the law, was a permanent reduction in the federal corporate income tax rate from 34% to 21% effective January 1, 2018.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2017 and 2016 are presented below:

		2017		2016
Deferred tax assets:				
Net operating loss carry forwards	$	102,809	$	15,017
Valuation Allowance		(102,809)		(15,017)
	$	-	$	-

The valuation allowance for deferred tax assets as of December 31, 2017 and 2016, was $102,809 and $15,017, respectively. The net change in the total valuation allowance was an increase of $87,792 for the year ended December 31, 2017, and a decrease of $2,881 for the year ended December 31, 2016.

As at December 31, 2017, the Company's had $207,497 of non-capital losses expiring through December 31, 2037.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those differences become deductible.

Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in assessing the realizability of deferred tax assets.

During the year ended December 31, 2017, Shoal Media (Canada) Inc., a subsidiary of Shoal Games Ltd., received the British Columbia Interactive Digital Media Tax Credit of CAD$39,919 ($30,761) for the year ended December 31, 2016 from the British Columbia Provincial Government. The Company recognized this tax credit as a recovery of income tax expense on the statement of operations upon receipt of funds.

11. Related party transactions:

The Company has a liability of $33,000 (2016 - $nil) to a company owned by a current director and officer of the Company for payment of consulting fees of $132,000 (2016 - $132,000) by the current director and officer of the Company.

The Company has a liability of $97 (2016 - $nil) to a current director and officer of the Company for expenses incurred.

The Company has a liability of $3,982 (2016 - $2) to a current director and officer of the Company for expenses incurred.

11. Related party transactions: (Continued)

The Company has a liability of $nil (2016 - $nil) to a company owned by a current director and officer of the Company for payment of consulting fees of $77,310 (2016 - $81,285) by the current director and officer of the Company.

The Company has a liability of $nil (2016 - $nil) to a company owned by a current director and officer of the Company for payment of consulting fees of $90,000 (2016 - $90,000) by the current director and officer of the Company.

The Company has a liability of $nil (2016 - $2) to a company owned by a previous director of the Company for payment of consulting fees of $nil (2016 - $8,378) by the previous director of the Company.

The Company has a liability of $1,000 (2016 - $500), to independent directors of the Company for payment of consulting fees. During the year ended December 31, 2017, the Company paid $5,500 (2016 - $6,000) to the independent directors in director fees.

The Company has a liability of $6,106 (2016 - $4,852), to an officer of the Company for payment of consulting fees and expenses incurred of $93,078 (2016 - $63,655) by the officer of the Company.

The Company has promissory notes totaling $600,235 (2016 - $400,811), including interest, from shareholders holding more than 10% of the Company. The interest on the notes are 2% per annum, calculated and compounded annually and accrued.

During the year ended December 31, 2017, the directors and shareholders holding more than 10% of the Company's shares subscribed for 1,200,000 units totaling CAD$540,000 ($408,102) in the private placement.

During the year ended December 31, 2017, the Company granted 125,000 (2016 - 500,000) options with an exercise price of CAD$0.54 (approximately $0.42) for both fiscal 2017 and fiscal 2016 per share to related parties. The Company expensed $13,110 (2016 - $127,373) in stock-based compensation for these options granted to related parties.

The Company has a receivable of $2,630 (2016 - $nil) from a company of which a current director of the Company is a director.

The related party transactions are in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related party.

(Expressed in United States Dollars)

12. Segmented information:

The Company operates in one reportable business segment, the sale of in-app purchases on Trophy Bingo and Garfield's Bingo.

The Company had the following revenue by geographical region.

		2017		2016
Total revenue from continuing operations				
Western Europe	$	10,940	$	33,239
Central, Eastern and Southern Europe		486		118
Nordics		875		1,355
North America		63,155		220,088
Other		18,019		24,121
Total revenue	$	93,475	$	278,921

Equipment

The Company's equipment is located as follows:

Net Book Value		2017		2016
Anguilla	$	552	$	828
Canada		8,353		8,097
United Kingdom		815		1,223
	$	9,720	$	10,148

13. Concentrations:

Major customers

During the year ended December 31, 2017 and 2016, the Company sold subscriptions on its site Rooplay and sold in-app purchases on its social bingo sites, Trophy Bingo and Garfield's Bingo and Rooplay Originals. There was no single player who had purchased more than 10% of the Rooplay, Trophy Bingo and Garfield's Bingo revenue. The Company is reliant on the Google App, iOS App and Amazon App Stores to provide a platform for Rooplay, Trophy Bingo and Garfield's Bingo to be played thereon.

During the year ended December 31, 2017 and 2016, the Company offered limited advertising. The Company is reliant on one sales customer who provides the advertising revenue.

14. Concentrations of credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash with high quality financial institutions and limits the amount of credit exposure with any one institution.

The Company currently maintains a substantial portion of its day-to-day operating cash balances at financial institutions. At December 31, 2017, the Company had total cash balances of $478,397 (2016 - $60,190) at financial institutions, where $336,756 (2016 - $nil) is in excess of federally insured limits.

14. Concentrations of credit risk: (Continued)

The Company has concentrations of credit risk with respect to accounts receivable, the majority of its accounts receivable are concentrated geographically in the United States amongst a small number of customers.

As of December 31, 2017, the Company had three customers, totaling $9,066 who accounted for greater than 10% of the total accounts receivable. As of December 31, 2016, the Company had four customers, totaling $13,300 who accounted for greater than 10% of the total accounts receivable.

The Company controls credit risk through monitoring procedures and receiving prepayments of cash for services rendered. The Company performs credit evaluations of its customers but generally does not require collateral to secure accounts receivable.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

On February 4, 2010, we engaged Davidson & Company LLP, as its independent registered public accounting firm, to audit our financial statements. The decision to engage Davidson & Company LLP was approved by our Board of Directors at a Board meeting called for such purpose.

There have not been any changes in accountants for the years ended December 31, 2017 and 2016.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Management's responsibility

Our management acknowledges its responsibility for establishing and maintaining adequate internal control over financial reporting of the Company.

(b) Evaluation of disclosure controls and procedures.

Our management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the disclosure controls and procedures of the Company within 90 days prior to the date of this report, and found them to be operating efficiently and effectively to ensure that information required to be disclosed by us under the general rules and regulations promulgated under the Securities Exchange Act of 1934, is recorded, processed, summarized and reported, within the time periods specified by rules and regulations of the SEC.

These disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us is accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate to allow timely decisions regarding required disclosure. However our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management evaluated of the effectiveness of the Company's design and operation of its disclosure controls and procedures as defined in Exchange Act Rule 13a-15(f), based on the framework set forth in the Internal Control—Integrated Framework (1992) issued by the by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation, we believe that, as of December 31, 2017, the Company's internal control over financial reporting is effective under the COSO framework.

(c) Changes in internal controls.

There were no significant changes in our internal controls or other factors that could significantly affect our internal controls during the year ended December 31, 2017, and to the date of filing this annual report.

ITEM 9B - OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

DIRECTORS AND EXECUTIVE OFFICERS

Our directors and executive officers as at December 31, 2017, are as follows:

Name	Age	Position	Audit Committee	Governance Committee	Compensation Committee
T. M. Williams	77	Executive Chairman	X		X
J. M. Williams	42	Chief Executive Officer	X	X	
F. Curtis	53	Non Executive Director	X	X*	X*
W. Moore	50	Non Executive Director	X*	X	X
H. W. Bromley	47	Chief Financial Officer			

X* - Chairman of Committee

T. M. Williams has served as President, Chief Executive Officer and Chairman from August 20, 2001 until June 16, 2011. Since June 16, 2011, Mr. Williams has served as the Executive Chairman. Since 1984, Mr. Williams has served as a principal of T.M. Williams (ROW), Inc., a private consulting firm, and from 1993 until 2008, was Adjunct Professor, Faculty of Commerce and Business Administration at the University of British Columbia. From 1988 to 1991, he was President and Chief Executive Officer of Distinctive Software, Inc. in Vancouver, BC, and, upon the acquisition of that company by Electronic Arts Inc., North America's largest developer of entertainment software, he became President and Chief Executive Officer of Electronic Arts (Canada) Inc., where he continued until 1993. From 1995 to 2012, Mr. Williams was a director of YM Biosciences, Inc., a biotechnology company, until its acquisition by Gilead Sciences, Inc. In addition, he is a director of several other private corporations.

Mr. J. M. Williams has served as Vice President, Business Development and Marketing Director from September 2001 until June 16, 2011. Mr. J.M. Williams has been a director since July 26, 2007. Since June 16, 2011, Mr. J. M. Williams has served as the President and Chief Executive Officer. Prior to his employment with Shoal Games Ltd., he was a Business Analyst with Blue Zone Inc. (a technology company) and RBC Dominion Securities. Mr. J. M. Williams has a bachelor of Commerce degree from the University of Victoria and a Masters of Business Administration degree, specializing in strategic marketing, from the University of Warwick. Mr. J. M. Williams is the son of Mr. T. M. Williams, the Company's Executive Chairman.

Ms. F. Curtis has served as a director since June 10, 2009. She has served as Compliance Officer and General Corporate Secretary for Counsel Limited, an Anguillian financial services corporation, since 2006. Ms. Curtis has been working in the financial services industry since 1990. She started at the brokerage firm, Burns Fry, in Toronto (now Nesbitt Burns, Bank of Montreal). She completed her Canadian Securities Course and became a licensed Securities Broker in 1992. She was educated in England, and attended the University of Toronto, Canada for her undergraduate degree. Ms. Curtis's MBA in Finance & International Affairs was granted by the Rotman School of Business, University of Toronto.

Mr. W. G. Moore has served as director since November 7, 2016. He brings 28 years experience in sector leading entertainment businesses to Shoal Games Ltd. He has a track record in corporate strategy, corporate finance, investor relations, business model innovation and leading complex multi-stakeholder projects. After a decade leading global projects for Virgin EMI and Polygram he spent 16 years as a media and entertainment management consultant including leading an international management consultancy. Will holds a 1st class MBA from Henley Business School with a distinction for his thesis on 'business model innovation in technology start-ups'. He is Chief

Executive Officer of 50cc Games Ltd. & Nodding Frog Limited and Non-Exec Director to a small portfolio of technology businesses.

Mr. H. W. Bromley has served as our Chief Financial Officer since July 2002. From 2000 to 2001, Mr. Bromley was a Director and the Group Financial Officer for Agroceres & Co. Ltd. From 1995 - 1999, he was an employee of Ernst & Young working in South Africa and in the United States of America. Mr. Bromley has in addition worked for CitiBank, Unilever PLC, Gerrard and CellStop Systems Inc. Mr. Bromley is a Chartered Accountant.

COMPOSITION OF OUR BOARD OF DIRECTORS

We currently have four directors. All directors currently hold office until the next annual meeting of stockholders or until their successors have been elected and qualified. Our officers are appointed annually by the Board of Directors and hold office until their successors are appointed and qualified. Pursuant to the Company's by-laws, the number of directors shall be increased or decreased from time-to-time by resolution of the Board of Directors or the shareholders. Mr. J. M. Williams is the son of Mr. T. M. Williams. There are no other family relationships between any of the officers and directors of the Company.

COMMITTEES OF OUR BOARD OF DIRECTORS

We currently have three committees of our Board of Directors.

- Audit Committee - This committee will review the financial statements of the Company and propose to the board to approve the financial statements. The Committee meets quarterly to review and approve the quarterly financial statements and to discuss the affairs of the company with the auditors.
- Governance Committee - This committee reviews the ethics policy of the Company and ensures compliance. It will make recommendations to the board for improvement in Corporate Governance. In addition it will be this committee to whom a whistle blower will report.
- Compensation Committee - This committee will propose the appointment and remuneration of the Chief Executive Officer including salary, stock options, and bonuses.

BOARD OF DIRECTORS MEETINGS

Our Board of Directors met, in person or by phone, four times during the last fiscal year and it regularly approves all material actions required by consent resolutions.

CODE OF ETHICS

On December 21, 2006, the Board of Directors of Shoal Games Ltd. (the "Board") adopted a new Code of Business Conduct and Ethics (the "Code"), which applies to the Company's directors, officers and employees. The Code was adopted to further strengthen the Company's internal compliance program. The Code addresses among other things, honesty and integrity, fair dealing, conflicts of interest, compliance with laws, regulations and policies, including disclosure requirements under the federal securities laws, and administration of the code. The code is available at the Company's website at http://investor.shoalgames.com/ under Corporate Governance. A copy of our Code of Ethics is available upon request at no charge to any shareholder.

DIRECTOR COMPENSATION

The Non Executive Directors receive a cash compensation for their services as members of the Board of Directors based on a compensation per meeting. During the year ended December 31, 2017, the Non Executive Directors collectively received compensation of $5,500 (Fiscal 2016 - $6,000). The Executive directors currently do not receive cash compensation for their services as members of the Board of Directors. In addition, both the Non Executive and the Executive Directors are reimbursed for expenses in connection with attendance at Board of Directors meetings and specific business meetings. Directors are eligible to participate in our stock option plans. Option grants to directors are at the discretion of the Board of Directors acting upon the recommendation of the Compensation committee.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission (the "SEC") initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

Our officers, directors and greater than ten percent beneficial owners filed in a timely manner in accordance with Section 16(a) filing requirements.

ITEM 11. EXECUTIVE COMPENSATION

The following table describes the compensation we paid to our Chief Executive Officer and directors (the "Named Executive Officer").

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-term		
Name and Principal Position	Year	Fees $	Bonus $	Other Annual Compensation $	Restricted Stock Awards $	Securities Underlying Options / SARs (#)	All Other Compensation $
T.M. Williams -	2017	132,000	-	-	-	25,000	-
Executive	2016	132,000	-	-	-	100,000	-
Chairman (1)	2015	132,000	-	-	-	-	-
J. M. Williams	2017	167,310	-	-	-	25,000	-
CEO (2)	2016	171,285	-	-	-	100,000	-
	2015	181,734	-	-	-	-	-
H. W. Bromley	2017	93,078	-	-	-	25,000	-
CFO (3)	2016	63,655	-	-	-	100,000	-
	2015	62,719	-	-	-	-	-

(1) All of the compensation paid to the Named Executive Officer is paid to T.M. Williams (Row), Ltd. for the services of Mr. T. M. Williams. See additional discussion in Employment Arrangements section of Item 11 of this report.

(2) All of the compensation paid to the Named Executive Officer is paid to LVA Media Inc. for the services of Mr. J. M. Williams as CEO of the Company and Jayska Consulting Ltd for the marketing services of Mr. J. M. Williams. See additional discussion in Employment Arrangements section of Item 11 of this report.

(3) All of the compensation paid to the Named Executive Officer is paid to Bromley Accounting Services Ltd. for the services of Mr. H. W. Bromley.

OPTION GRANTS IN THE LAST FISCAL YEAR

During the year ended December 31, 2017, the Company granted 725,000 options (2016 – 1,010,000) with an exercised price of CAD$0.54 (approximately US$0.42) per share.

During the year ended December 31, 2017, nil (2016 – nil) options were exercised. During the year ended December 31, 2017, 130,000 (2016 – nil) options were cancelled.

STOCK OPTION PLANS

In the year ended December 31, 2015, the 1999, 2001 and 2005 Stock Option Plans were discontinued and replaced with the 2015 Stock Option Plan.

Our Board of Directors administers the 2015 Stock Option Plan. Our Board is authorized to construe and interpret the provisions of the Stock Option Plans, to select employees, directors and consultants to whom options will be granted, to determine the terms and conditions of options and, with the consent of the grantee, to amend the terms of any outstanding options. The 2015 Stock Option Plan provides for the granting of stock options to the employees, directors, advisors and consultants of the Corporation to encourage proprietary interest in the Corporation, to encourage such employees to remain in the employ of the Corporation or such directors, advisors and consultants to remain in the service of the Corporation, and to attract new employees, directors, advisors and consultants with outstanding qualifications.

Our Board determines the terms and provisions of each option granted under the Stock Option Plans, including the exercise price, vesting schedule, repurchase provisions, rights of first refusal and form of payment. The Plan shall not exceed 10% of the number of Shares of the Company issued and outstanding as of each Award Date, inclusive of all Shares presently reserved for issuance pursuant to previously granted stock options, unless shareholder approval is obtained in advance. The Exercise Price shall be that price per Share, as determined by the Board in its sole discretion, and announced as of the Award Date, at which an Option Holder may purchase a Share upon the exercise of an Option, provided that it shall not be less than the closing price of the Company's Shares traded through the facilities of the Exchange on the day preceding the Award Date, less any discount permitted by the Exchange, or such other price as may be required or permitted by the Exchange.

The term of options under the Stock Option Plans will be determined by our Board; however, the term of the stock option may not be for more than ten years. Where the award agreement permits the exercise of an option for a period of time following the recipient's termination of service with us, disability or death, that option will terminate to the extent not exercised or purchased on the last day of the specified period or the last day of the original term of the option, whichever occurs first.

If a third party acquires the Company through the purchase of all or substantially all of our assets, a merger or other business combination, except as otherwise provided in an individual award agreement, all unexercised options will terminate unless assumed by the successor corporation.

EMPLOYMENT ARRANGEMENTS

We entered into a management consulting agreement with T.M. Williams (Row), Inc., an Anguilla incorporated company and Mr. Williams dated August 20, 2001, (the "Williams Agreement"), amended February 28, 2002, in connection with the provision of services by Mr. Williams as President and Chief Executive Officer of the Company. During the year ended December 31, 2010, the agreement was amended to include a consultancy payment of $11,666 per month payable in arrears. This contract is for the provision of services by Mr. T. M. Williams as Executive Chairman of the Company. During the year ended December 31, 2013, the agreement was amended to provide for a consultancy payment of 2.5% of the monthly social bingo business with a minimum of $11,000 and a maximum of $25,000 per month.

The term of the amended Williams Agreement is for a period of one year, unless terminated sooner by any of the parties under the terms and conditions contained in the amended Williams Agreement. If the amended Williams Agreement is not terminated by any of the parties, the term may be renewed for a further one year period at the option of T.M. Williams (Row), Ltd., on substantially the same terms and conditions, by giving three months notice in writing to the Company.

During the year ended December 31, 2014, the Company entered into an agreement with Jayska Consulting Ltd. and Mr. J. M. Williams, Chief Executive Officer of the Company for the provision of services of Mr. J. M. Williams as Marketing director of the Company. The Consulting agreement provides for a consultancy payment of GBP£5,000 per month payable in arrears. In addition, during the year ended December 31, 2014, the Company entered into an agreement with LVA Media Inc. and Mr. J. M. Williams, for the provision of services of Mr. J. M. Williams as Chief Executive Officer of Shoal Games Ltd. The Consulting agreement provides for a consultancy payment equaling of 2.5% of the monthly social bingo business with a minimum of $7,500 and a maximum of $25,000 per month.

During the year ended December 31, 2012, the Company entered into a management consulting agreement with Bromley Accounting Services Limited for the services of Mr. H. W. Bromley as the Chief Financial Officer.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information known to us with respect to beneficial ownership of our common stock as of March 20, 2018, by:

- each person known by us to beneficially own 5% or more of our outstanding common stock;
- each of our directors;
- each of the Named Executive Officers; and
- all of our directors and Named Executive Officers as a group.

In general, a person is deemed to be a "beneficial owner" of a security if that person has or shares the power to vote or direct the voting of such security, or the power to dispose or direct the disposition of such security. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options or debentures held by that person that are currently exercisable or convertible or exercisable or convertible within 60 days of March 20, 2018, are deemed outstanding.

Percentage of beneficial ownership is based upon 72,474,703 shares of common stock outstanding at March 20, 2018. To our knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws, each person named in the table has sole voting and investment power with respect to the shares set forth opposite such person's name.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned		Percent of Class
T. M. Williams Suite 4501 1011 West Cordova Street Vancouver, BC V6C 0B2 Canada	17,273,281	(1)	21.79%
J. M. Williams Flat 16 Bridgewater square London, EC2Y 8AG United Kingdom	633,200	(2)	0.80%
F. Curtis Ard Na Mara, Box 1127 Anguilla, B.W. I.	175,000	(3)	0.22%
W. G. Moore Clare Hall Clare, Nr Sudbury Suffolk CO10 8PJ United Kingdom	125,000	(4)	0.16%
H. W. Bromley 3851 Edgemont Boulevard North Vancouver BC, V7R 2P9 Canada	500,000	(5)	0.63%
All directors and Named Executive Officers as a group (5 persons)	18,706,481		23.60%
Pendinas Limited Ballacarrick, Pooilvaaish Road Castletown, IM9 4PJ Isle of Man	27,887,999	(6)	35.18%
Wydler Global Equity Fund Claridenstrasse 20 Zurich, 8002 Switzertland	7,200,000	(7)	9.08%

(1) Includes 16,948,281 shares held directly by Mr. T. M. Williams and 125,000 shares of common stock that may be issued upon the exercise of 125,000 stock purchase options with an exercise price of CAD$0.54 (approximately US$0.42) per share and 200,000 shares of common stock that may be issued upon the exercise of 200,000 warrants with an exercise price of CAD$0.65 (approximately US$0.52) per share warrants.

(2) Includes, 308,200 shares held directly by Mr. J. M. Williams and 125,000 shares of common stock that may be issued upon the exercise of 125,000 stock purchase options with an exercise price of CAD$0.54 (approximately US$0.42) per share and 100,000 shares of common stock that may be issued upon the exercise of 100,000 warrants with an exercise price of CAD$0.65 (approximately US$0.52) per share warrant.

(3) Includes 50,000 shares held directly by Ms. F. Curtis and 125,000 shares of common stock that may be issued upon the exercise of 125,000 stock purchase options with an exercise price of CAD$0.54 (approximately US$0.42) per share.

(4) Includes125,000 shares of common stock that may be issued upon the exercise of 125,000 stock purchase options with an exercise price of CAD$0.54 (approximately US$0.42) per share.

(5) Includes, 375,000 shares held directly by Mr. H. W. Bromley and 125,000 shares of common stock that may be issued upon the exercise of 125,000 stock purchase options with an exercise price of CAD$0.54 (approximately US$0.42) per share.

(6) Includes 26,987,999 shares and 900,000 shares of common stock that may be issued upon the exercise of 900,000 warrants with an exercise price of CAD$0.65 (approximately US$0.52) per share warrant, held directly by Pendinas Ltd., a company wholly owned by Mr. G. R. Williams. Mr. G. R. Williams is not related to Mr. T. M. Williams nor Mr. J. M. Williams.

(7) Includes 7,200,000 shares held directly by Wydler Global Equity Fund.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The Company has a liability of $33,000 (2016 - $nil) to a company owned by a current director and officer of the Company for payment of consulting fees of $132,000 (2016 - $132,000) by the current director and officer of the Company.

The Company has a liability of $97 (2016 - $nil) to a current director and officer of the Company for expenses incurred.

The Company has a liability of $3,982 (2016 - $2) to a current director and officer of the Company for expenses incurred.

The Company has a liability of $nil (2016 - $nil) to a company owned by a current director and officer of the Company for payment of consulting fees of $77,310 (2016 - $81,285) by the current director and officer of the Company.

The Company has a liability of $nil (2016 - $nil) to a company owned by a current director and officer of the Company for payment of consulting fees of $90,000 (2016 - $90,000) by the current director and officer of the Company.

The Company has a liability of $nil (2016 - $2) to a company owned by a previous director of the Company for payment of consulting fees of $nil (2016 - $8,378) by the previous director of the Company.

The Company has a liability of $1,000 (2016 - $500), to independent directors of the Company for payment of consulting fees. During the year ended December 31, 2017, the Company paid $5,500 (2016 - $6,000) to the independent directors in director fees.

The Company has a liability of $6,106 (2016 - $4,852), to an officer of the Company for payment of consulting fees and expenses incurred of $93,078 (2016 - $63,655) by the officer of the Company.

The Company has promissory notes totaling $600,235 (2016 - $400,811), including interest, from shareholders holding more than 10% of the Company. The interest on the notes are 2% per annum, calculated and compounded annually and accrued.

During the year ended December 31, 2017, the directors and shareholders holding more than 10% of the Company's shares subscribed for 1,200,000 units totaling CAD$540,000 ($408,102) in the private placement.

During the year ended December 31, 2017, the Company granted 125,000 (2016 - 500,000) options with an exercise price of CAD$0.54 (approximately $0.42) for both fiscal 2017 and fiscal 2016 per share to related parties. The Company expensed $13,110 (2016 - $127,373) in stock-based compensation for these options granted to related parties.

The Company has a receivable of $2,630 (2016 - $nil) from a company of which a current director of the Company is a director.

The related party transactions are in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related party.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

During the year ended December 31, 2017, the Company incurred fees of $39,115 (2016 - $51,000) from the principal accountant during fiscal 2017 - Davidson & Company LLP, $39,115 of these fees related to audit fees (2016 - $51,000).

Our Audit Committee reviewed the audit and non-audit services rendered by Davidson & Company LLP, during the periods set forth above and concluded that such services were compatible with maintaining the auditors' independence. All audit and non-audit services performed by our independent accountants are pre-approved by our Audit Committee to assure that such services do not impair the auditors' independence from us.

PART IV

ITEMS 15. EXHIBITS

The exhibits required by Item 601 of Regulation S-K are listed in the accompanying Exhibit Index at the end of this report. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K has been identified.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SHOAL GAMES LTD.

By: /s/ J. M. Williams
J. M. Williams
Chief Executive Officer

Date: March 20, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
By: /s/ J. M. Williams J. M. Williams	Chief Executive Officer	March 20, 2018
By: /s/ H. W. Bromley H. W. Bromley	Chief Financial Officer (Principal Financial and Principal Accounting Officer)	March 20, 2018

EXHIBIT 31.1

CERTIFICATIONS

I, J. M. Williams, certify that:

1. I have reviewed this annual report on Form 10-K of Shoal Games Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Shoal Games Ltd. as of, and for, the periods presented in this annual report;
4. Shoal Games Ltd.'s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Shoal Games Ltd., including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of Shoal Games Ltd.'s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of as of December 31, 2017, covered by this annual report based on such evaluation; and
   (d) Disclosed in this report any change Shoal Games Ltd.'s internal control over financial reporting that occurred during Shoal Games Ltd.'s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Shoal Games Ltd.'s internal control over financial reporting; and
5. Shoal Games Ltd.'s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Shoal Games Ltd.'s auditors and the audit committee of Shoal Games Ltd.'s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Shoal Games Ltd.'s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Signed **:** /s/ J. M. Williams **Date :** March 20, 2018, 2018

J. M. Williams,
Chief Executive Officer,
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, H. W. Bromley, certify that:

1. I have reviewed this annual report on Form 10-K of Shoal Games Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Shoal Games Ltd. as of, and for, the periods presented in this annual report;
4. Shoal Games Ltd.'s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Shoal Games Ltd., including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of Shoal Games Ltd.'s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of as of December 31, 2017, covered by this annual report based on such evaluation; and
   (d) Disclosed in this report any change Shoal Games Ltd.'s internal control over financial reporting that occurred during Shoal Games Ltd.'s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Shoal Games Ltd.'s internal control over financial reporting; and
5. Shoal Games Ltd.'s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Shoal Games Ltd.'s auditors and the audit committee of Shoal Games Ltd.'s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Shoal Games Ltd.'s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Signed* : /s/** H. W. Bromley ***Date : March 20, 2018

H.W. Bromley,
Chief Financial Officer
(Principal Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. §1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Shoal Games Ltd. (the "Company") on Form 10-K for the period ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. M. Williams, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

b) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ J. M. Williams
J. M. Williams
Chief Executive Officer
March 20, 2018

A signed original of this written statement required by Section 906 has been provided to Shoal Games Ltd. and will be retained by the company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. §1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Shoal Games Ltd. (the "Company") on Form 10-K for the period ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, H. W. Bromley, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

a. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
b. The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ H. W. Bromley
H. W. Bromley
Chief Financial Officer
March 20, 2018

A signed original of this written statement required by Section 906 has been provided to Shoal Games Ltd. and will be retained by the company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT LIST

The following instruments are included as exhibits to this Report. Exhibits incorporated by reference are so indicated.

Exhibit Number	Description
4.4	Convertible Debenture between the Company and unrelated parties dated July 2, 2002. (b)
4.5	Common Stock Purchase Warrant between the Company and unrelated parties dated July 2, 2002. (b)
10.2	Asset Purchase Agreement by and between Bingo, Inc. and Progressive Lumber, Corp. dated January 18, 1999. (a)
10.24	Amended Consulting Agreement dated February 28, 2002, between the Company, T.M. Williams (Row), Ltd., and T.M. Williams. (c)
10.29	Amendment of Asset Purchase Agreement dated July 1, 2002. (d)
10.32	Code of Business Conduct and Ethics dated December 22, 2006. (e)
10.33	Amended Consulting Agreement dated June 16, 2010, between the Company, T.M. Williams (Row), Ltd., and T.M. Williams. (f)
10.36	The Marketing Service Agreement between the Bingo.com, Ltd. wholly owned subsidiary, Coral Reef Marketing Inc. and with Unibet International Limited dated March 19, 2010. (g)
10.37	Amended Consulting Agreement dated August 1, 2013, between the Company, T.M. Williams (Row), Ltd., and T.M. Williams. (h)
10.38	Consulting Agreement dated January 1, 2014, between the Company, Jayska Consulting Ltd., and J.M. Williams. (h)
10.39	Consulting Agreement dated January 1, 2014, between the Company, LVA Media Inc., and J.M. Williams. (h)
10.40	Consulting Agreement dated October 1, 2013, between the Company, Devereux Management Ltd., and C. M. Devereux. (h)
10.41	Consulting Agreement dated January 1, 2014, between the Company, Bromley Accounting Services Limited, and H. W. Bromley. (h)
31.1	Certificate of Chief Executive Officer pursuant to the Securities Exchange Act Rules 13a-15(e) and 15d -15(e) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated March 20, 2018.
31.2	Certificate of Chief Financial Officer pursuant to the Securities Exchange Act Rules 13a-15(e) and 15d -15(e) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated March 20, 2018.
32.1	Certification from the Chief Executive Officer of Shoal Games Ltd. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated March 20, 2018.
32.2	Certification from the Chief Financial Officer of Shoal Games Ltd. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated March 20, 2018.

(a) Previously filed with the Registrant's registration statement on Form 10 on June 9, 1999.
(b) Previously filed with the Company's quarterly report on Form 10-Q for the period ended September 30, 2002, on November 14, 2002.
(c) Previously filed with the Company's quarterly report on Form 10-Q for the period ended June 30, 2002, on August 14, 2002.
(d) Previously filed with the Company's year end report on Form 10-K/A for the year ended December 31, 2002, on May 8, 2003.

(e) Previously filed with the Company's report on Form 8-K on December 26, 2006.
(f) Previously filed with the Company's report on Form 8-K on June 17, 2010.
(g) Previously field with the Company's report on Form 8-K/A on June 18, 2012.
(h) Previously filed with the Company's report on Form 8-K on March 24, 2014.