

eQube Gaming Limited
Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended August 31, 2015
(Unaudited)

eQube Gaming Limited

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eQube Gaming Limited

Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	August 31, 2015	February 28, 2015
Assets		
Current assets		
Cash	\$ 503,626	\$ 2,132,829
Accounts receivable	563,299	381,697
Accrued receivables	708,568	460,000
Supplies and components (Note 7)	82,369	62,076
Prepaid expenses and deposits	493,026	352,014
	2,350,888	3,388,616
Accrued receivables	435,632	888,670
Property and equipment (Note 8)	2,924,269	2,894,792
Intangible assets (Note 9)	408,531	323,478
Total assets	\$ 6,119,320	\$ 7,495,556
Liabilities		
Current liabilities		
Bank indebtedness (Note 10)	\$ 190,621	\$ 117,440
Accounts payable and accrued liabilities (Note 11)	662,299	492,846
Demand term loans (Note 12)	971,681	1,569,109
Current portion of shareholders loans (Note 13)	-	304,704
Current portion of other related loans (Note 13)	971,557	926,660
Current portion of obligations under finance lease (Note 14)	6,868	-
	2,803,026	3,410,759
Long term liabilities		
Accounts payable and accrued liabilities (Note 11)	377,108	-
Shareholders loans (Note 13)	395,239	117,052
Other related loans (Note 13)	1,104,296	1,601,566
Obligations under finance lease (Note 14)	29,139	-
Preferred shares (Note 15)	2,060,000	2,060,000
Total liabilities	6,768,808	7,189,377
Equity (deficiency)		
Share capital (Note 16)	8,135,041	8,082,700
Warrants (Note 17)	441,625	212,179
Contributed surplus	373,043	365,996
Deficiency	(10,082,221)	(8,354,696)
(Deficiency) equity attributable to owners of the Company	(1,132,512)	306,179
Non-controlling interest (Note 4)	483,024	-
Total (deficiency) equity	(649,488)	306,179
Total liabilities and equity	\$ 6,119,320	\$ 7,495,556

On behalf of the Board

_____ Director

_____ Director

See accompanying notes to the condensed interim consolidated financial statements.

eQube Gaming Limited
Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended August 31,		Six months ended August 31,	
	2015	2014	2015	2014
Sales, service and other revenue (Note 19)	\$ 1,306,931	\$ 999,565	\$ 2,416,116	\$ 2,607,347
Direct costs	416,898	300,766	802,295	1,383,147
Gross profit	890,033	698,799	1,613,821	1,224,200
Expenses				
General and administrative expenses (Note 20)	1,183,192	977,364	2,247,433	1,693,075
Impairment of supplies and components	19,571	15,445	38,605	30,891
Total expenses	1,202,763	992,809	2,286,038	1,723,966
Loss before other expenses (income)	(312,730)	(294,010)	(672,217)	(499,766)
Other expenses (income)				
Finance income (Note 21)	(5,780)	(3,481)	(10,392)	(6,962)
Finance costs (Note 21)	153,449	147,741	317,353	257,930
Depreciation and amortization	465,558	398,590	878,670	780,826
Loss on disposal of property and equipment	-	-	-	27,145
Loss on write off of intangible assets	76	-	76	-
Foreign exchange (gain) loss	(55,995)	98,364	(62,908)	25,982
Total other expenses	557,308	641,214	1,122,799	1,084,921
Loss before income taxes	(870,038)	(935,224)	(1,795,016)	(1,584,687)
Current income tax (recovery) expense	-	(419)	-	1,164
Net loss and comprehensive loss	\$ (870,038)	\$ (934,805)	\$ (1,795,016)	\$ (1,585,851)
Total net loss and comprehensive loss attributable to:				
Owners of the Company	(802,547)	(934,805)	(1,727,525)	(1,585,851)
Non-controlling interest (Note 4)	(67,491)	-	(67,491)	-
	\$ (870,038)	\$ (934,805)	\$ (1,795,016)	\$ (1,585,851)
Loss per share (Note 24)				
Basic	\$ (0.03)	\$ (0.05)	\$ (0.06)	\$ (0.09)
Diluted	\$ (0.03)	\$ (0.05)	\$ (0.06)	\$ (0.09)

See accompanying notes to the condensed interim consolidated financial statements.

eQube Gaming Limited
Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian dollars)
(Unaudited)

	Share capital amount	Warrants	Contributed surplus	Deficiency	Total	Non-controlling interest	Total equity
Balance at February 28, 2014	\$ 2,958,800	\$ -	\$ 107,099	\$ (2,582,957)	\$ 482,942	\$ -	\$ 482,942
Net loss for the six months ended August 31, 2014	-	-	-	(1,585,851)	(1,585,851)	-	(1,585,851)
Shares from treasury	142,500	-	-	-	142,500	-	142,500
Share-based compensation related to stock options granted and vested	-	-	19,427	-	19,427	-	19,427
Balance at August 31, 2014	\$ 3,101,300	\$ -	\$ 126,526	\$ (4,168,808)	\$ (940,982)	\$ -	\$ (940,982)
Balance at February 28, 2015	\$ 8,082,700	\$ 212,179	\$ 365,996	\$ (8,354,696)	\$ 306,179	\$ -	\$ 306,179
Net loss for the six months ended August 31, 2015	-	-	-	(1,727,525)	(1,727,525)	(67,491)	(1,795,016)
Acquisition of subsidiary (Note 4)	-	-	-	-	-	550,515	550,515
Consideration Warrants (Note 17)	-	229,446	-	-	229,446	-	229,446
Share-based compensation related to stock options granted and vested	-	-	9,168	-	9,168	-	9,168
Exercise of stock options	52,341	-	(2,121)	-	50,220	-	50,220
Balance at August 31, 2015	\$ 8,135,041	\$ 441,625	\$ 373,043	\$ (10,082,221)	\$ (1,132,512)	\$ 483,024	\$ (649,488)

See accompanying notes to the condensed interim consolidated financial statements.

eQube Gaming Limited
Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended August 31,		Six months ended August 31,	
	2015	2014	2015	2014
Operating				
Net loss	\$ (870,038)	\$ (934,805)	\$ (1,795,016)	\$ (1,585,851)
Adjustments for:				
Accrued revenue	-	-	-	460,000
Finance income	(4,641)	(3,481)	(6,962)	(6,962)
Interest expense	100,240	94,533	210,935	152,184
Dividends on preferred shares	51,924	51,923	103,847	103,175
Depreciation of property and equipment	416,668	355,141	798,169	701,598
Amortization of intangible assets	48,890	43,449	80,501	79,228
Impairment of supplies and components	19,571	15,445	38,605	30,891
Loss on disposal of property and equipment	-	-	-	27,145
Write-down of intangible assets	76	-	76	-
Amortization of finance fees	1,285	1,285	2,571	2,571
Share-based compensation	7,751	9,714	9,168	19,427
Consideration Warrants (Note 17)	113,328	-	229,446	-
Change in non-cash operating working capital (Note 23)	289,747	538,072	603,357	(184,572)
Net cash flows provided by (used in) operating activities	174,801	171,276	274,697	(201,166)
Financing				
Repayment of demand term loans	(525,000)	(525,000)	(600,000)	(1,525,000)
Repayment of shareholders loans	-	(4,646)	(26,517)	(7,993)
Repayment of other related loans	(228,861)	(71,191)	(452,371)	(74,276)
Repayment of finance lease obligations	-	(17,522)	-	(35,258)
Proceeds on demand term loans	-	423,962	-	423,962
Proceeds on shareholders loans	-	100,000	-	400,000
Proceeds on other related loans	-	9,058	-	932,351
Proceeds from the issuance of preferred shares	-	-	-	250,000
Proceeds from the issuance of ordinary shares	-	142,500	-	142,500
Transaction costs paid on issuance of ordinary shares	-	(11,400)	-	(11,400)
Proceeds from the exercise of stock options	-	-	50,220	-
Interest paid	(100,240)	(78,645)	(210,935)	(135,667)
Dividends paid	(51,924)	(51,923)	(103,847)	(103,175)
Net cash flows (used in) provided by financing activities	(906,025)	(84,807)	(1,343,450)	256,044
Investing				
Acquisition of subsidiary, net of cash acquired	172,847	-	172,847	-
Purchase of property and equipment	(469,478)	(23,696)	(710,301)	(471,239)
Purchase of and capitalization of intangible assets	(12,584)	(75,668)	(96,177)	(78,887)
Net cash flows used in investing activities	(309,215)	(99,364)	(633,631)	(550,126)
Net decrease in cash and cash equivalents	(1,040,439)	(12,895)	(1,702,384)	(495,248)
Cash and cash equivalents, beginning of period	1,353,444	(74,267)	2,015,389	408,086
Cash and cash equivalents, end of period	\$ 313,005	\$ (87,162)	\$ 313,005	\$ (87,162)

Supplemental cash flow information (Note 23)

See accompanying notes to the condensed interim consolidated financial statements.

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and the six months ended August 31, 2015

(Expressed in Canadian dollars)

(Unaudited)

1. Reporting entity

eQube Technology and Software Inc. (“eQube”) was incorporated under the Business Corporations Act of Alberta on March 11, 1999 as SGC-Link Corp. The name was changed to eQube Technology and Software Inc. on August 23, 2005.

On July 2, 2014, eQube entered into an amalgamation agreement (the “Amalgamation Agreement”) with Triox Limited (“Triox”) and 1824721 Alberta Ltd., a wholly owned subsidiary of Triox, to combine their business operations.

Triox Limited (“Triox”) was incorporated under the laws of Hong Kong on August 4, 2011, and was classified as a Capital Pool Company as defined pursuant to Policy 2.4 of the TSX Venture Exchange (the “TSXV”). In anticipation of the closing of the Amalgamation Agreement, Triox changed its name from Triox Limited to eQube Gaming Limited (the “Company”) on September 26, 2014.

The transaction was completed on October 30, 2014 and constituted a “Qualifying Transaction” of the Company (as such term is defined within the meaning of Policy 2.4 of the TSXV). The ordinary shares of the Company resumed trading on the TSXV on November 4, 2014 under the new name “eQube Gaming Limited”. The Company’s registered office is located at #100, 10493 – 184 Street, Edmonton, Alberta.

While the Company was the legal acquirer of eQube and is the continuing legal entity whose ordinary shares are listed on the TSXV and for which these financial statements are being reported, the accounting acquirer was deemed to have been eQube, and these financial statements are presented on the basis of reverse acquisition accounting principles. Unless the context requires, when the term “eQube” is used herein, it refers to the actions or operations of the acquired company prior to the closing of the Qualifying Transaction.

Pursuant to the Amalgamation Agreement, eQube and 1824721 Alberta Ltd. amalgamated under the Business Corporations Act (Alberta) to form a new company under the corporate name “eQube Technology and Software Inc.” (“Amalco”). Amalco will carry on the business previously carried on by eQube as a subsidiary of the Company.

The Company is engaged in the design, development, distribution, licensing and sale of technology-based electronic bingo and social gaming solutions for the regulated gaming markets in Canada, the United States and Ireland.

2. Basis of presentation

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, and do not include all of the information required for full annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto, as at and for the year ended February 28, 2015.

These condensed interim consolidated financial statements are presented in Canadian dollars, except where otherwise indicated.

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and the six months ended August 31, 2015

(Expressed in Canadian dollars)

(Unaudited)

2. Basis of presentation (continued)

These condensed interim consolidated financial statements for the three and six months ended August 31, 2015, including comparatives, were authorized for issue by the Board of Directors on October 29, 2015.

3. Significant accounting policies

The interim consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual consolidated financial statements for the year ended February 28, 2015 except as noted below.

a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiaries. Subsidiaries are all entities to which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company's subsidiaries are as follows:

- eQube Technology and Software Inc. ("Amalco")
- eQube International Inc.
- eQube Service Corp. (voluntarily dissolved on April 24, 2014)
- eQube Technology and Software (UK) Limited (formerly, eQube Gaming Limited, a UK incorporated company)
- e3 Gaming Limited (an Irish company incorporated December 15, 2014)
- The Satellite Bingo Network (TSBN) Inc. ("TSBN", Note 4)
- 657255 Alberta Ltd. (Note 4)
- Alberta Satellite Bingo Limited Partnership ("Alberta Satellite Bingo LP", Note 4)

Subsidiaries are consolidated from the date that control commences and continue to be consolidated until control ceases or the operations are wound up and the company dissolved. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intercompany balances and transactions have been eliminated.

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and the six months ended August 31, 2015

(Expressed in Canadian dollars)

(Unaudited)

3. Significant accounting policies (continued)

The Company adopted a new accounting policy on business combinations for the recognition and measurement of consideration transferred, assets acquired and liabilities assumed and non-controlling interests.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Non-controlling interests are measured at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

b) Revenue

Game revenue

The acquisition of the operations of Alberta Satellite Bingo and the Irish linked session bingo game resulted in the Company adopting a new accounting policy for the recognition and measurement of game revenue. The Company earns shared revenue from its games for the administration of linked session bingo and other games. Game revenue is recognized when it is probable that the economic benefits will flow to the Company and the amount receivable can be measured reliably.

c) Use of estimates and management judgment

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

The judgments, estimates and assumptions applied in the interim consolidated financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last annual consolidated financial statements for the year ended February 28, 2015.

d) Recent accounting pronouncements not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the Company have been disclosed in the audited consolidated financial statements as at and for the year ended February 28, 2015. No additional standards, interpretations, amendments and improvements applicable to the Company were issued prior to August 31, 2015.

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and the six months ended August 31, 2015

(Expressed in Canadian dollars)

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4. Acquisition of the Alberta Satellite Bingo business

On June 19, 2015, the Company acquired the operations of Alberta Satellite Bingo, which is comprised of Alberta Satellite Bingo LP, 657255 Alberta Ltd. and TSBN. The acquisition includes assets, intellectual property and existing personnel to operate a linked bingo game in the Province of Alberta. The Company acquired the operations of Alberta Satellite bingo to provide a complimentary service line to the Company's existing gaming systems in Alberta.

a) Consideration transferred

The table below summarises the acquisition date fair value of each major class of consideration transferred.

Cash at closing date	\$	50,000
Contingent consideration		17,636
	\$	67,636

The contingent consideration, consisting of cash, is a maximum of \$25,000. This amount is dependent on the former shareholders meeting certain performance conditions and settling all pre-acquisition expenses of TSBN which totaled \$7,364 (Note 4c). The adjusted amount of \$17,636 was paid on September 30, 2015.

b) Acquisition related costs

The Company incurred acquisition related costs of \$1,139 for legal fees. These costs are included in general and administrative expenses.

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and the six months ended August 31, 2015

(Expressed in Canadian dollars)

(Unaudited)

4. Acquisition of the Alberta Satellite Bingo business (continued)

c) Identifiable assets acquired and liabilities assumed

The following table summarises the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

	TSBN	657255 Alberta Ltd.	Alberta Satellite Bingo LP	Total
Cash	\$ 4,533	\$ -	\$ 235,950	\$ 240,483
Accounts receivable	747	100	62,503	63,350
Accrued receivable	-	-	119,207	119,207
Supplies and components	-	-	74,860	74,860
Property and equipment	5,004	-	76,334	81,338
Intangible assets	69,453	-	-	69,453
Accounts payable and accrued liabilities	(13,580)	-	(16,960)	(30,540)
	\$ 66,157	\$ 100	\$ 551,894	\$ 618,151
Percentage of interest held	100%	100%	0.25%	-

The accounts receivable is comprised of gross contractual amounts due of \$63,350, of which \$nil is expected to be uncollectible at the acquisition date.

Fair values measured on a provisional basis:

- The contingent consideration adjustment is not final. Management is waiting for the final billing of all pre- acquisition costs (Note 4a).
- Management is still assessing the recoverability of the accrued receivable balance of \$119,207 and it has been provisionally valued.

eQube Gaming Limited

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(Expressed in Canadian dollars)

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4. Acquisition of the Alberta Satellite Bingo business (continued)

d) Goodwill

Goodwill arising from the acquisition has been recognised as follows.

Consideration transferred	\$	67,636
Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of Alberta Satellite Bingo LP		550,515
Fair value of identifiable net assets		(618,151)
Goodwill	\$	-

e) Contribution to the consolidated results

The operations of Alberta Satellite Bingo contributed \$140,752 of revenue and a net loss of \$47,360 to the consolidated net loss for the June 19, 2015 to August 31, 2015 period.

If the operations had been acquired on March 1, 2015, consolidated revenue for the three months ended August 31, 2015 would have been \$1,357,706 (six months: \$2,745,534) and the consolidated net loss would have been \$874,480 (six months: \$1,843,118).

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

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4. Acquisition of the Alberta Satellite Bingo business (continued)

f) Non-controlling interest ("NCI")

The following table summarises the information relating to the Company's subsidiary as at August 31, 2015 that has a material NCI, before any intra-group eliminations.

	Alberta Satellite Bingo LP	Intra-Group Eliminations	Total
NCI Percentage	99.75%		
Current assets	\$ 435,442	\$ -	\$ 435,442
Non-current assets	70,596	-	70,596
Current liabilities	(21,804)	-	(21,804)
Net assets	\$ 484,234	\$ -	\$ 484,234
Carrying amount of NCI	\$ 483,024	\$ -	\$ 483,024
Revenue	140,752	-	140,752
Net loss and comprehensive loss	(67,661)	11,790	(55,871)
Net loss allocated to NCI	\$ (67,491)	\$ -	\$ (67,491)
Net cash flows used in operating activities	(101,554)	-	(101,554)
Net decrease in cash and cash equivalents	\$ (101,554)	\$ -	\$ (101,554)

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and the six months ended August 31, 2015

(Expressed in Canadian dollars)

(Unaudited)

5. Capital disclosures

The Company's objectives and policies for managing capital are to safeguard the Company's ability to continue as a going concern, to provide an adequate return to shareholders and to meet external capital requirements on the Company's credit facilities. For the three and six months ended August 31, 2015, there were no changes in the Company's objectives and policies for capital management.

The Company includes the following in the definition of capital:

	August 31, 2015	February 28, 2015
Demand term loans	\$ 971,681	\$ 1,569,109
Shareholders loans	395,239	421,756
Other related loans	2,075,853	2,528,226
Obligations under finance lease	36,007	-
Preferred shares	2,060,000	2,060,000
(Deficiency) equity	(1,132,512)	306,179
	\$ 4,406,268	\$ 6,885,270

To manage the Company's capital requirements, the Company has in place a planning and budgeting process which helps determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company plans to continue to fund its short-term cash requirements through operations, debt financing and proceeds raised through the brokered and non-brokered offerings (the "Offerings") concluded in the prior year. The Company has an operating line of credit in place that can be drawn upon, if required.

Under the Company's credit facilities for the operating line of credit and demand term loans, the annual debt service coverage ratio measured at February 28 must not be less than 1.25 to 1. At February 28, 2015 the Company was in violation of this covenant. Subsequent to February 28, 2015, a waiver of this covenant breach was granted by the lender which is in effect until the next measurement date of February 29, 2016.

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

(Unaudited)

6. Financial instruments and risk exposures

Fair value measurement

The Company's financial assets include cash, accounts receivable and accrued receivables. The Company's financial liabilities include bank indebtedness, accounts payable and accrued liabilities, demand term loans, shareholders loans, other related loans and preferred shares.

The Company has classified its cash, accounts receivable and accrued receivables as loans and receivables, measured at amortized cost using the effective interest method. Bank indebtedness, accounts payable and accrued liabilities, demand term loans, shareholders loans, other related loans and preferred shares are classified as other financial liabilities, measured at amortized cost using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

The carrying value of cash, accounts receivable, bank indebtedness and accounts payable and accrued liabilities reasonably approximate their fair value due to their immediate or short term maturity. The carrying value of accrued receivables (measured at amortized cost) reasonably approximates fair value as the effect of any difference between the effective interest rate applied and the estimated current market rate is not significant.

The carrying value of demand term loans, shareholders loans, other related loans and preferred shares reasonably approximate their fair value. The fair value is a Level 2 measurement and is based on discounted future cash flows using rates that reflect observable current market rates for similar instruments with similar terms and conditions. These estimates are subjective in nature as current interest rates are selected from a range of potentially acceptable rates and, accordingly, other fair value estimates are possible.

Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its obligations under a contract. This risk primarily arises from the Company's receivables from customers.

The Company's exposure to credit risk is dependent upon the characteristics of each customer. Credit exposure in Canada is minimized as the Company's primary revenue sources are the respective gaming commissions of provincial governments. In its operations, the Company does not obtain collateral or other security to support financial instruments subject to credit risk but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate loss for non-performance. Each customer is assessed for credit worthiness and their financial well-being monitored on a continual basis.

The Company does not have credit insurance or other financial instruments to mitigate its credit risk as management has determined that the exposure is minimal due to the composition of its customer base.

eQube Gaming Limited

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(Expressed in Canadian dollars)

(Unaudited)

6. Financial instruments and risk exposures (continued)

The Company regularly reviews the collectability of its accounts receivable and accrued receivables and establishes an allowance account for credit losses based on its best estimate of any potentially uncollectible accounts receivables and accrued receivables. As at August 31, 2015, the balance of the allowance account for credit losses was \$nil (February 28, 2015 - \$nil).

Generally, payment terms for accounts receivable are 30 days. The Company has certain accounts receivable that have not been settled by the contractual date but are not considered to be impaired. The amounts at August 31, 2015 and February 28, 2015, by length of time past due, are:

	August 31, 2015	February 28, 2015
1 to 30 days past due	\$ 382,955	\$ 132,108
31 to 60 days past due	17,210	41,273
Greater than 60 days past due	7,213	-
Total	\$ 407,378	\$ 173,381

As at August 31, 2015, the Company had one customer owing more than \$50,000 that accounted for approximately 29% of all the trade accounts receivable owing (February 28, 2015 – three customers owing more than \$50,000; approximately 62% of trade accounts receivable). Trade accounts receivable associated with customers that each individually exceeded 10% of the Company's sales, service and other revenue for the year totalled 49% of trade accounts receivable (February 28, 2015 – 45%). In addition, the balance in accrued receivables relates primarily to one customer.

The Company may also have credit risk relating to cash, which it manages by dealing with large banks. The Company's objective is to minimize its exposure to credit risk in order to prevent losses on financial assets by placing its investments in highly liquid investments such as guaranteed investment funds. The Company's cash carrying value as at August 31, 2015, totalled \$503,626 (February 28, 2015 - \$2,132,829), accounts receivable totalled \$563,299 (February 28, 2015 - \$381,697), and accrued receivables totalled \$1,144,200 (February 28, 2015 - \$1,348,670), representing the maximum exposure to credit risk of these financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company has in place a planning and budgeting process which helps determine funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives.

To manage this risk the Company maintains an operating line of credit which provides access to funds to meet short-term financing obligations.

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(Unaudited)

6. Financial instruments and risk exposures (continued)

As at August 31, 2015, the Company had cash of \$503,626 (February 28, 2015 - \$2,132,829), accounts receivable of \$563,299 (February 28, 2015 - \$381,697), and current portion of accrued receivables of \$708,568 (February 28, 2015 - \$460,000) for a total of \$1,775,493 (February 28, 2015 - \$2,974,526). Current and on demand obligations from bank indebtedness, accounts payable and accrued liabilities, interest bearing loans, and dividend paying preferred shares total \$2,497,772 (February 28, 2015 - \$3,853,015). The deficiency of current assets to cover the Company's short-term obligations will be funded through operations, by new debt financing and by managing accounts payable terms.

Demand loans are classified as current due to the demand feature associated with each of the loans. Each demand loan has scheduled repayment terms as described in Note 12.

The Company's contractual obligations at August 31, 2015 summarized by fiscal year were as follows:

	On demand	2016	2017	2018	2019	Thereafter	Total
Bank indebtedness	\$ 190,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,621
Accounts payable and accrued liabilities	-	642,161	78,340	69,440	337,728	-	\$ 1,127,669
Demand term loans	975,538	-	-	-	-	-	\$ 975,538
Shareholders loans	-	19,764	39,528	395,238	-	-	\$ 454,530
Other related loans	-	563,591	1,127,182	602,125	-	-	\$ 2,292,898
Obligations under finance lease	-	3,944	7,887	7,887	7,887	10,610	\$ 38,215
Preferred shares	-	102,153	1,956,907	250,671	-	-	\$ 2,309,731
Total	\$ 1,166,159	\$ 1,331,613	\$ 3,209,844	\$ 1,325,361	\$ 345,615	\$ 10,610	\$ 7,389,202

The Company's contractual obligations at February 28, 2015 summarized by fiscal year are as follows:

	On demand	2016	2017	2018	Total
Bank indebtedness	\$ 117,440	\$ -	\$ -	\$ -	\$ 117,440
Accounts payable and accrued liabilities	-	492,846	-	-	492,846
Demand term loans	1,575,538	-	-	-	1,575,538
Shareholder loans	-	334,009	119,095	-	453,104
Other related loans	-	1,127,182	1,127,182	602,125	2,856,489
Preferred shares	-	206,000	1,956,907	250,671	2,413,578
Total	\$ 1,692,978	\$ 2,160,037	\$ 3,203,184	\$ 852,796	\$ 7,908,995

The contractual obligations included in the tables above include interest and dividend payments where applicable.

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6. Financial instruments and risk exposures (continued)

At February 28, 2015 the Company was in violation of a lending covenant related to the Company's operating line of credit (Note 10) and demand term loans (Note 12). Subsequent to February 28, 2015, a waiver of this covenant breach was granted by the lender which is in effect until the next measurement date of February 29, 2016.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company is exposed to currency risk as a result of certain costs being denominated in the United States dollars and Euros. The Company holds cash and accounts receivable and has liabilities in currencies other than the Canadian dollar. As a result, the Company is subject to gains and losses due to fluctuations in foreign currency exchange rates. The Company does not use derivative financial instruments to alter the risks associated with the foreign exchange fluctuations.

A 1% appreciation (depreciation) in the Canadian dollar price of United States dollars would result in gain (loss) of approximately \$1,000 for the three months ended August 31, 2015 (2014 - \$nil). A 1% appreciation (depreciation) in the Canadian dollar price of Euros would result in gain (loss) of approximately \$1,000 for the three months ended August 31, 2015 (2014 - \$nil).

A 1% appreciation (depreciation) in the Canadian dollar price of United States dollars would result in gain (loss) of approximately \$3,000 for the six months ended August 31, 2015 (2014 - \$nil). A 1% appreciation (depreciation) in the Canadian dollar price of Euros would result in gain (loss) of approximately \$2,000 for the six months ended August 31, 2015 (2014 - \$nil).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's operating line of credit (bank indebtedness) and demand term loans which are subject to floating interest rates.

The Company does not enter into any interest rate swaps to mitigate interest rate risk.

A 1% decrease (increase) in the bank's prime rate would result in a gain (loss) of approximately \$12,000 for the three months ended August 31, 2015 (2014 - \$17,000).

A 1% decrease (increase) in the bank's prime rate would result in a gain (loss) of approximately \$13,000 for the six months ended August 31, 2015 (2014 - \$22,000).

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7. Supply and components

For the three and six months ended August 31, 2015 bingo paper supplies included in “Direct costs” amounted to \$23,054 (2014: \$nil).

8. Property and equipment

	Gaming systems	Computer equipment	Office furniture and equipment	Test equipment	Automotive equipment	Leasehold improvements	Total
Cost or deemed cost							
Balance at February 28, 2014	\$ 8,126,953	\$ 258,433	\$ 113,443	\$ 415,956	\$ 25,299	\$ 46,396	\$ 8,986,480
Additions	899,043	8,678	-	5,714	-	4,603	918,038
Disposals	(172,867)	-	-	-	-	-	(172,867)
Balance at February 28, 2015	8,853,129	267,111	113,443	421,670	25,299	50,999	9,731,651
Additions	689,940	1,948	18,413	-	36,007	-	746,308
Acquisitions through business combinations	72,723	5,702	2,913	-	-	-	81,338
Balance at August 31, 2015	\$ 9,615,792	\$ 274,761	\$ 134,769	\$ 421,670	\$ 61,306	\$ 50,999	\$ 10,559,297
Depreciation and impairment losses							
Balance at February 28, 2014	\$ 4,753,012	\$ 248,507	\$ 94,841	\$ 359,518	\$ 24,691	\$ 13,742	\$ 5,494,311
Depreciation	1,411,816	6,486	4,160	18,390	183	18,358	1,459,393
Disposals	(116,845)	-	-	-	-	-	(116,845)
Balance at February 28, 2015	6,047,983	254,993	99,001	377,908	24,874	32,100	6,836,859
Depreciation	777,017	4,433	3,145	6,710	1,834	5,030	798,169
Balance at August 31, 2015	\$ 6,825,000	\$ 259,426	\$ 102,146	\$ 384,618	\$ 26,708	\$ 37,130	\$ 7,635,028
Carrying amounts							
At February 28, 2015	\$ 2,805,146	\$ 12,118	\$ 14,442	\$ 43,762	\$ 425	\$ 18,899	\$ 2,894,792
At August 31, 2015	\$ 2,790,792	\$ 15,335	\$ 32,623	\$ 37,052	\$ 34,598	\$ 13,869	\$ 2,924,269

As at August 31, 2015 the net carrying amount for automotive equipment under finance lease was \$35,449 (February 28, 2015: \$nil).

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9. Intangible assets

	Computer software	Deferred development costs	Gaming intellectual property	Total
Cost				
Balance at February 28, 2014	\$ 71,872	\$ 466,101	\$ -	\$ 537,973
Additions	21,669	126,495	-	148,164
Impairments	-	(5,490)	-	(5,490)
Balance at February 28, 2015	93,541	587,106	-	680,647
Additions	-	27,584	68,593	96,177
Acquisitions through business combinations	-	-	69,453	69,453
Derecognition of fully amortized intangible assets	(62,580)	-	-	(62,580)
Balance at August 31, 2015	\$ 30,961	\$ 614,690	\$ 138,046	\$ 783,697
Amortization				
Balance at February 28, 2014	\$ 67,741	\$ 126,084	\$ -	\$ 193,825
Amortization	7,437	155,907	-	163,344
Balance at February 28, 2015	75,178	281,991	-	357,169
Amortization	4,275	67,722	8,504	80,501
Derecognition of fully amortized intangible assets	(62,504)	-	-	(62,504)
Balance at August 31, 2015	\$ 16,949	\$ 349,713	\$ 8,504	\$ 375,166
Carrying amounts				
At February 28, 2015	\$ 18,363	\$ 305,115	\$ -	\$ 323,478
At August 31, 2015	\$ 14,012	\$ 264,977	\$ 129,542	\$ 408,531

10. Bank indebtedness

The Company has a credit facility arrangement that provides an operating line of credit of \$250,000 at August 31, 2015 (February 28, 2015 - \$250,000). The operating line bears interest at the bank's prime rate plus 4.00% which totalled 6.70% at August 31, 2015 (February 28, 2015 - prime plus 3.00%, totaling 5.85%). The operating line is secured by a general security agreement over the assets of the Company. There was \$190,621 drawn on the operating line at August 31, 2015 (February 28, 2015 - \$117,440).

Under the Company's credit facilities for the operating line of credit and demand term loans (Note 12), the annual debt service coverage ratio must not be less than 1.25 to 1. At February 28, 2015 the Company was in violation of this covenant. Subsequent to August 31, 2015, a waiver of this covenant breach was granted by the lender which is in effect until the next measurement date of February 29, 2016.

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

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11. Accounts payable and accrued liabilities

	August 31, 2015	February 28, 2015
Trade payables	\$ 342,829	\$ 199,237
Accrued liabilities	696,578	293,609
	\$ 1,039,407	\$ 492,846
Less current portion:		
Trade payables	\$ 342,829	\$ 199,237
Accrued liabilities	319,470	293,609
	\$ 662,299	\$ 492,846
Long-term portion:		
Trade payables	\$ -	\$ -
Accrued liabilities	\$ 377,108	\$ -

On June 1, 2015 the Company entered into a financial arrangement with a supplier of gaming systems. The liability is classified under accrued liabilities. The arrangement has no term or fixed repayment amount and bears an annual interest rate of 8%. The monthly repayments are based on the higher of 1% of the outstanding balance or a percentage of revenue collected from the operation of the gaming systems. As at August 31, 2015, the gaming systems were not yet available for use and had a carrying value of \$434,859.

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12. Demand term loans

The Company has the following demand term loans:

- a) Demand term loan in the amount of \$450,000 (February 28, 2015 - \$900,000). At August 31, 2015, \$450,000 was drawn on the loan (February 28, 2015 - \$900,000). The demand term loan bears interest at the bank's prime rate plus 5.0% which totalled 7.70% at August 31, 2015 (February 28, 2015 – prime plus 4.0% which totalled 6.85%). Interest is payable monthly and principal is repayable in two equal annual payments of \$450,000 on July 1 of each year until 2016. The loan is secured by an assignment of proceeds under a specific customer contract and a general security agreement over all present and after acquired real property of the Company.
- b) Demand term loan in the amount of \$900,000 (February 28, 2015 - \$900,000). The amount drawn on the loan at May 31, 2015 was \$525,538 (February 28, 2015 - \$675,538). The demand term loan bears interest at the bank's prime rate plus 5.0% which totalled 7.70% at August 31, 2015 (February 28, 2015 – prime plus 4.0% which totalled 6.85%). The demand term loan required interest only payments until June 30, 2014. Beginning July 1, 2014, principal payments of \$25,000 plus interest are payable monthly until June 2017 or until the loan is repaid, whichever is sooner. The loan is guaranteed by Export Development Canada and secured by a general security agreement over all present and after acquired real property of the Company.

	August 31, 2015	February 28, 2015
Demand term loans	\$ 975,538	\$ 1,575,538
Less debt issuance costs, net of accumulated amortization of \$14,143 (February 28, 2015 - \$11,571)	(3,857)	(6,429)
	\$ 971,681	\$ 1,569,109

The demand loans are classified as current due to the demand feature associated with each of the loans. Each loan has scheduled repayment terms as described above.

During the three months ended August 31, 2015 interest expense of \$18,801 (2014 - \$28,299) was recorded and is included in finance costs (Note 21). During the six months ended August 31, 2015 interest expense of \$58,717 (2014 - \$59,358) was recorded and is included in finance costs (Note 21).

Under the Company's credit facilities for the operating line of credit (Note 10) and demand term loans, the annual debt service coverage ratio must not be less than 1.25 to 1. At February 28, 2015 the Company was in violation of this covenant. Subsequent to February 28, 2015, a waiver of this covenant breach was granted by the lender which is in effect until the next measurement date of February 29, 2016.

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13. Related party transactions

a) Shareholders loans and other related loans

	August 31, 2015	February 28, 2015
Shareholders loans		
Loan, bearing interest at 18% to April 30, 2013 then 10% thereafter, monthly interest only payments of \$1,318 until March 1, 2017 (February 28, 2015 – monthly payments of \$12,011 beginning November 28, 2014, maturing May 28, 2016).	\$ 158,101	\$ 168,706
Loans, bearing interest at 10%, monthly interest only payments of \$1,411 until March 1, 2017 (February 28, 2015 - monthly payments of \$9,229 beginning November 28, 2014, maturing on November 28, 2016), convertible at lender's option into ordinary shares at \$0.75/share. The conversion option has been valued at \$nil (February 28, 2015- \$nil).	169,371	177,123
Loan, bearing interest at 10%, monthly interest only payments of \$565 until March 1, 2017 (February 28, 2015 - monthly payments of \$8,792 beginning November 28, 2014, maturing on November 28, 2015).	67,767	75,927
Other related loans		
Loan, bearing interest at 9.5%, monthly payments of \$64,066 beginning November 1, 2014, maturing on October 28, 2017.	1,500,122	1,804,766
Loan, bearing interest at 9.5%, monthly payments of \$29,866 beginning June 21, 2014, maturing on May 21, 2017.	575,731	723,460
	\$ 2,471,092	\$ 2,949,982
Less current portion:		
Shareholders loans	\$ -	\$ 304,704
Other related loans	\$ 971,557	\$ 926,660
Long-term portion:		
Shareholders loans	\$ 395,239	\$ 117,052
Other related loans	\$ 1,104,296	\$ 1,601,566

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13. Related party transactions (continued)

All loans are secured by a second fixed charge over all present and after-acquired property of the Company. This security is secondary to the bank security (Note 12).

The shareholders and other related loans contain demand features. The lenders have waived the demand provisions for not less than 365 days after August 31, 2015.

On March 31, 2014, the Company entered into a new financing arrangement for a demand term loan in the amount of \$3,000,000 from an entity controlled by a director of the Company. Each draw under the agreement has a three-year term. The amount drawn on the loan at August 31, 2015 was \$2,075,853 (February 28, 2015 - \$2,528,226) and included in "other related loans". The proceeds of this loan were used in the year ended February 28, 2015 to repay the remaining balance of a \$1,000,000 demand term loan, repay certain existing shareholders and other related loans, and to purchase equipment for customer deployment. The loan bears interest at 9.5%. Interest and principal were payable monthly beginning June 21, 2014.

On September 17, 2015, the Company entered into a new financing arrangement for a demand term loan in the amount of \$500,000 from an entity controlled by a director of the Company. Each draw under the agreement has a three-year term. The proceeds of this loan were used to purchase equipment for customer deployment. The loan bears interest at 10% per annum with interest only monthly payments for the first three months or until such a time as hardware is deployed and installed in a customer facility, whichever is earlier, at which time both the principal and interest monthly payments will be due. The loan is secured by a first charge over the purchased equipment.

During the three months ended August 31, 2015, interest expense on shareholders and other related loans of \$62,818 (2014 - \$49,203) was recorded as expense and is included in finance costs (Note 21). During the six months ended August 31, 2015, interest expense on shareholders and other related loans of \$131,203 (2014 - \$74,859) was recorded as expense and is included in finance costs (Note 21).

b) Key management compensation

Compensation of key management personnel including the Company's executive management, Board of Directors, and board advisors are as follows:

	Three months ended August 31,		Six months ended August 31,	
	2015	2014	2015	2014
Short-term employee benefits	\$ 94,295	\$ 82,500	\$ 190,409	\$ 165,000
Share-based payments	1,808	12,856	2,712	18,925
	\$ 96,103	\$ 95,356	\$ 193,121	\$ 183,925

Stock options granted to board advisors vest when they receive regulatory approval to become directors. Subsequent to August 31, 2015 the last board advisor received regulatory approval and was appointed to the Board of Directors.

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13. Related party transactions (continued)

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel and are included in compensation and benefits expense. Short-term benefits consist of wages and salaries paid or payable to employees, accrued vacation, and other benefits paid or payable within 12 months.

14. Finance lease obligation

The Company entered into a finance leasing arrangement related to automotive equipment. As at August 31, 2015 the net carrying amount for automotive equipment under a finance lease was \$35,449 (February 28, 2015: \$nil). The finance lease repayments are due as follows:

	Future minimum lease payments August 31, 2015	Interest August 31, 2015	Present value of minimum lease payments August 31, 2015	Future minimum lease payments February 28, 2015	Interest February 28, 2015	Present value of minimum lease payments February 28, 2015
Less than one year	\$ 7,668	\$ 800	\$ 6,868	\$ -	\$ -	\$ -
Between one and five years	30,547	1,408	29,139	-	-	-
	\$ 38,215	\$ 2,208	\$ 36,007	\$ -	\$ -	\$ -

15. Preferred shares

	eQube Class "F" Preferred Shares	Amalco Preferred Shares
Balance at February 28, 2014	\$ 1,810,000	\$ -
Class F preferred shares issued for cash	250,000	-
Balance at August 31, 2014	2,060,000	-
Exchange of shares pursuant to the Amalgamation	(2,060,000)	2,060,000
Balance at August 31, 2015 and February 28, 2015	\$ -	\$ 2,060,000

During the three months ended August 31, 2015 and August 31, 2014 no Amalco Preferred shares were issued. During the six months ended August 31, 2015 no Amalco Preferred shares were issued (2014 - 250,000 eQube Class F Shares were issued at \$1 per share for issuance proceeds of \$250,000). The Company declared and paid dividends of \$51,924 for the three months ended August 31, 2015 (2014 - \$51,923), which are included in finance costs (Note 21). The Company declared and paid dividends of \$103,847 for the six months ended August 31, 2015 (2014 - \$103,175), which are included in finance costs (Note 21).

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16. Share capital

Ordinary Shares

The Company has authorized unlimited ordinary voting shares without par value.

Ordinary Shares of the Company	Number	Share Capital
Balance at February 28, 2014	6,078,134	\$ 2,958,800
eQube private placement	95,000	142,500
Balance at August 31, 2014	6,173,134	\$ 3,101,300
eQube share split (3:1)	12,346,268	-
Brokered private placement	5,220,000	2,610,000
Non-brokered private placement	1,355,000	677,500
Issuance of shares pursuant to Amalgamation	3,766,667	1,883,334
Exercise of stock options	801,658	228,948
Share issuance costs, net of tax of nil	-	(418,382)
Balance at February 28, 2015	29,662,727	\$ 8,082,700
Exercise of stock options (Note 18)	558,000	52,341
Balance at August 31, 2015	30,220,727	\$ 8,135,041

As at August 31, 2015, 9,685,897 (February 28, 2015 – 11,623,076) of the issued shares were held in escrow. 1,937,179 of these shares will be released from escrow on November 4, 2015 and every six months thereafter.

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17. Warrants

	Number	Warrants
Balance at August 31, 2014 and February 28, 2014	-	\$ -
Issuance of eQube Broker Warrants	7,600	3,314
Replacement of eQube Broker Warrants on Amalgamation	(7,600)	-
Issuance of Broker Warrants on Amalgamation	22,800	-
Issuance of Agent Warrants	417,600	60,552
Issuance of Consideration Warrants *	5,932,545	148,313
Balance at February 28, 2015	6,372,945	212,179
Issuance of Consideration Warrants *	111,600	229,446
Balance at August 31, 2015	6,484,545	\$ 441,625

* The number of Consideration Warrants to be issued shall not exceed 20% of the issued and outstanding capital of the Company, up to a maximum of 54,000,000 Ordinary Shares.

Consideration Warrants

The total cost of the Consideration Warrants recognized during the three months ended August 31, 2015 of \$113,328 (2014 - \$nil) and during the six months ended August 31, 2015 of \$229,446 (2014 - \$nil) was recorded as general and administrative expense and an increase to warrants (a component of equity). The amount recognized reflects management's estimates of the number of Consideration Warrants expected to ultimately vest, which as at August 31, 2015 is estimated to be 6,044,145 (February 28, 2015 – 5,932,545) based on the issued and outstanding ordinary shares of the Company. No warrants vested under this agreement during the three and six months ended August 31, 2015.

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18. Share-based compensation

Stock options outstanding are as follows:

Stock options outstanding	Number of options	Weighted average exercise price	Weighted average measurement date	fair value
Balance at February 28, 2014	645,000	\$ 0.78	\$	0.137
Replacement of eQube Options on Amalgamation	(645,000)	0.78		0.137
Issuance of Options on Amalgamation	1,935,000	0.27		0.046
Acquisition of Triox	372,949	0.30		0.171
Granted	1,350,000	0.50		0.169
Exercised	(801,658)	0.18		0.074
Balance at February 28, 2015	2,856,291	\$ 0.41	\$	0.113
Granted	75,000	0.50		0.030
Exercised	(558,000)	0.09		0.007
Balance at August 31, 2015	2,373,291	\$ 0.48	\$	0.138
Options exercisable at August 31, 2015	1,948,291	\$ 0.48	\$	0.140
Options exercisable at February 28, 2015	1,981,291	\$ 0.36	\$	0.095

The Options outstanding as at August 31, 2015 have exercise prices ranging from \$0.09 - \$0.50 and a weighted average remaining contractual life of 6.23 years (February 28, 2015 – exercise prices ranging from \$0.09 - \$0.50 and weighted average remaining contractual life of 5.45 years). For Options exercised during the six months ended August 31, 2015, the weighted average share price at the date of exercise was \$0.21.

The total share-based compensation recognized during the three months ended August 31, 2015, including options previously granted that vested during the period, of \$7,751 (2014 - \$9,714) was recorded as an expense and an increase to contributed surplus. The total share-based compensation recognized during the six months ended August 31, 2015, including options previously granted that vested during the period, of \$9,168 (2014 - \$19,427) was recorded as an expense and an increase to contributed surplus.

On July 1, 2015, the Company granted options to purchase 75,000 Ordinary Shares to an employee of the Company. A third of the options vested immediately, a third vesting on July 1, 2016 and the final third vesting on July 1, 2017. The options have an exercise price of \$0.50 and expire on June 30, 2025. The fair value of \$0.03 per option granted was estimated using the Black-Scholes option pricing model using the following assumptions: grant date stock price \$0.24; risk free rate 0.45%; expected volatility 48.69%; annual dividend yield 0%; expected remaining life of the options of 3 years. The expected volatility is based on historic volatility of similar companies in the public market.

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18. Share-based compensation (continued)

Subsequent to August 31, 2015, 150,000 options granted to board advisors vested in accordance with the Company's Stock Option Plan and 325,000 options were forfeited.

19. Segment information

The Company does not currently identify separate operating segments as the operating results are monitored by the Company's chief operating decision maker and strategic decisions are made on the basis of consolidated operating results.

The Company, together with its subsidiaries, is engaged in the design, development, distribution, licensing and sale of technology-based electronic bingo and social gaming solutions for regulated gaming markets in Canada, the United States and Ireland. Similar products and services are generally provided to external customers across all jurisdictions. The Company's revenues from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Sales, service and other revenue		Sales, service and other revenue		Non-current assets	
	Three months ended August 31,		Six months ended August 31,		August 31,	February 28,
	2015	2014	2015	2014	2015	2015
Canada	\$ 672,125	\$ 529,461	\$ 1,200,196	\$ 1,123,667	\$ 1,455,660	\$ 2,112,952
United States	477,617	386,173	885,474	1,328,462	913,396	730,263
Ireland and other	157,189	83,931	330,446	155,218	963,744	375,055
	\$ 1,306,931	\$ 999,565	\$ 2,416,116	\$ 2,607,347	\$ 3,332,800	\$ 3,218,270

Revenues from external customers in the Company's major markets (Canada, the United States and Ireland) have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location.

For the three months ended August 31, 2015, \$449,231 or 34.37% (2014 - \$679,789 or 69.81%) of the Company's revenues depended on one customer (2014: three customers) that each individually exceeded 10% of the Company's sales, service and other revenue. For the six months ended August 31, 2015, \$1,152,343 or 47.69% (2014 - \$1,773,103 or 68.00%) of the Company's revenues depended on two customers (2014: two customers) that each individually exceeded 10% of the Company's sales, service and other revenue.

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(Unaudited)

19. Segment information (continued)

An analysis of the Company's sales, service and other revenue for each major category is as follows:

	Three months ended August 31,		Six months ended August 31,	
	2015	2014	2015	2014
Hardware and software rentals	\$ 699,849	\$ 448,426	\$ 1,397,168	\$ 947,370
Customer support and other services	414,034	436,859	792,763	834,977
Game revenue	161,336	-	161,336	-
Hardware and software sales	31,712	114,280	64,849	825,000
	\$ 1,306,931	\$ 999,565	\$ 2,416,116	\$ 2,607,347

20. General and administrative expenses

	Three months ended August 31,		Six months ended August 31,	
	August 31	August 31	August 31	August 31
	2015	2014	2015	2014
Compensation and benefits	\$ 614,703	\$ 461,917	\$ 1,139,139	\$ 895,250
Professional fees	120,778	319,179	273,502	416,697
Consideration Warrants (Note 17)	113,328	-	229,446	-
Advertising and promotion	116,494	87,481	209,672	133,349
Office and other	81,338	40,029	153,711	112,515
Business taxes, insurance and licenses	69,156	35,477	127,542	68,492
Rent	67,395	33,281	114,421	66,772
	\$ 1,183,192	\$ 977,364	\$ 2,247,433	\$ 1,693,075

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and the six months ended August 31, 2015

(Expressed in Canadian dollars)

(Unaudited)

21. Finance income and costs

	Three months ended August 31,		Six months ended August 31,	
	2015	2014	2015	2014
Finance income				
Interest income	\$ (5,780)	\$ (3,481)	\$ (10,392)	\$ (6,962)
Finance costs				
Interest on short-term debt and accounts payable	18,621	4,488	21,015	5,117
Interest on finance leases	-	443	-	1,450
Interest on demand term loans	18,801	28,999	58,717	59,358
Interest on shareholders and other related loans	62,818	49,203	131,203	74,859
Commissions on issuance of common shares	-	11,400	-	11,400
Dividends on preferred shares	51,924	51,923	103,847	103,175
Amortization of finance fees	1,285	1,285	2,571	2,571
	\$ 153,449	\$ 147,741	\$ 317,353	\$ 257,930

22. Contingencies

A breach of contract lawsuit was filed against the Company in December 2012. The matter is currently in the legal examination phase. Management believes the success of the claim is not determinable and no provision relating to the claim has been recorded in these financial statements.

A wrongful dismissal lawsuit was filed against the Company during the year ended February 29, 2012. The matter is currently in the legal examination phase. Management believes the matter was appropriately settled upon the employee's termination, but will defend against the claim should it continue. Management believes the success of the claim is not determinable and no provision relating to the claim has been recorded in these financial statements.

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and the six months ended August 31, 2015

(Expressed in Canadian dollars)

(Unaudited)

23. Supplemental cash flow information

	Three months ended August 31,		Six months ended August 31,	
	2015	2014	2015	2014
Change in non-cash operating working capital:				
Accounts receivable	\$ 438,085	\$ 511,168	\$ (118,252)	\$ (104,774)
Accrued receivables	(129,362)	1,867	330,638	17,265
Supplies and components	19,239	-	15,962	(12,905)
Prepaid expenses and deposits	(341,034)	(58,584)	(141,012)	241,973
Accounts payable and accrued liabilities	302,819	83,621	516,021	421,616
Deferred revenue	-	-	-	(747,747)
	\$ 289,747	\$ 538,072	\$ 603,357	\$ (184,572)
Supplementary information:				
Increase in finance lease obligations	\$ 36,007	\$ -	\$ 36,007	\$ -

For the purpose of the statement of cash flows, cash and cash equivalents is comprised of the following:

	August 31, 2015	February 28, 2015	August 31, 2014
Cash	\$ 503,626	\$ 2,132,829	\$ -
Bank indebtedness	(190,621)	(117,440)	(87,162)
	\$ 313,005	\$ 2,015,389	\$ (87,162)

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and the six months ended August 31, 2015

(Expressed in Canadian dollars)

(Unaudited)

24. Loss per share

	Three months ended August 31,		Six months ended August 31,	
	2015	2014	2015	2014
Net loss attributable to owners of the Company	\$ (802,547)	\$ (934,805)	\$ (1,727,525)	\$ (1,585,851)
Basic weighted average				
number of common shares	30,220,727	18,376,902	30,127,727	18,376,902
Diluted weighted average				
number of common shares	30,220,727	18,376,902	30,127,727	18,376,902
Basic loss per share	\$ (0.03)	\$ (0.05)	\$ (0.06)	\$ (0.09)
Diluted loss per share	\$ (0.03)	\$ (0.05)	\$ (0.06)	\$ (0.09)

Loss per share has been calculated as if the conversion of each eQube Class A Share into three Ordinary Shares had occurred pro-rata for all share transactions prior to the Amalgamation on October 30, 2014.

For the three and six months ended August 31, 2015 and 2014, the diluted loss per share was the same as the basic loss per share as the inclusion of stock options and warrants would have been anti-dilutive. Accordingly, the diluted loss per share for the period was calculated using the basic weighted average number of common shares outstanding.

25. Post reporting events

The following events occurred subsequent to August 31, 2015:

Related party transactions

On September 17, 2015, the Company entered into a new financing arrangement for a demand term loan in the amount of \$500,000 from an entity controlled by a director of the Company. Each draw under the agreement has a three-year term. The proceeds of this loan were used to purchase equipment for customer deployment. The loan bears interest at 10% per annum with interest only monthly payments for the first three months or until such a time as hardware is deployed and installed in a customer facility, whichever is earlier, at which time both the principal and interest monthly payments will be due. The loan is secured by a first charge over the equipment purchased.