

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2002**

**TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-2733

**BINGO.COM, INC.**

(Exact name of registrant as specified in its charter)

**FLORIDA**

(State or Other Jurisdiction of Incorporation)

**98-0206369**

(IRS Employer Identification No.)

**Suite 1405, 1166 Alberni Street,  
Vancouver, British Columbia,  
Canada, V6E 3Z3**

(Address of Principal Executive Offices)

**(604) 694-0300**

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 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

**APPLICABLE ONLY TO CORPORATE ISSUERS**

The number of outstanding shares of the Registrant's Common Stock, par value \$0.001 per share, was 11,104,608 on August 14, 2002.

**BINGO.COM, INC.**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE PERIOD ENDED JUNE 30, 2002**

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## PART I — FINANCIAL INFORMATION

## ITEM 1. Financial Statements.

**BINGO.COM, INC.**CONSOLIDATED BALANCE SHEETS  
(EXPRESSED IN U.S. DOLLARS)

	June 30, 2002 (Unaudited)	December 31, 2001
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 11,670	\$ 14,028
Accounts receivable, net of allowance for doubtful accounts of \$nil (2001 - \$46,185)	11,152	351,330
Prepaid expenses	28,766	9,179
	51,588	374,537
Fixed assets	207,237	477,554
Security Deposits	30,087	27,559
Domain name rights, net	1,063,699	1,257,241
	\$ 1,352,611	\$ 2,136,891
<b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>		
Current liabilities:		
Accounts payable	\$ 745,190	\$ 870,660
Accrued liabilities	192,883	165,077
Unearned revenue	6,000	—
Contract payable — current portion	42,121	184,772
Loan payable	168,380	45,385
Capital leases — current portion	140,203	163,221
	1,294,777	1,429,115
Debenture payable (note 3)	1,250,000	1,100,000
Capital leases, net of current portion	4,682	25,974
Stockholders' (deficiency):		
Common stock — \$0.001 par value; authorized 50,000,000 shares; issued and outstanding: 10,854,608 shares at June 30, 2002 and 10,854,608 shares at December 31, 2001 (notes 4 and 6)	10,855	10,855
Additional paid-in-capital	7,659,826	7,669,826
Accumulated deficit	(8,862,906)	(8,129,172)
Accumulated other comprehensive (loss) income	(4,623)	30,293
	1,196,848	(418,198)
	\$ 1,352,611	\$ 2,136,891
Commitments (note 5)		
Subsequent events (note 6)		

See accompanying notes to consolidated financial statements.

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**BINGO.COM, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(EXPRESSED IN U.S. DOLLARS)

SIX MONTHS ENDED JUNE 30, 2002 AND 2001

(UNAUDITED)

	<b>Six Months ended June 30, 2002</b>	<b>Six Months ended June 30, 2001</b>	<b>Three Months ended June 30, 2002</b>	<b>Three Months ended June 30, 2001</b>
Revenue	\$ 416,404	\$ 1,057,867	\$ 179,449	\$ 475,064
Cost of revenue	257,134	707,850	100,107	243,960
Gross profit	159,270	350,017	79,342	231,104
Operating Expenses:				
Sales and marketing	49,052	164,312	7,824	71,218
General and administrative	217,822	977,204	105,580	363,886
Interest expense	84,885	56,841	42,607	53,149
Loss on the disposal of fixed assets	237,831	—	237,831	—
Depreciation and amortization	303,414	336,630	150,937	165,837
	893,004	1,534,987	544,779	654,090
Net loss	\$ (733,734)	\$ (1,184,970)	\$ (465,437)	\$ (422,986)
Net loss per share, basic and diluted	\$ (0.07)	\$ (0.12)	\$ (0.04)	\$ (0.04)
Weighted average common shares outstanding, basic and diluted	10,854,608	10,104,608	10,854,608	10,104,608

See accompanying notes to consolidated financial statements.

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## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIENCY

(EXPRESSED IN U.S. DOLLARS)

SIX MONTHS ENDED JUNE 30, 2002

(UNAUDITED)

	<b>Common Stock</b>		<b>Additional Paid in Capital</b>	<b>Accumulated other comprehensive income Foreign Currency Translation Adjustment</b>	<b>Deficit</b>	<b>Total Stockholders' Deficiency</b>
	<b>Shares</b>	<b>Amount</b>				
Balance, December 31, 2001	10,854,608	\$ 10,855	\$ 7,669,826	\$ 30,293	\$ (8,129,172)	\$ (418,198)
Issuance of common stock	—	—	—	—	—	—
Mark-to-market of variable stock option awards	—	—	(10,000)	—	—	(10,000)
Comprehensive loss:						
Net loss	—	—	—	—	(733,734)	(733,734)
Foreign currency translation adjustment	—	—	—	(34,916)	—	(34,916)
						(768,650)
Balance, June 30, 2002	10,854,608	\$ 10,855	\$ 7,659,826	\$ (4,623)	\$ (8,862,906)	\$ (1,196,848)

See accompanying notes to consolidated financial statements.

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**BINGO.COM, INC.**  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(EXPRESSED IN U.S. DOLLARS)  
SIX MONTHS ENDED JUNE 30, 2002 AND 2001

(UNAUDITED)

	<b>2002</b>	<b>2001</b>
Cash flows from operating activities:		
Net loss	\$ (733,734)	\$ (1,184,970)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	303,414	336,630
Loss on disposal of Fixed Assets	237,831	—
Stock based compensation costs	(10,000)	—
Change in operating assets and liabilities:		
Accounts receivable	340,178	149,561
Prepaid expenses	(19,587)	10,940
Note receivable	—	12,836
Other assets	(2,528)	—
Accounts payable and accrued liabilities	(97,664)	105,584
Unearned revenue	6,000	—
Cash provided by (used in) operating activities	23,910	(569,419)
Cash flows from investing activities:		
Acquisition of property and equipment	(77,386)	(30,751)
Proceeds on disposal of Fixed Asset	—	—
Payments on domain name contract payable	(142,651)	(181,128)
Cash used in investing activities	(220,037)	(211,879)
Cash flows from financing activities:		
Capital lease repayments	(44,310)	(38,162)
Loan payable	122,995	—
Proceeds from debenture debt	150,000	750,000
Cash provided by financing activities	228,685	711,838
Net increase (decrease) in cash and cash equivalents	32,558	(69,460)
Effect of exchange rates on cash and cash equivalents	(34,916)	(4,180)
Cash and cash equivalents at beginning of period	14,028	174,463
Cash and cash equivalents at end of period	\$ 11,670	\$ 100,823
Supplemental disclosure of cash flow information:		
Cash interest paid	\$ 9,700	\$ 49,359
Income Tax paid	—	—
Non Cash Transactions:		
Barter transactions	\$ 2,500	\$ 326,899

See accompanying notes to consolidated financial statements.

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### **BINGO.COM, INC.**

#### Notes to Consolidated Financial Statements

(Expressed in U.S. dollars)

Six months ended June 30, 2002 and 2001

(Unaudited)

#### **1. Basis of Presentation:**

The accompanying unaudited interim financial statements have been prepared in conformity with generally accepted accounting principles applicable to interim financial information and with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed, or omitted, pursuant to such rules and regulations. In the opinion of management, the unaudited interim financial statements include all adjustments necessary for the fair presentation of the results of the interim periods presented. These financial statements should be read in conjunction with Bingo.com, Inc.'s (the "Company") audited consolidated financial statements and notes thereto for the year ended December 31, 2001, included in the Company's Annual Report on Form 10-K, filed April 1, 2002 with the Securities and Exchange Commission. The results of operations for the interim period are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

Certain comparative figures have been reclassified to conform to the presentation adopted in the current period.

#### **2. Going Concern:**

These unaudited interim consolidated financial statements have been prepared on the going concern basis, which presumes the realization of assets and the settlement of liabilities and commitments 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 in the last three fiscal years, and has an accumulated deficit of \$8,863,000 at June 30, 2002, and, until the year ended December 31, 2001, recurring negative cash flows from operations. The Company has had positive cash flow of \$24,000 from operations for the six months ended June 30, 2002. 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 reduce or limit operations.

#### **3. Debenture Payable:**

On April 16, 2001, the Company received a loan from and issued a secured convertible debenture to Redruth Ventures Inc., a British Virgin Islands corporation, for \$750,000, and to Bingo, Inc., an Anguilla corporation, for \$500,000 (collectively, "the Lenders"). Bingo, Inc. was not a related party when the debenture agreement was signed; however, a current director and officer of the Company is the potential beneficiary of several discretionary trusts that hold approximately 80% of Bingo, Inc.

Under the terms of the debenture, interest shall accrue on the principal amount from time to time outstanding under the debenture at a fixed rate of 12% per annum through April 16, 2003, at which time the interest will become payable. Thereafter, interest shall accrue and be payable on the first business day of each succeeding quarter through and including April 16, 2006. All principal, accrued but unpaid interest and any other amounts due are due and payable at maturity on April 16, 2006. The accrued interest on the debenture as at June 30, 2002 is \$131,000 (June 30, 2001 — \$10,000). This is included under Accrued Liabilities.

The Company has the option to pay all accrued interest in cash, common stock of the Company, or a combination of both cash and common stock. Any amounts remaining unpaid on the debenture on the maturity date, whether principal, interest or other amounts due, shall be paid in full in cash on such date. Any common stock of the Company delivered to the Lenders in payment of the debenture will be valued at \$0.25 per share.

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### **BINGO.COM, INC.**

Notes to Consolidated Financial Statements  
(Expressed in U.S. dollars)

Six months ended June 30, 2002 and 2001  
(Unaudited)

#### **3. Debenture Payable (continued):**

The Lenders received a total of 12,000,000 common stock purchase warrants with an exercise price of \$0.25 per share exercisable for a period of three years from the date of the debenture. The Lenders have the right, but not the obligation, to elect to convert all of the outstanding principal amount of the debenture into shares of the Company's common stock at a conversion price of \$0.125 per share until the third anniversary date of the debenture. The common stock that would be issued upon conversion of the debenture will be subject to certain resale restrictions, as prescribed in Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"). The debenture is secured by all assets of the Company.

On May 21, 2002, Bingo, Inc. purchased from Redruth Ventures Inc., in a transaction outside the United States pursuant to an exemption from registration under Regulation S of the Securities Act, the portion of the debenture issued to Redruth Ventures Inc. Non-U.S. persons located outside the United States purchased the portion of the debenture from Redruth Ventures Inc. As a result of this transaction, Bingo, Inc. has the potential to become the largest single shareholder and a majority shareholder in the Company should Bingo, Inc. elect to convert any or all of the principal amount of the debenture into shares of the Company's common stock on or before April 16, 2004, or if the Company elects to repay the principal amount outstanding, and any accrued interest, in shares of the Company's common stock pursuant to the terms of the debenture.

In addition, on May 21, 2002, Redruth Ventures Inc. agreed to surrender for cancellation all the warrants issued to them in connection with the debenture, which the warrants entitled them to purchase up to 7,200,000 shares of common stock at a purchase price of \$0.25 per share in exchange for eighteen (18) months of unused advertising inventory on the bingo.com website.

As at June 30, 2002, the Company had drawn down a total of \$1,250,000 in accordance with the terms of the debenture.

#### **4. Share Capital:**

No additional share capital was issued during the six months ended June 30, 2002. 250,000 shares of common stock were issued during August 2002 to the former Chief Executive Officer of the Company. The agreed value of \$42,500 for these shares was recorded in accrued liabilities at June 30, 2002.

#### **5. Commitments:**

During the quarter ended June 30, 2002, the Company, directly or through its subsidiaries, completed or amended the following agreements:

- (a) Agreement with CYOP Systems Inc. ("CYOP") granting the Company a license for a software program known as CrediPlay. The original agreement signed in fiscal 2001 was amended by verbal agreement during the quarter ended March 31, 2002. Pursuant to the terms of the original agreement, the license fee payable to CYOP was 25% of the revenue derived from the Skill-Bingo game (as defined in the agreement) received by the Company, with a minimum monthly fee of \$60,000. The minimum monthly license fee payable of \$60,000 was removed under the terms of the verbal amendment. The service fee payable to CYOP under the terms of the agreement is 5% of the revenue derived by the Company from the Skill-Bingo game (as defined in the agreement), with a minimum monthly service fee of \$18,000. The minimum monthly service fee payable of \$18,000 was removed pursuant to the terms of the verbal amendment. The Company and CYOP were unable to negotiate an extension or revision of the previously signed agreements. Therefore during the quarter ended June 30, 2002 the Company agreed to assign to CYOP all the rights, titles, liabilities and interest in Skill-Bingo. This includes all the following:

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### **BINGO.COM, INC.**

Notes to Consolidated Financial Statements  
(Expressed in U.S. dollars)

Six months ended June 30, 2002 and 2001  
(Unaudited)

#### **5. Commitments (continued):**

- ?? The agreement between FYRC Inc. and Bingo dated September 18, 2001 concerning the patents of Skill-Bingo and Skill-Bingo Inventions;
- ?? The Skill-Bingo game software;
- ?? The Bingo.com-owned website located at <http://www.bigrbingo.com>;
- ?? The trademark "BiGr Bingo"; and
- ?? The BiGr bingo customer deposits.

In exchange CYOP has agreed to release and indemnify the Company and its subsidiaries from all obligations and liabilities relating to the Skill-Bingo game and the BiG'rBingo.com website. CYOP also guarantees the Company an irrevocable, worldwide, perpetual license to use the current and future versions of the Skill-Bingo software program. This license permits the Company to participate in the Crediplay program network as a preferred licensee and offer affiliate programs that are substantially similar to the Company's current business practices.

(b) Website hosting and management agreement with NextLevel.com Inc. ("NextLevel") for the provision of Website hosting services for the Company's Website. Pursuant to the terms of the original agreement, NextLevel provided full Website hosting services for the Company's Website for a fee of \$12,000 per month, for an initial term of one year. The Company gave notice of termination during the quarter ended March 31, 2002, and the agreement terminated effective April 15, 2002. The Company thereafter operated under a verbal arrangement, pursuant to which the Company agreed to pay a commission of 50% of the advertising revenue generated by the Company's bingo portal to CYOP for these services. This agreement was terminated effective May 21, 2002.

(c) As previously disclosed in the Company's filings with the Securities and Exchange Commission (the "SEC"), on April 16, 2001, the Company issued warrants (the "Warrants") in connection with the debenture issued to Redruth Ventures Inc., and to Bingo, Inc. The Warrants grant the Holders the right to purchase up to an additional 12,000,000 shares of the Company's common stock at an exercise price of \$0.25 per share until the fifth (5th) anniversary date of the debenture. As of the date of this report, none of the Warrants have been exercised. The debenture and the Warrants were issued pursuant to an exemption from registration under the Securities Act in reliance upon Regulation S. Effective as at the end of business on May 21, 2002 Redruth Ventures Inc. agreed to surrender for cancellation all the Warrants issued to them in connection with the debenture, in exchange for eighteen (18) months of unused advertising inventory on the bingo.com website.

#### **6. Subsequent Events:**

Subsequent to the quarter end, the Company granted options to purchase a total of 150,000 shares of the Company's common stock at an exercise price of \$0.15 per share to a former director and the chairman of the Advisory Board of the Company. The options vest 100% at the grant date. The options were granted under the terms of the Company's 1999 Stock Option Plan.

Additionally, the Company granted options to purchase a total of 535,000 shares of the Company's common stock at an exercise price of \$0.05 per share to employees of the Company. The options vest 10% at the grant date, 15% 12 months following the grant date, and 2% per month thereafter. The options were granted under the terms of the Company's 2001 Stock Option Plan. 400,000 of the Company's stock option under the 2001 Stock Option plan were cancelled.

The market price for the Company's common stock on the grant date was \$0.05.

250,000 shares of common stock were issued during August 2002 to the former Chief Executive Officer of the Company. The agreed value of \$42,500 for these shares was recorded in accrued liabilities at June 30, 2002.

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### **BINGO.COM, INC.**

Notes to Consolidated Financial Statements  
(Expressed in U.S. dollars)

Six months ended June 30, 2002 and 2001  
(Unaudited)

#### **6. Subsequent Events (continued):**

The Company entered into a management consulting agreement with Bromley Accounting Services Ltd., an England and Wales incorporated company and Mr. Bromley dated July 2, 2002 (the "Bromley Agreement"), in connection with the provision of services by Mr. Bromley as Chief Financial Officer of the Company. The monthly fee stipulated in the Bromley Agreement is three thousand six hundred and sixty seven pounds sterling (£3,667).

#### **ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties, as described below. Bingo.com, Inc.'s (the "Company", "Bingo.com", "we", or "us") actual results could differ materially from those anticipated in these forward-looking statements. The following discussion should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto included in Part I — Item 1 of this Quarterly Report, and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Conditions and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

#### **FORWARD LOOKING STATEMENTS**

**All statements contained in this Quarterly Report on Form 10-Q and the documents incorporated herein by reference, as well as statements made in press releases and oral statements that may be made by us or by officers, directors or employees acting on our behalf, that are not statements of historical fact constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. Readers should consider statements that include the terms "believe," "belief," "expect," "plan," "anticipate," "intend" or the like to be uncertain and forward-looking. In addition, all statements, trends, analyses and other information contained in this report relative to trends in net sales, gross margin, anticipated expense levels and liquidity and capital resources, constitute forward-looking statements. Potential risks and uncertainties include, among others, those set forth in this Item 2. Particular attention should be paid to the cautionary statements involving the Company's limited operating history, the unpredictability of its future revenues, the Company's need for and the availability of capital resources, the evolving nature of its business model, and the risks associated with systems development, management of growth and business expansion. Except as required by law, the Company undertakes no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise. All cautionary statements made herein should be read as being applicable to all forward-looking statements wherever they appear. In this connection, readers should consider the risks more fully described in the Company's Annual Report on Form 10-K for the year ended December 31, 2001 filed with the Securities and Exchange Commission (the "SEC") and should not place undue reliance on any forward-looking statements.**

#### **OVERVIEW**

The Company is in the business of developing and operating a bingo based Web portal designed to provide a variety of free games, and other forms of entertainment, including an online community, chat rooms, contests, sweepstakes, tournaments, and more. The Company envisions becoming the preeminent bingo-based Web portal on the Internet, using its bingo.com domain name and incorporating a variety of games and content to attract and retain a large number of subscribers. The Company's existing Website has attracted over 800,000 registered users; the Company intends to continue to build on this subscriber base to further develop its online presence.

The Company generates revenue principally from the free Website, which is supported by advertising revenue obtained by displaying advertisements on our Web site and delivering advertisements to our players by email.

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### **BINGO.COM, INC.**

#### **OVERVIEW (continued):**

The free site provides content to our players in the form of free-to-play, multiplayer theme bingo games, such as Astrology Bingo, Cupid Bingo, and the like, as well as online video poker, sweepstakes and slot machines. We also offer our registered players other forms of entertainment such as fortune telling, chat rooms, and member profiles.

We intend to continue to build on the success of the existing free site by offering a greater depth and variety of content that we expect will hold subscribers and allow us to generate more revenue through advertising. We also intend to add enhanced content available to users for a monthly subscription charge in order to further grow our revenue base. We intend to provide non-North American players with the opportunity to play traditional bingo for cash.

The Company has incurred significant losses since inception, and as of June 30, 2002 had an accumulated deficit of \$8,863,000. Although the Company achieved positive cash flow from operations during the quarter ended June 30, 2002, Bingo.com will continue to incur losses until revenue grows sufficiently to cover ongoing operating costs, including the costs of sales and marketing efforts. There can be no assurances that this will occur. Bingo.com has made a significant investment in the development of the Company's website, purchase of domain name, branding, marketing, and maintaining operations.

As of the date of this report, the Company has utilized substantially all of its available funding. The Company's continuation as a going concern will depend on its ability to generate sufficient cash flow from operations to cover operating costs, or to raise additional capital. No assurance can be given that the Company will be able to generate adequate cash flow to fund ongoing operating costs or to raise additional funds. In the absence of sufficient cash flow, the Company may be required to limit operations.

#### **SOURCES OF REVENUE AND REVENUE RECOGNITION**

Bingo.com generates the majority of its revenue from the sale of advertising on its website. Advertising revenue is recognized as the advertising campaign or impressions and clicks are made on the website and the sale of our email address lists.

Effective September 1, 2001, the Company contracted an arms length party, NextLevel Inc., to manage the sales of advertising on the www.bingo.com Website. Under the terms of the agreement, NextLevel Inc. paid Bingo.com 50% of all advertising revenue generated from the Company's Website, subject to a minimum monthly fee of \$112,000. This agreement was terminated at the end of January 2002. (see Part II, Item 5 — Other Information — New Agreements).

Between January 31, 2002 and May 21, 2002, the Company entered into a verbal arrangement with CYOP Systems Inc. ("CYOP") to sell advertising on the Company's bingo portal (see Part II, Item 5 — Other Information — New Agreements). The Company agreed to pay a commission of 50% of the revenue generated from the sale of advertising on the site in exchange for CYOP serving ads and hosting the Company's Website. This agreement was terminated on May 21, 2002. (See Part II, Item 5). The Company now manages its own sales of advertising; hosts the Company's Website; and serves its own ads.

In fiscal 2000, the Company adopted EITF No. 99-17 "Accounting for Advertising Barter Transactions". EITF 99-17 provides that the Company recognize revenue and advertising expenses from barter transactions at the fair value only when it has a historical practice of receiving or paying cash for similar transactions. Bingo.com barter portions of the unsold advertising impressions generated by its website in exchange for advertising in media properties owned by third parties. The Company records revenues and costs for such barter transactions at the market value of the advertising exchanged, with no net income or loss recognized. Barter revenue totaled \$2,500 for the six months ended June 30, 2002 and \$326,899 for the six months ended June 30, 2001.

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### **BINGO.COM, INC.**

#### **Cost of revenue**

Bingo.com recorded cost of revenue of \$100,000 during the quarter ended June 30, 2002, a drop of \$144,000 or 144% compared to costs of \$244,000 for the same period in the prior year. The gross margin declined to 44% in the quarter ended June 30, 2002 from 49% in the second quarter of the prior year. Cost of revenue consists primarily of commissions paid on the sale of advertising, as well as license fees on the BiG'r Bingo game. The decrease in cost of revenue is due to fewer people focused on selling advertising therefore less commissions and fewer barter transactions than in the prior year quarter.

#### **Sales and marketing expenses**

Sales and marketing expenses dropped to \$8,000 for the quarter ended June 30, 2002, a decrease of \$63,000 over 2001 second quarter expenses of \$71,000. Sales and marketing expenses include principally costs for marketing, co-brand advertising and keyword buys for our game site. The balance of marketing and advertising expenses consists of payroll, consultant, and travel costs. All of these amounts decreased in 2002 as a result of changes to the business, particularly as a result of fewer employees being focused on selling. NextLevel performed sales activities for the Company starting in September 2001 until the end of January 2002. From February 2002 until May 2002 sales and marketing activities were performed by CYOP. Subsequent to May 2002 the Company has taken over the advertising, Website hosting and ad serving.

#### **General and administrative expenses**

General and administrative expenses consist primarily of payroll costs for the Company's executive staff, accounting and administrative personnel, premises costs for the Company's office, legal and professional fees, and other general corporate and office expenses. General and administrative expenses decreased to \$106,000 for the Second quarter of 2002, a reduction of 245% over costs of \$364,000 for the same period last year. General and administrative expenses declined from the prior year as a result of changes that took place during the previous 3 quarters, including moving the Company's offices from California to Vancouver, and lower executive payroll. Company management also made greater efforts to control operating costs in order to reduce administrative and other expenses. The Company, during the second quarter, incurred a write off of \$55,000 owed to the Company by CYOP and Nextlevel due to the cancellation of the contracts with them by the Company and the unlikelihood of collecting the funds due.

#### **Depreciation and amortization**

Depreciation and amortization includes depreciation on the Company's fixed assets, as well as amortization of the Bingo.com domain name. The Company capitalized the cost of the purchase of the domain name and is amortizing the cost over five years from the date of commencement of operations. Fixed assets are depreciated using the declining balance method over the useful lives of the assets, ranging from three to five years. Depreciation and amortization decreased to \$151,000 during the quarter ended June 30, 2002, from \$166,000 during the same quarter in the prior year. The changes in depreciation and amortization can be explained due to the average age of the Company's assets being older in fiscal 2002, resulting in a lower depreciation base.

#### **Interest expenses**

Interest expense consists of accrued interest on the convertible debentures and other debt instruments, such as leases. Interest expense decreased to \$43,000 for the three months ended June 30, 2002 compared to \$53,000 for the same period in the prior year. The decrease is attributable to the outstanding debt on the Capital Leases reaching maturity.

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### BINGO.COM, INC.

#### **Loss on disposal of Fixed Asset**

During May 2002 it was agreed to assign the rights, title, liabilities and interest in Skill-Bingo to CYOP. This resulted in a write off of the development costs of Skill-Bingo software, which had been previously capitalized. The Company will no longer have any maintenance or other expenses relating to Skill-Bingo software and the Skill-Bingo Website.

#### **Net loss and loss per share**

Net loss for the three months ended June 30, 2002 amounted to \$465,000, a loss of \$0.04 per share, compared to a loss of \$423,000 or \$0.04 per share for the same period in 2001.

#### **LIQUIDITY AND CAPITAL RESOURCES**

The Company does not currently have an adequate source of reliable, long-term revenue to fund operations. As a result, Bingo.com is reliant on outside sources of capital funding. There can be no assurances that the Company will in the future achieve a consistent and reliable revenue stream adequate to support continued operations. In addition, there are no assurances that the Company will be able to secure adequate sources of new capital funding, whether it be in the form of share capital, debt, or other financing sources.

Bingo.com had cash and cash equivalents of \$12,000 and a working capital deficit of \$1,243,000 at June 30, 2002. This compares to cash and cash equivalents of \$14,000 and a working capital deficit of \$1,055,000 at December 31, 2001. The Company continued to incur costs but did not secure adequate new revenue to cover the costs.

During the six months ended June 30, 2002, Bingo.com generated cash of \$24,000 from operating activities compared to using cash of \$569,000 in the same period in the prior year. The significant improvement in cash flow from operating activities in 2002 demonstrates the effectiveness of the Company's efforts to reduce operating costs in late 2001 and in 2002.

During the quarter ended June 30, 2002, Bingo.com received proceeds of \$50,000 from the secured convertible debenture issued by the Company in April 2001. The funds were used to fund working capital requirements and make payments on the domain name contract payable. The debenture bears interest at a rate of 12% per year and is due in April 2006.

#### **RISKS RELATED TO THE COMPANY'S BUSINESS**

##### *Need for additional capital*

The Company has recorded substantial operating losses and, as of June 30, 2002, has an accumulated deficit of approximately \$8,863,000. The Company does not currently have adequate cash flow or existing revenue to provide operating capital until December 31, 2002. The Company is currently looking for new sources of revenue that it expects will help fund Bingo.com's business for the remainder of fiscal 2002. There can be no assurances that this will be achieved.

##### *History of large operating losses*

Since inception, the Company has not had adequate revenue to support operations, and has recognized substantially half of its revenues from barter transactions. In addition credit card companies are placing pressure on online gaming due to rejecting online gaming transactions. This in turn is reducing the advertising spent by online gaming companies. The Company is therefore investigating other sources of revenue. The Company has significantly reduced ongoing operating expenses. However, there can be no assurance that the Company will achieve positive cash flow and operating profitability.

BINGO.COM, INC.

**RISKS RELATED TO THE COMPANY'S BUSINESS (continued):**

*Success depends on key personnel; no "key man" life insurance*

Future performance depends on the continued service of key personnel, and the ability to attract, train, and retain additional technical, marketing, customer support, and management personnel. The loss of one or more key employees especially Mr. T. M. Williams, the company's President and Chief Executive Officer could negatively impact the Company, and there is no "key man" life insurance in force at this time. Competition for qualified personnel is intense, and there can be no assurance that the Company will retain key employees, or attract and retain other needed personnel.

**RISKS RELATED TO THE INTERNET AND E-COMMERCE**

*Volatility in stock price*

The stock market and especially the stock prices of Internet related companies have been very volatile. This volatility may not be related to the operating performance of the companies. The broad market volatility and industry volatility may reduce the price of the Company's stock without regard to the Company's operating performance. The market price of the Company's stock could significantly decrease at any time as a result of this volatility. The uncertainty that results from such volatility can itself depress the market price of the Company's stock.

*Dependence upon, and risks related to, the Internet*

While management believes that acceptance and use of the Internet will continue to increase at rapid rates and that additional hits to the site will be made, there can be no assurances that such increase will continue to develop, or that use of the Internet as a means of communication and entertainment will continue or increase. If growth in the use of the Internet does not continue, there may not be an increase in the number of hits to the Company's Website at the rates or for the purposes management has assumed. This could, in turn, adversely impact the Company and the results of its business operations. Further, even if acceptance and use of the Internet does increase rapidly, but the technology underlying the Internet and other necessary technology and related infrastructure does not effectively support that growth, the Company's future would be negatively impacted.

**ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.**

As of June 30, 2002, Bingo.com had not entered into or acquired financial instruments that have material market risk. The Company has no financial instruments for trading purposes, or derivative or other financial instruments with off balance sheet risk. The majority of financial assets and liabilities are due within the next twelve months and are classified as current assets or liabilities in the consolidated balance sheet included in this report. The exception is the secured convertible debenture. The fair value of the debenture payable cannot be determined because the Company would not likely be able to secure similar financing on similar terms at a market rate of interest, if at all. As a result, the financial statement carrying amount of the debenture payable at June 30, 2002 reflects the market value to the Company for the debt.

To June 30, 2002, substantially all revenues have been realized or incurred in United States dollars while the majority of costs are incurred in Canadian dollars. To date, the Company has not entered into foreign currency contracts to hedge against foreign currency risks between the Canadian dollar or other foreign currencies and our reporting currency, the United States dollar.

**PART II — OTHER INFORMATION**

**ITEM 1. Legal Proceedings**

Other than described below, the Company is not currently a party to any legal proceeding, and was not a party to any legal proceeding during the fiscal period ended June 30, 2002. Management of the Company is currently not aware of any other legal proceedings proposed to be initiated against the Company. However, from time to time, the Company may become subject to claims and litigation generally associated with any business venture.

On July 6, 2001, Roger W. Ach, II, filed a complaint in the Court of Common Pleas, Hamilton County, Ohio against the Company in connection with a promissory note issued by the Company. Mr. Ach alleges that on or about May 16, 2001 the Company borrowed the sum of \$45,000 and executed and delivered to him a promissory note and that the Company owes him the amount of the Note together with interest from March 16, 2001 at the rate of prime plus 1%. Mr. Ach demands judgment against the Company in the sum of \$45,000, plus interest and costs.

On October 5, 2001, the Company filed an Answer, Counterclaim and third party complaint in defense of the proceedings commenced, among other things, denying the allegation that any moneys are due to Mr. Ach and counterclaiming against him and bringing a third party complaint against the Lottery Channel, Inc. for payment of outstanding invoices of \$39,168 plus interest, costs and attorney fees.

The Company believes that Mr. Ach's complaint is without merit and intends to vigorously defend these proceedings and believes it is not likely to produce an outcome, which would have a material adverse effect on the Company's consolidated financial position or results of operations.

During the first quarter of 2002 the Company and Mr. Ach agreed to defer the complaint and counterclaim and are now in the process of attempting to settle the matter.

**ITEM 2. Changes in Securities and Use of Proceeds**

The Company did not issue securities during the quarter.

**ITEM 3. Defaults Upon Senior Securities**

Not Applicable

**ITEM 4. Submission of Matters to a Vote of Security Holders**

There were no matters submitted to the shareholders during the period.

**ITEM 5. Other Information**

**New Agreements**

The Company entered into the following agreements and arrangements during the quarter ended June 30, 2002:

**BINGO.COM, INC.**

**ITEM 5. Other Information (continued):**

**Site Management, Marketing And Internet Advertising Services**

During the first quarter ended March 31, 2002 the Company began negotiating a replacement to the site management, marketing and internet advertising services agreement (the details of which were disclosed in the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 as filed with the SEC) between Bingo.com and Nextlevel Inc, which the Company had cancelled effective January 31, 2002. Between the end of January 2002 and May 21, 2002 the Company and CYOP Systems Inc. a Barbados incorporated Company ("CYOP") operated under the terms of a verbal arrangement. This verbal arrangement was terminated effective May 21, 2002. Under the terms of the verbal arrangement, CYOP provided Website management, marketing and Internet advertising services for the Company in exchange for a commission equal to 50% of the revenue generated by the Company's www.bingo.com Web portal. Since May 21, 2002 the Company has managed its own sales of advertising, Website hosting and ad serving.

**CrediPlay Software License and Support Agreement**

As disclosed previously by the Company in its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2001 as filed with the SEC, effective September 1, 2001, the Company entered into an agreement (the "Software Agreement") with CYOP, with respect to the grant of a license for a software program known as CrediPlay.

Pursuant to the terms of the Software Agreement, the license fee payable to CYOP was 25% of the Network Maintenance Fees derived from the Skill-Bingo game (as defined in the agreement) by Bingo.com, with a minimum monthly fee payable to CYOP of \$60,000. The service fee payable to CYOP under the terms of the agreement was 5% of Network Maintenance Fees received by Bingo.com from the Skill-Bingo game, with a minimum monthly fee payable to CYOP of \$18,000, including all hosting duties.

During the first quarter ended March 31, 2002 the Company came to a verbal agreement with CYOP whereby the minimum monthly license fee and the minimum monthly service fee stipulations of the Software Agreement were removed effective January 31, 2002. Under the terms of the verbal agreement, the Company is liable for fees totaling 30% of the Network Maintenance Fees generated by the Skill-Bingo game from February 1, 2002. This verbal agreement was terminated May 21, 2002.

The Company and CYOP were unable to negotiate an extension or revision of the previously signed agreements. Therefore during the quarter ended June 30, 2002 the Company agreed to assign to CYOP all the rights, titles, liabilities and interest to:

- ?? The agreement between FYRC Inc. and Bingo dated September 18, 2001 concerning the Skill-Bingo patents and Skill-Bingo Inventions;
- ?? The Skill-Bingo game software;
- ?? The Bingo.com-owned website located at <http://www.bigrbingo.com>;
- ?? The trademark "BiG'r Bingo"; and
- ?? The BiGr bingo customer deposits.

In exchange CYOP has agreed to release and indemnify the Company and its subsidiaries from all obligations and liabilities relating to the Skill-Bingo game and the BiG'rBingo.com website. CYOP also guarantees the Company an irrevocable, worldwide, perpetual license to use the current and future versions of the Skill-Bingo software program. This license permits the Company to participate in the Crediplay program network as a preferred licensee and offer affiliate programs that are substantially similar to the Company's current business practices.

**BINGO.COM, INC.**

**Common Stock Purchase Warrants**

During the quarter ended June 30, 2002, Redruth Ventures Inc. agreed to surrender for cancellation the Warrants issued to them in connection with the debenture issued by the Company, in exchange for eighteen (18) months of unused advertising inventory on the bingo.com website.

**Other Matters**

During the quarter ended June 30, 2002, Jeremy Black, the Company's Chief Financial Officer, resigned from Bingo.com to pursue other interests. There were no disagreements between the Company and Mr. Black. Mr. Henry Bromley has assumed the position of Chief Financial Officer effective July 2, 2002. The agreement is enclosed below as exhibit 10.27 entitled "Consulting agreement dated July 2, 2002, between The Company, Bromley Accounting Services Ltd and Mr. H. W. Bromley."

**ITEM 6. Exhibits and Reports on Form 8-K**

**Exhibits**

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

<b>Exhibit Number</b>	<b>Description</b>
3.1	Articles of Incorporation of Progressive Lumber Corp. effective January 12, 1987.(a)
3.2	Articles of Amendment to Progressive Lumber Corp. filed on July 17, 1998.(a)
3.3	Articles of Amendment to Progressive Lumber Corp. effective January 22, 1999.(a)
3.4	Bylaws of Bingo.com, Inc., as amended at the Annual General Meeting of Stockholders held May 2001(e)
4.1	1,250,000.00 Secured Convertible Debenture between the Company, Redruth Ventures Inc, and Bingo, Inc. dated April 16, 2001.(d)Common Stock Purchase Warrant between the Company and Redruth Ventures Inc. a British Virgin Islands corporation dated April 16, 2001.(d)
4.2	Common Stock Purchase Warrant between the Company and Redruth Ventures Inc. a British Virgin Islands corporation dated April 16, 2001.(d)
4.3	Common Stock Purchase Warrant between the Company and Bingo, Inc. dated April 16, 2001.(d)
10.2	Asset Purchase Agreement by and between Bingo, Inc. and Progressive Lumber, Corp. dated January 18, 1999.(a)
10.3	Escrow Agreement by and among Bingo.com, Inc., Bingo, Inc. and Clark, Wilson dated January 27, 1999.(a)
10.4	Registrant Name Change Agreement by and among Network Solutions, Bingo, Inc. and Bingo.com, Inc. dated January 1999.(a)
10.13	Employment Agreement by and between Bingo.com, Inc. and Shane Murphy dated June 17, 1999, effective July 1, 1999.(b)
10.15	Employment Agreement dated April 16, 2001, between the Company and Shane Murphy.(e)
10.16	Termination Agreement dated August 17, 2001, between the Company and Shane Murphy.(f)
10.17	Consulting Agreement dated August 20, 2001, between the Company, T.M. Williams (Row), Ltd., and T.M. Williams.(f)
10.18	Asset Purchase & Assignment Agreement dated September 18, 2001 between the Company and FYRC Inc.(g)
10.19	Website Hosting & Management Agreement dated September 1, 2001 between the Company and NextLevel.com Inc.(g)

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### **BINGO.COM, INC.**

Notes to Consolidated Financial Statements

(Expressed in U.S. dollars)

Six months ended June 30, 2002 and 2001

(Unaudited)

### **ITEM 6. Exhibits and Reports on Form 8-K (continued)...**

#### **Exhibits**

<b>Exhibit Number</b>	<b>Description</b>
10.20	Agreement for Site Management, Marketing and Internet Advertising Services dated September 1, 2001 between the Company and NextLevel Inc.(g)
10.21	Software License, Technical Support, And Operation Of Customer Service & Data Centre Agreement dated September 1, 2001 between Bingo.Com (Canada) Enterprises Inc., and CYOP Systems Inc.(g)
10.22	Software Development Agreement For Skill-Bingo dated May 1, 2001 between Bingo.Com (Canada) Enterprises Inc., and Moshpit Entertainment Inc.(g)
10.23	Form of Stock Option agreement under 2001 Stock Option plan.(h)
10.24	Amended Consulting Agreement dated February 28, 2002, between the Company, T.M. Williams (Row), Ltd., and T.M. Williams.
10.25	The restructuring of the existing relationship between CYOP Systems Inc., CYOP Systems International Incorporated, Bingo.com Inc. and Bingo.com (Canada) Enterprises Inc. dated May 21, 2002.
10.26	The Purchase and Sale Agreement Between Redruth Ventures Inc. and Bingo.com, Inc. dated May 21, 2002.
10.27	Consulting agreement dated July 2, 2002, between the Company, Bromley Accounting Services Ltd and Mr. H. W. Bromley.

(a) Previously filed with the Registrant's registration statement on Form 10 on June 9, 1999.

(b) Previously filed with the Registrant's amended registration statement on Form 10 on August 31, 1999.

(c) Previously filed with the Registrant's Schedule 14A Definitive Proxy Statement on June 12, 2001.

(d) Previously filed with the Company's quarterly report on Form 10-Q for the period ended June 30, 2001, on June 25, 2001.

(e) Previously filed with the Company's quarterly report on Form 10-Q for the period ended June 30, 2001, on August 20, 2001.

(f) Previously filed with the Company's current report on Form 8-K reporting events as at August 20, 2001, filed on August 27, 2001.

(g) Previously filed with the Company's quarterly report on Form 10-Q for the period ended September 30, 2001, on November 14, 2001.

(h) Previously filed with the Company's annual report on Form 10-K for the year ended December 31, 2001, on April 1, 2002.

#### **Reports on Form 8-K.**

During the quarter covered by this report, the Company filed the following reports on Form 8-K.

Form 8-K filed on June 6, 2002, reporting:

1. The restructuring of the existing relationship between CYOP Systems Inc., CYOP Systems International Incorporated, Bingo.com Inc. and Bingo.com (Canada) Enterprises Inc.; and
2. The sale of the portion of the debenture held by Redruth Ventures Inc., to Bingo, Inc. and the related change of control;

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**BINGO.COM, INC.**

Notes to Consolidated Financial Statements  
(Expressed in U.S. dollars)

Six months ended June 30, 2002 and 2001  
(Unaudited)

**SIGNATURES**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 14, 2002

**BINGO.COM, INC.** (Registrant)

*/S/ T.M. Williams*

T.M. Williams, Chairman of the Board,  
Chief Executive Officer,  
President and Secretary  
(Principal Executive and Accounting Officer)

*/S/ H.W. Bromley*

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

AMENDED CONSULTING AGREEMENT DATED FEBRUARY 28, 2002, BETWEEN THE COMPANY, T.M. WILLIAMS (ROW), LTD., AND T.M. WILLIAMS

TM Williams (ROW) Inc.  
TV1 02P  
Anguilla  
British West Indies

Attention: Mr. Donald Curtis

And

Mr. T. M. Williams  
#203 Shakespeare Tower  
London, England  
EC2Y 8DR

**RE: Amendment to the Consultancy Agreement dated August 17, 2001**

Dear Sirs:

Further to our discussion, we have agreed to amend the Consultancy Agreement between us dated August 17, 2001 as follows:

We have agreed, effective with the month commencing March 1, 2002, to substitute Clause 6 — Compensation stated herein:

**“6. COMPENSATION**

In consideration of the Consultancy and the Release, the Consultant shall be entitled to receive from the Company:

- 6.1 for each calendar month or part thereof during the duration of the agreement the sum of twenty thousand dollars in lawful money of the United States of America (US\$20,000),

payable monthly in arrears in accordance with the provisions set out below or as may be agreed in writing from time to time by the parties hereto.”

With the following Clause 6:

**“6. COMPENSATION**

In consideration of the Consultancy and the Release, the Consultant shall be entitled to receive from the Company:

- 6.1 for each calendar month or part thereof during the duration of the agreement 10% of the Operating Profit of said month payable on the 15th day of the following month to a maximum of US\$25,000 per month. Operating Profit is defined as the total Revenue received from the business of the Company less all operating expenses for that month, but not including those expenses, whether capitalized or not, paid for additional development of the Companies software or website.”

Any and all compensation paid, or accrued, prior to March 1, 2002 is deemed fully earned and is to be retained or paid as the circumstance dictates. Please indicate your concurrence with the stated amendment by signing where indicated, below.

We thank you for agreeing to this modification to the Agreement and continue to look forward to a long and fruitful relationship.

Yours truly,

Jeremy Black  
CFO, Bingo.com, Inc.

Signed by **Donald R. Curtis, Director**  
for and on behalf of  
**TM Williams (ROW) Inc.** in the presence of:—

/s/ M. H. Ross

Witness

Signed by **Jeremy Black, CFO**

for and on behalf of

**BINGO.COM, Inc.** in the presence of:—

/s/ R. Morandin

Witness

Signed by

**T. M. Williams**

In the presence of:—

/s/ R. Morandin

Witness

/s/ D. R. Curtis

/s/ J. Black

/s/ T. M. Williams

RESTRUCTURING OF THE EXISTING RELATIONSHIPS BETWEEN CYOP SYSTEMS INC.; CYOP SYSTEMS INTERNATIONAL INCORPORATED; BINGO.COM, INC.; AND BINGO.COM (CANADA) ENTERPRISES INC.

**THIS AGREEMENT is made as of the 21st day of May, 2002.**

**BETWEEN:**

CYOP SYSTEMS INC., a limited liability Company incorporated under the laws of Barbados and having its offices at Suite 29-1st Floor, Beckwith Mall, Lower Broad Street, Bridgetown, Barbados

(“CYOP BARBADOS”)

**AND:**

CYOP SYSTEMS INTERNATIONAL INCORPORATED, a limited liability Company incorporated under the laws of Nevada and having its offices at #406 1040 Hamilton Street, Vancouver, British Columbia, Canada

(“CYOP”)

**AND:**

BINGO.COM (CANADA) ENTERPRISES INC., a limited liability Company incorporated under the laws of Canada and having its offices at #1405 – 1166 Alberni Street, Vancouver, British Columbia, Canada

(“BINGO CANADA”)

**AND:**

BINGO.COM, INC., a limited liability Company incorporated under the laws of Florida and having its offices at #1405 – 1166 Alberni Street, Vancouver, British Columbia, Canada

(“BINGO”)

**WHEREAS:**

A. CYOP Barbados claims that the Software License, Technical Support, and Operation of Customer Service & Data Centre Agreement dated September 1st, 2001, with Bingo Canada continues in full force, without amendment, as of May 21, 2002; and

B. Bingo Canada claims that CYOP Barbados agreed to amend the Software License, Technical Support, and Operation of Customer Service & Data Centre Agreement effective January 30th, 2002 and agreed to provide ad sales, ad serving and website hosting for the Bingo.com websites (“Unsigned Agreement”); and

C. CYOP claims to have performed considerable consulting services for Bingo in the support and additional development of the Bingo web site located at <http://www.bigrbingo.com>; and

D. CYOP claims to have performed considerable consulting services for Bingo in the support and additional development of the Bingo web site located at <http://www.bingo.com>; and

E. Bingo claims that the services performed by CYOP to the Bingo websites was part and parcel of the Unsigned Agreement.

**THEREFORE:**

In full and complete settlement of all disputes between Bingo, Bingo Canada, CYOP Barbados and CYOP, it is hereby agreed as follows:

1. Effective immediately Bingo assigns to CYOP all right, title, liabilities and interest in:

i. the agreement between FYRC Inc. and Bingo dated September 18, 2001 concerning the Skill-Bingo Inventions, subject to written consent from FYRC Inc.;

ii. the Skill-Bingo game software;

iii. the Bingo.com-owned website located at <http://www.bigrbingo.com>;

iv. the trademark "BiG'r Bingo"; and

v. the BiGr bingo customer deposits

CYOP and CYOP Barbados will indemnify Bingo and Bingo Canada from all obligations and liabilities relating to or arising from the above agreement, software, trademark and customer deposits and the operation of the Skill-Bingo game and bigrbingo.com website.

2. CYOP and CYOP Barbados hereby acknowledge and certify that Bingo and Bingo Canada have no knowledge of nor any liability for the following obligations, and that CYOP and CYOP Barbados are solely responsible for and will promptly pay for the following obligations:

- i. all monies owing by CYOP or CYOP Barbados to Steve Moriya (commissions, salary, & expenses) for sales prior to May 21, 2002; and
- ii. all monies owing by CYOP or CYOP Barbados to Peer 1 for hosting Bingo's servers ("Servers"), and upon payment thereof, CYOP will arrange for the immediate delivery of the Servers and all accessory equipment, in good operating condition, to Bingo.

3. CYOP and CYOP Barbados hereby grant to Bingo an irrevocable, worldwide, perpetual, license to use the current and any future version of the software program known as Skill-Bingo. Bingo may, at its option, participate in the Credisplay program or network as a preferred licensee and may offer an affiliate program substantially similar to the program which Bingo now offers through the bigrbingo.com website.

4. CYOP Barbados and CYOP will be entitled to keep any monies they may have received on or before May 21st, 2002 to a maximum of US\$26,000 from advertisers who placed advertisements ("the Ads") on the bingo.com website. If either CYOP Barbados or CYOP has received or may in the future receive any monies on this account over and above US\$26,000, then CYOP will immediately forward those funds to Bingo. Bingo will continue to host and serve the Ads for those accounts as contracted.

5. CYOP will provide Bingo with the full free bingo and skill-bingo database and will refrain from copying, disclosing or using the free bingo database.

6. CYOP will provide Bingo with the full bingo email list and the full opt-in bingo email list and refrain from copying, disclosing or using same.

7. CYOP will provide Bingo with all necessary documentation to enable the successful transition of the management and hosting of the bingo.com website to Bingo and Bingo Canada, including but not limited to all pass codes and source and object code in its possession related to the bingo.com website and games.

8. Upon execution of this agreement and Bingo's receipt of the database, email list, transition documentation, pass codes and source and object code referred to in Sections 5, 6 and 7, Bingo will pay CYOP US\$20,000 plus a further US\$6,250 upon delivery of the Servers and accessory equipment in good operating condition.

9. CYOP Barbados and CYOP hereby release Bingo and Bingo.com from all obligations, agreements and liabilities of any nature and kind, other than this Agreement. Bingo and Bingo Canada hereby release CYOP Barbados and CYOP from all obligations, agreements and liabilities of any nature and kind, other than this Agreement. Except for the obligations contained in this Agreement, no further obligations will exist between CYOP Barbados, CYOP, Bingo and Bingo Canada. \

10. The parties will account for all transactions between them prior to May 21, 2002 in a manner consistent with the presentation of accounts made by Bingo in its SEC filing of its 10Q dated May 15, 2002.

Accepted and Agreed by Bingo Canada:  
BINGO.COM (CANADA) ENTERPRISES INC  
by: /s/ Mark Devereux  
AUTHORIZED SIGNATORY  
by: /s/  
AUTHORIZED SIGNATORY  
WE HAVE AUTHORITY TO BIND THE  
CORPORATION  
Accepted and Agreed by Bingo:  
BINGO.COM, INC  
by: /s/ Tarnie Williams  
AUTHORIZED SIGNATORY  
by:  
AUTHORIZED SIGNATORY  
WE HAVE AUTHORITY TO BIND THE  
CORPORATION

Accepted and Agreed by CYOP Barbados:  
CYOP SYSTEMS INC.  
by: /s/ Mitch White  
AUTHORIZED SIGNATORY  
by:  
AUTHORIZED SIGNATORY  
WE HAVE AUTHORITY TO BIND THE  
CORPORATION  
Accepted and Agreed by CYOP:  
CYOP SYSTEMS INTERNATIONAL INCORPORATED  
by: /s/ Mitch White  
AUTHORIZED SIGNATORY  
by:  
AUTHORIZED SIGNATORY  
WE HAVE AUTHORITY TO BIND THE  
CORPORATION

THIS PURCHASE AND SALE AGREEMENT is made with effect as of May 21, 2002

**BETWEEN:**

REDRUTH VENTURES INC., a British Virgin Islands Corporation, 3076 Sir Francis Drake's Highway P.O. Box 33463 Road Town, Tortola, BVI

(“Redruth”)

**AND:**

BINGO.COM, INC., a Florida Corporation, Suite 1405-1166 Alberni Street, Vancouver, British Columbia, V6E 3Z3

(The “Company”)

**WHEREAS:**

A. The Company is indebted to Redruth and Bingo Inc., an Anguillian corporation, pursuant to a Convertible Debenture (the “Debenture”) in the aggregate principal amount of US\$1,250,000 dated as of April 16, 2001;

B. Pursuant to the Debenture, the Company issued to Redruth a Warrant (“Redruth Warrant”) dated April 16, 2001 to purchase up to 7,200,000 shares of common stock of the Company at a price of US\$.25 per share;

C. Redruth has agreed to sell and transfer to the Company its interest in the Redruth Warrant in exchange for the provision by the Company to Redruth of 18 months of unused advertising inventory as detailed in the Company’s standard Insertion Order attached hereto as Schedule “A” (“Redruth IO”).

THEREFORE this Agreement witnesses the parties’ agreement as follows:

1. Redruth represents and warrants to the Company that:

- (a) the indebtedness (the “Indebtedness”) owing to Redruth under the Debenture as at May 21, 2002 is the principal sum of US\$750,000 plus all accrued and unpaid interest;
- (b) it has not exercised any of its rights to acquire shares under the Redruth Warrant;
- (c) it has not done or permitted any act or thing whereby the Indebtedness, the Debenture or the Redruth Warrant has been assigned, released, discharged or encumbered, either wholly or in part.

2. Redruth hereby absolutely and irrevocably sells, assigns and transfers to the Company all of Redruth’s interest in the Redruth Warrant, free and clear of all liens and encumbrances. As consideration for the above assignment and transfer, the Company agrees to provide Redruth with 18 months of specified advertising inventory as set out in the Redruth IO (the “Specified Inventory”) and to serve the Specified Inventory as specified by Redruth or its affiliated companies. Redruth hereby accepts the Redruth IO and the Specified Inventory as full and final satisfaction of all of Redruth’s rights and privileges under the Redruth Warrant.

3. To give effect to Clause 2, Redruth will surrender the original Redruth Warrant to the Company, and Redruth hereby authorizes the Company to cancel the Redruth Warrant in its entirety and to release any common shares reserved for issuance by the Company under the Redruth Warrant.

4. Neither Redruth nor any of its affiliated companies will:

- (a) contact, solicit or engage in any communication with any existing clients or customers of the Company as defined in Schedule “B” attached hereto for the purpose of offering, selling or making any of the Specified Inventory available to such existing clients or customers of the Company;
- (b) possess or resell any opt-in email list belonging to the Company; and
- (c) disclose or release the terms of this Agreement without the prior written consent of the Company.

5. Redruth acknowledges that except as expressly provided herein, the Company provides the Specified Inventory under the standard terms and conditions as detailed in the Redruth IO and in the event of default by Redruth of Clause 4 herein the Company may discontinue provision of the Specified Inventory and Redruth accepts this condition without any recourse and without any warranty of any kind, either express or implied, as to any other payment by or on behalf of the Company.

6. Redruth hereby releases the Company and its affiliated and associated corporations from all obligations, agreements and liabilities of any nature and kind, other than as set out in this Agreement.

7. This Agreement may be executed in one or more counterparts, which may be in original or facsimile copies, and all such counterparts when taken together shall constitute one and the same instrument.

The parties have executed this Assignment as evidenced below.

**REDRUTH VENTURES INC.**

**Per:**

*/s/ Mitch White*  
*AUTHORIZED SIGNATORY*

**BINGO.COM, INC.**

**Per:**

*/s/ Tarrnie Williams*  
*AUTHORIZED SIGNATORY*

[LOGO]  
BINGO.COM INC.  
#1405-1166 ALBERNI STREET  
VANCOUVER, B.C.  
CANADA, V6E 3Z3

Date: May 16, 2002  
TEL:(604) 694-0300  
FAX:(604) 694-030 Invoice # \_\_\_\_\_  
WEBSITE: WWW.BINGO.CO  
SIGN AND FAX TO 1-(604) 694-0301

Client: Redruth Ventures, Inc.  
Start Date: JUN 1/02 End Date: NOV. 30/03 Duration (# wks):

Sales Person:  
ADVERTISER: CYOP Systems

Media Contact: Michelle Kuhn  
Address: #406 1040 Hamilton  
City/State: Vancouver  
Zip:  
Phone: 604-688-8873  
Fax: 604-688-8838  
Email: Mkuhn@cyop.org  
ACCOUNTING CONTACT:  
Phone:  
Email:

ACCOUNTING CONTACT:  
Phone:  
Email:

#### TERMS & BILLING INSTRUCTIONS

NET 30 [ ] REDRUTH VENTURES, INC. HAS PREPAID IN FULL FOR THE  
MONTHLY PREPAY [ ] ENTIRE CAMPAIGN AS PER THE AGREEMENT DATED MAY 21, 2002  
PREPAY IN FULL [X] Bingo.com Inc.

Payment Method

CHECK [ ]

WIRE TRANSFER [ ]

#### MEDIA PURCHASE DETAILS

MEDIA SUPPLIER: Bingo.com

CAMPAIGN DETAILS: Client will provide Bingo.com with all creatives for serving on Bingo.com media space. Client may also provide links to client servers by which client may circulate any creatives within the duration of the campaign. All media served under Bingo.com will be subject to approval prior to serving. 50% of all campaigns will be for Keno.com.

**MEDIA PURCHASE DETAILS (continued):**

CREATIVE TYPE:	IMPRESSIONS AD UNIT SIZE	TOTAL # OF CPM OR CLICKS	NET COST	MONTH	LOCATION	COMMENTS
BANNER	468X60	6050000 A MONTH		18	BINGO.COM	IMPRESSIONS ARE BASED ON TOTAL EACH MONTH
INDEX POP	250X250	285714 A MONTH		18		
GAMES POP	250X250	625000 A MONTH		18		
INTERMISSION	500X350	652500 A MONTH		18		

CREATIVE TYPE:	IMPRESSIONS AD UNIT SIZE	TOTAL # OF CPM OR CLICKS	NET COST	MONTH	LOCATIO N	COMMENTS
TOWER	120X600	445666 A MONTH		18		
BUTTONS	120X240	1500000 A MONTH		18		
BUTTONS	120X60	1500000 A MONTH		18		
GAME LOADING	300X200	1 WEEK A MONTH		18		DATE TBD
SPLASH INTERMISSION	300X200	1 WEEK A MONTH		18		DATE TBD
SOLO E-MAIL		1 A MONTH		18		

HOME PAGE (COLUMN 4) HARD CODED IMPRESSION OF KENO AND BIGR AND FOX CLICK THROUGH BUTTONS

**MONTHLY TOTALS**

DAY SENSITIVITY: YES: NO  
 IF YES WHICH DAY: Mon: Tues: Wed: Thurs: Fri: Sat: Sun:

BANNER CREATIVES PROVIDED: By Client: YES By Bingo.com:

DATE CREATIVES FINALIZED:

REPORTING SCHEDULE:

TERMS AND CONDITIONS: This Insertion Order is subject to Publisher and Supplier Approval.

1) This insertion order constitutes an agreement between the parties. It supersedes all prior proposals, agreements, or other communications between the parties regarding such subject matter. The return of this agreement signed by the advertiser or agent constitutes acceptance of all terms and conditions of this agreement.

2) Bingo.com recognizes the industry wide issue of ad serving discrepancies, and has adopted the following policy, which Advertisers hereby agrees to adhere to:

a) For billing purposes, Bingo.com and Advertisers will recognize a 10% discrepancy as being within acceptable industry parameters. For any discrepancies within 10%, campaigns will be billed based on our system numbers.

b) Advertisers will be supplied with a login & password to our ad serving system. This will be included in the email with the ad serving tags. Advertisers will be responsible for monitoring the discrepancies between the ad servers within the initial 48-72 hours of the campaign. After the initial 72 hours, the Advertiser is responsible to check on the numbers from time to time, and must notify Bingo.com when the discrepancy is higher than 10%.

c) Upon notification of a discrepancy higher than 10%, Bingo.com will ask that the campaign be paused until we can collectively decide how best to proceed. If Advertiser does not notify Bingo.com of discrepancy, Advertiser agrees that campaigns will be billed on system numbers, regardless of the discrepancy.

TERMS AND CONDITIONS: This Insertion Order is subject to Publisher and Supplier Approval.(continued):

- 3) All advertising is subject to publisher's approval. The publisher reserves the right to reject advertising, which is not in keeping with the publisher's standards. The publisher's liability for any error will not exceed the charge for the advertisement in question.
- 4) Advertisers assume the liability for all content of advertisements published and/or any claims arising there from made against the publisher. Advertisers agree to indemnify the publishers against any such claims and all related costs and expenses (including attorney's fees).
- 5) Bingo.com has the right to pre-empt any campaign.
- 6) Only Written Insertion orders will be honored.
- 7) All gaming related client and advertisers will be required to adhere to prepayment terms.
- 8) Cost per Click and Cost per Acquisitions deals may be permitted however, all reporting and serving must be done off the internal software and reporting. No third party code will be permitted.
- 9) Non-Disclosure and Non-Circumvention Agreement

The parties hereby agree as follows:

In its sole discretion, the Disclosing Party will provide to the Receiving Party certain confidential and proprietary information for the limited purpose of allowing the Receiving Party to

- a) Definition — For purposes of this Agreement, "Confidential Information" shall mean the information received by the Receiving Party from the Disclosing Party which is marked as Confidential and/or "Proprietary" or which would logically be considered "Confidential" and/or "Proprietary" in view of its relationship to the whole disclosure. Information initially furnished orally which was identified by the Disclosing Party as confidential and/or proprietary at the time of disclosure, shall be treated by the Receiving Party as Confidential Information.
- b) Protection and Purpose — All "Confidential Information" shall be maintained in confidence by the Receiving Party, and shall not be disclosed to any third party and shall be protected with the same degree of care as the Receiving Party normally uses in the protection of its own confidential and proprietary information, but in no case with any less degree than reasonable care. The Receiving Party shall not use any "Confidential Information" received from the Disclosing Party except for the evaluation purposes set forth above. The Receiving Party shall not use any "Confidential Information" received from the Disclosing Party to circumvent any agreement with any Company or persons associated or affiliated with said.
- c) Restrictions — The restrictions herein provided shall not apply with respect to "Confidential Information" which:
  - i) Is or becomes a part of the public domain without breach of this Agreement by the Receiving Party; or
  - ii) Is disclosed by the Disclosing Party to a third party without a commitment of confidentiality by the third party; or
  - iii) Is disclosed pursuant to judicial action or government regulations, provided the Receiving Party notifies the Disclosing Party prior to such disclosure and cooperates with the Disclosing Party in the event the Disclosing Party elects to legally contest and avoid such disclosure.
- d) Rights and Licenses — This Agreement and the furnishing of "Confidential Information" as provided herein shall not be construed as establishing, either expressly or by implication, any grant of rights or licenses to the Receiving Party or any relationship between the parties.
- e) Ownership — All tangible information and other information submitted hereunder by the Disclosing Party to the Receiving Party, shall remain the property of the Disclosing Party. If either party elects not to pursue any further business undertaking, the Receiving Party shall promptly return to the Disclosing Party all tangible information, and all copies thereof, related to "Confidential Information".
- f) Termination — This Agreement is to be construed in accordance with the laws of the Province of British Columbia and shall terminate Two (2) years from the effective date of this Agreement.

**COMMENTS/ADDENDUMS:**

**Bingo.com Inc.**

The customer has prepaid for the inventory as shown above. Any monthly campaign not utilized by the customer will not be replaced.

**SIGN AND FAX TO (604) 694-0301**

Advertiser	Bingo.com Inc.
Signature:	Signature:
Name:	Name:
Title:	Title:
Date:	Acceptance Date:

**CAMPAIGN CREATIVE DETAILS**

**CREATIVE DEADLINES**

New advertisers must submit materials to bingo.com four business days prior to start date. Existing advertisers may change their banners as often as they like as long as we receive new creative by noon two business days prior to start date.

IF YOU NEED HELP DESIGNING YOUR CREATIVE, CALL US! Creative Specs for your campaign are listed below

**CREATIVE SUBMISSIONS**

Please send via e-mail and choose one of two options:

Send Banners along with corresponding destination URL's in an email. Post Banners along with corresponding destination URL's to a WWW page and send location via e-mail.

**CREATIVE SPECIFICATIONS**

All banners for this campaign will need to be approved by the site(s) before being posted.

All banners should be standard size and no larger than 12k per banner.

CONSULTING AGREEMENT DATED JULY 2, 2002, BETWEEN THE COMPANY, BROMLEY ACCOUNTING SERVICES LTD AND MR. H. W. BROMLEY.

THIS AGREEMENT is made the 2nd day of July, 2002 (the "Effective Date")

BETWEEN:

(1) BROMLEY ACCOUNTING SERVICES LTD., a company incorporated under the laws of England & Wales with its registered office situated at 2 Iverna Court, Iverna Gardens, London, W8 6TY (the "Consultant"),

AND

(2) BINGO.COM, INC., a company incorporated under the laws of Florida with its office situated at Suite 1405, 1166 Alberni Street, Vancouver, BC, Canada, V6E 3Z3(the "Company"),

AND

(3) H. W. BROMLEY, businessman of 59 Prothero Road, Fulham, London, SW6 7LY (the "Executive"),

WHEREAS:

A. the Consultant has the ability to provide consultancy services to the Company, which services the Company requires in connection with the developing, financing, accounting and day-to-day operations of an Internet Bingo company operating worldwide to provide both free and Pay for Play Bingo over the Internet and throughout the world. (the "Business");

B. the Consultant and the Company have agreed that the Consultant shall provide services as an independent contractor on the terms and conditions set out hereinbelow;

C. the Executive is employed by the Consultant and is willing and able to act as the CFO of Bingo.Com, Inc.;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the sum of ten pounds in lawful money of the United Kingdom (GBP£10.00) paid by each of the parties hereto to the other, the respective covenants herein contained and other good and valuable consideration, the receipt and sufficiency whereof is hereby expressly acknowledged, the parties HERETO AGREE AS FOLLOWS:—

### 1. INTERPRETATION

1.1 References in this Agreement to clauses, sub-clauses and schedules are to those in this Agreement and the schedules to this Agreement shall be deemed to be a part of this Agreement.

1.2 References to any provision of a statute or regulation shall be construed as a reference to that provision as amended, re-enacted or extended at the relevant time.

1.3 Clause headings in this Agreement are for ease of reference only and shall not affect the interpretation of this Agreement.

1.4 Words importing one gender shall be construed as importing any other gender and words importing the singular shall be construed as importing the plural and vice versa.

1.5 References to persons shall include bodies corporate and vice versa.

### 2. CONSULTING & EXECUTIVE SERVICES

2.1 With effect from the Effective Date, the Company engages the Consultant to provide services, in connection with the operation of the Business and the Consultant hereby accepts the engagement (the "Consultancy").

2.2 With effect from the Effective Date, the Consultant releases the Executive from his employment to the extent necessary to give effect to the terms of this Agreement provided that any agreement made between the Company and the Executive for his services does not conflict with his obligations at any time and from time to time to the Consultant (the "Release").

### 3. AGENTS AND ADVICE

The Consultant shall be at liberty in the performance of its duties and in the exercise of any of the powers and discretions vested in it hereunder to employ and pay an agent to perform or assist in performing any or all of the services, duties and obligations required to be performed hereunder by the Consultant. Further the Consultant may act or rely upon the opinion or advice of or any information obtained without verifying or otherwise enquiring as to the accuracy of any information or assertions provided or from any broker, lawyer, valuer, surveyor, auctioneer or other expert whether reporting to the Company or to the Consultant or not and the Consultant, absent gross negligence or willful default, shall not be responsible for any loss occasioned by its so acting.

#### 4. RELATIONSHIP

4.1 The Consultant shall be an independent contractor and nothing herein shall be construed as creating a partnership, co-venture or employment relationship between the Consultant and the Company.

4.2 The Consultant shall not have the authority to obligate or bind the Company to any obligations or agreements in excess of US\$25,000 without the prior authorisation of the Board of Directors of the company and, without limiting the generality of the foregoing:

4.2.1 the Consultant shall not hold itself out as having any right, power or authority to create any contract or obligation, either express or implied, on behalf of, in the name of, or binding upon the Company save and except those obligations falling within the normal course of obligations of a CFO of an organization;

4.2.2 the Consultant shall not make any representation or warranty on behalf of the Company save and except those obligations falling within the normal course of obligations of a CFO of an organization; and

4.2.3 the Consultant is not authorized to accept service of process for the Company.

4.3 The Consultant shall accept any reasonable directions issued by the Company in respect of the Business and pertaining to goals to be attained and results to be achieved during the currency of this Agreement.

4.4 For the avoidance of doubt, none of the parties hereto intends to create a partnership, joint venture or to assume partnership liability or responsibility by entering into this Agreement, rather it is the intent of the parties hereto that the rights and obligations of the parties hereto be several and not joint or joint and several.

#### 5. DURATION

5.1 The first five months (“Trial Period”) will be a trial period. During the Trial Period the Consultant’s performance and conduct will be monitored. In addition the Consultant can consider the viability of the company. Any of the parties hereto may terminate this Agreement, at the completion of the Trial Period and within 5 days of the Trial Period completion without further notice and without prejudice to its other remedies,

5.2 This Agreement shall commence on the Effective Date and remain in full force and effect until the earlier of the first anniversary of the Effective Date or the date this Agreement is terminated forthwith pursuant to clause 5.1 or by giving thirty (30) days’ notice thereafter, in writing, to the other parties or as per clause 9 hereof (the “Termination Date”).

5.3 Unless this Agreement has been terminated pursuant to clause 5.1 & 9 hereof, upon the Termination Date the Consultant shall have the option to renew, by giving one (1) months notice in writing to the Company, this Agreement for a further term of up to one (1) years upon substantively the same terms as then pertain excluding clause 5.1.

#### 6. COMPENSATION

In consideration of the Consultancy and the Release, the Consultant shall be entitled to receive from the Company:

6.1 for each calendar month or part thereof during the duration of the agreement the sum of three thousand six hundred and sixty seven pounds in lawful money of the United Kingdom (GBP£3,667),

payable monthly in arrears in accordance with the provisions set out below or as may be agreed in writing from time to time by the parties hereto.

#### 7. COSTS AND EXPENSES

The Company shall reimburse the Consultant and/or the Executive for all out of pocket expenses reasonably incurred during the Consultancy including, without limiting the generality of the foregoing, operating expenses, airfares, accommodations, and vehicle expenses, provided that the Consultant and/or the Executive shall provide the Company with such vouchers or other evidence of actual payment of the said expenses as the Company may reasonably require.

## 8. CONFIDENTIALITY

None of the parties hereto shall (except under compulsion of law or by any governmental, quasi-governmental or regulatory authority of any country or territory having relevant jurisdiction) either before or after the termination of this Agreement disclose to any person not authorised by the relevant party to receive the same any confidential information relating to such party or to the affairs of such party of which the party disclosing the same shall have become possessed during the period of this Agreement and each party shall use all reasonable endeavours to prevent any such disclosure as aforesaid.

## 9. TERMINATION

9.1 The Executive shall not terminate this Agreement unless he has the prior written approval of the Consultant.

9.2 Any of the parties hereto may terminate this Agreement, without prejudice to its other remedies, forthwith by giving thirty (30) days' notice in writing to the other parties if any other party either:

9.2.1 commits a material breach of the provisions of this Agreement provided that if the breach is capable of remedy then notice shall only be given if the party in breach shall not have remedied the same within thirty (30) days of having been given notice in writing specifying the breach and requiring it to be remedied; or

9.2.2 acts or omits to act, or any of its directors, officers, employees or agents act or omit to act, in a manner which shall, in the opinion of giving notice, in any way prejudice the interests of the party giving notice or bring the name of that party giving notice into disrepute; or

9.2.3 is unable to pay its debts or enters into compulsory or voluntary liquidation (other than for the purpose of amalgamation or reconstruction and the resulting company agrees to be bound by and assume the obligations of the relevant party under this Agreement) or compounds with or convenes a meeting of its creditors or has a receiver or manager or an administrator or administrative receiver appointed of its assets or ceases for any reason to carry on business or takes or suffers any similar action which, in the opinion of the party giving notice, means that the other may be unable to pay its debts.

9.3 Termination of this Agreement for whatever reason shall not affect or prejudice the rights of the parties arising in any way out of this Agreement as at the date of termination and in particular, but without limitation, the right to recover damages from the other.

9.4 All provisions of this Agreement which are expressed to operate or survive in the event of termination of this Agreement shall remain in full force and effect after such termination.

## 10. INDEMNITY

10.1 The Company hereby agrees to indemnify and keep indemnified the Consultant (together with its directors, officers, employees and agents) from and against:-

10.1.1 any and all demands, claims, liabilities, losses, damages, costs, legal costs, professional and other expenses of any nature whatsoever including all interest and penalties, incurred or suffered by the Consultant or the Executive in connection with the Business and all or any breaches by the Consultant or the Executive of the provisions of this Agreement (including all or any act, neglect or default of the Consultant's directors, officers, employees and agents); or

10.1.2 all actions, suits and proceedings which may be commenced, taken or made against the Consultant or the Executive or which may be incurred or which may arise directly or indirectly by reason of the provision by the Consultant or the Executive of all or any of the services under this Agreement or by reason of any act done and/or omitted to be done in relation thereto or attempting to enforce the Consultant's rights under this indemnity, except insofar as any such claims arise from any breach of this Agreement by the Consultant.

10.2 All sums payable under clause 6 of this Agreement shall be payable by the Company immediately on demand by the Consultant in full without any deduction, withholding, counterclaim or set-off and if any such deduction or withholding is made, or any tax, duty or levy of any nature whatsoever, except taxes imposed on the Consultant and measured by the income of the Consultant, is required to be paid on the sum due, the Company shall immediately pay to the Consultant such additional amount as will result in the payment to and retention by the Consultant of the full amount which would have been received and retained by the Consultant but for such deduction or withholding or the imposition of any such tax, duty or levy.

## 11. ASSIGNMENT AND DELEGATION

11.1 The provisions of this Agreement shall be binding on and enure to the benefit of the successors and assigns of each party hereto provided that either party may not, and may not agree to, assign, transfer, charge or otherwise dispose of or subcontract any of its rights or obligations under this Agreement without the prior written consent of the other parties.

11.2 Neither the Consultant nor the Company shall be permitted to delegate any of their duties or obligations arising under this Agreement otherwise than may be expressly agreed in writing between the Consultant and the Company.

## 12. FORCE MAJEURE

12.1 None of the parties shall be in breach of the provisions of this Agreement if there is any failure of performance by it of its obligations under this Agreement occasioned by any act of God, fire, act of local, national or supranational authority or government or state, war, civil commotion, embargo, strike, lock-out or other cause beyond the control of either party.

12.2 If any of the parties is unable to perform its duties and obligations under this Agreement as a direct result of the effect of one or more of such causes, such party shall give written notice to the others of such inability stating the cause in question, without delay. The operation of this Agreement (but not the provisions relating to confidentiality and the restrictive obligations of the parties) shall be suspended during the period in which the cause continues to have effect. Forthwith upon the cause ceasing to have effect, the party relying upon it shall give written notice thereof to the others.

12.3 If the cause continues to have effect for a period of more than sixty (60) days, the parties not claiming relief under this clause shall have the right to terminate this Agreement forthwith upon giving written notice of such termination to the other parties.

## 13. ILLEGALITY AND SEVERABILITY

If any provision of this Agreement shall become or be declared illegal, invalid or unenforceable, in whole or in part, for any reason whatsoever by any competent court, tribunal or authority in England & Wales, such provision or part thereof shall be divisible from this Agreement and shall be deemed to be deleted from this Agreement in so far as the continued operation of this Agreement is concerned provided always that, if such deletion substantially affects or alters the commercial basis of this Agreement, the parties shall negotiate in good faith to amend and modify the provisions of this Agreement as may be necessary or desirable in the circumstances.

## 14. NO WAIVER

No failure or delay on the part of either of the parties to exercise any right or remedy under this Agreement shall be construed or operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy preclude the further exercise of such right or remedy as the case may be.

## 15. ANNOUNCEMENTS

No public announcement shall be made in respect of the subject matter of this Agreement without the prior written approval of the Consultant and provided always that the form and content of any such announcement is agreed to in writing by the Consultant.

## 16. NOTICES

16.1 Any notices or other communication given or made under this Agreement shall be in writing and shall be deemed to have been duly given if delivered by hand or by registered post as follows:

If to the Consultant or to the Executive to:

2 Iverna Court  
Iverna Gardens  
London  
W8 6TY

If to the Company:

Suite 1405 — 1166 Alberini Street  
Vancouver, BC  
V6E 3Z3  
Canada

Fax: 604-694-0301  
Attention: Mr. T. M. Williams

16.2 In the event of any postal or other strike or industrial action affecting postal communications in or between England & Wales and Canada notices shall be given personally or by email.

16.3 Any such notice or other documents shall be deemed to have been received by the addressee five (5) working days following the date of dispatch if the notice or other document is sent by registered post or on the next working day after delivery if sent by hand or by email.

17. AMENDMENTS

This Agreement may only be amended by written agreement signed by all parties.

18. GOVERNING LAW AND JURISDICTION

This Agreement shall be governed by and construed in accordance with the laws of England & Wales and the parties hereto submit to the jurisdiction of the courts of England & Wales.

19. ENTIRE AGREEMENT

This Agreement contains the entire agreement of the parties with respect to the matters covered in it and no other or prior promises, representations, agreements, negotiations or discussions, oral or written, made by either party or its employees, officers or agents shall be valid or binding.

20. COUNTERPARTS

This Agreement may be executed in separate counterparts, which together shall be construed as a single instrument.

IN WITNESS whereof the parties or their respective duly authorised representatives have executed this Agreement as of the day and year first before written.

Signed by H.W. Bromley, Director	)
for and on behalf of	)
Bromley Accounting Services Ltd in the presence of:—	)
/s/ G. J. Coogan	) /s/ H. W. Bromley
Witness	
Signed by T. M. Williams, President & CEO	)
for and on behalf of	)
BINGO.COM, Inc. in the presence of:—	)
/s/ G. J. Coogan	) /s/ T. M. Williams
Witness	
Signed by	)
H. W. Bromley	)
In the presence of:—	)
/s/ G. J. Coogan	) /s/ H. W. Bromley
Witness	

**END OF FILING**