eQube Gaming Limited
Consolidated Financial Statements

For the Years Ended February 28, 2017 and February 29, 2016

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Independent Auditor's report

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To the Shareholders of eQube Gaming Limited

We have audited the accompanying consolidated financial statements of eQube Gaming Limited, which comprise the consolidated statements of financial position as at February 28, 2017, and February 29, 2016, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years ended February 28, 2017 and February 29, 2016, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of eQube Gaming Limited as at February 28, 2017, and February 29, 2016, and its financial performance and its cash flows for the years ended February 28, 2017 and February 29, 2016 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements, which indicates that the Company has incurred a net loss of $1,160,213 for the year ending February 28, 2017, has negative working capital of $2,447,182 and was in breach of its operating and term lender bank covenants as at February 28, 2017. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

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Edmonton, Canada

Grant Thornton LLP

June 7, 2017

Chartered Professional Accountants

eQube Gaming Limited
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

		February 28, 2017		February 29, 2016
Assets				
Current assets				
Cash	$	**1,037,258**	$	183,009
Accounts receivable		**700,847**		537,284
Accrued receivables (Note 8 and Note 14(d))		**78,847**		559,166
Supplies and components		**2,678**		109,506
Prepaid expenses and deposits		**881,369**		133,096
		2,700,999		1,522,061
Accrued receivables (Note 8)		**-**		442,594
Property and equipment (Note 9)		**1,440,735**		3,166,787
Intangible assets (Note 10)		**587,467**		462,773
Total assets	$	**4,729,201**	$	5,594,215
Liabilities				
Current liabilities				
Bank indebtedness (Note 11)	$	**-**	$	164,574
Accounts payable and accrued liabilities (Note 12)		**667,539**		792,232
Deferred revenue		**565,676**		-
Demand term loans (Note 13)		**75,538**		824,252
Current portion of shareholder loans (Note 14)		**352,131**		60,000
Current portion of other related loans (Note 14)		**228,897**		1,433,312
Current portion of other loans (Note 15)		**1,817,391**		-
Current portion of obligations under finance lease (Note 16)		**11,334**		11,275
Current income tax payable (Note 17)		**29,675**		41,146
Preferred shares (Note 18)		**1,400,000**		1,810,000
		5,148,181		5,136,791
Long term liabilities				
Accounts payable and accrued liabilities (Note 12)		**-**		386,856
Shareholder loans (Note 14)		**397,138**		395,239
Other related loans (Note 14)		**154,181**		1,248,435
Other loans (Note 15)		**1,365,855**		-
Obligations under finance lease (Note 16)		**29,124**		42,490
Preferred shares (Note 18)		**660,000**		250,000
Total liabilities		**7,754,479**		7,459,811
Deficiency				
Share capital (Note 19)		**8,135,041**		8,135,041
Warrants (Note 20)		**-**		63,866
Contributed surplus		**435,437**		371,040
Deficiency		**(11,601,439)**		(10,630,149)
Deficiency attributable to owners of the Company		**(3,030,961)**		(2,060,202)
Non-controlling interest (Note 4)		**5,683**		194,606
Total deficiency		**(3,025,278)**		(1,865,596)
Total liabilities and equity	$	**4,729,201**	$	5,594,215

On behalf of the Board

"Andrew Janko" Director *"Douglas Osrow"* Director

See accompanying notes to the consolidated financial statements.

eQube Gaming Limited
Consolidated Statements of Loss and Comprehensive Loss
For the years ended February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

	2017	2016 (Restated - Note 5)
Sales, service and other revenue (Note 22)	$ **7,130,742**	$ 5,255,701
Direct costs	**2,069,909**	1,704,804
Gross profit	**5,060,833**	3,550,897
General and administrative expenses (Note 23)	**4,014,559**	3,610,844
Income (loss) before other expenses (income)	**1,046,274**	(59,947)
Other expenses (income)		
Finance income (Note 24)	**(19,127)**	(18,545)
Finance costs (Note 24)	**716,795**	616,396
Depreciation and amortization	**1,228,778**	1,811,787
Loss(gain) on disposal of property and equipment	**30,546**	(10,087)
Impairment of supplies and components	**56,515**	76,458
Impairment of property and equipment (Note 9)	**56,988**	-
Impairment of intangible assets (Note 10)	**47,627**	-
Foreign exchange loss (gain)	**104,201**	(9,472)
Total other expenses (income)	**2,222,323**	2,466,537
Loss before income taxes	**(1,176,049)**	(2,526,484)
Income tax (recovery) expense	**(60,178)**	41,880
Deferred income tax (recovery) expense	**-**	-
Income tax (recovery) expense	**(60,178)**	41,880
Net loss and comprehensive loss from continuing operations	$ **(1,115,871)**	$ (2,568,364)
Net (loss) income and comprehensive (loss) income from discontinued operations (Note 5)	$ **(44,342)**	$ 55,912
Total net (loss) income and comprehensive (loss) income attributable to:		
Owners of the Company - continuing operations	**(926,948)**	(2,331,365)
Owners of the Company - discontinued operations	**(44,342)**	55,912
Non-controlling interest (Note 4)	**(188,923)**	(236,999)
	$ **(1,160,213)**	$ (2,512,452)
Loss per share (Note 28)		
Basic		
From continuing operations	$ **(0.03)**	$ (0.08)
From discontinued operations	$ **(0.00)**	$ 0.00
Diluted		
From continuing operations	$ **(0.03)**	$ (0.08)
From discontinued operations	$ **(0.00)**	$ 0.00

See accompanying notes to the consolidated financial statements.

eQube Gaming Limited
Consolidated Statements of Changes in Equity
For the years ended February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

	Share capital amount	Warrants	Contributed surplus	Deficiency	Total	Non-controlling interest	Total (deficicency) equity
Balance at February 28, 2015	$ 8,082,700	$ 212,179	$ 365,996	$ (8,354,696)	$ 306,179	$ -	$ 306,179
Net loss	-	-	-	(2,275,453)	(2,275,453)	(236,999)	(2,512,452)
Acquisition of subsidiary (Note 4)	-	-	-	-	-	431,605	431,605
Consideration Warrants (Note 20)	-	(148,313)	-	-	(148,313)	-	(148,313)
Share-based compensation related to stock options granted and vested	-	-	7,165	-	7,165	-	7,165
Exercise of stock options	52,341	-	(2,121)	-	50,220	-	50,220
Balance at February 29, 2016	$ 8,135,041	$ 63,866	$ 371,040	$ (10,630,149)	$ (2,060,202)	$ 194,606	$ (1,865,596)
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	-	-	-	(971,290)	(971,290)	(188,923)	(1,160,213)
Share-based compensation related to stock options granted and vested	-	-	531	-	531	-	531
Expiration of warrants (Note 20)	-	(63,866)	63,866	-	-	-	-
Balance at February 28, 2017	**$ 8,135,041**	**$ -**	**$ 435,437**	**$ (11,601,439)**	**$ (3,030,961)**	**$ 5,683**	**$ (3,025,278)**

See accompanying notes to the consolidated financial statements.

eQube Gaming Limited
Consolidated Statements of Cash Flows
For the years ended February 28, 2017 and February 29, 2016
(Expressed in Canadian dollars)

	2017	2016
Operating		
Net loss	$ **(1,160,213)**	$ (2,512,452)
Adjustments for:		
Accrued revenue	**-**	460,000
Finance income	**(17,406)**	(13,924)
Interest expense	**502,776**	404,689
Dividends on preferred shares	**206,000**	206,564
Depreciation of property and equipment	**1,111,659**	1,638,828
Amortization of intangible assets	**136,510**	175,482
Impairment of supplies and components	**56,515**	76,458
Impairment of property and equipment	**56,988**	-
Impairment of intangible assets	**47,627**	-
(Gain) loss on disposal of property and equipment	**30,546**	(10,087)
Cost of sale of equipment as hardware sale	**265,426**	-
Loss on disposal of subsidiary (Note 5)	**21,162**	-
Amortization of finance fees	**8,020**	5,143
Share-based compensation	**531**	7,165
Consideration Warrants (Note 20)	**-**	(148,313)
Change in non-cash operating working capital (Note 27)	**578,443**	675,411
Net cash flows provided by operating activites	**1,844,584**	964,964
Financing		
Repayment of demand term loans	**(750,000)**	(750,000)
Repayment of shareholder loans	**-**	(26,517)
Repayment of other related loans	**(3,098,669)**	(906,479)
Repayment of finance lease obligations	**(13,307)**	(7,496)
Repayment of other loans	**(1,116,754)**	-
Proceeds on shareholder loans net of debt issuance costs of $10,000 in 2017	**287,295**	60,000
Proceeds on other related loans	**800,000**	1,060,000
Proceeds on other loans	**4,300,000**	-
Proceeds from the exercise of stock options	**-**	50,220
Interest paid	**(514,460)**	(404,689)
Dividends paid	**(206,000)**	(206,564)
Net cash flows used in financing activities	**(311,895)**	(1,131,525)
Investing		
Acquisition of subsidiary, net of cash acquired	**-**	173,720
Purchase of property and equipment	**(188,138)**	(1,772,965)
Purchase of and capitalization of intangible assets	**(308,831)**	(245,975)
Proceeds on disposal of property and equipment	**1,706**	14,827
Proceeds on sale of subsidiary, net of cash sold	**(18,603)**	-
Net cash flows used in investing activities	**(513,866)**	(1,830,393)
Net increase (decrease) in cash and cash equivalents	**1,018,823**	(1,996,954)
Cash and cash equivalents, beginning of year	**18,435**	2,015,389
Cash and cash equivalents, end of year	$ **1,037,258**	$ 18,435

Supplemental cash flow information (Note 27)

See accompanying notes to the consolidated financial statements.

1. Reporting entity

eQube Gaming Limited (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. The ordinary shares are listed on the TSXV. The Company's registered office is located at #100, 10493 – 184 Street, Edmonton, Alberta.

2. Basis of presentation

These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

Going concern

These consolidated financial statements are prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they become due. However, certain conditions may cast significant doubt on the validity of this assumption. During the year ended February 28, 2017, the Company reported a net loss of $1,160,213 (2016 - $2,512,452). As at February 28, 2017, the Company has a working capital deficiency of $2,447,182 (2016 - $3,614,730) and a shareholders' deficiency of $3,025,278 (2016 - $1,865,596). As at February 28, 2017 and 2016, the Company was in breach of its bank covenants with its operating line of credit and term loan lender as described in Notes 11 and 13. The balance due on the operating line of credit as at February 28, 2017 was $nil (2016 - $164,574) and due under the term loan was $75,538 (2016 - $824,252). On January 12, 2017, the Company's bank completed its annual review of all the facilities extended to the Company and concluded that the operating line of credit will be closed no later than April 30, 2017 and the demand loan would be repaid on its existing terms with no further advances on this facility.

Management's plan for addressing the above conditions include securing additional equity, new or amended debt agreements and/or operating developments to generate profits to meet the Company's business objectives. However, there are no assurances that the steps management is taking will be successful. As such these consolidated financial statements do not reflect the adjustments to the carrying amounts of reported assets and liabilities, revenues and expenses and balance sheet classifications that might be necessary should the going concern assumption not be inappropriate. Such adjustments could be material.

These consolidated financial statements for the year ended February 28, 2017, including comparatives, were authorized for issue by the Board of Directors on June 2, 2017.

3. Significant accounting policies

The Company's significant accounting policies are outlined below:

3. Significant accounting policies (continued)

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.
- eQube International Inc.
- eQube Technology and Software (UK) Limited
- e3 Gaming Limited
- 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)
- e3 Bingo Limited (Note 5)

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. e3 Bingo Limited (an Irish company incorporated February 11, 2016) was consolidated for the year ended February 29, 2016 and until the Company's interest was disposed of on October 31, 2016 (See Note 5 for further details).

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. The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

b) Business combinations

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.

3. Significant accounting policies (continued)

c) Segment information

Separate operating segments are identified when a component of the Company engages in business activities, the separate operating results of the component are regularly reviewed by the Company's chief operating decision maker, and discrete financial information for the component is available.

d) Use of estimates and management judgment

When preparing the 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.

<u>Management estimates</u>

Information about assumptions and estimation uncertainties that have the most significant effect on recognition and measurement of asset, liabilities, income and expenses is described below.

Impairment of long-lived tangible and definite life intangible assets

In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on the higher of fair value less cost of disposal and their value in use. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets

The Company reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utilization of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of certain software and equipment.

Supplies and components

The Company estimates the net realizable values of supplies and components, taking into account the most reliable evidence available at each reporting date. The future realization of these supplies and components may be affected by future technology or other market-driven changes that may impact their future use.

Business combinations

In a business combination, the Company may acquire assets and assume certain liabilities of an acquired entity. Estimates are made as to the fair value of property and equipment, intangible assets, and goodwill, among other items. The determination of these fair values involves a variety of assumptions, including revenue growth rates, expected operating income and discount rates.

3. Significant accounting policies (continued)

Share-based payments and warrants

The Company measures the cost of equity settled transactions (stock options and warrants) by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions and warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock options or warrants, volatility and dividend yield and making assumptions thereon. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models may not necessarily provide a reliable measure of the fair value of the Company's share-based payments and warrants.

In addition, the Company measures the cost of Consideration Warrants (Note 20) by estimating the number of warrants that may ultimately vest and the vesting period. These estimates are highly subjective and changes in assumptions can materially affect the results. Therefore the existing estimates may not necessarily provide a reliable measure of the cost of the Company's warrants.

Management judgment

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

Revenue recognition

Within multi-element sales arrangements judgment is required in allocating revenue to individual units of accounting based on fair value, which may not coincide with contractual elements.

Classification of preferred shares

Judgement is required in applying International Accounting Standard 32, *Financial Instruments: Presentation*, to determine the classification of preferred shares as a liability or equity.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Capitalization of deferred development costs

Distinguishing the research and development phases of a new customized software project and determining whether the recognition requirements of the capitalization of development costs are met requires judgement. After capitalization, management monitors whether the recognition requirements continue to be met and whether there are any indicators that the capitalized costs may be impaired.

3. Significant accounting policies (continued)

Control assessment

Judgement is required in applying International Financial Reporting Standard 10, Consolidated Financial Statements, to assess whether the Company controls an investee through power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Company's returns.

e) Share capital

The Company's ordinary shares are classified as equity.

Transaction costs directly attributable to the issuance of share capital (such as legal, finders' and regulatory fees) are recognized as a decrease in share capital net of related income tax effects, if any. Broker or agent warrants issued in a private placement are also included in transaction costs at their estimated fair value on the issue date, as determined using the Black-Scholes Option Pricing Model. An offsetting credit is recorded in equity.

When broker or agent warrants are exercised, the proceeds received together with the amount previously recognized in equity are added to share capital.

f) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net earnings (loss) by the weighted average number of ordinary shares outstanding during the period. Diluted earnings (loss) per share reflect the potential dilution that would occur if stock options and warrants were exercised. Diluted earnings (loss) per share is calculated by dividing net earnings (loss) available to ordinary shareholders by the sum of the weighted average number of ordinary shares outstanding and all additional ordinary shares that would have been outstanding arising from the exercise of potentially dilutive stock options and warrants outstanding during the period.

The Company uses the treasury stock method for outstanding options and warrants which assumes that the proceeds that could be obtained upon exercise of options and warrants are used to purchase the Company's ordinary shares at the average market price during the period. Anti-dilutive amounts are not considered in computing diluted earnings (loss) per share.

g) Foreign currency translation

The Company and its foreign subsidiaries use the Canadian dollar as their functional currencies, which is also the presentation currency of the Company.

Monetary items denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the balance sheet date. All revenue and expenses denominated in foreign currencies are translated at the monthly average rate in effect at the time of the transaction to approximate the rate on the transaction date. Non-monetary items denominated in foreign currencies are translated to Canadian dollars at the applicable historical rate. Gains or losses on translation are included in profit or loss.

3. Significant accounting policies (continued)

h) Share-based payments

The Company grants stock options to buy ordinary shares of the Company to directors, officers, board advisors, employees, management company employees and consultants of the Company pursuant to the Company's Stock Option Plan. The Board of Directors grants such options for periods of up to ten years, with vesting periods determined at its sole discretion and at prices determined at the grant date.

Under this method, the Company recognizes compensation expense for stock options awarded based on the fair value of the options at the grant date using the Black-Scholes Option Pricing Model. The fair value of the options is amortized over the vesting period and is included in general and administrative expense with a corresponding increase in contributed surplus, a component of equity. The amount recognized as an expense is adjusted to reflect the number of stock options expected to eventually vest.

i) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash net of outstanding bank indebtedness (operating line of credit) as the operating line of credit is considered an integral part of the Company's cash management.

j) Prepaid expenses and deposits

Included in prepaid expenses and deposits are prepayments related to materials, insurance premiums and other deposits required in the normal course of business which are less than one year.

k) Supplies and components

Supplies and components are stated at the lower of cost and net realizable value, with cost being determined using a first-in first-out costing formula. Supplies and components are recorded net of any obsolescence provisions. When there is a significant change in economic circumstances, supplies and components that had been previously written down below cost may be written back up provided the reversal does not exceed the original write down.

l) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided using the following methods and rates, which approximates the useful lives of the assets:

Assets	Method	Rate
Gaming systems	Straight-line	3 - 7 years
Computer equipment	Declining balance	30 – 55%
Office furniture and equipment	Declining balance	20%
Test equipment	Declining balance	20 – 45%
Automotive equipment	Declining balance	30%
Leasehold improvements	Straight-line	Life of the lease

3. Significant accounting policies (continued)

When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognized in profit or loss as incurred.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end.

m) Intangible assets

Intangible assets consist of acquired software and gaming intellectual property and deferred development costs which are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is provided using the following methods and rates, which approximates the useful lives of the assets:

Assets	Method	Rate
Software	Declining balance	50%
Deferred development costs	Straight-line	3 - 4 years
Gaming intellectual property	Straight-line	3 – 6 years

n) Impairment of long-lived assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there is an indication that an impairment loss recognized in prior periods may no longer exist. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized previously. Such reversal is recognized in the profit or loss.

3. Significant accounting policies (continued)

o) Financial instruments

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognized when they are extinguished, discharged, cancelled or expire.

The Company categorizes its fair value measurements for financial assets and financial liabilities measured at fair value according to a three level hierarchy which prioritizes the inputs used in the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest level input significant to the overall fair value measurement. The three levels of the fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date;
- Level 2 - fair value measurements are those derived from inputs other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not observable.

Financial assets

Financial assets are classified into one of four categories:

- Financial assets at fair value through profit or loss ("FVTPL");
- Held-to-maturity investments;
- Loans and receivables; and
- Available-for-sale financial assets.

The Company determines the classification of its financial assets at initial recognition, depending on the nature and purpose of the financial asset.

Financial assets at FVTPL are recognized initially at fair value with transaction costs expensed as incurred. All other financial assets are recognized initially at fair value plus directly attributable transaction costs.

The Company's financial assets include cash, accounts receivable and accrued receivables. The subsequent measurement of financial assets depends on their classification as follows:

3. Significant accounting policies (continued)

i. Loans and receivables

The Company has classified cash, accounts receivable and accrued receivables as loans and receivables. These are measured at amortized cost using the effective interest method.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets, excluding accounts receivable and accrued receivables, is directly reduced by the impairment loss. The carrying amounts of accounts receivable and accrued receivables are reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the profit or loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. Financial liabilities at FVTPL are recognized initially at fair value with transaction costs expensed as incurred. All other financial liabilities are recognized initially at fair value, net of transaction costs. The classification of preferred shares as a financial liability does not alter the underlying economic interest of the preferred shareholders in net assets.

Other financial liabilities include bank indebtedness, accounts payable and accrued liabilities, demand term loans, shareholders loans, other related loans, other loans and preferred shares. Financial liabilities are measured subsequently at amortized cost using the effective interest method.

3. Significant accounting policies (continued)

p) Convertible debt

Upon issuance, convertible debt is separated into the debt component and the equity component. The debt component of the convertible debt is recognized initially at the fair value of a similar debt instrument without the embedded derivative feature, with the residual being allocated to equity. Subsequent to initial recognition, the debt component is measured at amortized cost using the effective interest method and the equity component is not re-measured.

q) Revenue recognition

The Company earns revenues from the sale and lease of software and hardware, service and support, and installations. These services are set out in the Company's contractual arrangements such that the total price paid by the customer will vary as a result of inclusion or exclusion of various licenses and services.

Sales of hardware and software

Revenue from the sale of hardware is measured at the fair value of the consideration received or receivable, net of estimated returns. Revenue from the sale of hardware is recognized when persuasive evidence exists (usually in the form of an executed sales agreement), the significant risks and rewards of ownership have been transferred to the buyer (usually when hardware has been delivered to the customer), recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from the sale of software licenses is recognized upon delivery to the client when it has a stand-alone value and when the post-contract customer support ("PCS") is sold separately. In cases where the fair value of the PCS is not determinable, the revenue from the contract is recognized on a straight line basis over the life of the license. In cases where a license or right is sold for a fixed fee or non-refundable guarantee under a non-cancellable contract which allows the licensee to exploit these rights freely and the licensor has no remaining obligations to perform is considered a sale, the revenue is recognized when the technology or user license is granted, regardless of whether the license is time based or perpetual.

Rental of hardware and software

The Company earns rental revenue from the use of its intangible assets and property and equipment, including a portion based on revenue sharing agreements. Rental revenue earned from the use of the Company's assets is recorded on a daily basis as the assets are used. Revenue earned from revenue sharing is recorded based on the Company's proportionate share of gross receipts when it is probable that economic benefits will flow to the Company and the amount receivable can be measured reliably.

The Company has retained substantially all the risks and rewards of ownership of its assets under rental agreement and therefore accounts for these leases as operating leases. Assets under rental agreement are included in intangible assets and property and equipment.

3. Significant accounting policies (continued)

Service, support and installations

Revenue from the provision of services including customer support, consulting, installations and training is recognized when the service has been provided, the amount can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred for the transaction and costs to complete the transaction can be measured reliably.

Multiple-element revenue arrangements

When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair values of each unit. If the fair value of the delivered item is not reliably measurable, then revenue is allocated based on the difference between the total arrangement consideration and the fair value of the undelivered item.

The Company's multiple-element sales arrangements include arrangements where hardware with embedded software licenses and the associated post contract customer support ("PCS") are sold together.

Deferred revenue

Revenue that has been received but does not yet qualify for recognition under the Company's policies is reflected as either deferred revenue (revenue to be recognized in less than one year) or long term deferred revenue (revenue to be recognized in more than one year).

Game revenue

The Company earns shared revenue from its games for the administration of linked session bingo, hall operations 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. Hall operation revenue is recognized net of prize payouts.

r) Research and development costs

Research costs are expensed as incurred. Development costs are capitalized as deferred development costs if the product or process and its market or usefulness is clearly defined, the product or process has reached technical feasibility, adequate resources exist or are expected to exist to complete the project and management intends to market or use the product or process. If at any time these criteria are not met, the development costs are expensed as incurred.

s) Government contributions

Government funding of eligible research and development expenditures are credited when earned against product development expenses or the cost of property and equipment to which the funding relate. The Company amortizes the cost of the related property and equipment over its useful life according to the Company's accounting policy relating to property and equipment. The Company recognizes government grants only when there is reasonable assurance that the Company will comply

3. Significant accounting policies (continued)

with the conditions attached to the grant and the grant will be received. The Company presents the grant as a deduction of the carrying amount of the asset the grant relates to in the consolidated statement of financial position and the consolidated statement of loss and comprehensive loss over the life of the depreciable assets as a reduced depreciation expense.

t) Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in profit or loss.

Current income tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred taxes are recorded using the liability method. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability is settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority, and when the Company intends to settle its current tax assets and liabilities on a net basis.

u) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is in profit or loss.

v) Leases

Finance leases

Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards of incidental ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset’s fair value, and whether the Company obtains ownership of the asset at the end of the lease term.

3. Significant accounting policies (continued)

The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

w) New accounting pronouncements

IAS 1 – Presentation of Financial Statements

IAS 1 was amended to clarify the use of materiality, disclosure of line items on the statement of financial position and statement of profit or loss and other comprehensive income and possible ways of ordering the notes to the financial statements. The IAS 1 disclosure initiative is effective for the Company's fiscal period March 1, 2016 – February 28, 2017. The Company has determined that the adoption of this standard did not have a material impact on the financial statements.

x) 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 annual financial statements for the year ended February 28, 2017. Management has not yet assessed the impact on the consolidated financial statements of the following changes that are applicable to the Company:

IFRS 9 – Financial Instruments

IFRS 9 will replace *IAS 39 – Financial Instruments: Recognition and Measurement*. The new standard includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IAS 12 – Income taxes: Recognition of Deferred Tax Assets for Unrealized Losses ("IAS 12")

IAS 12 has amendments to clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explains in which circumstances taxable profit may include the recovery of some assets for more than their carrying amount. Application of the standard is mandatory for annual periods beginning on or after January 1, 2017.

3. Significant accounting policies (continued)

IAS 7 - Disclosure Initiative - Amendments to IAS 7: Statement of Cash Flows ("IAS 7")

IAS 7 has amendments that require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. One way to meet this new disclosure requirement is to provide a reconciliation between the opening and closing balances for liabilities from financing activities. Application of the standard is mandatory for annual periods beginning on or after January 1, 2017.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 replaces *IAS 11 – Construction Contracts*, *IAS 18 – Revenue* and *IFRIC 13 – Customer Loyalty Programmes*. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

IFRS 16 - Leases

IFRS 16 will replace *IAS 17 – Leases, IFRIC 4 – Determining whether an arrangement contains a lease, SIC 15 – Operating leases and SIC 27 – Evaluating the substance of transactions involving the legal form of a lease.* The new standard provides a single lessee accounting model, requiring a lessee to recognise assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged from IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

4. Acquisition of the Alberta Satellite Bingo business

On June 19, 2015, the Company acquired the operations of Alberta Satellite Bingo ("Alberta Satellite Bingo"), which is comprised of Alberta Satellite Bingo LP, 657255 Alberta Ltd. and TSBN. The Company controls 0.25% of Alberta Satellite Bingo LP. The remaining 99.75% is owned by various charitable organizations. The acquisition included 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.

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").

(Expressed in Canadian dollars)

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

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		16,764
	$	**66,764**

The contingent consideration, consisting of cash, was a maximum of $25,000. This amount was dependent on the former shareholders meeting certain performance conditions and settling all pre-acquisition expenses of TSBN which totaled $8,236 (Note 4c). The adjusted amount of $16,764 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 in 2016.

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
Supplies and components	-	-	74,860	74,860
Property and equipment	5,004	-	76,334	81,338
Intangible assets	68,878	-	-	68,878
Accounts payable and accrued liabilities	(13,580)	-	(16,960)	(30,540)
	$ 65,582	**$ 100**	**$ 432,687**	**$ 498,369**
Percentage of interest held	100%	100%	0.25%	-

(Expressed in Canadian dollars)

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

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 previously measured on a provisional basis:

- The contingent consideration adjustment was not final at the date of acquisition. During the measurement period, management received all of the pre-acquisition costs which were used to finalise the contingent consideration payment of $16,764 (Note 4a) prior to February 29, 2016.
- At February 29, 2016, management had assessed the recoverability of the accrued receivable balance of $119,207 that was recognized at the date of acquisition as $nil based on additional information obtained during the measurement period.

d) Goodwill

Goodwill arising from the acquisition has been recognised as follows.

Consideration transferred	$	66,764
Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of Alberta Satellite Bingo LP		431,605
Fair value of identifiable net assets		(498,369)
Goodwill	**$**	**-**

e) Contribution to the consolidated results

The operations of Alberta Satellite Bingo contributed $489,858 of revenue and a net loss of $213,179 to the consolidated net loss for the June 19, 2015 to February 29, 2016 period.

Based on unaudited financial information available, management estimates that if the operations had been acquired on March 1, 2015, the Company's consolidated revenue would have been $5,711,360 and the consolidated net loss would have been $2,519,408 for the year ended February 29, 2016.

(Expressed in Canadian dollars)

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

f) Non-controlling interest ("NCI")

The non-controlling interests for the other investors' share of Alberta Satellite Bingo's net operations has been recorded in the non-controlling interest ("NCI").

As at and for the year ended February 28, 2017:

	Alberta Satellite Bingo LP	Intra-Group Eliminations	Total
NCI Percentage	99.75%		
Current assets	$ 81,804	$ -	$ 81,804
Non-current assets	2,123	-	2,123
Current liabilities	(78,230)	-	(78,230)
Net assets	$ 5,697	$ -	$ 5,697
Carrying amount of NCI	**$ 5,683**	**$ -**	**$ 5,683**
Revenue	$ 652,598	$ -	$ 652,598
Net loss and comprehensive loss	(189,396)	-	(189,396)
Net loss allocated to NCI	**$ (188,923)**	**$ -**	**$ (188,923)**
Net cash flows used in operating activities	$ (30,082)	$ -	$ (30,082)
Net cash flows from financing activities	45,821	-	45,821
Net increase in cash and cash equivalents	**$ 15,739**	**$ -**	**$ 15,739**

(Expressed in Canadian dollars)

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

As at and for the year ended February 29, 2016:

	Alberta Satellite Bingo LP	Intra-Group Eliminations	Total
NCI Percentage	99.75%		
Current assets	$ 167,059	$ -	$ 167,059
Non-current assets	59,027	-	59,027
Current liabilities	(30,991)	-	(30,991)
Net assets	$ 195,095	$ -	$ 195,095
Carrying amount of NCI	**$ 194,606**	**$ -**	**$ 194,606**
Revenue	$ 489,858	$ -	$ 489,858
Net loss and comprehensive loss	(237,593)	3,345	(234,248)
Net loss allocated to NCI	**$ (236,999)**	**$ -**	**$ (236,999)**
Net cash flows used in operating activities	$ (235,709)	$ -	$ (235,709)
Net cash flows from financing activities	10,000	-	10,000
Net decrease in cash and cash equivalents	**$ (225,709)**	**$ -**	**$ (225,709)**

5. Disposal of subsidiary

The Company took over the operations of Rock Bingo on January 4, 2016 and operated it in the legal entity e3 Bingo Limited (“e3 Bingo”) which was incorporated February 11, 2016. On October 31, 2016 the Company sold its 100% equity interest in e3 Bingo to a close family member of the CEO for a purchase price of €100. Under IAS 24, Related Party Disclosures this transaction meets the criteria of a related party transaction. The operations of e3 Bingo were previously disclosed in the Hall Operations reporting segment but are now disclosed as discontinued operations. The carrying amount of the net assets disposed of are as follows:

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

(Expressed in Canadian dollars)

5. Disposal of subsidiary (continued)

The operating results of e3 Bingo to the date of disposal are summarised below:

	Twelve months ended February 28,	
	2017	2016
Sales, service and other revenue	**$705,679**	$126,241
Direct costs	**$192,065**	32,005
Gross profit	**513,614**	94,236
Expenses		
General and administrative expenses	**517,209**	26,635
Total expenses	**517,209**	26,635
(Loss) income before other expenses (income)	**(3,595)**	67,601
Other expenses (income)		
Depreciation and amortization	**928**	-
Loss on disposal of subsidiary	**21,161**	-
Foreign exchange (gain) loss	**(11,824)**	11,689
Total other expenses	**10,265**	11,689
(Loss) income before income taxes	**(13,860)**	55,912
Income tax expense	**30,482**	-
Net loss and comprehensive loss from discontinued operations	**$(44,342)**	$55,912

The operations of e3 Bingo had the following impact on the consolidated statements of cash flows:

	Twelve months ended February 28,			
		2017		2016
Net cash flows provided by (used in) operating activites	**$**	**59,920**	$	(18,442)

(Expressed in Canadian dollars)

6. 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 year ended February 28, 2017, there were no changes in the Company's objectives and policies for capital management other than the changes noted below.

The Company includes the following in the definition of capital:

	February 28, 2017	February 29, 2016
Demand term loans	**$ 75,538**	$ 824,252
Shareholder loans	**749,269**	455,239
Other related loans	**383,078**	2,681,747
Other loans	**3,183,246**	-
Obligations under finance lease	**40,458**	53,765
Preferred shares	**2,060,000**	2,060,000
Deficiency	**(3,030,961)**	(2,060,202)
	$ 3,460,628	$ 4,014,801

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, 2017 and 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 the demand loan would be repaid on its existing terms with no further advances on this facility.

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.

7. 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, other loans, and preferred shares.

7. 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, demand term loans, shareholders loans, other related loans, other 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, accounts payable and current 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 the demand term loans, shareholders loans, other related loans, other 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.

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 February 28, 2017 and February 29, 2016 the balance of the allowance account for credit losses was $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 February 28, 2017 and February 29, 2016, by length of time past due, are:

(Expressed in Canadian dollars)

7. Financial instruments and risk exposures (continued)

		February 28, 2017		February 29, 2016
1 to 30 days past due	**$**	**91,014**	$	225,094
31 to 60 days past due		**15,736**		43,691
61 to 90 days past due				
Greater than 60 days past due		**14,509**		8,391
Total	**$**	**121,259**	$	277,176

As at February 28, 2017, the Company had two customers owing more than $50,000 that accounted for approximately 58% of all the trade accounts receivable owing (February 29, 2016 – one customer owing more than $50,000; approximately 35% 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 35% of trade accounts receivable at February 29, 2016 and was 20% at February 28, 2017. In addition, all balances in accrued receivables are less than $50,000.

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 February 28, 2017, totalled $1,037,258 (February 29, 2016 - $183,009), accounts receivable totalled $700,847 (February 29, 2016 - $537,284), and accrued receivables totalled $78,847 (February 29, 2016 - $559,166), 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 February 28, 2017, the Company had cash of $1,037,258 (February 29, 2016 - $183,009), accounts receivable of $700,847 (February 29, 2016 - $537,284), and current portion of accrued receivables of $78,847 (February 29, 2016 - $559,166) for a total of $1,816,952 (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 $4,960,106 (February 29, 2016 - $5,585,089). 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.

As at February 28, 2017, demand loans were 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 13.

(Expressed in Canadian dollars)

7. Financial instruments and risk exposures (continued)

The Company's contractual obligations at February 28, 2017 summarized by fiscal year are as follows:

	On demand	2018	2019	2020	2021	Thereafter	Total
Bank indebtedness	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current income tax payable	-	29,675	-	-	-	-	29,675
Accounts payable and accrued liabilities	-	667,539	-	-	-	-	667,539
Demand term loans	75,538	-	-	-	-	-	75,538
Shareholder loans	-	395,070	397,137	-	-	-	792,207
Other related loans	-	256,003	161,336	-	-	-	417,339
Other loans	-	2,027,116	1,429,236	-	-	-	3,456,352
Obligations under finance lease	-	13,411	20,626	7,413	2,559	-	44,009
Preferred shares	-	1,495,754	672,701	-	-	-	2,168,455
Total	$ 75,538	$ 4,884,568	$ 2,681,036	$ 7,413	$ 2,559	$ -	$ 7,651,114

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 28, 2017 and February 29, 2016 the Company was not in compliance with a lending covenant related to the Company's operating line of credit (Note 11) and demand term loans (Note 13). 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 the demand loan would be repaid on its existing terms with no further advances on this facility.

7. 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 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 $9,000 for the year ended February 28, 2017 (February 29, 2016 - $3,000). A 1% appreciation (depreciation) in the Canadian dollar price of Euros would result in gain (loss) of approximately $3,000 (February 29, 2016 - $3,000).

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 $4,500 for the year ended February 28, 2017 (February 29, 2016 - $12,000).

(Expressed in Canadian dollars)

8. Accrued receivables

In May 2012, the Company entered into a multi-element sales arrangement with a customer for the provision of software, customer support and other ancillary services. Total proceeds to be received under the contract were $3,090,000. Under the terms of the agreement, the customer was to make instalment payments to the Company of which all were received prior to February 28, 2017.

Revenue for the arrangement is recognized as follows:

Fiscal Year	Sales Revenue	Interest Income	Total Revenue Recognized
2013	$ 2,345,379	$ 10,443	$ 2,355,822
2014	637,500	13,924	651,424
2015	37,500	13,924	51,424
2016	-	13,924	13,924
2017	-	13,924	13,924
2018	-	3,482	3,482
	$ 3,020,379	$ 69,621	$ 3,090,000

Accrued receivables relating to this and other revenue amounts earned, but not yet invoiced are:

	February 28, 2017	February 29, 2016
Accrued receivables	**$ 78,847**	$ 1,001,760
Less: current portion	**(78,847)**	(559,166)
	$ -	$ 442,594

(Expressed in Canadian dollars)

9. 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, 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	154,516	14,258	12,608	6,756	-	-	188,138
Transfers	-	4,552	(4,552)	-	-	-	-
Disposal of subsidiary (Note 5)	-	-	(7,211)	-	-	-	(7,211)
Disposals	(1,369,078)	(231,885)	-	(330,267)	(25,299)	(1,207)	(1,957,736)
Balance at February 28, 2017	**$ 9,428,699**	**$ 77,439**	**$ 144,362**	**$ 127,131**	**$ 36,007**	**$ 52,027**	**$ 9,865,665**
Depreciation and impairment losses							
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
Transfers	5,514	-	-	(5,514)	-	-	-
Balance at February 29, 2016	7,644,892	265,452	106,658	386,218	29,360	43,107	8,475,687
Depreciation	1,041,364	12,743	12,136	28,845	7,031	9,540	1,111,659
Transfers	-	286	(286)	-	-	-	-
Impairment	56,988	-	-	-	-	-	56,988
Disposal of subsidiary (Note 5)	-	-	(928)	-	-	-	(928)
Disposals	(644,998)	(230,682)	-	(316,290)	(25,299)	(1,207)	(1,218,476)
Balance at February 28, 2017	**$ 8,098,246**	**$ 47,799**	**$ 117,580**	**$ 98,773**	**$ 11,092**	**$ 51,440**	**$ 8,424,930**
Carrying amounts							
At February 29, 2016	$ 2,998,369	$ 25,062	$ 36,859	$ 64,424	$ 31,946	$ 10,127	$ 3,166,787
At February 28, 2017	**$ 1,330,453**	**$ 29,640**	**$ 26,782**	**$ 28,358**	**$ 24,915**	**$ 587**	**$ 1,440,735**

As at February 28, 2017, gaming systems which were not yet available for use had a carrying value of $97,487 (February 29, 2016 - $434,859).

During the year ended February 28, 2017, the Company recorded an impairment of gaming systems assets of $56,988 (February 29, 2016 - $nil) as a result of a decrease in anticipated cash flows from a linked game within the Linked Games operating segment. In addition to the gaming systems, supplies and intangibles relating to the linked game were impaired $56,515 and $47,627, respectively. The recoverable amount of the cash-generating unit was determined using value in use with an estimated discount rate of 23.8%.

(Expressed in Canadian dollars)

10. Intangible assets

	Computer software	Deferred development costs	Gaming intellectual property	Total
Cost				
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 asset	(62,580)	-	-	(62,580)
Balance at February 29, 2016	30,961	764,488	137,471	932,920
Additions	94,557	214,343	(68)	308,832
Balance at February 28, 2017	**$ 125,518**	**$ 978,831**	**$ 137,402**	**$ 1,241,752**
Amortization and impairment loses				
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 asset	(62,504)	-	-	(62,504)
Balance at February 29, 2016	21,663	419,208	29,276	470,147
Amortization	7,163	93,268	36,079	136,510
Impairment (Note 9)	-	-	47,627	47,627
Balance at February 28, 2017	**$ 28,826**	**$ 512,476**	**$ 112,982**	**$ 654,284**
Carrying amounts				
At February 29, 2016	$ 9,298	$ 345,280	$ 108,195	$ 462,773
At February 28, 2017	**$ 96,692**	**$ 466,355**	**$ 24,420**	**$ 587,467**

11. Bank indebtedness

The Company has a credit facility arrangement that provides an operating line of credit of $250,000 at February 28, 2017 (February 29, 2016 - $250,000). The operating line bears interest at the bank's prime rate plus 4.00% which totalled 6.70% at February 28, 2017 (February 29, 2016 –6.70%). The operating line is secured by a general security agreement over the assets of the Company. There was $nil drawn on the operating line at February 28, 2017 (February 29, 2016 - $164,574).

Under the Company's credit facilities for the operating line of credit and demand term loans (Note 13), the annual debt service coverage ratio must not be less than 1.25 to 1. At February 28, 2017 and 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 the operating line of credit will be closed no later than April 30, 2017 and the demand loan would be repaid on its existing terms with no further advances on this facility.

(Expressed in Canadian dollars)

12. Accounts payable and accrued liabilities

		February 28, 2017		February 29, 2016
Trade payables	**$**	**121,687**	$	468,945
Accrued liabilities		**545,852**		706,710
	$	**667,539**	$	1,175,655
Less current portion:				
Trade payables	**$**	**121,687**	$	468,945
Accrued liabilities		**545,852**		323,287
	$	**667,539**	$	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 June 1, 2015. The associated liability was previously 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 February 28, 2017 is $nil (February 29, 2016 - $436,442).

13. Demand term loans

The Company has the following demand term loans:

a) Demand term loan in the amount of $450,000 at February 29, 2016 which was repaid in full on July 1, 2016. The demand term loan bore interest at the bank's prime rate plus 5.0% which totalled 7.70% (February 29, 2016 –7.70%). Interest was payable monthly and 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.

(Expressed in Canadian dollars)

13. Demand term loans (continued)

b) Demand term loan in the amount of $900,000 (February 29, 2016 - $900,000). The amount drawn on the loan at February 28, 2017 was $75,538 (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 February 28, 2017 (February 29, 2016 –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.

	February 28, 2017	February 29, 2016
Demand term loans	**$ 75,538**	$ 825,538
Less debt issuance costs, net of accumulated amortization of $18,000 (February 29, 2016 - $16,714)	**-**	(1,286)
	$ 75,538	$ 824,252

At February 29, 2016, the demand loans were 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 year ended February 28, 2017 interest expense of $24,221 (February 29, 2016 - $88,207) was recorded and is included in finance costs (Note 24).

Under the Company's credit facilities for the operating line of credit (Note 11) and demand term loans, the annual debt service coverage ratio must not be less than 1.25 to 1. At February 28, 2017 and 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 the demand loan would be repaid on its existing terms with no further advances on this facility.

(Expressed in Canadian dollars)

14. Related party transactions

a) Shareholder loans and other related loans

	February 28, 2017	February 29, 2016
Shareholder loans		
Loan, bearing interest at 18% to April 30, 2013 then 10% thereafter, monthly interest only payments of $1,318 until March 1, 2017, at which time the loan can be called by the lender	**$ 158,101**	$ 158,101
Loans, bearing interest at 10%, monthly interest only payments of $1,411 until March 1, 2018, at which time the loan can be called by the lender, 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, at which time the loan can be called by the lender	**67,767**	67,767
Loan, bearing interest at 10%, monthly interest only payments of $500, due at the option of the borrower	**60,000**	60,000
Loan, bearing interest at 10%, monthly interest only payments of $833 until March 1, 2018, due at the option of the borrower	**100,000**	-
Loan, bearing interest at 10%, monthly interest only payments of $1,534 due April 24, 2017	**200,000**	-
Less debt issuance costs (net of accumulated amortization of $4,030 (February 29, 2016 - $nil))	**(5,970)**	-
	$ 749,269	$ 455,239

(Expressed in Canadian dollars)

14. Related party transactions (continued)

b) Shareholder loans and other related loans (continued)

	February 28, 2017	February 29, 2016
Other related loans		
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.	**323,078**	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
	$ 383,078	$ 2,681,747
Less current portion:		
Shareholder loans	**$ 352,131**	$ 60,000
Other related loans	**$ 228,897**	$ 1,433,312
Long-term portion:		
Shareholder loans	**$ 397,138**	$ 395,239
Other related loans	**$ 154,181**	$ 1,248,435

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 13).

The shareholder and other related loans contain demand features. Certain lenders have waived the demand provisions for not less than 365 days after February 28, 2017.

14. Related party transactions (continued)

Shareholder loans:

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

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. The loan was repaid in full on April 18, 2017.

Other related loans:

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 had a three-year term. The amount drawn on the loan at February 28, 2017 was $nil as the loan was fully repaid and terminated on May 2, 2016. On February 29, 2016 $1,682,181 was drawn on the loan and was included in "other related loans". The loan bore interest at 9.5% and interest and principal were payable monthly beginning June 21, 2014.

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 had a three-year term. The amount drawn on the loan at February 28, 2017 was $nil as the loan was fully repaid and terminated on May 2, 2016. On February 29, 2016 $451,531 was drawn on the loan and was included in "other related loans". The proceeds of this loan were used to purchase equipment for customer deployment. The loan was secured by a first charge over the purchased equipment.

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 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 February 28, 2017 was $323,078 (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.

(Expressed in Canadian dollars)

14. 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 bore interest at 10% per annum with monthly interest only payments and the principal due at the end of the term. The loan was repaid in full on February 10, 2017.

During the year ended February 28, 2017, interest expense on shareholder and other related loans of $141,083 (February 29, 2016 - $283,131) was recorded as expense and is included in finance costs (Note 24).

c) Key management compensation

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

		2017		2016
Compensation and short-term employee benefits	**$**	**647,684**	$	464,619
Share-based payments		**531**		5,665
	$	**648,215**	$	470,284

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. Compensation and 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.

d) Other related party transactions

As at February 28, 2017, current accrued receivables includes $46,753 (February 29, 2016 - $49,772) due from an entity controlled by the Chief Executive Officer ("CEO") of the Company.

Included in hardware and software rentals revenue is $54,353 (February 29, 2016 - $nil) from a company controlled by a close family member of the CEO.

(Expressed in Canadian dollars)

15. Other loans

	February 28, 2017	February 29, 2016
Loan, bearing interest at 10%, monthly payments of $142,924 beginning May 1, 2016 and maturing December 1, 2018	**$ 2,883,246**	$ -
Loan, bearing interest at 12%, monthly interest only payments of $2,959 beginning March 31, 2016 and maturing June 30, 2017	**300,000**	-
	$ 3,183,246	$ -
Less current portion	**(1,817,391)**	$ -
	$ 1,365,855	$ -

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 starting June 30, 2016, with the principal amount due in full at the end of the loan term. The loan is secured by an assignment of proceeds under a specific customer contract.

On May 1, 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. The loan is secured by an assignment of proceeds under a specific customer contract. Included in cash as at February 28, 2017 is $152,134 of restricted funds held by the Company and controlled by the lender in order to satisfy the March 2017 payment of $142,924.

During the year ended February 28, 2017, interest expense on other loans of $346,421 (February 29, 2016 - $nil) was recorded as expense and is included in finance costs (Note 24).

16. Finance lease obligations

The Company has finance leasing arrangements related to gaming systems and automotive equipment. As at February 28, 2017 the net carrying amount for the gaming systems and automotive equipment under a finance lease was $43,311 (February 28, 2016 - $56,397). The finance lease repayments are due as follows:

(Expressed in Canadian dollars)

16. Finance lease obligations (continued)

	Future minimum lease payments	Future finance costs	Present value of minimum lease payments
February 28, 2017			
Less than one year	**$ 13,411**	**$ 2,077**	**$ 11,334**
Between one and five years	**30,598**	**1,474**	**29,124**
	$ 44,009	**$ 3,551**	**$ 40,458**

17. Income taxes

a) Income tax expense

The actual income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rates to income before tax. These differences result from the following:

	February 28, 2017	February 29, 2016
Net loss before tax	**$ (1,189,909)**	$ (2,470,572)
Statutory income tax rates	**27.00%**	26.33%
Expected income tax recovery	**(321,275)**	(650,502)
Adjusted for the effects of:		
Change in tax rates and rate differences	**-**	8,816
Non-deductible amounts	**76,596**	66,425
Change in unrecognized deferred tax assets	**90,670**	527,986
Effect of tax rate in foreign jurisdictions	**119,772**	24,517
Income taxed in the hands of non-controlling interest	**64,719**	81,446
Prior period tax adjustments	**(60,178)**	(16,808)
Actual income tax (recovery) expense	**$ (29,696)**	$ 41,880
Represented by:		
Current tax (recovery) expense from continuing operations	**$ (60,178)**	$ 41,880
Current tax expense from discontinuing operations	**30,482**	-
Total income tax (recovery) expense	**$ (29,696)**	$ 41,880

(Expressed in Canadian dollars)

17. Income taxes (continued)

b) Deferred tax assets and liabilities

The Company's deferred tax assets and deferred tax liabilities are attributable to the following:

	February 28, 2017	February 29, 2016
Non-capital losses	$ 214,228	$ 486,794
Deferred tax assets	214,228	486,794
Offset of tax	(214,228)	(486,794)
Net deferred tax assets	$ -	$ -
Property, plant and equipment	$ (80,260)	$ (127,667)
Intangible assets	(133,968)	(110,727)
Accrued receivables	-	(248,400)
Deferred tax liabilities	(214,228)	(486,794)
Offset of tax	214,228	486,794
Net deferred tax liabilities	$ -	$ -

Deferred tax assets have not been recognized in respect of the following item:

	February 28, 2017	February 29, 2016
Tax losses	$ 2,285,503	$ 2,415,033
Deductible temporary differences	206,637	164,504
Total	$ 2,492,140	$ 2,579,537

In order to recognize deferred tax assets, an entity must be able to demonstrate that it is probable that future taxable income will be available against which the entity can utilize the benefits of the deferred tax assets. For tax losses, an entity must demonstrate through both current year and forecasted profitability that it will definitively be able to utilize the losses in a future period. The Company's subsidiaries which have tax losses did not meet this requirement as at February 28, 2017.

(Expressed in Canadian dollars)

17. Income taxes (continued)

c) Loss carryforwards

The Canadian non-capital losses expire between the tax years ending February 28, 2031 and 2037. The United States and Hong Kong business losses can be carried forward indefinitely.

18. Preferred shares

	February 28, 2017	February 29, 2016
Current portion	**$ 1,400,000**	$ 1,810,000
Long-term portion	**660,000**	250,000
	$ 2,060,000	$ 2,060,000

Class F preferred shares were issued at $1 per share, redeemable at any time by the Company, retractable by the holder on the third anniversary date after the original issuance which occurred between October 1, 2013 and April 2, 2014 and a cumulative dividend rate of 10% which is paid on a quarterly basis.

As at February 28, 2017, $1,400,000 (February 29, 2016 - $1,810,000) preferred shares were retractable within the next twelve months. During February 28, 2016, holders of $660,000 preferred shares agreed to not redeem their preferred shares prior to April 30, 2018.

The Company declared and paid dividends of $206,000 for the year ended February 28, 2017 (February 29, 2016 - $206,564), which are included in finance costs (Note 24).

19. 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, 2015	29,662,727	$ 8,082,700
Exercise of stock options	558,000	52,341
Balance at February 28, 2017 and February 29, 2016	**30,220,727**	**$ 8,135,041**

(Expressed in Canadian dollars)

19. Share capital (continued)

As at February 28, 2017, 4,107,689 (February 29, 2016 – 7,748,718) of the issued shares were held in escrow. 1,887,180 of these shares will be released from escrow on May 3, 2017 and the remaining 2,220,509 six months thereafter.

20. Warrants

	Number		Warrants
Balance at February 28, 2015	6,372,945	$	212,179
Estimate of Consideration Warrants expected to vest	(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)
Balance at February 28, 2017	**-**	**$**	**-**

Broker Warrants

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

Agent Warrants

417,600 Agent warrants expired on October 30, 2016. These warrants had an exercise price of $0.50.

Consideration Warrants

Pursuant to the Catalyst Agreement, 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 was conditional, among other things, on if such opportunities were approved by the Company’s Board of Directors and the opportunity resulted in certain benchmark achievements (“Benchmark Success”, as that term is defined in the Catalyst Agreement). If Benchmark Success had been achieved, then Catalyst will be deemed to have exercised the Consideration Warrants and the Company would have issued and delivered Ordinary Shares that on payout was 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 will not occur before the agreement expiry on April 30, 2016. This resulted in a reversal of $148,313 compensation expense recognized previously over the life of the Catalyst Agreement. The total recovery of the Consideration Warrants recognized during the year ended February 29, 2016 of $148,313 was recorded as general and administrative expense and a decrease to warrants (a component of equity). The amount recognized reflects management’s estimate of the number of Consideration Warrants expected to ultimately vest, which as at February 29, 2016 is estimated to be nil based on the issued and outstanding ordinary shares of the Company. No warrants vested and 5,932,545 warrants expired under this agreement on April 30, 2016.

(Expressed in Canadian dollars)

21. Share-based compensation

The Company's Stock Option Plan (the "Plan"), as approved by the Board of Directors, allows for the issuance of options to purchase ordinary shares of the Company up to a maximum of 10% (February 29, 2016 – 10%) of the issued and outstanding ordinary shares of the Company. Pursuant to the Plan, options may be granted by the Board of Directors to directors, officers, board advisors, employees, management company employees and consultants of the Company. The terms of the option vesting period, exercise price and life are affixed by the Board of Directors at the time of grant.

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
Granted	250,000	0.50	0.005
Expired	(150,000)	0.50	0.052
Forfeited	(1,000,000)	0.50	0.133
Balance at February 28, 2017	**1,100,000**	**$ 0.50**	**$ 0.118**
Options exercisable at February 29, 2016	1,950,000	$ 0.50	$ 0.137
Options exercisable at February 28, 2017	**825,000**	**$ 0.50**	**$ 0.155**

The Options outstanding as at February 28, 2017 have an exercise price of $0.50 and a weighted average remaining contractual life of 6.43 years (February 29, 2016 – exercise price of $0.50 and a weighted average remaining contractual life of 5.74 years).

The total share-based compensation recognized during the year ended February 28, 2017, including options previously granted that vested during the period, of $531 (February 29, 2016 - $7,165) 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.

21. Share-based compensation (continued)

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.

On November 23, 2016, the Company granted options to purchase 250,000 Ordinary Shares to an employee of the Company. A third of the options vest on April 4, 2017, a third vest on April 4, 2018 and the final third vest on April 4, 2019. The options have an exercise price of $0.50 and expire on April 4, 2021. The fair value of $0.005 per option granted was estimated using the Black-Scholes Option Pricing Model using the following assumptions: grant date stock price $0.10; risk free rate 0.75%; expected volatility 48.69%; annual dividend yield 0%; expected remaining life of the options of 2.4 years. The expected volatility is based on historic volatility of similar companies in the public market.

For the year ended February 29, 2016, 558,000 Options were exercised for proceeds of $50,220. The weighted average share price at the date of exercise was $0.21. No options were exercised during the year ended February 28, 2017.

22. Segment information

For the year ended February 28, 2017, the Company has identified two operating segments: eBingo and Linked Games. In the prior year, a third segment (Hall Operations) was identified. This segment was disposed on October 31, 2016 (Note 5). In identifying these operating segments, management generally assesses results of these two service lines. Each of these operating segments are managed separately as each requires different resource allocations and performance assessment.

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.

(Expressed in Canadian dollars)

22. Segment information (continued)

Segmented results for the year ended February 28, 2017 were as follows:

	eBingo	Linked Games	Total
Sales, service and other revenue	**$ 6,351,976**	**$ 778,766**	**$ 7,130,742**
Expenses			
Direct costs	1,630,718	439,191	2,069,909
General and administrative expenses	3,792,781	221,778	4,014,559
Income before other expenses	**928,477**	**117,797**	**1,046,274**
Finance income	(18,644)	(483)	(19,127)
Finance costs	716,797	(2)	716,795
Depreciation and amortization	1,172,072	56,706	1,228,778
Loss on disposal of property and equipment	30,546	-	30,546
Impairment of supplies and components	-	56,515	56,515
Impairment of property and equipment	-	56,988	56,988
Impairment of intangible assets	-	47,627	47,627
Foreign exchange loss	104,201	-	104,201
(Loss) before income taxes	**(1,076,495)**	**(99,554)**	**(1,176,049)**
Income tax recovery	(60,178)	-	(60,178)
Net (loss) and comprehensive (loss) from continuing operations	**$ (1,016,317)**	**$ (99,554)**	**$ (1,115,871)**
Non-current assets	**$ 2,001,661**	**$ 26,541**	**$ 2,028,202**

(Expressed in Canadian dollars)

22. Segment information (continued)

Segmented results for the year ended February 29, 2016 were as follows:

	eBingo	Linked Games	Total
Sales, service and other revenue	$ **4,687,811**	$ **567,890**	$ **5,255,701**
Expenses			
Direct costs	1,323,677	381,127	1,704,804
General and administrative expenses	3,308,919	301,925	3,610,844
Income (loss) before other expenses (income)	**55,215**	**(115,162)**	**(59,947)**
Finance income	(18,545)	-	(18,545)
Finance costs	616,584	(188)	616,396
Depreciation and amortization	1,764,208	47,579	1,811,787
Gain on disposal of property and equipment	(9,087)	(1,000)	(10,087)
Impairment of supplies and components	76,458	-	76,458
Foreign exchange gain	(6,640)	(2,832)	(9,472)
Loss before income taxes	**(2,367,763)**	**(158,721)**	**(2,526,484)**
Income tax expense	41,880	-	41,880
Net loss and comprehensive loss from continuing operations	$ **(2,409,643)**	$ **(158,721)**	$ **(2,568,364)**
Non-current assets	$ **3,458,330**	$ **171,230**	$ **3,629,560**

(Expressed in Canadian dollars)

22. 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 Ireland. Similar products and services are generally provided to external customers across all jurisdictions. The Company entered into the bingo hall operations in Ireland during the year ended February 29, 2016 which were subsequently sold on October 31, 2016 (Note 5). These results are included in discontinued operations. 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 Twelve months ended February 28,		Non-current assets	
	2017	2016	**February 28, 2017**	February 29, 2016
Canada	**$ 2,777,271**	$ 2,605,695	**$ 1,061,482**	$ 2,112,952
United States	**3,220,950**	1,853,726	**462,689**	730,263
Ireland and other	**1,132,521**	796,280	**504,031**	375,055
	$ 7,130,742	$ 5,255,701	**$ 2,028,202**	$ 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 year ended February 28, 2017, $3,132,843 or 43.93% (February 29, 2016 - $1,793,025 or 33.32%) of the Company's revenues depended on 2 customers (February 29, 2016 - 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:

	Twelve months ended February 28,	
	2017	2016
Hardware and software rentals	**$ 4,251,045**	$ 2,963,621
Contract termination revenue	**1,337,257**	-
Gaming revenue	**777,251**	567,890
Customer support and other services	**394,028**	1,659,341
Hardware and software sales	**371,161**	64,849
	$ 7,130,742	$ 5,255,701

(Expressed in Canadian dollars)

23. General and administrative expenses

		2017		2016
Compensation and benefits	$	**2,201,768**	$	2,003,668
Professional fees		**704,096**		469,351
Advertising and promotion		**494,599**		463,446
Rent		**237,439**		221,863
Office and other		**197,513**		387,981
Business taxes, insurance and licenses		**179,144**		212,848
Consideration Warrants (Note 20)		**-**		(148,313)
	$	**4,014,559**	$	3,610,844

24. Finance income and costs

		2017		2016
Finance income				
Interest income	$	**(19,127)**	$	(18,545)
Finance costs				
Interest on short-term debt and accounts payable		**(11,685)**		19,071
Interest on finance leases		**2,736**		14,280
Interest on demand term loans		**24,221**		88,207
Interest on shareholder and other related loans		**141,082**		283,131
Interest on other loans		**346,421**		-
Dividends on preferred shares		**206,000**		206,564
Amortization of finance fees		**8,020**		5,143
	$	**716,795**	$	616,396

25. 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.

(Expressed in Canadian dollars)

25. Contingencies (continued)

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.

26. Commitments

	Edmonton	Las Vegas	Total
Less than one year	$ 36,503	$ 33,284	$ 69,787
Between one and five years	6,876	69,085	75,961
	$ 43,379	$ 102,369	$ 145,748

Included in prepaid expenses and deposits is $540,366 relating to a deposit for hardware equipment to be received and sold subsequent to year end. The Purchase amount the company is committed to is $557,296.

27. Supplemental cash flow information

	Twelve months ended February 28, **2017**	2016
Change in non-cash operating working capital:		
Accounts receivable	**$ (163,563)**	$ (92,237)
Accrued receivables	**940,320**	(99,166)
Supplies and components	**50,313**	(48,952)
Current income taxes	**(11,471)**	41,146
Prepaid expenses and deposits	**(779,811)**	218,918
Accounts payable and accrued liabilities	**(23,021)**	655,702
Deferred revenue	**565,676**	-
	$ 578,443	$ 675,411
Supplementary information:		
Increase in finance lease obligations	**-**	61,261
Current income taxes paid	**-**	734

(Expressed in Canadian dollars)

27. Supplemental cash flow information (continued)

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

		February 28, 2017		February 28, 2016
Cash	$	1,037,258	$	183,009
Bank indebtedness		-		(164,574)
	$	1,037,258	$	18,435

28. Loss per share

	Twelve months ended			
		2017		2016
Net loss attributable to owners of the Company from continuing operations	$	(926,948)	$	(2,331,365)
Net loss attributable to owners of the Company from discontinued operations	$	(44,342)	$	55,912
Basic weighted average number of ordinary shares		30,220,727		30,174,227
Diluted weighted average number of ordinary shares		30,220,727		30,174,227
Basic loss per share				
From continuing operations	$	(0.03)	$	(0.08)
From discontinued operations	$	(0.00)	$	0.00
Diluted loss per share				
From continuing operations	$	(0.03)	$	(0.08)
From discontinued operations	$	(0.00)	$	0.00

For the year ended February 28, 2017 and February 29, 2016, 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.

29. Post reporting events

On April 24, 2017, the Company repaid the remaining balance of a shareholder loan that had come due in the amount of $200,000.

On April 30, 2017, the Company repaid the remainder of the demand loan and closed the operating line of credit. 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.