

eQube Gaming Limited
Condensed Interim Consolidated Financial Statements

For the Three Months and Six Months Ended August 31, 2017
(Unaudited)

Notice to Reader

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

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

eQube Gaming Limited

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

	August 31, 2017	February 28, 2017
Assets		
Current Assets		
Cash	\$ 410,508	\$ 1,037,258
Accounts receivable	703,430	700,847
Accrued receivables	138,635	78,847
Supplies and components	366,195	2,678
Inventory	40,754	-
Prepaid expenses and deposits	131,892	881,369
	1,791,415	2,700,999
Property and equipment (Note 7)	1,624,462	1,440,735
Intangible assets (Note 8)	637,452	587,466
	4,053,329	4,729,201
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 9)	737,070	667,539
Deferred revenue	514,044	565,676
Demand term loans (Note 10)	-	75,538
Current portion of shareholder loans (Note 11)	495,238	352,131
Current portion of other related loans (Note 11)	176,053	228,897
Current portion of other loans (Note 12)	1,559,610	1,817,391
Current portion of obligations under finance lease (Note 13)	18,263	11,334
Current income tax payable	32,031	29,675
Preferred shares (Note 14)	1,400,000	1,400,000
	4,932,308	5,148,181
Long term liabilities		
Shareholder loans (Note 11)	660,000	397,138
Other related loans (Note 11)	78,690	154,181
Other loans (Note 12)	697,094	1,365,855
Obligations under finance lease (Note 13)	45,254	29,124
Preferred shares (Note 14)	660,000	660,000
	7,073,346	7,754,479
Deficiency		
Share capital (Note 15)	8,135,041	8,135,041
Contributed surplus	435,437	435,437
Deficiency	(11,619,814)	(11,601,439)
Deficiency attributable to the owners of the company	(3,049,336)	(3,030,961)
Non-controlling interest (Note 16)	29,318	5,683
	(3,020,018)	(3,025,278)
	4,053,329	4,729,201

On behalf of the Board

(signed) Andrew Janko Director (signed) Douglas Osrow Director

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

	Three months ended August 31,		Six months ended August 31,	
	2017	2016	2017	2016
	(Restated - Note 5)		(Restated - Note 5)	
Sales, service and other revenue	\$ 1,623,627	\$ 1,617,923	\$ 3,186,409	\$ 3,284,389
Direct costs	483,588	537,220	1,115,064	1,065,328
Gross Profit	1,140,040	1,080,703	2,071,346	2,219,061
Expenses				
General and administrative expenses (Note 19)	690,119	1,140,461	1,493,566	2,412,827
Impairment of supplies and components	-	141	-	1,746
Total expenses	690,119	1,140,602	1,493,566	2,414,573
Income (loss) before other expenses (income)	449,921	(59,899)	577,780	(195,512)
Other expenses (income)				
Finance income (Note 20)	510	(3,636)	510	(7,952)
Finance costs (Note 20)	140,433	179,775	306,019	333,618
Depreciation and amortization	245,877	356,492	482,830	711,782
Foreign exchange loss (gain)	8,196	23,628	18,250	16,687
Total other expenses (income)	395,017	556,259	807,610	1,054,135
Loss before income taxes	54,904	(616,158)	(229,830)	(1,249,647)
Income tax expense (recovery)	(50,693)	(1,068)	(50,693)	3,239
Net profit / (loss) and comprehensive loss from continuing operations	\$ 4,211	\$ (617,226)	\$ (280,523)	\$ (1,246,408)
Total net (loss) / income and comprehensive (loss) income attributable to:				
Owners of the Company - continuing operations	(20,020)	(604,888)	(304,158)	(1,251,299)
Owners of the Company - discontinued operations	-	-	-	32,946
Non-controlling interest (Note 16)	24,231	(12,338)	23,635	(28,055)
	\$ 4,211	\$ (617,226)	\$ (280,523)	\$ (1,246,408)
Loss per share (Note 23)				
Basic	\$ -	\$ (0.02)	\$ -	\$ (0.04)
Diluted	\$ -	\$ (0.02)	\$ -	\$ (0.04)

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

	Share capital amount	Warrants	Contributed Surplus	Deficiency	Total	Non- controlling interest	Total (deficiency) equity
Balance at February 29, 2016	\$ 8,135,041	\$ 63,866	\$ 371,040	\$ (10,630,149)	\$ (2,060,202)	\$ 194,606	\$ (1,865,596)
Net loss	-	-	-	(1,218,353)	(1,218,353)	(28,055)	(1,246,408)
Share-based compensation related to stock options granted and vested	-	-	437	-	437	-	437
Expiration of Warrants	-	(3,314)	3,314	-	-	-	-
Balance at August 31, 2016	\$ 8,135,041	\$ 60,552	\$ 374,791	\$ (11,848,502)	\$ (3,278,118)	\$ 166,551	\$ (3,111,567)
Balance at February 28, 2017	\$ 8,135,041	\$ -	\$ 435,437	\$ (11,601,439)	\$ (3,030,961)	\$ 5,683	\$ (3,025,278)
Net loss	-	-	-	(304,158)	(304,158)	23,635	(280,523)
Movement on FX Reserve	-	-	-	285,783	285,783	-	285,783
Balance at August 31, 2017	\$ 8,135,041	\$ -	\$ 435,437	\$ (11,619,814)	\$ (3,049,336)	\$ 29,318	\$ (3,020,018)

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

	Three months ended August 31,		Six months ended August 31,	
	2017	2016	2017	2016
Operating				
Net Loss	\$ 4,211	\$ (617,226)	\$ (280,523)	\$ (1,246,408)
Adjustments for:				
Finance income	510	(3,481)	510	(6,962)
Interest expense	87,994	127,851	195,685	228,485
Dividends on preferred shares	51,923	51,924	103,846	103,847
Depreciation of property and equipment	213,387	327,625	432,933	655,515
Amortization of intangible assets	32,490	34,983	56,651	65,398
Impairment of property and equipment	-	141	-	1,746
Amortization of finance fees	-	-	5,972	1,286
Share-based compensation	-	155	-	437
Change in non-cash operating working capital (Note 22)	(243,977)	638,772	303,165	534,187
Net cash flows provided by operating activities	146,538	560,744	818,239	337,531
Financing				
Repayment of demand term loans	-	(525,000)	(75,539)	(600,000)
Repayment of shareholder loans	598,296	-	398,296	-
Repayment of other related loans	(87,675)	(37,734)	(126,631)	(2,220,321)
Repayment of finance lease obligations	(7,745)	(2,741)	23,059	(6,609)
Repayment of other loans	(566,725)	(445,052)	(926,542)	(445,052)
Proceeds on shareholder loans	-	-	-	100,000
Proceeds on other loans	-	-	-	4,300,000
Interest paid	(87,994)	(135,461)	(195,648)	(236,095)
Dividends paid	(51,923)	(51,924)	(103,846)	(103,847)
Net cash flows (used in) financing activities	(203,766)	(1,197,912)	(1,006,851)	788,076
Investing				
Acquisition of subsidiary, net of cash acquired	-	-	-	-
Purchase of property and equipment	(11,058)	(37,843)	(353,770)	(58,888)
Purchase of and capitalization of intangible assets	(0)	(101,336)	(84,367)	(126,371)
Net cash flows used in investing activities	(11,058)	(139,179)	(438,137)	(185,259)
Net (decrease) increase in cash and cash equivalents	(68,287)	(776,347)	(626,749)	940,348
Cash and cash equivalents, beginning of period	478,794	1,735,130	1,037,258	18,435
Cash and cash equivalents, end of period	\$ 410,508	\$ 958,783	\$ 410,509	\$ 958,783
Supplement cash flow information (Note 22)				

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

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 condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, and do not include all of the information required for full annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto, as at and for the year ended February 28, 2017.

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

These condensed interim consolidated financial statements for the three months and six months ended August 31, 2017, including comparatives, were authorized for issue by the Board of Directors on 27 October 2017.

3. Significant accounting policies

The condensed interim consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Company’s most recent annual consolidated financial statements for the year ended February 28, 2017.

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”)
- 657255 Alberta Ltd. (Note 4)
- Alberta Satellite Bingo Limited Partnership (“Alberta Satellite Bingo LP”)
- e3 Bingo Limited

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

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.

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 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.

4. Capital disclosures

The Company's objectives and policies for managing capital are to safeguard the Company's ability to continue as a going concern, to provide an adequate return to shareholders and to meet external capital requirements on the Company's credit facilities. For the three and six months ended August 31, 2017, there were no changes in the Company's objectives and policies for capital management.

The Company includes the following in the definition of capital:

	August 31, 2017	February 28, 2017
Demand term loans	\$ -	\$ 75,538
Shareholder loans	1,155,238	749,269
Other related loans	254,743	383,078
Other loans	2,256,704	3,183,246
Obligation under finance lease	63,517	40,458
Preferred shares	2,060,000	2,060,000
Deficiency	(3,049,336)	(3,030,961)
	\$ 2,740,866	\$ 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.

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

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
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Loss of disposal of subsidiary	\$	(21,161)
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eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

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5. Disposal of subsidiary (continued)

	Twelve months ended February 28,	
	2017	2016
Sales, service and other revenue	\$ -	\$ 240,968
Direct costs	\$ -	70,615
Gross profit	-	170,353
Expenses		
General and administrative expenses	-	140,862
Total expenses	-	140,862
Loss before other expenses (income)	-	29,491
Other expenses (income)		
Depreciation and amortization	928	-
Loss on disposal of subsidiary	36,708	-
Foreign exchange gain	-	(3,455)
Total other expenses	37,636	(3,455)
Loss before income taxes	(37,636)	32,946
Income tax expense	-	-
Net loss and comprehensive loss from discontinued operations	\$ (37,636)	\$ 32,946

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 operating activities	\$ 59,920	\$ (18,442)

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

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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 August 31, 2017, 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 August 31, 2017 and February 28, 2017, by length of time past due, are:

	August 31, 2017	February 28, 2017
1 to 30 days past due	\$ 184,946	\$ 91,014
31 to 60 days past due	280,471	15,736
Greater than 60 days past due	3,619	14,509
Total	\$ 469,036	\$ 121,259

As at August 31, 2017, the Company had one customer owing more than \$50,000 that accounted for approximately 47% 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 August 31, 2017, trade accounts receivable associated with customers that each individually exceeded 10% of the Company's sales, service and other revenue totalled 47% 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 August 31, 2017, totalled \$410,508 (February 28, 2017 - \$1,037,258), accounts receivable totalled \$703,430 (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.

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

6. Financial instruments and risk exposures (continued)

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.

As at August 31, 2017, the Company had cash of \$410,508 (February 28, 2017 - \$1,037,258), accounts receivable of \$703,430 (February 28, 2017 - \$700,847), for a total of \$1,252,574 (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 \$4,688,645 (February 28, 2017 - \$4,960,106). 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 August 31, 2017 summarized by fiscal year are as follows:

	On demand	2018	2019	2020	2021	Total
Current income tax payable	-	32,031	-	-	-	32,031
Accounts payable and accrued liabilities	-	737,070	-	-	-	737,070
Shareholder loans	160,000	158,101	237,138	-	600,000	1,155,239
Other related loans	-	93,407	161,336	-	-	254,743
Other loans	-	1,559,610	697,094	-	-	2,256,704
Obligation under finance lease	-	18,263	21,498	14,071	9,685	63,517
Preferred shares	-	1,400,000	660,000	-	-	2,060,000
Total	\$ 160,000	\$ 3,998,482	\$ 1,777,066	\$ 14,071	\$ 609,685	\$ 6,559,304

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 loans	75,538	-	-	-	-	75,538
Shareholder loans	-	395,070	397,137	-	-	792,207
Other related loans	-	2,283,119	1,590,572	-	-	3,873,691
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 contractual obligations included in the tables above include interest and dividend payments where applicable.

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

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6. Financial instruments and risk exposures (continued)

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.

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 three months ended August 31, 2017 (2016 - \$1,000). A 1% appreciation (depreciation) in the Canadian dollar price of Euros would result in gain (loss) of approximately \$4,000 (2016 - \$1,000).

A 1% appreciation (depreciation) in the Canadian dollar price of United States dollars would result in gain (loss) of approximately \$1000 for the six months ended August 31, 2017 (2016 - \$1000). A 1% appreciation (depreciation) in the Canadian dollar price of Euros would result in gain (loss) of approximately \$2000 (2016 - \$1000)

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 August 31, 2017, 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 three months ended August 31, 2017 (2016 - \$5,000).

A 1% decrease (increase) in the bank's prime rate would result in a gain (loss) of approximately \$nil for the six months ended August 31, 2017 (2016 - \$5,000).

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7. 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, 2016	\$ 10,643,261	\$ 290,514	\$ 141,311	\$ 455,656	\$ 61,306	\$ 50,999	\$ 11,643,047
Additions	154,516	14,258	5,397	1,742	-	2,235	178,148
Acquisitions through business combinations	-	-	2,206	-	-	-	2,206
Transfers	-	4,552	(4,552)	-	-	-	-
(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
Additions	1,288,303	3,448	1,104	5,987	520	815	1,300,177
Disposals	-	-	(13,059)	-	-	-	(13,059)
Balance at August 31, 2017	\$ 10,717,002	\$ 80,887	\$ 132,407	\$ 133,118	\$ 36,527	\$ 52,842	\$ 11,165,842
Depreciation and impairment losses							
Balance at February 28, 2016	\$ 7,644,892	\$ 265,452	\$ 106,334	\$ 386,362	\$ 29,360	\$ 43,107	8,475,507
Depreciation	1,041,250	12,743	11,278	28,701	7,031	9,539	1,110,542
Impairment	56,988	286	82	-	-	-	57,356
(Disposals)	(644,997)	(230,682)	-	(316,290)	(25,299)	(1,207)	(1,218,475)
Balance at February 28, 2017	8,098,133	47,799	117,694	98,773	11,092	51,439	8,424,930
Depreciation	1,094,897	7,834	16,662	5,216	4,128	771	1,129,508
Disposals	-	-	13,058	-	-	-	(13,058)
Balance at August 31, 2017	\$ 9,193,030	\$ 55,633	\$ 121,298	\$ 103,989	\$ 15,220	\$ 52,210	\$ 9,541,380
Carrying amounts							
At February 28, 2017	\$ 1,330,566	\$ 29,640	\$ 26,668	\$ 28,358	\$ 24,915	\$ 588	\$ 1,440,735
Balance at August 31, 2017	\$ 1,523,972	\$ 25,254	\$ 11,109	\$ 29,129	\$ 21,307	\$ 632	\$ 1,624,462

As at August 31, 2017 the net carrying amount for gaming systems and automotive equipment under finance lease was \$67,266, (February 28, 2017: \$97,487).

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited)

8. Intangible assets

	Computer software	Deferred development costs	Gaming intellectual property	Total
Cost				
Balance at February 28, 2017	125,517	978,830	137,403	1,241,750
Additions	38,437	45,930	-	84,367
Balance at August 31, 2017	\$ 163,954	\$ 1,024,760	\$ 137,403	\$ 1,326,117
Amortization				
Balance at February 28, 2017	28,826	512,476	112,982	654,284
Amortization and impairments (note 7)	14,662	12,997	6,722	34,381
Balance at August 31, 2017	\$ 43,488	\$ 525,473	\$ 119,704	\$ 688,665
Carrying amounts				
At February 28, 2017	\$ 96,691	\$ 466,354	\$ 24,421	\$ 587,466
Balance at August 31, 2017	\$ 120,466	\$ 499,287	\$ 17,699	\$ 637,452

9. Accounts payable and accrued liabilities

	August 31, 2017	February 28, 2017
Trade payables	\$ 669,165	\$ 121,687
Accrued liabilities	67,905	545,852
	\$ 737,070	\$ 667,539

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(Expressed in Canadian dollars)

(Unaudited)

10. Demand term loans

The Company has 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 August 31, 2017 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 August 31, 2017 (February 29, 2017 – prime plus 5.0% which totalled 7.70%). The loan was fully repaid April 30, 2017.

	August 31, 2017	February 28, 2017
Demand term loans	\$ -	\$ 75,538
	\$ -	\$ 75,538

During the three months ended August 31, 2017 interest expense of \$nil (August 31, 2016 - \$6,343) was recorded and is included in finance costs (Note 20). During the six months ended August 31, 2017 interest expense of \$429 (August 31, 2016 - \$23,293) was recorded and is included in finance costs (Note 20).

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

11. Related party transactions

a) Shareholder loans and other related loans

	August 31, 2017	February 28, 2017
<hr/>		
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% 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 paid on April 24, 2017	-	200,000
Loan, bearing interest at 5%, monthly interest only payments of \$2,500, due July 28, 2020	600,000	-
Less debt issuance costs (net of accumulated amortization of \$10,000)		(5,970)
	<hr/>	
	\$ 1,155,239	\$ 749,269
	<hr/>	

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

11. Related party transactions (continued)

b) Shareholder loans and other related loans

	August 31, 2017	February 28, 2017
Other related loans		
Loan, bearing interest at 10%, monthly payments of \$16,134 beginning December 31, 2015, maturing on January 1, 2019.	254,743	323,078
Loan, bearing interest at 12%, monthly interest only payments of \$600 beginning December 7, 2015, paid on July 31, 2017.	-	60,000
	\$ 254,743	\$ 383,078
Less current portion:		
Shareholder loans	\$ 495,239	\$ 352,131
Other related loans	\$ 176,053	\$ 228,897
Long-term portion:		
Shareholder loans	\$ 658,297	\$ 397,138
Other related loans	\$ 78,690	\$ 154,181

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, 2018.

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.

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

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 August 31, 2017 was \$254,734 (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.

During the three months ended August 31, 2017, interest expense on shareholder and other related loans of \$16,311 (2016 - \$26,347) was recorded as expense and is included in finance costs (Note 20). During the six months ended August 31, 2017, interest expense on shareholder and other related loans of \$44,668 (2016 - \$70,011) was recorded as expense and is included in finance costs (Note 20).

c) Key management compensation

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

	Three months ended August 31,		Six months ended August 31,	
	2017	2016	2017	2016
Short-term employee benefits	\$ 86,767	\$ 172,451	\$ 222,021	\$ 327,192
Share-based payments	-	155	-	437
	\$ 86,767	\$ 172,606	\$ 222,021	\$ 327,629

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.

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

11. Related party transactions (continued)

d) Other related party transactions

As at August 31, 2017 accrued receivables includes \$61,070 (February 28, 2017 - \$46,753) due from an entity controlled by the Chief Executive Officer (“CEO”) of the Company.

Included In hardware and software rentals revenue for the three month period ended August 31, 2017 is \$nil (three month period ended August 31, 2016 - \$nil) from a company controlled by a close family member of the CEO. Included In hardware and software rentals revenue for the six month period ended August 31, 2017 is \$43,851 (six month period ended August 31, 2016 - \$nil) from a company controlled by a close family member of the CEO.

12. Other loans

	August 31, 2017	February 28, 2017
Loan, bearing interest at 10%, monthly payments of \$142,924 beginning May 1, 2016 and maturing December 1, 2018	\$ 1,956,704	\$ 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	300,000
	\$ 2,256,704	\$ 3,183,246
Less current portion	(1,559,610)	(1,817,391)
	\$ 697,094	\$ 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 May 28, 2017 is \$148,702 of restricted funds held by the Company and controlled by the lender in order to satisfy the June 2017 payment of \$142,924.

During the three months ended August 31, 2017, interest expense on other loans of \$71,847 (August 31, 2016 - \$40,336) was recorded as expense and is included in finance costs (Note 20). During the six months ended August 31, 2017, interest expense on other loans of \$149,875 (August 31, 2016 - \$80,672) was recorded as expense and is included in finance costs (Note 20).

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

13. Finance lease obligations

The Company has finance leasing arrangements related to gaming systems and automotive equipment. As at August 31, 2017 the net carrying amount for the gaming systems and automotive equipment under a finance lease was \$67,266 (February 28, 2017: \$43,311).

The finance lease repayments are due as follows:

	Future minimum lease payments	Future finance costs	Present value of minimum lease payments
May 31, 2017			
Less than one year	\$ 22,347	\$ 4,084	\$ 18,263
Between one and five years	48,724	3,470	45,254
	\$ 71,071	\$ 7,554	\$ 63,517

14. Preferred shares

The Company declared dividends of \$51,923 for the three months ended August 31, 2017 (2016 - \$51,923), which are included in finance costs (Note 20). The Company declared dividends of \$103,846 for the six months ended August 31, 2017 (2016 - \$103,847), which are included in finance costs (Note 20).

As at August 31, 2017 \$1,400,000 (February 28, 2017 - \$1,400,000) were retractable within the next twelve months. During the period ended August 31, 2017, holders of \$660,000 of preferred shares agreed to not redeem their preferred shares prior to April 30, 2018.

	August 31, 2017	February 28, 2017
Current portion	\$ 1,400,000	\$ 1,400,000
Long-term portion	660,000	660,000
	\$ 2,060,000	\$ 2,060,000

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

15. 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 August 31, 2017	30,220,727	\$ 8,135,041
Balance at August 31, 2017 and February 28, 2017	30,220,727	\$ 8,135,041

As at August 31, 2017, 2,220,509 (February 28, 2017 – 4,107,689) of the issued shares were held in escrow. These shares will be released from escrow on November 4, 2017.

16. Non-controlling interest

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

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

16. Non-controlling interest (continued)

	Alberta Satellite Bingo LP	Intra-Group Eliminations	Total
NCI Percentage	99.75%		
Current assets	\$ 48,228	\$ -	\$ 48,228
Non-current assets	25,621	-	25,621
Current liabilities	(36,868)	-	(36,868)
Net assets	\$ 36,981	\$ -	\$ 36,981
Carrying amount of NCI	\$ 29,318	\$ -	\$ 29,318
Revenue	\$ 304,080	\$ -	\$ 304,080
Net income and comprehensive income	24,292	-	24,292
Net income allocated to NCI	\$ 24,231	\$ -	\$ 24,231
Net cash flows used in operating activities	\$ 32,587	\$ -	\$ 32,587
Net cash flows from financing activities	(41,000)	-	(41,000)
Net cash flows used in investing activities	(17,552)	-	(17,552)
Net decrease in cash and cash equivalents	\$ (25,965)	\$ -	\$ (25,965)

eQube Gaming Limited
Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

17. Share-based compensation

Stock options outstanding are as follows:

Stock options outstanding	Number of options	Weighted average exercise price	Weighted average measurement date fair value
Balance at February 28, 2017	1,100,000	\$ 0.50	\$ 0.118
Granted	-	0.50	0.005
Exercised	-	0.50	0.052
Expired	-	0.50	0.052
Forfeited	-	0.50	0.133
Balance at August 31, 2017	1,100,000	\$ 0.50	\$ 0.118
Options exercisable at February 28, 2017	825,000	\$ 0.50	\$ 0.155
Options exercisable at August 31, 2017	825,000	\$ 0.50	\$ 0.155

The Options outstanding as at August 31, 2017 have an exercise price of \$0.50 and a weighted average remaining contractual life of 5.93 years (February 28, 2017 – exercise price of \$0.50 and a weighted average remaining contractual life of 6.43 years).

18. Segment information

For the three and six months ended August 31, 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

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

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18. Segment information (continued)

Segmented results for the six months ended August 31, 2017 were as follows:

	eBingo	Linked Games	Total
Sales, service and other revenue	\$ 2,815,447	\$ 370,962	\$ 3,186,409
Expenses			
Direct costs	956,826	158,238	1,115,064
General and administrative expenses	1,396,737	96,829	1,493,566
(Loss) Gain before other expenses (income)	461,884	115,895	577,779
Finance income	503	7	510
Finance costs	306,019	-	306,019
Depreciation and amortization	394,132	88,698	482,830
Foreign exchange (gain) loss	18,123	127	18,250
(Loss) gain before income taxes	(256,893)	27,063	(229,830)
Income tax	50,693	-	50,693
Net (loss) earnings and comprehensive (loss) earnings	\$ (307,586)	\$ 27,063	\$ (280,523)
Non-current assets	\$ 2,181,558	\$ 30,015	\$ 2,211,573

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

18. Segment information (continued)

Segmented results for the three months ended August 31, 2017 were as follows:

	eBingo	Linked Games	Total
Sales, service and other revenue	\$ 1,476,721	\$ 146,906	\$ 1,623,627
Expenses			
Direct costs	443,381	40,207	483,588
General and administrative expenses	670,102	20,017	690,119
(Loss) Gain before other expenses (income)	363,238	86,682	449,920
Finance income	336	174	510
Finance costs	140,433	-	140,433
Depreciation and amortization	170,390	75,487	245,877
Foreign exchange (gain) loss	8,060	136	8,196
Income before income taxes	44,019	10,885	54,904
Income tax	50,693	-	50,693
Net (loss) earnings and comprehensive (loss) earnings	\$ (6,674)	\$ 10,885	\$ 4,211
Non-current assets	\$ 2,181,558	\$ 30,015	\$ 2,211,573

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

18. 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, services and other revenue		Sales, services and other revenue		Non-current assets	
	Three months ended August 31, 2017	2016	Six months ended August 31, 2017	2016	August 31, 2017	February 28, 2017
Canada	\$ 754,350	\$ 712,363	\$ 1,668,687	\$ 1,448,218	\$ 1,390,867	\$ 1,061,482
United States	687,259	443,614	1,146,760	939,731	377,522	462,689
Ireland and other	182,018	461,946	370,962	896,440	493,525	504,031
	\$ 1,623,627	\$ 1,617,923	\$ 3,186,409	\$ 3,284,389	\$ 2,261,914	\$ 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.

For the three months ended August 31, 2017, \$589,253 or 36.29% (2016 - \$460,463 or 27.63%) of the Company's revenues depended on one customer that individually exceeded 10% of the Company's sales, service and other revenue. For the six months ended August 31, 2017, \$1,212,710 or 38.06% (2016 - \$921,664 or 28.06%) of the Company's revenues depended on one customer that individually exceeded 10% of the Company's sales, service and other revenue.

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

	Three months ended August 31,		Six months ended August 31,	
	2017	2016	2017	2016
Hardware and software rentals	743,852	718,710	\$ 1,479,320	1,491,693
Bingo Supplies	41,257	-	72,045	-
Customer support and other services	334,145	428,560	720,909	855,871
Game revenue	182,018	461,429	370,962	926,453
Hardware and software sales	322,355	9,224	543,173	10,372
	\$ 1,623,627	\$ 1,617,923	\$ 3,186,409	\$ 3,284,389

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

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19. General and administrative expenses

	Three months ended August 31,		Six months ended August 31,	
	2017	2016	2017	2016
Compensation and benefits	\$ 382,122	\$ 532,619	\$ 795,274	\$ 1,089,199
Professional fees	76,977	147,350	240,707	386,543
Advertising and promotion	53,019	146,975	179,039	274,621
Rent	39,137	126,636	108,285	265,452
Office and other	104,726	129,025	91,378	241,873
Business taxes, insurance and licenses	34,209	57,856	78,954	155,139
Consideration Warrants (Note 20)	(71)	-	(71)	-
	\$ 690,119	\$ 1,140,461	\$ 1,493,566	\$ 2,412,827

20. Finance income and costs

	Three months ended August 31,		Six months ended August 31,	
	2017	2016	2017	2016
Finance income				
Interest income	\$ 510	\$ (3,636)	\$ 510	\$ (7,952)
Finance costs				
Interest on short-term debt and accounts payable	-	(7,610)	37	(7,610)
Interest on finance leases	352	388	1,192	1,072
Interest on demand term loans	-	6,343	429	22,293
Interest on shareholder and other related loans	16,311	26,347	44,668	70,011
Interest on other loans	71,847	102,383	149,875	142,719
Dividends on preferred shares	51,923	51,924	103,846	103,847
Amortization of finance fees	-	-	5,972	1,286
	\$ 140,433	\$ 179,775	\$ 306,019	\$ 333,618

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian dollars)

(Unaudited)

21. 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.

22. Supplemental cash flow information

	Three months ended August 31,		Six months ended August 31	
	2017	2016	2017	2016
Change in non-cash operating working capital:				
Accounts receivable	\$ (345,197)	\$ 720,311	\$ (2,621)	\$ 157,644
Accrued receivables	(57,632)	20,035	(59,788)	484,375
Supplies and components	2,827	(9,033)	(363,517)	22,492
Inventory	(12,416)		(40,754)	-
Current income taxes		-	2,470	-
Prepaid expenses and deposits	(29,596)	(5,823)	749,477	(17,069)
Accounts payable and accrued liabilities	75,057	(195,360)	69,531	(260,222)
Deferred revenue	122,979	108,642	(51,632)	146,967
	\$ (243,978)	\$ 638,772	\$ 303,165	\$ 534,187

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

	August 31,	February 28,	August 31
	2017	2017	2016
Cash	\$ 410,508	\$ 1,037,258	\$ 968,058
Bank indebtedness	-	-	(9,275)
	\$ 410,508	\$ 1,037,258	\$ 958,783

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

23. Income (loss) per share

	Three months ended August 31,		Six months ended August 31,	
	2017	2016	2017	2016
Net income (loss) from continuing operations	\$ 4,211	\$ (617,226)	\$ (280,523)	\$ (1,246,408)
Net income from discontinued operations	\$ -	\$ -	\$ -	\$ 32,946
Basic weighted average number of ordinary shares	30,220,727	30,220,727	30,220,727	30,220,727
Diluted weighted average number of ordinary shares	30,220,727	30,220,727	30,220,727	30,220,727
Basic income (loss) per share				
From continuing operations	\$ -	\$ (0.02)	\$ (0.01)	\$ (0.04)
From discontinued operations	\$ -	\$ -	\$ -	\$ -
Diluted income (loss) per share				
From continuing operations	\$ -	\$ (0.02)	\$ (0.01)	\$ (0.04)
From discontinued operations	\$ -	\$ -	\$ -	\$ -

For the three and six months ended August 31, 2017 and August 31, 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.