



**TANGELO**  
GAMES

## **NEWSRELEASE**

### **TANGELO REPORTS 2016 THIRD QUARTER FINANCIAL RESULTS**

**FOR IMMEDIATE RELEASE**

**Toronto, Ontario – November 29, 2016** – Tangelo Games Corp. ("**Tangelo**" or the "**Company**") (**TSX-VENTURE: GEL**) reports its financial results for the third quarter of 2016 (the three and nine-month period ended September 30, 2016).

#### **HIGHLIGHTS**

##### ***All figures CAD***

- Tangelo generated revenue of \$9.31 million and \$30.22 million for the three and nine months ended September 30, 2016 compared to revenue of \$5.90 million and \$15.70 million for the three and nine months ended September 30, 2015. Adjusted EBITDA of \$2.96 million and \$8.72 million was realized for the three and nine months ended September 30, 2016 compared to \$1.90 million and \$2.67 millions for the three and nine months ended September 30 2015 (see Non-IFRS measures).
- On the back of our integration efforts, Adjusted EBITDA grew quarter over quarter from \$2.76 million in Q2 2016 to \$2.96 million in Q3 2016
- In September 2016, the Company entered into a partnership agreement with Leap Gaming ("Leap"), whereby Leap will be providing its virtual sports turnkey product to Tangelo's social gaming platform. The resulting product, a 3D virtual sports game adapted to fit social casino players, is currently being developed and is planned to be released by the end of the year.
- In October 2106, Tangelo was included as best 'Social Slots Operator', 'Affiliate Programme' and 'Slots Operator' in the shortlist of nominees of the EGR Operator Awards 2016, one of the most prestigious recognitions in the online gaming industry.



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### Third Quarter Financial Summary

in \$000,000 Canadian Dollars except for shares and per share amounts

	<i>For the Three Months Ended</i>		<i>For the Nine Months Ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
<b>REVENUE</b>	9.31	5.90	30.22	15.70
<b>Adjusted EBITDA*</b>	2.96	1.90	8.72	2.67
<b>Due diligence and transaction costs, Severance and restructure costs, Depreciation of equipment, Amortization of intangibles and Stock-based compensation</b>	3.07	3.07	10.17	6.97
<b>OPERATING (LOSS)</b>	(0.12)	(1.18)	(1.45)	(4.31)
<b>OTHER CHARGES</b>				
Interest and accretion, Changes in value of long-term debt, Foreign exchange	5.94	(19.11)	7.47	(14.04)
<b>LOSS, CONTINUING OPERATIONS, BEFORE INCOME TAX</b>	(6.06)	17.94	(8.92)	9.73
<b>NET LOSS, CONTINUING OPERATIONS</b>	(5.90)	17.48	(8.36)	9.04
<b>NET INCOME/(LOSS), DISCONTINUED OPERATIONS</b>	0.02	(4.00)	0.03	(5.83)
<b>TOTAL NET LOSS FOR THE PERIOD</b>	(5.89)	13.48	(8.34)	3.22
Basic and diluted loss per share, continuing operations	\$ (0.03)	\$ 0.11	\$ (0.05)	\$ 0.06
Basic and diluted income/(loss) per share, discontinued operations	\$ 0.00	\$ (0.02)	\$ 0.00	\$ (0.04)
Weighted average number of shares: basic	179,820,105	160,879,299	175,629,236	149,970,463
Weighted average number of shares: diluted	179,820,105	160,879,299	170,920,241	150,776,655

Tangelo Q3 results can be found on its website ([www.tangelo.com](http://www.tangelo.com)) or SEDAR ([www.sedar.com](http://www.sedar.com)).

### Financial Results and Non-IFRS Measures

The Company has included certain Non-IFRS performance measures, namely EBITDA and adjusted EBITDA and working capital, within this document. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, we and certain investors use this information to evaluate the Company's performance and ability to generate cash, profits and meet financial commitments. These Non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

EBITDA is defined as "Earnings Before Interest, Tax, Depreciation and Amortization". Adjusted EBITDA takes into consideration unusual expenses that do not reflect operations. EBITDA does not include the discontinued operations of Vast and Tech Channel. The following tables provide



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a reconciliation to Operating Loss/Income on the Statements of Consolidated Income and Comprehensive Loss for the nine months ended September 30, 2016 as reported in our condensed interim consolidated financial statements.

### Adjusted EBITDA - Consolidated

	<i>For the Three Months Ended</i>		<i>For the Nine Months Ended</i>	
	<i>September 30, 2016</i>	<i>September 30, 2015</i>	<i>September 30, 2016</i>	<i>September 30, 2015</i>
Operating loss, in 000,000's	\$ (0.12)	\$ (1.17)	\$ (1.44)	\$ (4.31)
Add back:				
Due diligence and transaction costs	0.08	1.80	0.35	3.14
Restructure and severance	0.08	0.73	0.80	0.82
Depreciation of equipment	0.03	-	0.08	0.04
Amortization of intangibles	2.82	-	8.58	-
Stock-based compensation	0.07	0.54	0.35	2.98
Adjusted EBITDA	\$ 2.96	\$ 1.90	\$ 8.72	\$ 2.67

James Lanthier, Chief Executive Officer of Tangelo, commented:

“We are pleased with our performance in Q3; our Adjusted EBITDA grew quarter over quarter from \$2.76 million in Q2 2016 to \$2.96 million in Q3 2016. While our revenues experienced the typical slight seasonal dip that accompanies the summer months, we are positive with respect to the KPI trends in the business and are now seeing the benefits from the integration of Akamon and Diwip play out across multiple dimensions:

### Scale

We initiated a headcount reduction in order to take advantage of the combined business's economies of scale, and in Q3 reduced the headcount of our operating business by 25%

### Product

Post integration, Tangelo Games has been incorporating content from the pre-merger Akamon slots library into pre-merger Diwip platform 'Best Casino' offering its players fifteen new high-quality titles such as 'Fire Wheel 7s', 'Dragon Eggs', 'Monte Carlo' and 'Down the Rabbit hole'. This cross-selling has helped drive a 25% reduction in customer acquisition costs at Akamon.



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Subsequent to the quarter end, Tangelo released “Pixies”, its first game developed jointly by the combined product group in Barcelona and Tel Aviv and developed simultaneously for both the Best Casino and Mundigames environments.

### **Marketing**

By using best-in-class marketing platforms and analytical models, we have significantly improved churn in the Diwip customer base, from 35% in Q3 2015 to 20% in Q3 2016.

This is a critical metric for Tangelo’s business, as it means we are able to increase customer life time value. We believe there is room for further improvement and our ultimate goal is to reduce Diwip customer base churn to a number much closer to Akamon’s 5%.

Vicenc Marti, President of Tangelo, commented:

“Tangelo has now completed the full integration of Akamon and Diwip into a a single, seamless social casino platform. The proof is our recently launched game Pixies, jointly developed by our Tel Aviv and Barcelona offices, which for the first time in the history of the company has been launched simultaneously in all of the company s platforms. A fully integrated and experienced company with an efficient costs structure is the perfect baseline to leverage the next wave of opportunity in the young social casino industry, with nascent technology platforms such as bots and VR.”

### **Capital structure update**

Tangelo’s management team is focused on its obligations to its lender, Third Eye Capital Corporation (“TEC”), including its requirement to make certain payments by the end of 2016.

While the Company is not yet in a position to provide a definitive update, management anticipates a positive resolution of its obligations to its lenders before the end of the year.

Tangelo’s management has a transparent, collaborative relationship with TEC with whom it communicates regularly regarding its business, its prospects, and its strategic alternatives. Management is in specific discussions with a number of parties regarding potential strategic and financial transactions, and is evaluating these opportunities in partnership with TEC as a top priority.

We would also like to note that TEC is in fact the Company’s largest financial sponsor by a wide margin, and TEC has been supportive of the Company throughout its history, and continues to be supportive of the business and shares management’s vision of building a larger, more competitive and geographically diversified social casino business that leverages best practices in product, marketing, and systems.



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As previously noted, the interactive games space continues to experience a high rate of innovation and corporate activity. Management has advantageously positioned Tangelo within this dynamic marketplace by integrating Akamon and Diwip and realizing efficiencies in scale, analytics, and game deployment. Management will update investors as soon as possible upon any definitive developments relating to its end of 2016 obligations or other strategic alternatives.

### **Credit Agreement Waiver and Amendment**

Tangelo also announces that it has reached an agreement with its lenders to amend certain terms of its outstanding credit agreement. Tangelo previously completed a secured debt financing pursuant to an amended and restated credit agreement dated November 16, 2015, which amended the terms of a prior credit agreement dated January 30, 2015, as amended (together, the “**Credit Agreement**”) among the Company, as borrower, the subsidiaries of Tangelo, as credit parties, a syndicate of lenders (the “**Lenders**”), and the Lenders’ administrative agent, TEC.

The Company and its subsidiaries have entered into a waiver and amendment (the “**Amendment**”) to the Credit Agreement with TEC, on behalf of the Lenders, waiving breaches by the Company of certain covenants and amending the covenant thresholds for future periods. As consideration for these amendments, among other things, the Company agreed to pay to the Lenders a fee.

### **Board**

Tangelo also announces today that Mr. Norman Inkster will retire from the Board of Directors of the Company. It is expected that a new fully independent director will be appointed in 2017.

James Lanthier, CEO and Director of Tangelo, remarked: “On behalf of the Tangelo Board of Directors I would like to thank Norm for his contributions to the growth and development of the Company. We wish Norm well in his future endeavors.”



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### **About Tangelo**

Tangelo Gaming Corp., the parent company of Diwip and Akamon, is a developer of social and mobile gaming for PC, Mac, iOS and Android platforms. Diwip and Akamon design, develop and distribute their top ranked social casino-themed games within online social networks (such as Facebook) and mobile platforms (such as Android and iPhone). All of the Diwip and Akamon games are free to play and generate revenue primarily through the in-game sale of virtual coins.

### **Further Information**

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### ***Caution Regarding Forward-Looking Information:***

*Certain statements in this press release may constitute “forward looking statements” which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this press release, such statements may use such words as “may”, “will”, “expect”, “anticipates”, “believe”, “plan” and other similar terminology. These statements include, but are not limited to, statements with respect to the future business and operations of the Company, the financial results of the Company and its subsidiaries, negotiations with TEC and the ability of the Company to achieve a positive resolution of its obligations to TEC, the ability of the Company to complete a strategic and/or financial transaction on favorable terms or at all, the resignation of a director and the future prospects of the Company. These statements reflect management’s current expectations regarding future events and operating performance and speak only as of the date of this press release. The forward-looking statements involve a number of risks and uncertainties. These risks and uncertainties include, but are not limited to, general economic, market or business conditions and future developments in the sectors of the economy in which the business of Imperus or Akamon operate. The foregoing list of factors is not exhaustive. Please see the Company’s short form prospectus dated March 27, 2015, the*



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*Company's Annual Information Form dated November 11, 2015 and other documents available under the Company's profile on [www.sedar.com](http://www.sedar.com), for a more detailed description of the risk factors. The Company undertakes no obligation to update publicly or revise any forward-looking statements, whether a result of new information, future results or otherwise, except as required by law.*

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