

**eQube Gaming Limited**  
**Condensed Interim Consolidated Financial Statements**

*For the Three and Nine Months Ended November 30, 2016*  
*(Unaudited)*

## **Notice to Reader**

*The accompanying unaudited condensed interim financial statements of the Company have been prepared by management.*

*The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.*

# **eQube Gaming Limited**

## **Table of Contents**

---

Interim Consolidated Statements of Financial Position	4
Interim Consolidated Statements of Loss and Comprehensive Loss	5
Interim Consolidated Statements of Changes in Equity	6
Interim Consolidated Statements of Cash Flows	7
Notes to the Condensed Interim Consolidated Financial Statements	8-38

# eQube Gaming Limited

## Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)  
(unaudited)

	November 30, 2016	February 29, 2016
<b>Assets</b>		
Current assets		
Cash	\$ 403,420	\$ 183,009
Accounts receivable	445,220	537,284
Accrued receivables	552,487	559,166
Supplies and components	92,030	109,506
Prepaid expenses and deposits	593,892	133,096
	<b>2,087,049</b>	<b>1,522,061</b>
Accrued receivables	-	442,594
Property and equipment (Note 6)	1,571,411	3,166,787
Intangible assets (Note 7)	542,665	462,773
<b>Total assets</b>	<b>\$ 4,201,125</b>	<b>\$ 5,594,215</b>
<b>Liabilities</b>		
Current liabilities		
Bank indebtedness (Note 8)	\$ 41,025	\$ 164,574
Accounts payable and accrued liabilities (Note 9)	392,946	792,232
Deferred revenue	97,519	-
Demand term loans (Note 10)	150,538	824,252
Current portion of shareholder loans (Note 11)	158,101	60,000
Current portion of other related loans (Note 11)	224,744	1,433,312
Current portion of other loans (Note 12)	1,759,429	-
Current portion of obligations under finance lease (Note 13)	11,467	11,275
Current income tax payable	30,482	41,146
Preferred shares (Note 14)	1,050,000	1,810,000
	<b>3,916,251</b>	<b>5,136,791</b>
Long term liabilities		
Accounts payable and accrued liabilities (Note 9)	-	386,856
Shareholder loans (Note 11)	397,138	395,239
Other related loans (Note 11)	597,996	1,248,435
Other loans (Note 12)	1,752,811	-
Obligations under finance lease (Note 13)	32,852	42,490
Preferred shares (Note 14)	1,010,000	250,000
<b>Total liabilities</b>	<b>7,707,048</b>	<b>7,459,811</b>
<b>Equity (deficiency)</b>		
Share capital (Note 15)	8,135,041	8,135,041
Warrants (Note 16)	-	63,866
Contributed surplus	435,437	371,040
Deficiency	(12,207,522)	(10,630,149)
(Deficiency) equity attributable to owners of the Company	(3,637,044)	(2,060,202)
Non-controlling interest (Note 17)	131,121	194,606
<b>Total (deficiency) equity</b>	<b>(3,505,923)</b>	<b>(1,865,596)</b>
<b>Total liabilities and equity</b>	<b>\$ 4,201,125</b>	<b>\$ 5,594,215</b>

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 November 30,		Nine months ended November 30,	
	2016	2015	2016	2015
Sales, service and other revenue (Note 19)	\$ 1,712,078	\$ 1,397,277	\$ 4,494,391	\$ 3,813,393
Direct costs	711,895	350,110	1,637,400	1,152,405
Gross profit	1,000,183	1,047,167	2,856,991	2,660,988
Expenses				
General and administrative expenses (Note 20)	752,130	1,065,685	2,927,866	3,313,118
Impairment of supplies and components	-	20,172	1,746	58,777
Total expenses	752,130	1,085,857	2,929,612	3,371,895
Income (loss) before other expenses (income)	248,053	(38,690)	(72,621)	(710,907)
Other expenses (income)				
Finance income (Note 21)	(3,496)	(3,481)	(11,448)	(13,873)
Finance costs (Note 21)	176,197	135,445	509,815	452,798
Depreciation and amortization	331,565	460,128	1,042,892	1,338,798
(Gain) loss on disposal of property and equipment	(50)	-	(50)	-
Loss on write off of intangible assets	-	-	-	76
Foreign exchange loss (gain)	19,056	67,378	41,461	4,470
Total other expenses	523,272	659,470	1,582,670	1,782,269
Loss before income taxes	(275,219)	(698,160)	(1,655,291)	(2,493,176)
Income tax expense (recovery)	(59,478)	214	(62,717)	214
Net loss and comprehensive loss from continuing operations	\$ (215,741)	\$ (698,374)	\$ (1,592,574)	\$ (2,493,390)
Net loss and comprehensive loss from discontinued operations (Note 22)	\$ (178,709)	\$ -	\$ (48,284)	\$ -
Total net loss and comprehensive loss attributable to:				
Owners of the Company - continuing operations	(180,311)	(647,505)	(1,529,089)	(2,375,030)
Owners of the Company - discontinued operations	(178,709)	-	(48,284)	-
Non-controlling interest (Note 17)	(35,430)	(50,869)	(63,485)	(118,360)
	\$ (394,450)	\$ (698,374)	\$ (1,640,858)	\$ (2,493,390)
Loss per share (Note 25)				
Basic				
From continuing operations	\$ (0.01)	\$ (0.02)	\$ (0.05)	\$ (0.07)
From discontinued operations	\$ (0.01)	\$ -	\$ (0.00)	\$ -
Diluted				
From continuing operations	\$ (0.01)	\$ (0.02)	\$ (0.05)	\$ (0.07)
From discontinued operations	\$ (0.01)	\$ -	\$ (0.00)	\$ -

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, 2015	\$ 8,082,700	\$ 212,179	\$ 365,996	\$ (8,354,696)	\$ 306,179	\$ -	\$ 306,179
Net loss	-	-	-	(2,375,030)	(2,375,030)	(118,360)	(2,493,390)
Acquisition of subsidiary	-	-	-	-	-	550,515	550,515
Consideration Warrants (Note 16)	-	342,773	-	-	342,773	-	342,773
Share-based compensation related to stock options granted and vested	-	-	6,884	-	6,884	-	6,884
Exercise of stock options	52,341	-	(2,121)	-	50,220	-	50,220
<b>Balance at November 30, 2015</b>	<b>\$ 8,135,041</b>	<b>\$ 554,952</b>	<b>\$ 370,759</b>	<b>\$ (10,729,726)</b>	<b>\$ (1,668,974)</b>	<b>\$ 432,155</b>	<b>\$ (1,236,819)</b>
Balance at February 29, 2016	\$ 8,135,041	\$ 63,866	\$ 371,040	\$ (10,630,149)	\$ (2,060,202)	194,606	\$ (1,865,596)
Net loss	-	-	-	(1,577,373)	(1,577,373)	(63,485)	(1,640,858)
Share-based compensation related to stock options granted and vested	-	-	531	-	531	-	531
Expiration of Warrants (Note 16)	-	(63,866)	63,866	-	-	-	-
<b>Balance at November 30, 2016</b>	<b>\$ 8,135,041</b>	<b>\$ -</b>	<b>\$ 435,437</b>	<b>\$ (12,207,522)</b>	<b>\$ (3,637,044)</b>	<b>\$ 131,121</b>	<b>\$ (3,505,923)</b>

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 November 30,		Six months ended November 30,	
	2016	2015	2016	2015
<b>Operating</b>				
Net loss	\$ (394,450)	\$ (698,374)	\$ (1,640,858)	\$ (2,493,390)
Adjustments for:				
Finance income	(3,481)	(3,481)	(10,443)	(10,443)
Interest expense	124,839	82,800	353,324	293,735
Dividends on preferred shares	51,358	51,359	155,205	155,206
Depreciation of property and equipment	302,878	415,579	958,393	1,213,748
Amortization of intangible assets	33,834	46,269	99,232	126,770
Impairment of supplies and components	-	20,172	1,746	58,777
(Gain) loss on disposal of property and equipment	(50)	-	(50)	-
Transfer of property and equipment to direct costs	265,427	-	265,427	-
Loss on disposal of subsidiary	2,412	-	2,412	-
Loss on write-down of intangible assets	-	-	-	76
Amortization of finance fees	-	1,286	1,286	3,857
Share-based compensation	94	(2,284)	531	6,884
Consideration Warrants (Note 16)	-	113,327	-	342,773
Change in non-cash operating working capital (Note 24)	(666,192)	481,863	(132,005)	1,085,220
Net cash flows (used in) provided by operating activities	(283,331)	508,516	54,200	783,213
<b>Financing</b>				
Repayment of demand term loans	(75,000)	(75,000)	(675,000)	(675,000)
Repayment of shareholder loans	-	-	-	(26,517)
Repayment of other related loans	(38,687)	(258,371)	(2,259,008)	(710,742)
Repayment of finance lease obligations	(2,837)	(3,153)	(9,446)	(3,153)
Repayment of other loans	(342,708)	-	(787,760)	-
Proceeds on shareholder loans	-	60,000	100,000	60,000
Proceeds on other related loans	400,000	500,000	400,000	500,000
Proceeds on other loans	-	-	4,300,000	-
Proceeds from the exercise of stock options	-	-	-	50,220
Interest paid	(132,345)	(82,800)	(368,440)	(293,735)
Dividends paid	(51,358)	(51,359)	(155,205)	(155,206)
Net cash flows (used in) provided by financing activities	(242,935)	89,317	545,141	(1,254,133)
<b>Investing</b>				
Acquisition of subsidiary, net of cash acquired	-	-	-	172,847
Purchase of property and equipment	(17,419)	(793,486)	(76,307)	(1,503,787)
Purchase of and capitalization of intangible assets	(52,753)	(75,437)	(179,124)	(171,614)
Proceeds on disposal of property and equipment	50	-	50	-
Net cash flows used in investing activities	(70,122)	(868,923)	(255,381)	(1,502,554)
Net (decrease) increase in cash and cash equivalents	(596,388)	(271,090)	343,960	(1,973,474)
Cash and cash equivalents, beginning of period	958,783	313,005	18,435	2,015,389
Cash and cash equivalents, end of period	\$ 362,395	\$ 41,915	\$ 362,395	\$ 41,915

Net cash flows attributed to discontinued operations (Note 22) and supplemental cash flow information (Note 24).

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 nine months ended November 30, 2016

(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 carries 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 Europe.

### **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 29, 2016.

These 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 nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

---

### **2. Basis of presentation (continued)**

These condensed interim consolidated financial statements for the three and nine months ended November 30, 2016, including comparatives, were authorized for issue by the Board of Directors on January 23, 2017.

### **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 29, 2016.

#### **a) 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 29, 2016.

#### **b) 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 29, 2016. No additional standards, interpretations, amendments and improvements applicable to the Company were issued prior to November 30, 2016.

### **4. 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 nine months ended November 30, 2016, there were no changes in the Company's objectives and policies for capital management.

## eQube Gaming Limited

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

#### 4. Capital disclosures (continued)

The Company includes the following in the definition of capital:

	November 30, 2016	February 29, 2016
Demand term loans	\$ 150,538	\$ 824,252
Shareholder loans	555,239	455,239
Other related loans	822,740	2,681,747
Other loans	3,512,240	-
Obligations under finance lease	44,319	53,765
Preferred shares	2,060,000	2,060,000
(Deficiency) equity	(3,637,044)	(2,060,202)
	<b>\$ 3,508,032</b>	<b>\$ 4,014,801</b>

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 29 must not be less than 1.25 to 1. At February 29, 2016 the Company was not in compliance with this covenant. On January 12, 2017 the Company's bank completed its annual review of all the facilities extended to the Company and concluded that operating line of credit will be closed no later than April 30, 2017 and there would be no changes to the demand term loan.

Previously, the Company relied on its operating line of credit to provide funds to meet working capital obligations. However with the operating line of credit being closed no later than April 30, 2017, the Company will no longer rely on this facility. The Company has been and will continue to be reliant on related party loans, operations and potential debt financing to fund ongoing working capital and long term obligations.

#### 5. 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, current income tax payable, demand term loans, shareholder loans, other related loans, other loans, obligations under finance lease and preferred shares.

## eQube Gaming Limited

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

---

#### 5. Financial instruments and risk exposures (continued)

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, current income tax payable, demand term loans, shareholder loans, other related loans, other loans, obligations under finance lease 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, accounts payable and current accrued liabilities and current income tax payable 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 the non-current accrued liabilities, the demand term loans, shareholder loans, other related loans, other loans, obligations under finance lease 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.

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 November 30, 2016, the balance of the allowance account for credit losses was \$nil (February 29, 2016 - \$nil).

## eQube Gaming Limited

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

#### 5. Financial instruments and risk exposures (continued)

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 November 30, 2016 and February 29, 2016, by length of time past due, are:

	November 30, 2016	February 29, 2016
1 to 30 days past due	\$ 181,321	\$ 389,174
31 to 60 days past due	23,648	43,691
Greater than 60 days past due	60,071	8,391
Total	\$ 265,040	\$ 441,256

As at November 30, 2016, the Company had two customers owing more than \$50,000 that accounted for approximately 49% of all the trade accounts receivable owing (February 29, 2016 – one customer owing more than \$50,000; approximately 35% of all the trade accounts receivable). As at November 30, 2016, trade accounts receivable associated with customers that each individually exceeded 10% of the Company's sales, service and other revenue totalled 35% of trade accounts receivable (February 29, 2016 – 35%). 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 November 30, 2016, totalled \$403,420 (February 29, 2016 - \$183,009), accounts receivable totalled \$445,220 (February 29, 2016 - \$537,284), and accrued receivables totalled \$552,487 (February 29, 2016 - \$1,001,760), 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.

As at November 30, 2016, the Company had cash of \$403,420 (February 29, 2016 - \$183,009), accounts receivable of \$445,220 (February 29, 2016 - \$537,284), and current portion of accrued receivables of \$552,487 (February 29, 2016 - \$559,166) for a total of \$1,401,127 (February 29, 2016 - \$1,279,459). Current and on demand obligations from bank indebtedness, accounts payable and accrued liabilities, current income tax payable, interest bearing loans, and dividend paying preferred shares total \$1,338,919 (February 29, 2016 - \$5,585,089). The excess of current assets to cover the Company's short-term obligations will be funded through operations, by potential 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 10.

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 5. Financial instruments and risk exposures (continued)

The Company's contractual obligations at November 30, 2016 summarized by fiscal year are as follows:

	On demand	2017	2018	2019	2020	Thereafter	Total
Bank indebtedness	\$ 41,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41,025
Current income tax payable	-	30,482	-	-	-	-	30,482
Accounts payable and accrued liabilities	-	392,946	-	-	-	-	392,946
Demand term loans	150,538	-	-	-	-	-	150,538
Shareholder loans	-	171,982	194,970	227,767	-	-	594,719
Other related loans	-	60,064	296,003	201,336	423,452	-	980,855
Other loans	-	437,647	2,027,116	1,428,055	-	-	3,892,818
Obligations under finance lease	-	3,440	13,759	21,153	7,615	2,629	48,596
Preferred shares	-	50,795	1,166,575	1,026,879	-	-	2,244,249
Total	\$ 191,563	\$ 1,147,356	\$ 3,698,423	\$ 2,905,190	\$ 431,067	\$ 2,629	\$ 8,376,228

The Company's contractual obligations at February 29, 2016 summarized by fiscal year were as follows:

	On demand	2017	2018	2019	2020	Thereafter	Total
Bank indebtedness	\$ 164,574	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 164,574
Current income tax payable	-	41,146	-	-	-	-	41,146
Accounts payable and accrued liabilities	-	850,688	70,364	342,223	-	-	1,263,275
Demand term loans	825,538	-	-	-	-	-	825,538
Shareholder loans	-	105,525	395,238	-	-	-	500,763
Other related loans	-	1,626,640	1,051,731	274,271	-	-	2,952,642
Obligations under finance lease	-	14,071	14,071	21,498	7,892	2,724	60,256
Preferred shares	-	1,956,907	250,671	-	-	-	2,207,578
Total	\$ 990,112	\$ 4,594,977	\$ 1,782,075	\$ 637,992	\$ 7,892	\$ 2,724	\$ 8,015,772

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

At February 29, 2016 the Company was not in compliance with a lending covenant related to the Company's operating line of credit (Note 8) and demand term loans (Note 10). On January 12, 2017 the Company's bank completed its annual review of all the facilities extended to the Company and concluded that operating line of credit will be closed no later than April 30, 2017 and there would be no changes to the demand term loan.

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

---

### 5. Financial instruments and risk exposures (continued)

#### 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 \$nil for the three months ended November 30, 2016 (2015 - \$nil). A 1% appreciation (depreciation) in the Canadian dollar price of Euros would result in gain (loss) of approximately \$nil (2015 - \$nil).

A 1% appreciation (depreciation) in the Canadian dollar price of United States dollars would result in gain (loss) of approximately \$1,000 for the nine months ended November 30, 2016 (2015 - \$4,000). A 1% appreciation (depreciation) in the Canadian dollar price of Euros would result in gain (loss) of approximately \$2,000 (2015 - \$2,000).

#### 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 \$2,000 for the three months ended November 30, 2016 (2015 - \$9,000).

A 1% decrease (increase) in the bank's prime rate would result in a gain (loss) of approximately \$5,000 for the nine months ended November 30, 2016 (2015 - \$12,000).

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 6. Property and equipment

	Gaming systems	Computer equipment	Office furniture and equipment	Test equipment	Automotive equipment	Leasehold improvements	Total
<b>Cost or deemed cost</b>							
Balance at February 28, 2015	\$ 8,853,129	\$ 267,111	\$ 113,443	\$ 421,670	\$ 25,299	\$ 50,999	\$ 9,731,651
Additions	1,713,475	17,701	27,161	37,647	36,007	2,235	1,834,226
Acquisitions through business combinations	72,723	5,702	2,913	-	-	-	81,338
Transfers	8,675	-	-	(8,675)	-	-	-
Disposals	(4,741)	-	-	-	-	-	(4,741)
Balance at February 29, 2016	10,643,261	290,514	143,517	450,642	61,306	53,234	11,642,474
Additions	57,253	6,655	10,657	1,742	-	-	76,307
Transfers	-	4,552	(4,552)	-	-	-	-
Disposal of subsidiary (Note 22)	-	-	(7,211)	-	-	-	(7,211)
Disposals	(753,561)	-	-	-	(25,299)	-	(778,860)
<b>Balance at November 30, 2016</b>	<b>\$ 9,946,953</b>	<b>\$ 301,721</b>	<b>\$ 142,411</b>	<b>\$ 452,384</b>	<b>\$ 36,007</b>	<b>\$ 53,234</b>	<b>\$ 10,932,710</b>
<b>Depreciation and impairment losses</b>							
Balance at February 28, 2015	\$ 6,047,983	\$ 254,993	\$ 99,001	\$ 377,908	\$ 24,874	\$ 32,100	\$ 6,836,859
Depreciation	1,591,395	10,459	7,657	13,824	4,486	11,007	1,638,828
Balance at February 29, 2016	7,639,378	265,452	106,658	391,732	29,360	43,107	8,475,687
Depreciation	919,599	12,408	7,981	11,207	5,325	1,872	958,392
Disposal of subsidiary (Note 22)	-	-	(936)	-	-	-	(936)
Disposals	(46,545)	-	-	-	(25,299)	-	(71,844)
<b>Balance at November 30, 2016</b>	<b>\$ 8,512,432</b>	<b>\$ 277,860</b>	<b>\$ 113,703</b>	<b>\$ 402,939</b>	<b>\$ 9,386</b>	<b>\$ 44,979</b>	<b>\$ 9,361,299</b>
<b>Carrying amounts</b>							
At February 29, 2016	\$ 3,003,883	\$ 25,062	\$ 36,859	\$ 58,910	\$ 31,946	\$ 10,127	\$ 3,166,787
<b>At November 30, 2016</b>	<b>\$ 1,434,521</b>	<b>\$ 23,861</b>	<b>\$ 28,708</b>	<b>\$ 49,445</b>	<b>\$ 26,621</b>	<b>\$ 8,255</b>	<b>\$ 1,571,411</b>

As at November 30, 2016 the net carrying amount for gaming systems and automotive equipment under finance lease was \$46,543 (February 29, 2016: \$56,397).

As at November 30, 2016, gaming systems which were not yet available for use had a carrying value of \$nil (February 29, 2016: \$434,859).

## eQube Gaming Limited

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

#### 7. Intangible assets

	Computer software	Deferred development costs	Gaming intellectual property	Total
<b>Cost</b>				
Balance at February 28, 2015	\$ 93,541	\$ 587,106	\$ -	\$ 680,647
Additions	-	177,382	68,593	245,975
Acquisitions through business combinations	-	-	68,878	68,878
Derecognition of fully amortized intangible assets	(62,580)	-	-	(62,580)
Balance at February 29, 2016	30,961	764,488	137,471	932,920
Additions	9,745	169,959	(580)	179,124
<b>Balance at November 30, 2016</b>	<b>\$ 40,706</b>	<b>\$ 934,447</b>	<b>\$ 136,891</b>	<b>\$ 1,112,044</b>
<b>Amortization</b>				
Balance at February 28, 2015	\$ 75,178	\$ 281,991	\$ -	\$ 357,169
Amortization	8,989	137,217	29,276	175,482
Derecognition of fully amortized intangible assets	(62,504)	-	-	(62,504)
Balance at February 29, 2016	21,663	419,208	29,276	470,147
Amortization	5,000	68,767	25,465	99,232
<b>Balance at November 30, 2016</b>	<b>\$ 26,663</b>	<b>\$ 487,975</b>	<b>\$ 54,741</b>	<b>\$ 569,379</b>
<b>Carrying amounts</b>				
At February 29, 2016	\$ 9,298	\$ 345,280	\$ 108,195	\$ 462,773
<b>At November 30, 2016</b>	<b>\$ 14,043</b>	<b>\$ 446,472</b>	<b>\$ 82,150</b>	<b>\$ 542,665</b>

During the three and nine months ended November 30, 2016, the Company incurred \$nil (February 29, 2016 - \$nil) in research costs.

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 8. Bank indebtedness

The Company has a credit facility arrangement that provides an operating line of credit of \$250,000 at November 30, 2016 (February 29, 2016 - \$250,000). The operating line bears interest at the bank's prime rate plus 4.00% which totalled 6.70% at November 30, 2016 (February 29, 2016 – prime plus 4.00%, totaling 6.70%). The operating line is secured by a general security agreement over the assets of the Company. There was \$41,025 drawn on the operating line at November 30, 2016 (February 29, 2016 - \$164,574).

Under the Company's credit facilities for the operating line of credit and demand term loans (Note 10), the annual debt service coverage ratio must not be less than 1.25 to 1. At February 29, 2016 the Company was not in compliance with this covenant. On January 12, 2017 the Company's bank completed its annual review of all the facilities extended to the Company and concluded that operating line of credit will be closed no later than April 30, 2017 and there would be no changes to the demand term loan.

### 9. Accounts payable and accrued liabilities

	November 30, 2016		February 29, 2016
Trade payables	\$ 78,344	\$	468,945
Accrued liabilities	314,602		710,143
	\$ 392,946	\$	1,179,088
Less current portion:			
Trade payables	\$ 78,344	\$	468,945
Accrued liabilities	314,602		323,287
	\$ 392,946	\$	792,232
Long-term portion:			
Trade payables	\$ -	\$	-
Accrued liabilities	-		386,856
	\$ -	\$	386,856

On August 26, 2016, the Company and a supplier of gaming systems cancelled a financial arrangement which was entered into on July 1, 2015. The associated liability was classified under accrued liabilities. The arrangement had no term or fixed repayment amount and an annual interest rate of 8%. The monthly repayments were based on the higher of 1% of the outstanding balance or a percentage of revenue collected from the operation of the gaming systems. The amount included in accrued liabilities as at November 30, 2016 is \$nil (February 29, 2016 - \$436,442).

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 10. Demand term loans

The Company has the following demand term loans:

- a) Demand term loan in the amount of \$450,000 (February 29, 2016 - \$450,000). At November 30, 2016, \$nil was drawn on the loan (February 29, 2016 - \$450,000). The demand term loan bears interest at the bank's prime rate plus 5.0% which totalled 7.70% at November 30, 2016 (February 29, 2016 – prime plus 5.0% which totalled 7.70%). Interest was payable monthly and the principal was repaid in a final annual payment of \$450,000 on July 1, 2016. The loan was 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 29, 2016 - \$900,000). The amount drawn on the loan at November 30, 2016 was \$150,538 (February 29, 2016 - \$375,538). The demand term loan bears interest at the bank's prime rate plus 5.0% which totalled 7.70% at November 30, 2016 (February 29, 2016 – prime plus 5.0% which totalled 7.70%). 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.

	<b>November 30, 2016</b>	February 29, 2016
Demand term loans	<b>\$ 150,538</b>	\$ 825,538
Less debt issuance costs, net of accumulated amortization of \$18,000 (February 29, 2016 - \$16,714)	-	(1,286)
	<b>\$ 150,538</b>	\$ 824,252

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 November 30, 2016 interest expense of \$5,616 (2015 - \$8,517) was recorded and is included in finance costs (Note 21). During the nine months ended November 30, 2016 interest expense of \$27,909 (2015 - \$67,234) was recorded and is included in finance costs (Note 21).

Under the Company's credit facilities for the operating line of credit (Note 8) and demand term loans, the annual debt service coverage ratio must not be less than 1.25 to 1. At February 29, 2016 the Company was not in compliance with this covenant. On January 12, 2017 the Company's bank completed its annual review of all the facilities extended to the Company and concluded that operating line of credit will be closed no later than April 30, 2017 and there would be no changes to the demand term loan.

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 11. Related party transactions

#### a) Shareholder loans and other related loans

	November 30, 2016	February 29, 2016
<b>Shareholder loans</b>		
Loan, bearing interest at 18% to April 30, 2013 then 10% thereafter, monthly interest only payments of \$1,318 until March 1, 2017 (February 29, 2016 – monthly payments of \$1,318 beginning November 28, 2014, maturing May 28, 2016).	\$ 158,101	\$ 158,101
Loans, bearing interest at 10%, monthly interest only payments of \$1,411 until March 1, 2018 (February 29, 2016 - monthly payments of \$1,411, 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 29, 2016- \$nil).	169,371	169,371
Loan, bearing interest at 10%, monthly interest only payments of \$565 until March 1, 2018 (February 29, 2016 - monthly payments of \$565 beginning November 28, 2014, maturing on November 28, 2015).	67,767	67,767
Loan, bearing interest at 10%, monthly interest only payments of \$500 and the borrower has the option to settle principal amount at any time.	60,000	60,000
Loan, bearing interest at 10% until March 1, 2018, monthly interest only payments of \$833 and principal due upon demand from the lender.	100,000	-
<b>Other related loans</b>		
Loan, bearing interest at 9.5%, monthly payments of \$64,066 beginning November 1, 2014, maturing on October 28, 2017.	-	1,235,010
Loan, bearing interest at 9.5%, monthly payments of \$29,866 beginning June 21, 2014, maturing on May 21, 2017.	-	447,171
Loan, bearing interest at 10%, monthly payments of \$16,134 beginning October 17, 2015, maturing on September 17, 2018.	-	451,531
Loan, bearing interest at 10%, monthly payments of \$16,134 beginning December 31, 2015, maturing on January 1, 2019.	362,740	488,035
Loan, bearing interest at 12%, monthly interest only payments of \$600 beginning December 7, 2015, maturing on June 6, 2017.	60,000	60,000
Loan, bearing interest at 10%, monthly interest only payments of \$3,397 beginning October 31, 2016, maturing on September 30, 2019.	400,000	-
	<b>\$ 1,377,979</b>	<b>\$ 3,136,986</b>
<b>Less current portion:</b>		
Shareholder loans	\$ 158,101	\$ 60,000
Other related loans	\$ 224,744	\$ 1,433,312
<b>Long-term portion:</b>		
Shareholder loans	\$ 397,138	\$ 395,239
Other related loans	\$ 597,996	\$ 1,248,435

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

---

### 11. 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 10).

The shareholder and other related loans contain demand features. Certain lenders have waived the demand provisions for not less than 365 days after November 30, 2016.

On November 27, 2015, the Company entered into a financing arrangement for a demand term loan in the amount of \$60,000 from an entity owned and controlled by the Chief Operating Officer (“COO”) of the Company. The loan bears interest at 10% per annum with the principal amount due at the option of the borrower.

On December 7, 2015, the Company entered into a financing arrangement for a demand term loan in the amount of \$60,000 from an entity controlled by the COO of the Company. The loan has an eighteen-month term. The loan bears interest at 12% per annum with the principal amount due upon demand at the end of the loan term.

On March 1, 2016, the Company entered into a financing arrangement for a demand term loan in the amount of \$100,000 from an entity owned and controlled by the COO of the Company. The loan bears interest at 10% per annum with the principal amount due upon demand by the lender.

On March 31, 2014, the Company entered into a 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 November 30, 2016 was \$nil (February 29, 2016 - \$1,682,181) and is 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. The loan was fully repaid and terminated on May 2, 2016.

On September 17, 2015, the Company entered into a 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 amount drawn on the loan at November 30, 2016 was \$nil (February 29, 2016 - \$451,531) and is included in “other related loans”. The proceeds of this loan were used to purchase equipment for customer deployment. The loan is secured by a first charge over the purchased equipment. The loan was fully repaid and terminated on May 2, 2016.

On December 10, 2015, the Company entered into a 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 loan bears interest at 10% per annum with monthly payments of \$16,134. The amount drawn on the loan at November 30, 2016 was \$362,740 (February 29, 2016 - \$488,035) and is included in “other related loans”. The proceeds of this loan were used to purchase equipment for customer deployment. The loan is secured by a first charge over the purchased equipment.

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 11. Related party transactions (continued)

On October 19, 2016, the Company entered into a financing agreement for a three year demand term loan in the amount of \$800,000 from an entity controlled by a director of the Company. The loan bears interest at 10% per annum with monthly interest only payments and the principal due at the end of the term. The amount drawn on the loan was \$400,000 at November 30, 2016 and subsequent to the balance sheet date, the Company drew the remaining \$400,000. The proceeds of this loan will be used to purchase equipment for customer deployment, software development, and general corporate purposes. The loan is secured by an assignment of proceeds under a specific customer contract.

On January 23, 2017, the Company entered into a financing arrangement for a three month demand term loan in the amount of \$200,000 from the COO of the Company. The loan bears interest at 10% per annum with monthly interest only payments and the principal due at the end of the term.

During the three months ended November 30, 2016, interest expense on shareholder and other related loans of \$30,656 (2015 - \$67,488) was recorded as expense and is included in finance costs (Note 21). During the nine months ended November 30, 2016, interest expense on shareholder and other related loans of \$100,667 (2015 - \$198,691) 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 November 30,		Nine months ended November 30,	
	2016	2015	2016	2015
Short-term employee benefits	\$ 150,491	\$ 75,876	\$ 477,683	\$ 266,285
Share-based payments	94	904	531	3,616
	\$ 150,585	\$ 76,780	\$ 478,214	\$ 269,901

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 employee benefits consist of wages and salaries paid or payable to employees, accrued vacation, and other benefits paid or payable within 12 months.

#### c) Other related party transactions

As at November 30, 2016 accrued receivables includes \$48,025 (February 29, 2016 - \$49,772) due from an entity controlled by the Chief Executive Officer ("CEO") of the Company.

## eQube Gaming Limited

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

#### 12. Other loans

	November 30, 2016	February 29, 2016
Other loans		
Loan, bearing interest at 10% , monthly payments of \$142,924 beginning May 1, 2016 and maturing December 1, 2018.	\$ 3,212,240	\$ -
Loan, bearing interest at 12%, monthly interest only payments of \$2,958.90 beginning March 31, 2016 and maturing June 30, 2017.	300,000	-
	\$ 3,512,240	\$ -
Less current portion:		
Other loans	\$ 1,759,429	\$ -
Long-term portion:		
Other loans	\$ 1,752,811	\$ -

On March 21, 2016, the Company entered into a financing arrangement for a demand term loan in the amount of \$300,000. The loan has a fifteen month term. The loan bears interest at 12% per annum with the principal amount due in full at the end of the loan term.

On May 2, 2016, the Company entered into a financing agreement for a secured loan in the amount of \$4,000,000. The loan has a thirty-two month term and bears interest at 10% per annum with monthly payments of \$142,924. \$1,947,000 of these funds were used to payout demand loans owing to a company controlled by a director of the Company.

During the three months ended November 30, 2016, interest expense on other loans of \$95,038 (2015 - \$nil) was recorded as expense and is included in finance costs (Note 21). During the nine months ended November 30, 2016, interest expense on other loans of \$237,757 (2015 - \$nil) was recorded as expense and is included in finance costs (Note 21).

#### 13. Finance lease obligations

The Company has finance leasing arrangements related to gaming systems and automotive equipment. As at November 30, 2016 the net carrying amount for the gaming systems and automotive equipment under a finance lease was \$46,543 (February 29, 2016: \$56,397).

## eQube Gaming Limited

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

#### 13. Finance lease obligations (continued)

The finance lease repayments are due as follows:

	<b>Future minimum lease payments</b>	<b>Future finance costs</b>	<b>Present value of minimum lease payments</b>
<b>November 30, 2016</b>			
Less than one year	\$ 12,100	\$ 633	\$ 11,467
Between one and five years	36,493	3,641	32,852
	<b>\$ 48,593</b>	<b>\$ 4,274</b>	<b>\$ 44,319</b>

#### 14. Preferred shares

	<b>November 30, 2016</b>	February 29, 2016
Current portion	\$ 1,050,000	\$ 1,810,000
Long-term portion	1,010,000	250,000
	<b>\$ 2,060,000</b>	<b>\$ 2,060,000</b>

The Company declared and paid dividends of \$51,358 for the three months ended November 30, 2016 (2015 - \$51,359), which are included in finance costs (Note 21). The Company declared and paid dividends of \$155,205 for the nine months ended November 30, 2016 (2015 - \$155,206), which are included in finance costs (Note 21).

As at November 30, 2016 \$1,050,000 (February 29, 2016 - \$1,810,000) were retractable within the next twelve months. Subsequent to February 29, 2016, holders of \$1,010,000 of preferred shares agreed to not redeem their preferred shares prior to April 30, 2018.

**eQube Gaming Limited**  
**Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended November 30, 2016  
 (Expressed in Canadian dollars)  
 (Unaudited)

**15. Share capital**

*Ordinary Shares*

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

<b>Ordinary Shares of the Company</b>	<b>Number</b>	<b>Share capital</b>
Balance at February 28, 2015	29,662,727	\$ 8,082,700
Exercise of stock options	558,000	52,341
<b>Balance at November 30, 2016 and February 29, 2016</b>	<b>30,220,727</b>	<b>\$ 8,135,041</b>

As at November 30, 2016, 3,874,360 (February 29, 2016 – 7,748,718) of the issued shares were held in escrow. 1,937,179 of these shares will be released from escrow on May 4, 2017 and the remaining on November 4, 2017.

**16. Warrants**

	<b>Number</b>	<b>Warrants</b>
Balance at February 28, 2015	6,372,945	\$ 212,179
Expiration of Consideration Warrants	(5,932,545)	(148,313)
Balance at February 29, 2016	440,400	63,866
Expiration of Broker Warrants	(22,800)	(3,314)
Expiration of Agent Warrants	(417,600)	(60,552)
<b>Balance at November 30, 2016</b>	<b>-</b>	<b>\$ -</b>

*Agent Warrants*

417,600 Agent warrants issued in connection with the Company's Qualifying Transaction (Note 1) expired on October 30, 2016. These warrants had an exercise price of \$0.50.

*Broker Warrants*

On June 13, 2016, 22,800 broker warrants with an exercise price of \$0.50 expired.

## **eQube Gaming Limited**

### **Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

---

#### **16. Warrants (continued)**

##### *Consideration Warrants*

Pursuant to the Catalyst Agreement, at the closing of the Amalgamation, the Company delivered warrants (“Consideration Warrants”) to purchase Ordinary Shares to Catalyst. Under the terms of the agreement Catalyst will identify strategic growth opportunities for the Company. The exercise of the Consideration Warrants is conditional, among other things, on if such opportunities are approved by the Company’s Board of Directors and the opportunity results in certain benchmark achievements (“Benchmark Success”, as that term is defined in the Catalyst Agreement). If Benchmark Success has been achieved, then Catalyst will be deemed to have exercised the Consideration Warrants and the Company shall issue and deliver Ordinary Shares that on payout equal to 20% of the then-enlarged capital of the Company, up to a maximum of 54,000,000 Ordinary Shares.

As at February 29, 2016 management concluded that Benchmark Success would not occur before the agreement expiry date of April 30, 2016. Therefore, the warrants were cancelled effective February 29, 2016.

The total cost of the Consideration Warrants recognized during the three months ended November 30, 2016 of \$nil (2015 – \$113,327) was recorded as general and administrative expense and an increase to warrants (a component of equity). The total cost of the Consideration Warrants recognized during the nine months ended November 30, 2016 of \$nil (2015 - \$342,773) was recorded as general and administrative expense and an increase to warrants (a component of equity).

#### **17. Non-controlling interest**

Alberta Satellite Bingo Limited Partners (“Alberta Satellite Bingo”) is 0.25% owned by the Company and the remaining 99.75% is owned by various charitable organizations. The Company has control over Alberta Satellite Bingo due to significant decision making powers and exposure to variable returns that differ from other investors. The non-controlling interests for the other investors’ share of Alberta Satellite Bingo’s net operations for the period has been recorded in the non-controlling interest (“NCI”).

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 17. Non-controlling interest (continued)

	Alberta Satellite Bingo LP	Intra-Group Eliminations	Total
NCI Percentage	99.75%		
Current assets	\$ 179,641	\$ -	\$ 179,641
Non-current assets	49,969	-	49,969
Current liabilities	(98,160)	-	(98,160)
Net assets	\$ 131,450	\$ -	\$ 131,450
<b>Carrying amount of NCI</b>	<b>\$ 131,121</b>	<b>\$ -</b>	<b>\$ 131,121</b>
<b>Summary of results for the three months ended November 30, 2016</b>			
Revenue	\$ 157,898	\$ -	\$ 157,898
Net loss and comprehensive loss	(35,519)	-	(35,519)
<b>Net loss allocated to NCI</b>	<b>\$ (35,430)</b>	<b>\$ -</b>	<b>\$ (35,430)</b>
Net cash flows used in operating activities	\$ (4,694)	\$ -	\$ (4,694)
Net cash flows used in financing activities	(6,556)	-	(6,556)
Net cash flows used in investing activities	(6,174)	-	(6,174)
Net decrease in cash and cash equivalents	\$ (17,424)	\$ -	\$ (17,424)
<b>Summary of results for the nine months ended November 30, 2016</b>			
Revenue	\$ 520,301	\$ -	\$ 520,301
Net loss and comprehensive loss	(63,644)	-	(63,644)
<b>Net loss allocated to NCI</b>	<b>\$ (63,485)</b>	<b>\$ -</b>	<b>\$ (63,485)</b>
Net cash flows used in operating activities	\$ (54,009)	\$ -	\$ (54,009)
Net cash flows from financing activities	65,817	-	65,817
Net cash flows used in investing activities	(6,174)	-	(6,174)
Net increase in cash and cash equivalents	\$ 5,634	\$ -	\$ 5,634

## eQube Gaming Limited

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

#### 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, 2015	2,856,291	\$ 0.41	\$ 0.113
Granted	75,000	0.50	0.030
Exercised	(558,000)	0.09	0.007
Expired	(123,291)	0.17	0.071
Forfeited	(250,000)	0.50	0.169
Balance at February 29, 2016	2,000,000	\$ 0.50	\$ 0.135
Forfeited	(300,000)	0.50	0.081
<b>Balance at November 30, 2016</b>	<b>1,700,000</b>	<b>\$ 0.50</b>	<b>\$ 0.144</b>
Options exercisable at February 29, 2016	1,950,000	\$ 0.50	\$ 0.137
<b>Options exercisable at November 30, 2016</b>	<b>1,675,000</b>	<b>\$ 0.50</b>	<b>\$ 0.146</b>

The Options outstanding as at November 30, 2016 have an exercise price of \$0.50 and a weighted average remaining contractual life of 5.79 years (February 29, 2016 – exercise price of \$0.50 and weighted average remaining contractual life of 5.74 years).

The total share-based compensation recognized during the three months ended November 30, 2016, including options previously granted that vested during the period, of \$94 (2015 - \$2,284) was recorded as an expense and an increase to contributed surplus. The total share-based compensation recognized during the nine months ended November 30, 2016, including options previously granted that vested during the period, of \$531 (2015 - \$6,884) was recorded as an expense and an increase to contributed surplus.

#### 19. Segment information

For the three and nine months ended November 30, 2016, the Company has identified three operating segments: eBingo, Linked Games and Hall Operations. In identifying these operating segments, management generally assesses results of these three service lines. Each operating segment is managed separately as each requires different resource allocations and performance assessment. For comparative purposes, the 2015 segmented information was adjusted to conform to the new basis of presentation.

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 19. Segment information (continued)

All inter – segment transactions are carried out at arm’s length prices based on prices charged to unrelated customers in standalone sales of identical goods or services. For management purposes, the Company uses the same measurement policies as those used in its consolidated financial statements.

Segmented results for the three months ended November 30, 2016 were as follows:

	eBingo	Linked Games	Hall Operations	Total
Sales, service and other revenue	\$ 1,521,378	\$ 190,700	\$ -	\$ 1,712,078
Expenses				
Direct costs	610,614	101,281	-	711,895
General and administrative expenses	679,789	72,341	-	752,130
Gain before other expenses (income)	230,975	17,078	-	248,053
Finance income	(3,496)	-	-	(3,496)
Finance costs	175,119	1,078	-	176,197
Depreciation and amortization	317,280	14,285	-	331,565
Gain on disposal of property and equipment	(50)	-	-	(50)
Foreign exchange loss (gain)	19,057	(1)	-	19,056
(Loss) gain before income taxes	(276,935)	1,716	-	(275,219)
Income tax recovery	(59,478)	-	-	(59,478)
Net (loss) earnings and comprehensive (loss) earnings from continuing operations	\$ (217,457)	\$ 1,716	\$ -	\$ (215,741)
Net loss earnings and comprehensive loss from discontinued operations	\$ -	\$ -	\$ (178,709)	\$ (178,709)
Non-current assets	\$ 1,978,804	\$ 135,272	\$ -	\$ 2,114,076

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 19. Segment information (continued)

Segmented results for the three months ended November 30, 2015 were as follows:

	eBingo	Linked Games	Hall Operations	Total
Sales, service and other revenue	\$ 1,203,327	\$ 193,950	\$ -	\$ 1,397,277
Expenses				
Direct costs	286,954	63,156	-	350,110
General and administrative expenses	916,355	149,330	-	1,065,685
Impairment of supplies and components	20,172	-	-	20,172
Loss before other expenses (income)	(20,154)	(18,536)	-	(38,690)
Finance income	(3,481)	-	-	(3,481)
Finance costs	137,166	(1,721)	-	135,445
Depreciation and amortization	434,917	25,211	-	460,128
Foreign exchange gain	67,379	(1)	-	67,378
Loss before income taxes	(656,135)	(42,025)	-	(698,160)
Income tax expense	214	-	-	214
Net loss and comprehensive loss from continuing operations	\$ (656,349)	\$ (42,025)	\$ -	\$ (698,374)
Non-current assets	\$ 3,551,856	\$ 188,019	\$ -	\$ 3,739,875

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 19. Segment information (continued)

Segmented results for the nine months ended November 30, 2016 were as follows:

	eBingo	Linked Games	Hall Operations	Total
Sales, service and other revenue	\$ 3,879,312	\$ 615,079	\$ -	\$ 4,494,391
Expenses				
Direct costs	1,306,780	330,620	-	1,637,400
General and administrative expenses	2,721,761	206,105	-	2,927,866
Impairment of supplies and components	1,746	-	-	1,746
(Loss) gain before other expenses (income)	(150,975)	78,354	-	(72,621)
Finance income	(11,668)	220	-	(11,448)
Finance costs	510,723	(908)	-	509,815
Depreciation and amortization	1,001,340	41,552	-	1,042,892
Gain on disposal of property and equipment	(50)	-	-	(50)
Foreign exchange loss (gain)	41,471	(10)	-	41,461
(Loss) gain before income taxes	(1,692,791)	37,500	-	(1,655,291)
Income tax recovery	(60,178)	(2,539)	-	(62,717)
Net (loss) earnings and comprehensive (loss) earnings from continuing operations	\$ (1,632,613)	\$ 40,039	\$ -	\$ (1,592,574)
Net loss and comprehensive loss from discontinued operations	\$ -	\$ -	\$ (48,284)	\$ (48,284)
Non-current assets	\$ 1,978,804	\$ 135,272	\$ -	\$ 2,114,076

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 19. Segment information (continued)

Segmented results for the nine months ended November 30, 2015 were as follows:

	eBingo	Linked Games	Hall Operations	Total
Sales, service and other revenue	\$ 3,458,614	\$ 354,779	\$ -	\$ 3,813,393
Expenses				
Direct costs	1,033,905	118,500	-	1,152,405
General and administrative expenses	3,030,054	283,064	-	3,313,118
Impairment of supplies and components	58,777	-	-	58,777
(Loss) before other expenses (income)	(664,122)	(46,785)	-	(710,907)
Finance income	(13,873)	-	-	(13,873)
Finance costs	452,798	-	-	452,798
Depreciation and amortization	1,307,801	30,997	-	1,338,798
Loss on write off of intangible assets	76	-	-	76
Foreign exchange gain	7,302	(2,832)	-	4,470
Loss before income taxes	(2,418,226)	(74,950)	-	(2,493,176)
Income tax expense	214	-	-	214
Net loss and comprehensive loss from continuing operations	\$ (2,418,440)	\$ (74,950)	\$ -	\$ (2,493,390)
Non-current assets	\$ 3,551,856	\$ 188,019	\$ -	\$ 3,739,875

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 19. Segment information (continued)

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 Europe. Similar products and services are provided to external customers across all jurisdictions. The Company entered into the bingo hall operations in Ireland during the year ended February 29, 2016. 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 November 30,		Nine months ended November 30,		November 30,	February 29,
	2016	2015	2016	2015	2016	2016
Canada	\$ 695,192	\$ 699,811	\$ 2,143,410	\$ 1,900,007	\$ 1,168,413	\$ 1,401,369
United States	522,912	438,648	1,462,643	1,324,122	379,993	802,313
Ireland and other	493,974	258,818	888,338	589,264	565,670	1,425,878
	\$ 1,712,078	\$ 1,397,277	\$ 4,494,391	\$ 3,813,393	\$ 2,114,076	\$ 3,629,560

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 November 30, 2016, \$455,220 or 13.86% (2015 - \$449,257 or 32.15%) of the Company's revenues depended on one customer that individually exceeded 10% of the Company's sales, service and other revenue. For the nine months ended November 30, 2016, \$1,376,884 or 30.64% (2015 - \$1,345,328 or 35.28%) of the Company's revenues depended on one customer that individually exceeded 10% of the Company's sales, service and other revenue.

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

	Three months ended November 30,		Nine months ended November 30,	
	2016	2015	2016	2015
Hardware and software rentals	\$ 691,379	\$ 780,484	\$ 2,183,072	\$ 2,177,652
Customer support and other services	466,955	420,005	1,322,826	1,212,768
Gaming revenue	190,702	196,788	615,079	358,124
Hardware and software sales	363,042	-	373,414	64,849
	\$ 1,712,078	\$ 1,397,277	\$ 4,494,391	\$ 3,813,393

## eQube Gaming Limited

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

#### 20. General and administrative expenses

	Three months ended November 30,		Nine months ended November 30,	
	2016	2015	2016	2015
Compensation and benefits	\$ 520,982	\$ 494,580	\$ 1,610,181	\$ 1,633,719
Professional fees	128,976	128,469	513,794	401,971
Advertising and promotion	108,643	136,346	372,024	346,018
Rent	62,000	55,024	187,457	169,445
Business taxes, insurance and licenses	31,657	40,379	136,546	167,921
Office and other	(100,128)	97,560	107,864	251,271
Consideration Warrants (Note 16)	-	113,327	-	342,773
	\$ 752,130	\$ 1,065,685	\$ 2,927,866	\$ 3,313,118

#### 21. Finance income and costs

	Three months ended November 30,		Nine months ended November 30,	
	2016	2015	2016	2015
Finance income				
Interest income	\$ (3,496)	\$ (3,481)	\$ (11,448)	\$ (13,873)
Finance costs				
Interest on short-term debt and accounts payable	(7,506)	6,587	(15,116)	27,602
Interest on finance leases	1,035	208	2,107	208
Interest on demand term loans	5,616	8,517	27,909	67,234
Interest on shareholder and other related loans	30,656	67,488	100,667	198,691
Interest on other loans	95,038	-	237,757	-
Dividends on preferred shares	51,358	51,359	155,205	155,206
Amortization of finance fees	-	1,286	1,286	3,857
	\$ 176,197	\$ 135,445	\$ 509,815	\$ 452,798

## eQube Gaming Limited

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

---

#### 22. Disposal of subsidiary

The discontinued operations consist of the operations of Rock Bingo. There are no comparative operating results as the Company took over the operations of Rock Bingo on January 4, 2016. On October 31, 2016 the Company sold its 100% equity interest in Rock Bingo to a close family member of the CEO and the purchase price paid for the shares of Rock Bingo was €100.00. Under IAS 24, Related Party Disclosures this transaction meets the criteria of a related party transaction. The operations of Rock Bingo are disclosed in the Hall Operations reporting segment. The carrying amounts of the net asset disposed was as follows:

Net asset carrying amount	\$ 21,308
Proceeds from the sale	147
<hr/>	
Loss of disposal of subsidiary	\$ (21,161)

## eQube Gaming Limited

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

#### 22. Disposal of subsidiary (continued)

The operating results of Rock Bingo to the date of disposal are summarised below:

	Three months ended November 30,		Nine months ended November 30,	
	2016	2015	2016	2015
Sales, service and other revenue	\$ 200,672	\$ -	\$ 702,748	\$ -
Direct costs	52,242	-	192,065	-
Gross profit	148,430	-	510,683	-
Expenses				
General and administrative expenses	278,741	-	515,832	-
Total expenses	278,741	-	515,832	-
Loss before other expenses (income)	(130,311)	-	(5,149)	-
Other expenses (income)				
Depreciation and amortization	473	-	928	-
Loss on disposal of subsidiary	21,161	-	21,161	-
Foreign exchange gain	(3,718)	-	(9,436)	-
Total other expenses	17,916	-	12,653	-
Loss before income taxes	(148,227)	-	(17,802)	-
Income tax expense	30,482	-	30,482	-
Net loss and comprehensive loss from discontinued operations	\$ (178,709)	\$ -	\$ (48,284)	\$ -

The operations of Rock Bingo had the following impact on the consolidated statements of cash flows:

	Three months ended November 30,		Nine months ended November 30,	
	2016	2015	2016	2015
Net cash flows provided by operating activities	\$ 57,116	\$ -	\$ 60,728	\$ -
Net cash flows provided by investing activities	5,028	-	-	-

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 23. 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 it is possible, but not probable that the claim will be successful 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 it is possible, but not probable that the claim will be successful and no provision relating to the claim has been recorded in these financial statements.

A wrongful dismissal lawsuit was filed against the Company in October 2016. The matter has not yet entered 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 it is possible, but not probable that the claim will be successful and no provision relating to the claim has been recorded in these financial statements.

### 24. Supplemental cash flow information

	Three months ended November 30,		Nine months ended November 30,	
	2016	2015	2016	2015
Change in non-cash operating working capital:				
Accounts receivable	\$ (65,580)	\$ 2,628	\$ 92,064	\$ (115,624)
Accrued receivables	(24,512)	(25,147)	459,863	305,491
Supplies and components	(6,762)	8,611	15,730	24,573
Current income taxes	(10,664)	-	(10,664)	-
Prepaid expenses and deposits	(475,265)	291,790	(492,334)	150,778
Accounts payable and accrued liabilities	(33,961)	203,981	(294,183)	720,002
Deferred revenue	(49,448)	-	97,519	-
	\$ (666,192)	\$ 481,863	\$ (132,005)	\$ 1,085,220
Supplementary information:				
Increase in finance lease obligations	-	-	-	36,007

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

### 24. Supplemental cash flow information (continued)

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

	November 30, 2016	February 29, 2016	November 30, 2015
Cash	\$ 403,420	\$ 183,009	\$ 91,605
Bank indebtedness	(41,025)	(164,574)	(49,690)
	\$ 362,395	\$ 18,435	\$ 41,915

### 25. Loss per share

	Three months ended November 30,		Nine months ended November 30,	
	2016	2015	2016	2015
Net loss attributable to owners of the Company from continuing operations	\$ (180,311)	\$ (647,505)	\$ (1,529,089)	\$ (2,375,030)
Net loss attributable to owners of the Company from discontinued operations	\$ (178,709)	-	\$ (48,284)	-
Basic weighted average number of ordinary shares	30,220,727	30,220,727	30,220,727	33,516,586
Diluted weighted average number of ordinary shares	30,220,727	30,220,727	30,220,727	33,516,586
Basic loss per share				
From continuing operations	\$ (0.01)	\$ (0.02)	\$ (0.05)	\$ (0.07)
From discontinued operations	\$ (0.01)	-	\$ (0.00)	-
Diluted loss per share				
From continuing operations	\$ (0.01)	\$ (0.02)	\$ (0.05)	\$ (0.07)
From discontinued operations	\$ (0.01)	-	\$ (0.00)	-

For the three and nine months ended November 30, 2016 and 2015, 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.

## eQube Gaming Limited

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

---

#### 26. Post reporting events

The following events occurred subsequent to November 30, 2016:

##### *Related party transactions*

On December 13, 2016, the Company drew an additional \$400,000 from the three year demand term loan in the amount of \$800,000 from an entity controlled by a director of the Company. The loan bears interest at 10% per annum with monthly interest only payments. The proceeds of this loan will be used to purchase equipment for customer deployment, software development, and general corporate purposes. The loan is secured by an assignment of proceeds under a specific customer contract.

On January 23, 2017, the Company entered into a financing arrangement for a three month demand term loan in the amount of \$200,000 from the COO of the Company. The loan bears interest at 10% per annum with monthly interest only payments and the principal due at the end of the term.

##### *Bank indebtedness and demand term loans*

On January 12, 2017 the Company's bank completed its annual review of all the facilities extended to the Company and concluded that operating line of credit will be closed no later than April 30, 2017 and there would be no changes to the demand term loan.