

eQube Gaming Limited
Consolidated Financial Statements

For the Years Ended February 28, 2018 and 2017

eQube Gaming Limited

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June 18, 2018
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

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, 2018 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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 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 financial position of eQube Gaming Limited as at February 28, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

The consolidated financial statements for the year ended February 28, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on June 7, 2017.

(continues)

Independent Auditor's Report to the Shareholders of eQube Gaming Limited (*continued*)

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about eQube Gaming Limited's ability to continue as a going concern.

Kingston Ross Pasmak LLP
Kingston Ross Pasmak LLP
Chartered Professional Accountants

eQube Gaming Limited

Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

	February 28, 2018	February 28, 2017
Assets		
Current Assets		
Cash	\$ 576,890	\$ 1,037,258
Accounts receivable	411,433	700,847
Accrued receivables	1,447,376	78,847
Supplies and components	372,304	2,678
Inventory	56,740	-
Prepaid expenses and deposits	160,887	881,369
	3,025,631	2,700,999
Property and equipment (Note 7)	1,258,010	1,440,735
Intangible assets (Note 8)	677,630	587,466
	4,961,270	4,729,201
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	2,618,634	667,539
Deferred revenue	441,850	565,676
Demand term loans (Note 10)	-	75,538
Current portion of shareholder loans (Note 11)	839,738	352,131
Current portion of other related loans (Note 11)	168,907	228,897
Current portion of other loans (Note 12)	1,460,243	1,817,391
Current portion of obligations under finance lease (Note 13)	21,197	11,334
Current income tax payable (Note 14)	-	29,675
Preferred shares (Note 15)	1,400,000	1,400,000
	6,950,569	5,148,181
Long term liabilities		
Shareholder loans (Note 11)	960,000	397,138
Other related loans (Note 11)	-	154,181
Other loans (Note 12)	-	1,365,855
Obligations under finance lease (Note 13)	27,919	29,124
Preferred shares (Note 15)	660,000	660,000
	8,598,488	7,754,479
Deficiency		
Share capital (Note 16)	8,135,041	8,135,041
Contributed surplus	435,437	435,437
Deficiency	(12,203,306)	(11,601,439)
Deficiency attributable to the owners of the company	(3,632,828)	(3,030,961)
Non-controlling interest (Note 18)	(4,391)	5,683
	(3,637,219)	(3,025,278)
	4,961,270	4,729,201

On behalf of the Board

(signed) Andrew Janko Director (signed) 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, 2018 and February 28, 2017

(Expressed in Canadian dollars)

	2018	2017
Sales, service and other revenue	\$ 5,611,441	\$ 7,130,742
Direct costs	2,254,999	2,069,909
Gross Profit	3,356,442	5,060,833
Expenses		
General and administrative expenses (Note 20)	2,524,404	4,014,559
Income before other expenses (income)	832,038	1,046,274
Other expenses (income)		
Finance income (Note 21)	(894)	(19,127)
Finance costs (Note 21)	530,979	716,795
Depreciation and amortization	879,274	1,228,778
Loss on disposal of property and equipment	-	30,546
Impairment of supplies and components	-	56,515
Impairment of property and equipment (Note 5)	-	56,988
Impairment of intangible assets (Note 5)	-	47,627
Foreign exchange loss (gain)	(53,927)	104,201
Total other expenses (income)	1,355,431	2,222,323
Loss before income taxes	(523,393)	(1,176,049)
Income tax expense (recovery)	88,548	(60,178)
Net loss and comprehensive loss from continuing operations	\$ (611,941)	\$ (1,115,871)
Net loss and comprehensive loss from discontinued operations (Note 5)	\$ -	\$ (44,342)
Total net loss and comprehensive loss attributable to:		
Owners of the Company - continuing operations	(601,867)	(926,948)
Owners of the Company - discontinued operations (Note 5)	-	(44,342)
Non-controlling interest (Note 16)	(10,074)	(188,923)
	\$ (611,941)	\$ (1,160,213)
Loss per share (Note 25)		
Basic		
From continuing operations	\$ (0.02)	\$ (0.03)
From discontinued operations	\$ -	\$ -
Diluted		
From continuing operations	\$ (0.02)	\$ (0.03)
From discontinued operations	\$ -	\$ -

See accompanying notes to the consolidated financial statements.

eQube Gaming Limited
Consolidated Statements of Changes in Equity
For the years ended February 28, 2018 and February 28, 2017
(Expressed in Canadian dollars)

	Share capital amount	Warrants	Contributed Surplus	Deficiency	Total	Non- controlling interest	Total deficiency
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	-	(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)
Balance at February 28, 2017	\$ 8,135,041	\$ -	\$ 435,437	\$ (11,601,439)	\$ (3,030,961)	\$ 5,683	\$ (3,025,278)
Net loss	-	-	-	(601,867)	(601,867)	(10,074)	(611,941)
Balance at February 28, 2018	\$ 8,135,041	\$ -	\$ 435,437	\$ (12,203,306)	\$ (3,632,828)	\$ (4,391)	\$ (3,637,219)

See accompanying notes to the consolidated financial statements.

eQube Gaming Limited

Consolidated Statements of Cash Flows

For the years ended February 28, 2018 and February 28, 2017
(Expressed in Canadian dollars)

	2018	2017
Operating		
Net Loss	\$ (611,941)	\$ (1,160,213)
Adjustments for:		
Finance income	(894)	(17,406)
Interest expense	319,897	502,776
Dividends on preferred shares	206,000	206,000
Depreciation of property and equipment	719,648	1,111,659
Amortization of intangible assets	159,626	136,510
Impairment of supplies and components	-	56,515
Impairment of property and equipment	-	56,988
Impairment of intangible assets	-	47,627
Loss on disposal of property and equipment	-	30,546
Cost of sale of equipment as hardware sale	277,868	265,426
Loss on disposal of subsidiary	-	21,162
Amortization of finance fees	-	8,020
Share-based compensation	-	531
Change in non-cash operating working capital (Note 24)	1,601,244	578,443
Net cash flows provided by operating activities	2,671,448	1,844,584
Financing		
Repayment of demand term loans	(75,538)	(750,000)
Repayment of shareholder loans	(200,000)	-
Repayment of other related loans	(214,171)	(3,098,669)
Proceed (repayment) of finance lease obligations, net	8,658	(13,307)
Repayment of other loans	(1,723,003)	(1,116,754)
Proceeds on shareholder loans		
net of debt issuance costs of \$10,000 in 2017	1,250,469	287,295
Proceeds on other related loans	-	800,000
Proceeds on other loans	-	4,300,000
Interest paid	(319,897)	(514,460)
Dividends paid	(206,000)	(206,000)
Net cash flows used in financing activities	(1,479,481)	(311,895)
Investing		
Proceeds on disposal of property and equipment	9,350	1,706
Proceeds of sale of subsidiary, net of cash sold	-	(18,603)
Purchase of property and equipment	(1,341,048)	(188,138)
Purchase of and capitalization of intangible assets	(320,636)	(308,831)
Net cash flows used in investing activities	(1,652,334)	(513,866)
Net (decrease) increase in cash and cash equivalents	(460,368)	1,018,823
Cash and cash equivalents, beginning of period	1,037,258	18,435
Cash and cash equivalents, end of period	\$ 576,890	\$ 1,037,258

Supplemental cash flow information (Note 24)
See accompanying notes to the consolidated financial statements.

eQube Gaming Limited

Notes to the Consolidated Financial Statements

For the years ended February 28, 2018 and February 28, 2017
(Expressed in Canadian dollars)

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.

These consolidated financial statements for years ended February 28, 2018 and February 28, 2017, were authorized for issue by the Board of Directors on 18 June, 2018.

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, 2018, the Company reported a net loss of \$611,941 (2017 - \$1,160,213). As at February 28, 2018, the Company has a working capital deficiency of \$3,924,938 (2017 - \$2,447,182) and a shareholders’ deficiency of \$3,637,218 (2017 - \$3,025,278).

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.

3. Significant accounting policies

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

eQube Gaming Limited

Notes to the Consolidated Financial Statements

For the years ended February 28, 2018 and February 28, 2017
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- The Satellite Bingo Network (TSBN) Inc. (“TSBN”)
- 657255 Alberta Ltd.
- Alberta Satellite Bingo Limited Partnership (“Alberta Satellite Bingo LP”)
- 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 until the Company’s interest was disposed of on October 31, 2016.

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) Recent accounting pronouncements not yet effective

The following pronouncements from the International Accounting Standards Board (“IASB”) are not yet effective and have not been early adopted by the Company. The Company intends to adopt these standards when they become effective.

IFRS 2, *Share-based Payments*, as issued amends to IFRS 2 Share Based Payments to clarify the classification and measurement of share-based payment transactions. IFRS 2 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company is currently assessing the impact of this standard on its consolidated financial statements.

IFRS 9, *Financial Instruments*, as issued reflects the IASB’s work on the replacement of IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact of this standard on its consolidated financial statements.

IFRS 15, *Revenue from Contracts with Customers*, as issued establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard has an effective date of January 1, 2018, is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. The Company is currently assessing the impact of this standard on its consolidated financial statements.

IFRS 16, *Leases*, as issued specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 applies to annual reporting periods beginning on or after 1 January 2019. The Company is currently assessing the impact of this standard on its consolidated financial statements.

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c) 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.

d) Segmented 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.

e) Use of estimates and management judgement

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.

Management estimates

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.

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(Expressed in Canadian dollars)

Supplies and components and inventory

The Company estimates the net realizable values of supplies and components and inventory, taking into account the most reliable evidence available at each reporting date. The future realization of these supplies and components and inventory 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.

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 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

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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.

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.

f) 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.

g) 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.

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For the years ended February 28, 2018 and February 28, 2017
(Expressed in Canadian dollars)

h) 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.

i) 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.

j) 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.

k) 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.

l) Supplies and components and inventory

Supplies and components and inventory 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 and inventory are recorded net of any obsolescence provisions. When there is a significant change in economic circumstances, supplies and components and inventory that had been previously written down below cost may be written back up provided the reversal does not exceed the original write down.

During the year ended February 28, 2018, \$167,907 (2017 - \$12,989) of supplies and components and inventory were expensed.

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(Expressed in Canadian dollars)

m) 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 - 5 years
Computer equipment	Straight-line	3 - 5 years
Office furniture and equipment	Straight-line	3 - 5 years
Test equipment	Straight-line	3 - 5 years
Automotive equipment	Straight-line	3 - 5 years
Leasehold improvements	Straight-line	3 - 5 years

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.

In accordance with its policy, the Company reviews the estimated useful lives of its property and equipment on an ongoing basis. This review indicated that the actual lives of certain property and equipment were different than the estimated useful lives used for depreciation purposes in the Company's financial statements. As a result, effective March 1, 2017, the Company changed its estimates of the useful lives of its property and equipment to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of the property and equipment were changed to the rates noted in the above table.

The effect of this change in estimate was to reduce the depreciation expense by \$350,000 for the year ended February 28, 2018, which had no impact on the basic and diluted earnings per share.

n) 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

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(Expressed in Canadian dollars)

o) 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.

p) 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.

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For the years ended February 28, 2018 and February 28, 2017
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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:

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

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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 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.

q) 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.

r) 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.

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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.

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.

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s) 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.

t) 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 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.

u) 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.

v) 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.

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w) 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.

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.

4. Capital disclosures

The Company's objectives and policies for managing capital are to safeguard the Company's ability to continue as a going concern, to provide an adequate return to shareholders and to meet external capital requirements on the Company's credit facilities. For the year ended February 28, 2018, there were no changes in the Company's objectives and policies for capital management.

The Company includes the following in the definition of capital:

	February 28, 2018	February 28, 2017
Demand term loans	\$ -	\$ 75,538
Shareholder loans	1,799,738	749,269
Other related loans	168,907	383,078
Other loans	1,460,243	3,183,246
Obligations under finance lease	49,116	40,458
Preferred shares	2,060,000	2,060,000
Deficiency	(3,632,828)	(3,030,961)
	\$ 1,905,176	\$ 3,460,628

To manage the Company's capital requirements, the Company has in place a planning and budgeting process which helps determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company plans to continue to fund its short-term cash requirements through operations, debt financing and proceeds raised through brokered and non-brokered offerings.

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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)

		Year ended February 28,	
		2018	2017
Sales, service and other revenue	\$	-	\$ 705,679
Direct costs		-	192,065
		-	513,614
Expenses			
General and administrative expenses		-	517,209
Loss before other expenses		-	(3,595)
Other expenses			
Depreciation and amortization		-	928
Loss on disposal of subsidiary		-	21,161
Foreign exchange (gain) loss		-	(11,824)
Total other expenses		-	10,265
Loss before income taxes		-	(13,860)
Income tax expense		-	30,482
Net loss and comprehensive loss from discontinued operations	\$	-	\$ (44,342)

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

		Year ended February 28,	
		2018	2017
Net cash flows provided by operating activities	\$	-	\$ 59,920

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6. Financial instruments and risk exposures

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 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, 2018, the balance of the allowance account for credit losses was \$nil (February 28, 2017 - \$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, 2018 and February 28, 2017, by length of time past due, are:

	February 28, 2018	February 28, 2017
1 to 30 days past due	\$ 92,815	\$ 91,014
31 to 60 days past due	1,699	15,736
Greater than 60 days past due	3,780	14,509
Total	\$ 98,294	\$ 121,259

As at February 28, 2018, the Company had one customer owing more than \$50,000 that accounted for approximately 44% of all the trade accounts receivable owing (February 28, 2017 – two customers owing more than \$50,000; approximately 58% of all the trade accounts receivable). As at February 28, 2018, trade accounts receivable associated with customers that each individually exceeded 10% of the Company's sales, service and other revenue totalled 20% of trade accounts receivable (February 28, 2017 – 20%).

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, 2018, totalled \$576,890 (February 28, 2017 - \$1,037,258), accounts receivable totalled \$411,433 (February 28, 2017 - \$700,847), representing the maximum exposure to credit risk of these financial assets.

Liquidity risk

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

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

eQube Gaming Limited

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For the years ended February 28, 2018 and February 28, 2017
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6. Financial instruments and risk exposures (continued)

As at February 28, 2018, the Company had cash of \$576,890 (February 28, 2017 - \$1,037,258), accounts receivable of \$411,433 (February 28, 2017 - \$700,847), for a total of \$6,575,111 (February 28, 2017 - \$1,816,952). Current and on demand obligations from accounts payable and accrued liabilities, current income tax payable, interest bearing loans, and dividend paying preferred shares total \$7,468,720 (February 28, 2017 - \$4,979,643). 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.

The Company's contractual obligations at February 28, 2018 summarized by fiscal year are as follows:

	On demand	2019	2020	2021	2022	Total
Current income tax payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and accrued liabilities	-	2,618,634	-	-	-	2,618,634
Shareholder loans	160,000	839,738	-	800,000	-	1,799,738
Other related loans	-	168,907	-	-	-	168,907
Other loans	-	1,460,243	-	-	-	1,460,243
Obligation under finance lease	-	21,197	27,919	-	-	49,116
Preferred shares'	-	1,400,000	660,000	-	-	2,060,000
Total	\$ 160,000	\$ 6,508,719	\$ 687,919	\$ 800,000	\$ -	\$ 8,156,638

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

	On demand	2018	2019	2020	2021	Total
Current income tax payable	\$ -	\$ 29,675	\$ -	\$ -	\$ -	\$ 29,675
Accounts payable and accrued liabilities	-	667,539	-	-	-	667,539
Demand term loan	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
Obligation 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 contractual obligations included in the tables above include interest and dividend payments where applicable.

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

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.

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For the years ended February 28, 2018 and February 28, 2017
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6. Financial instruments and risk exposures (continued)

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

A 1% appreciation (depreciation) in the Canadian dollar price of United States dollars would result in gain (loss) of approximately \$3,000 for the year ended February 28, 2018 (2017 - \$9,000). A 1% appreciation (depreciation) in the Canadian dollar price of Euros would result in gain (loss) of approximately \$3,000 (2017 - \$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. As of February 28, 2018, The Company does not have exposure to any financial instruments that 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 \$nil for the year ended February 28, 2018 (2017 - \$4,500).

7. Property and equipment

	Gaming system	Computer equipment	Office furniture and equipment	Test equipment	Automotive equipment	Leasehold improvements	Total
Cost or deemed cost							
Balance at February 28, 2016	\$ 10,643,261	\$ 290,514	\$ 143,517	\$ 450,642	\$ 61,306	\$ 53,234	\$ 11,642,474
Additions	154,516	14,258	10,402	6,756	-	-	185,932
Acquisitions through business combinations	-	-	2,206	-	-	-	2,206
Transfers	-	4,552	(4,552)	-	-	-	-
(Disposals)	(1,372,243)	(231,885)	(7,211)	(330,267)	(25,299)	(1,207)	(1,968,112)
Balance at February 28, 2017	9,425,534	77,439	144,362	127,131	36,007	52,027	9,862,500
Additions	1,323,623	8,949	2,006	6,470	-	-	1,341,048
(Disposals)	(340,208)	(1,248)	(14,056)	-	(36,007)	(5,399)	(396,918)
Balance at February 28, 2018	\$ 10,408,949	\$ 85,140	\$ 132,312	\$ 133,601	\$ -	\$ 46,628	\$ 10,806,630
Depreciation and impairment losses							
Balance at February 28, 2016	\$ 7,644,892	\$ 265,452	\$ 106,658	\$ 386,218	\$ 29,360	\$ 42,809	8,475,389
Depreciation	1,041,364	12,743	12,136	28,845	7,031	9,539	1,111,658
Transfers	-	286	(286)	-	-	-	-
Impairment	52,616	-	1,506	-	-	-	54,122
(Disposals)	(157,560)	(230,682)	(928)	(316,290)	(25,299)	(1,207)	(731,966)
Balance at February 28, 2017	8,581,312	47,799	119,086	98,773	11,092	51,141	8,909,203
Depreciation	669,091	15,185	20,427	14,200	-	745	719,648
(Disposals)	(48,855)	(829)	(14,056)	-	(11,092)	(5,400)	(80,232)
Balance at February 28, 2018	\$ 9,201,548	\$ 62,155	\$ 125,457	\$ 112,973	\$ -	\$ 46,486	\$ 9,548,619
Carrying amounts							
At February 28, 2017	\$ 844,222	\$ 29,640	\$ 25,276	\$ 28,358	\$ 24,915	\$ 886	\$ 953,297
At February 28, 2018	\$ 1,207,401	\$ 22,985	\$ 6,855	\$ 20,628	\$ -	\$ 142	\$ 1,258,010

As at February 29, 2018 the net carrying amount for gaming systems and automotive equipment under finance lease was \$68,241, (February 28, 2017: \$97,487).

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8. Intangible assets

	Computer software	Deferred development costs	Gaming intellectual property	Total
Cost				
Balance at February 29, 2016	\$ 30,961	\$ 764,488	\$ 137,469	\$ 932,918
Additions	94,557	214,343	(68)	308,832
Balance at February 28, 2017	125,518	978,831	137,401	1,241,750
Additions	274,707	45,929	-	320,636
Disposals	(70,849)	-	-	(70,849)
Balance at February 28, 2018	\$ 329,376	\$ 1,024,760	\$ 137,401	\$ 1,491,537
Amortization				
Balance at February 29, 2016	\$ 21,663	\$ 419,208	\$ 29,276	\$ 470,147
Amortization	7,163	93,268	36,079	136,510
Impairment	-	-	47,627	47,627
Balance at February 28, 2017	28,826	512,476	112,982	654,284
Amortization	76,098	76,201	7,324	159,623
Balance at February 28, 2018	\$ 104,924	\$ 588,677	\$ 120,306	\$ 813,907
Carrying amounts				
At February 28, 2017	\$ 96,692	\$ 466,355	\$ 24,419	\$ 587,466
Balance at February 28, 2018	\$ 224,452	\$ 436,083	\$ 17,095	\$ 677,630

9. Accounts payable and accrued liabilities

	February 28, 2018	February 28, 2017
Trade payables	\$ 2,090,846	\$ 121,687
Accrued liabilities	527,788	545,852
Total	\$ 2,618,634	\$ 667,539

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10. Demand term loans

The Company had the following demand term loan:

Demand term loan in the amount of \$900,000 (February 28, 2017 - \$900,000). The amount drawn on the loan at February 28, 2018 was \$nil (February 28, 2017 - \$75,538). The demand term loan bears interest at the bank's prime rate plus 5.0% which totalled 7.70% at February 28, 2018 (February 28, 2017 – prime plus 5.0% which totalled 7.70%). The loan was fully repaid April 30, 2017.

	February 28, 2018	February 28, 2017
Demand term loans	\$ -	\$ 75,538
<hr/>		
Total	\$ -	\$ 75,538

During the year ended February 28, 2018 interest expense of \$429 (2017 - \$24,221) was recorded and is included in finance costs (Note 21).

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11. Related party transactions

a) Shareholder loans and other related loans

	February 28, 2018	February 28, 2017
Shareholder loans		
Loan, bearing interest at 18% to April 30, 2013 and 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 the lender's option into ordinary shares at \$0.75/share. The conversion option has been valued at \$nil (February 28, 2017 - \$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% due March 1, 2018, monthly interest only payments of \$833, due at the option of the borrower	100,000	100,000
Loan, bearing interest at 10%, monthly interest only payments of \$1,534, repaid on April 24, 2017	-	200,000
Loan, bearing interest at 5%, monthly interest only payments of \$3,333, due December 29, 2021	800,000	-
Loan, in the principal amount of \$350,000 USD, bearing interest at 9%, monthly interest only payments of \$3,333, due August 21 2018	444,499	-
Less debt issuance costs (net of accumulated amortization of \$10,000)	-	(5,970)
Total	\$ 1,799,738	\$ 749,269

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11. Related party transactions (continued)

b) Shareholder loans and other related loans

	February 28, 2018	February 28, 2017
<hr/>		
Other related loans		
Loan, bearing interest at 10%, monthly payments of \$16,134 beginning December 31, 2015, maturing on January 1, 2019	\$ 168,907	\$ 323,078
Loan, bearing interest at 12%, monthly interest only payments of \$600 beginning December 7, 2015, paid on July 31, 2017	-	60,000
<hr/>		
Total	\$ 168,907	\$ 383,078
<hr/>		
Less current portion:		
Shareholder loans	\$ 999,738	\$ 352,131
Other related loans	\$ 168,907	\$ 228,897
Long term portion:		
Shareholder loans	\$ 800,000	\$ 397,138
Other related loans	\$ -	\$ 154,181
<hr/>		

All loans are secured by a second fixed charge over all present and after-acquired property of the Company.

The shareholder and other related loans contain demand features. Certain lenders have waived the demand provisions until March 1, 2019.

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.

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11. Related party transactions (continued)

Shareholder loans (continued)

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 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, 2018 was \$168,907 (February 28, 2017 - \$323,078) 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.

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, 2018, interest expense on shareholder and other related loans of \$313,110 (2017 - \$141,083) was recorded as expense and is included in finance costs (Note 21).

c) Key management compensation

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

	2018	2017
Compensation and short-term employee benefits	\$ 508,306	\$ 647,684
Share-based payments	-	531
	\$ 508,306	\$ 648,215

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.

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11. Related party transactions (continued)

d) Other related party transactions

As at February 28, 2018 accrued receivables includes \$nil (February 28, 2017 - \$46,753) due from an entity controlled by the Chief Executive Officer (“CEO”) of the Company.

Upon financial review of the accrued receivables outstanding with management, an adjustment was made to reverse the figure as costs related to this figure were never recognised. This figure was originally related to the now disposed entity Rock Bingo, which is now controlled by the son of the CEO of the Company.

Included In hardware and software rentals revenue for the year ended February 28, 2018 is \$43,851 (2017 - \$nil) from a company controlled by a close family member of the CEO.

12. Other loans

	February 28, 2018	February 28, 2017
Other related loans		
Loan, bearing interest at 10%, monthly payments of \$142,924 beginning May 1, 2016, maturing on December 1, 2018	\$ 1,460,243	\$ 2,883,246
Loan, bearing interest at 12%, monthly interest only payments of \$2,959 beginning March 31, 2016, paid on July 15, 2017	-	300,000
	1,460,243	3,183,246
Less: Current portion	(1,460,243)	(1,817,391)
Total	\$ -	\$ 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.

During the year ended February 28, 2018, interest expense on other loans of \$244,008 (2017 - \$346,421) was recorded as expense and is included in finance costs (Note 21).

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13. Finance lease obligations

The Company has finance leasing arrangements related to gaming systems and automotive equipment. As at February 28, 2018 the net carrying amount for the gaming systems and automotive equipment under a finance lease was \$68,241, (2017: \$43,311).

The finance lease repayments are due as follows:

	Future minimum lease payments	Future finance costs	Present value of minimum
February 28, 2018			
Less than one year	\$ 23,281	\$ 2,084	\$21,197
Between one and five years	31,255	\$ 3,336	27,919
	<u>\$ 54,536</u>	<u>\$ 5,420</u>	<u>\$49,116</u>

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14. 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, 2018	February 28, 2017
Net loss before tax	\$ (897,724)	\$ (1,189,909)
Statutory income tax rates	27.00%	27.00%
Expected income tax recovery	(242,385)	(321,275)
Adjusted for the effects of:		
Non-deductible amounts	102,062	76,596
Change in unrecognized deferred tax assets	98,830	90,670
Effect of tax rate in foreign jurisdictions	38,773	119,772
Income taxed in the hands of non-controlling interest	2,720	64,719
Prior period adjustments	88,548	(60,178)
Actual income tax expense (recovery)	\$ 88,548	\$ (29,696)
Represented by:		
Current tax expense (recovery) from continuing operations	\$ 88,548	\$ (60,178)
Current tax expense from discontinuing operations		30,482
Total income tax expense (recovery)	\$ 88,548	\$ (29,696)

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14. 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, 2018	February 28, 2017
Non-capital losses	\$ 230,733	\$ 214,228
Deferred tax assets	230,733	214,228
Offset of tax	(230,733)	(214,228)
Net deferred tax assets	\$ -	\$ -
Property, plant and equipment	\$ (88,985)	\$ (80,260)
Intangible assets	(141,748)	(133,968)
Deferred tax liabilities	(230,733)	(214,228)
Offset of tax	230,733	214,228
Net deferred tax liabilities	\$ -	\$ -

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

	February 28, 2018	February 28, 2017
Tax losses	\$ 2,502,086	\$ 2,285,503
Deductible temporary differences	241,525	206,637
Total	\$ 2,743,611	\$ 2,492,140

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, 2018.

c) Loss carryforwards

The Canadian non-capital losses expire between the tax years ending February 28, 2031 and 2038. The United States and Hong Kong business losses can be carried forward indefinitely.

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15. Preferred shares

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, 2018 \$1,400,000 (2017 - \$1,400,000) were retractable within the next twelve months. During the year ended February 28, 2018, holders of \$660,000 of preferred shares agreed to not redeem their preferred shares prior to February 28, 2019.

The Company declared dividends of \$206,000 for the year ended February 28, 2018 (2017 - \$206,000), which are included in finance costs (Note 21).

	February 28, 2018	February 28, 2017
Current portion	\$ 1,400,000	\$ 1,400,000
Long-Term portion	660,000	660,000
Total	\$ 2,060,000	\$ 2,060,000

16. Share capital

Ordinary Shares

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

Ordinary Shares of the Company	Number	Share capital
Balance at February 28, 2018 and February 28, 2017	30,220,727	\$ 8,135,041

As at February 28, 2018, none (2017 – 4,107,689) of the issued shares were held in escrow. These shares were released from escrow on November 4, 2017.

17. 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.

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17. Share-based compensation (continued)

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 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
Granted	-	-	-
Expired	-	-	-
Forfeited	-	-	-
Balance at February 28, 2018	1,100,000	\$ 0.50	\$ 0.118
Options exercisable at February 28, 2017	825,000	\$ 0.50	\$ 0.155
Options exercisable at February 28, 2018	1,100,000	\$ 0.50	\$ 0.155

The Options outstanding as at February 28, 2018 have an exercise price of \$0.50 and a weighted average remaining contractual life of 5.43 years (2017 – exercise price of \$0.50 and a weighted average remaining contractual life of 6.43 years).

The total share-based compensation recognized during the year ended February 28, 2018, including options previously granted that vested during the period, of \$nil (2017 - \$531) was recorded as an expense and an increase to contributed surplus.

On July 1, 2015, the Company granted options to purchase 75,000 Ordinary Shares to an employee of the Company. A third of the options vested immediately, a third vesting on July 1, 2016 and the final third vesting on July 1, 2017. The options have an exercise price of \$0.50 and expire on June 30, 2025.

The fair value of \$0.03 per option granted was estimated using the Black-Scholes Option Pricing Model using the following assumptions: grant date stock price \$0.24; risk free rate 0.45%; expected volatility 48.69%; annual dividend yield 0%; expected remaining life of the options of 3 years. The expected volatility is based on historic volatility of similar companies in the public market.

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 vested 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.

No options were exercised during the years ended February 28, 2018 or February 28, 2017.

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18. Non-controlling interest

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

19. Segment information

For the year ended February 28, 2018 and 2017 the Company has identified two operating segments: eBingo and Linked Games. In prior years, a third segment (Hall Operations) was identified. This segment was disposed on October 31, 2016. 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

Segmented results for the year ended February 28, 2018 were as follows:

	eBingo	Linked Games	Total
Sales, services and other revenue	\$ 4,931,514	\$ 679,927	\$ 5,611,441
Expenses			
Direct costs	1,842,721	412,278	2,254,999
General and administrative	2,362,704	161,700	2,524,404
Income before other expenses (income)	726,089	105,949	832,038
Finance income	(888)	(7)	(895)
Finance costs	529,625	1,354	530,979
Depreciation and amortization	809,911	69,363	879,274
Foreign exchange (gain) loss	(53,927)	-	(53,927)
(Loss) income before income taxes	(558,632)	35,239	(523,393)
Income tax	88,548	-	88,548
Net (loss) income and comprehensive (loss) income	\$ (647,180)	\$ 35,239	\$ (611,941)
Non-current assets	\$ 1,916,977	\$ 18,663	\$ 1,935,640

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19. Segment information (continued)

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

	eBingo	Linked Games	Total
Sales, services 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	3,792,781	221,778	4,014,559
(Loss) gain before other expenses (income)	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 (gain) 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	\$ (1,016,317)	\$ (99,554)	\$ (1,115,871)
Non-current assets	\$ 2,001,661	\$ 26,541	\$ 2,028,202

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 that were subsequently sold on October 31, 2016. 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, services and other revenue		Non-current assets	
	2018	2017	2018	2017
Canada	\$ 2,512,030	\$ 2,777,271	\$ 1,031,056	\$ 1,061,482
United States	1,593,204	3,220,950	615,150	462,689
Ireland and other	1,506,207	1,132,521	289,434	504,031
	\$ 5,611,441	\$ 7,130,742	\$ 1,935,640	\$ 2,028,202

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.

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19. Segment information (continued)

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

	2018	2017
Hardware and software rentals	\$ 2,470,167	\$ 4,251,045
Contract termination revenue	-	1,337,257
Bingo supplies	148,723	-
Customer support and other services	1,400,765	394,028
Game revenue	679,927	777,251
Hardware and software sales	911,859	371,161
	\$ 5,611,441	\$ 7,130,742

20. General and administrative expenses

	2018	2017
Compensation and benefits	\$ 1,201,177	\$ 2,201,768
Professional fees	326,843	704,096
Advertising and promotion	134,275	494,599
Rent	166,081	237,439
Office and other	559,254	197,513
Business taxes, insurance and licenses	136,774	179,144
	\$ 2,524,404	\$ 4,014,559

21. Finance income and costs

	2018	2017
Finance income		
Interest income	\$ (894)	\$ (19,127)
Finance costs		
Interest on short-term debt and accounts payable	\$ 1,354	\$ (11,685)
Interest on finance leases	4,076	2,736
Interest on demand term loans	469	24,221
Interest on shareholder and other related loans	69,102	141,082
Interest on other loans	244,008	346,421
Dividends on preferred shares	206,000	206,000
Amortization of finance fees	5,970	8,020
	\$ 530,979	\$ 716,795

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22. Commitments

The Company leases premises in Edmonton, Alberta, Canada and Las Vegas, Nevada, USA under formal lease agreements expiring in fiscal 2020 and 2021. The leases provide for payment of operating costs by the Company. Minimum lease payments under its operating leases in future years are as follows:

	Edmonton	Las Vegas	Total
Less than one year	\$ 36,503	\$ 33,284	\$ 69,787
Between one and five years	6,876	35,801	42,677
	\$ 43,379	\$ 69,085	\$ 112,464

23. Contingencies

A breach of contract lawsuit was filed against the Company in December 2012. The matter is currently in the legal examination phase. Management believes it is possible, but not probable that the claim will be successful and no provision relating to the claim has been recorded in these financial statements.

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

A wrongful dismissal lawsuit was filed against the Company in October 2016. The matter has not yet entered the legal examination phase. Management believes the matter was appropriately settled upon the employee's termination, but will defend against the claim should it continue. Management believes it is possible, but not probable that the claim will be successful and no provision relating to the claim has been recorded in these financial statements.

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24. Supplemental cash flow information

	2018	2017
Changes in non-cash working capital:		
Accounts receivable	\$ 289,414	\$ (163,563)
Accrued receivables	(1,368,529)	940,320
Supplies and components	(369,626)	50,313
Inventory	(56,740)	-
Current income taxes	(29,675)	(11,471)
Prepaid expenses and deposits	720,482	(779,811)
Accounts payable and accrued liabilities	2,539,744	(23,021)
Deferred revenue	(123,826)	565,676
	\$ 1,601,244	\$ 578,443

25. Income (loss) per share

	2018	2017
Net income (loss) from continuing operations	\$ (601,941)	\$ (926,948)
Net income (loss) from discontinued operations	\$ -	\$ (44,342)
Basic weighted average number of ordinary shares	30,220,727	30,220,727
Diluted weighted average number of ordinary shares	30,220,727	30,220,727
Basic income (loss) per share		
From continuing operations	\$ (0.02)	\$ (0.03)
From discontinued operations	\$ -	\$ -
Diluted income (loss) per share		
From continuing operations	\$ (0.02)	\$ (0.03)
From discontinued operations	\$ -	\$ -

For the years ended February 28, 2018 and February 28, 2017, 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.