



**eQube Gaming Limited**

Management Discussion and Analysis  
*For the Three and Six Months Ended August 31, 2018*

**FORM 51-102F1**

**1. Introduction**

The following management's discussion and analysis ("MD&A") for eQube Gaming Limited (the "Company") should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and notes thereto for the three and six months ended August 31, 2018 and the audited consolidated financial statements and notes thereto for the year ended February 28, 2018. Our unaudited condensed interim consolidated financial statements and related notes for the three and six months ended August 31, 2018 are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All dollar amounts are expressed in Canadian currency unless otherwise indicated. Additional information about the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Such additional information is not incorporated by reference herein, unless otherwise specified, and should not be deemed to be part of this MD&A.

This MD&A makes reference to certain measures not defined under IFRS that are provided to assist in assessing the Company's financial performance. Non-IFRS earnings measures do not have any standard meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers.

This MD&A was prepared by management of the Company, and was approved by the Board of Directors on 31 October 2018.

**2. Forward-Looking Statements**

The MD&A offers our assessment of the Company's future plans and operations as of 31 October 2018 and contains forward-looking statements. The words "may", "will", "should", "believe", "expect", "plan", "anticipate", "intend", "estimate", "predict", "potential", "target", "continue" or the negative of these terms, or other expressions which are predictions of or indicate future events and trends and which do not relate to historical matters, identify forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, including those discussed below. You are cautioned that the assumptions used in the preparation of forward-looking information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Certain statements in this MD&A constitute forward-looking statements based on management's expectations, estimates and projections. All statements that address expectations or projections about the future, including, but not limited to, statements about the Company's business or financial objectives, its strategies or future actions, its product testing and revenue models, the use of capital and proceeds including plans to fund short-term cash requirements, anticipated regulatory approvals, its targets, its plans for international expansion, expectations with respect to the expiration of the warrants thereunder, the timing of purchase of equipment and scheduling of equipment installations, expected contractual obligations and lease obligations, expectations for financial condition or outlook on operations are forward-looking statements. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements were made.

Actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements based on a number of factors and risks. These include the risks set out herein (including under the heading "Risk and Uncertainties" in Item 14), failure to obtain necessary

regulatory approvals, inability to fund or develop new products, and ability to access sufficient capital. No assurance can be given that any of the events anticipated will transpire or occur, or if any of them do so, what benefits the Company will derive from them. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

### **3. Outlook**

#### **Highlights for the Three and Six Months Ended August 31, 2018**

- Total revenue from continuing operations for the three months ended August 31, 2018 increased 104.0% to \$3,331,363 from \$1,623,627 in the same period in the prior year. Total Revenue from continuing operations for the six months ended August 31, 2018 increased 201.5% to \$9,606,133 from \$3,186,409 in the same period in the prior year.
- Revenue from continuing operations, excluding hardware sales decreased 5.5% to \$1,229,581 in the three months ended August 31, 2018 from \$1,301,272 in the same period in the prior year. Revenue from continuing operations, excluding hardware sales decreased 0.5% to \$2,628,902 in the six months ended August 31, 2018 from \$2,643,236 in the same period in the prior year.
- Total revenue from hardware and software sales for the three months ended August 31, 2018 increased significantly to \$2,081,782 from \$322,355 in the same period in the prior year. Total revenue from hardware and software sales for the six months ended August 31, 2018 increased significantly to \$6,977,231 from \$543,173 in the same period in the prior year.
- Gross profit for the three months ended August 31, 2018 decreased 4.1% to \$1,093,832 from \$1,140,040 in the same period the prior year. Gross profit for the six months ended August 31, 2018 increase 67.8% to \$3,474,912 from \$2,071,345 in the same period the prior year.

#### ***Business Objectives***

The Company's primary business objectives are as follows:

- to be the leading global eBingo platform supplier;
- to employ data analytics (collected by the Company's software) to leverage and increase revenue opportunities for the Company and its customers; and
- to place the Company's hardware and software in multiple jurisdictions and venues whereby the products can also act as a distribution vehicle for other third party products.

#### ***Business Strategy***

The Company's business strategy is to grow its operations in the commercial, charitable, and tribal markets through geographic expansion, pursuing strategic acquisitions, leveraging best business practices amongst its operating divisions, increasing sales from existing customers, attracting new clients and expanding in key commercial and tribal verticals. Capital will be used to obtain regulatory approval in additional jurisdictions, procure equipment for placement in client venues, expand distributor networks in new markets, increase product placement and create recurring revenue opportunities through the Company's product participation model. Additional capital will also provide the Company with flexibility with respect to future acquisitions.

The Company will continue with its plans for international expansion with focus on the United States (“U.S.”), European and Latin American markets.

#### **4. Overview**

##### **4.1 Background**

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

On July 2, 2014, eQube entered into an amalgamation agreement (the “Amalgamation Agreement”) with the Company (formerly Triox Limited) and 1824721 Alberta Limited, a wholly owned subsidiary of the Company, to combine their business operations. The Company was incorporated under the laws of Hong Kong on August 4, 2011, and was classified as a Capital Pool Company as defined pursuant to Policy 2.4 of the TSX Venture Exchange (the “TSXV”). In anticipation of the closing of the Amalgamation Agreement, the Company changed its name from Triox Limited to eQube Gaming Limited on September 26, 2014.

The transaction was completed on October 30, 2014 and constituted a “Qualifying Transaction” of the Company (as such term is defined within the meaning of Policy 2.4 of the TSXV). The Company’s registered office is located at #100, 10493 – 184 Street, Edmonton, Alberta.

On June 19, 2015, the Company acquired the operations of Alberta Satellite Bingo, which is comprised of Alberta Satellite Bingo Limited Partnership (“Alberta Satellite Bingo LP”), 657255 Alberta Limited and The Satellite Bingo Network (TSBN) Inc. (“TSBN”). The acquisition includes assets, intellectual property and existing personnel to operate a linked bingo game in the Province of Alberta. The acquisition provides a strategic platform for the Company to expand linked game offerings to current and future customers in other markets which will allow the Company to increase prize liquidity for bingo players. For more detailed disclosure on the acquisition please refer to Note 4 of the consolidated financial statements for the year ended February 28, 2017.

On January 4, 2016, the Company took over the bingo hall operations of a bingo hall in Cork, Ireland. The operations are run through e3 Bingo Limited, a wholly-owned subsidiary of eQube Gaming Limited. This provided a strategic platform for the Company to showcase its products and services in a live ‘demo’ environment of an operational European hall where customers from the U.K. and mainland Europe could see ‘fit for purpose’ product in use in a European context, rather than purchase from North America or visit North America to view. On October 31, 2016, the Company sold its equity interest in e3 Bingo Limited to a close family member of the Chief Executive Officer of the Company for €100, which was approved by the TSXV in accordance with its policies. The financial performance of e3 Bingo Limited was disclosed as discontinued operations in the audited consolidated financial statements for the year ended February 28, 2017.

The year end of the Company is the last day in February.

## 4.2 General

Together with its subsidiaries, the Company 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 U.S. and Ireland.

The Company's customers consist primarily of licensed gaming operators in Canada, the U.S. and Ireland. In Canada, the Company's customers include provincial gaming regulators in British Columbia, Alberta and Ontario. In the U.S., the Company's customers are located in Nevada, Mississippi, Texas, Kentucky, California, Georgia, North Dakota, and Washington. The Company's U.S. customers include tribal operators, the U.S. Army and other facility operators. In Ireland, the Company's customers are independent licensed gaming operators.

## 4.3 Products and Services

The Company's electronic bingo solutions are server-based and include a multi-gaming software platform, tablet and fixed base hardware devices, and a central control system module that protects the financial integrity of a jurisdiction's gaming operations by tracking gaming revenue and other data to enable gaming centre operators to meet strict regulatory reporting requirements.

The Company earns revenues from the sale and lease of software and hardware, service and support, installations, gaming revenue and the sale of Bingo supplies. The equipment is typically owned directly by the Company or its subsidiaries. However, certain customers prefer owning their own equipment based on their hardware and software needs and this has led to fluctuations in hardware and software sales.

	Three months ended August 31,		Six months ended August 31,	
	2018	2017	2018	2017
Hardware and software sales	\$ 2,081,782	\$ 322,355	\$ 6,977,231	\$ 543,173
Hardware and software rentals	360,407	743,852	747,964	1,479,320
Customer support and other services	631,175	334,145	1,252,963	720,909
Game revenue	140,036	182,018	414,153	370,962
Bingo supplies	97,963	41,257	213,822	72,045
	<b>\$ 3,311,363</b>	<b>\$ 1,623,627</b>	<b>\$ 9,606,133</b>	<b>\$ 3,186,409</b>

## 4.4 Market - The Electronic Bingo Gaming Industry

The Company leases and sells its products to gaming operators and regulators across North America and overseas. As an information technology gaming supplier, the Company is subject to the rules and regulations of each separate operational jurisdiction.

### *Canada*

Gaming in Canada is regulated by the Criminal Code of Canada (the "Code"). The Code requires that where gaming is conducted, the appropriate provincial government is responsible to "conduct and manage" the gaming activity. These provincial commissions are the customers or potential customers of the Company in Canada.

The Company earns revenue from its customers in various ways:

- the sale or rental of the financial control systems into a bingo location;

- recurring monthly rental of the Company's bingo and social gaming applications and hardware devices in use at each hall;
- ongoing customer support, service and maintenance;
- professional services; and
- sale of Bingo supplies and accessories.

This model provides a stable revenue stream to support the Company's growth and expansion.

### ***International***

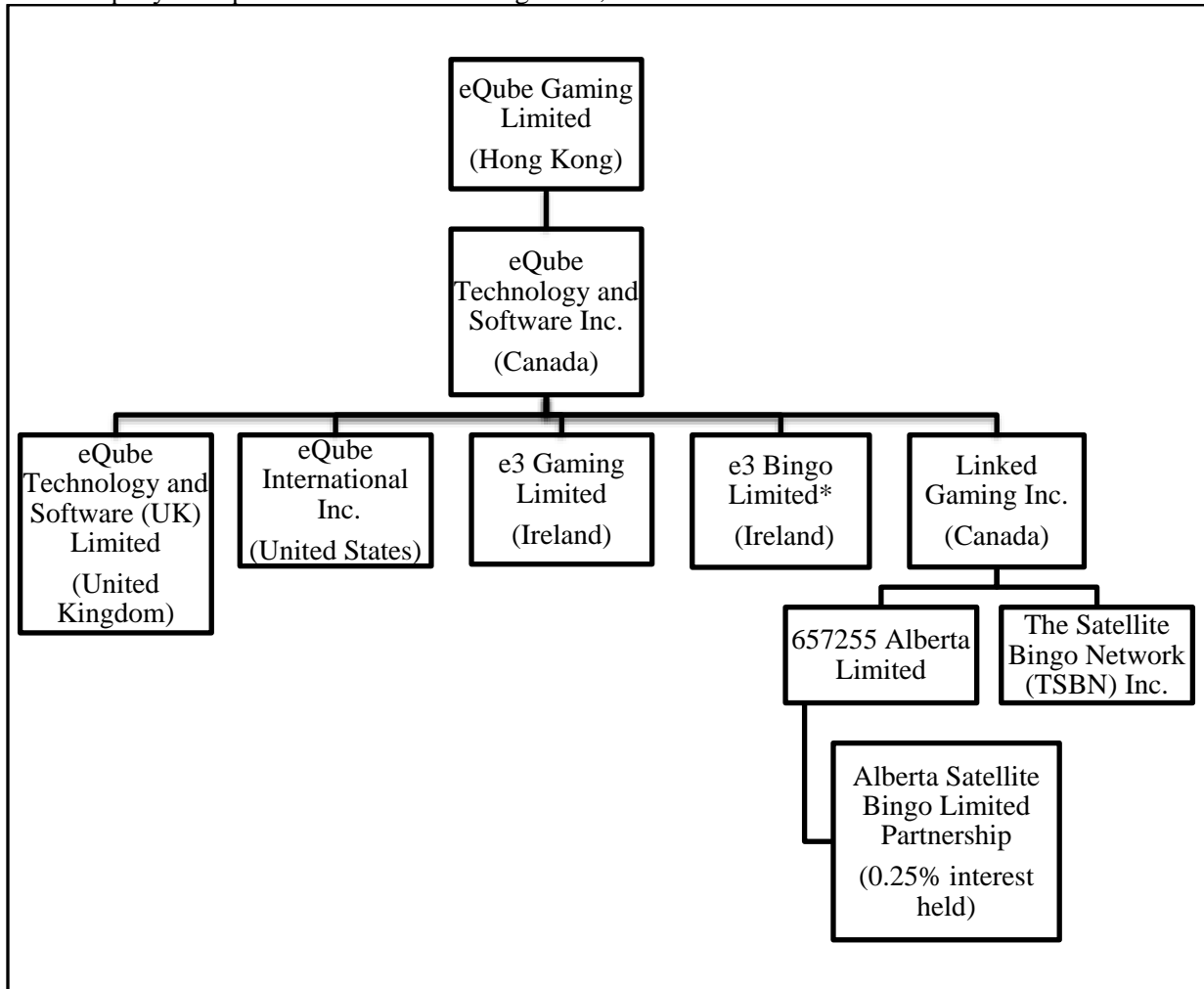
Each U.S. state has its own rules and regulations which govern gaming in their respective jurisdictions. In addition, tribal sites may have their own regulatory framework separate from the state which must be adhered to. Each supplier is required to go through a licensing process, which is similar to that of the Canadian jurisdictions.

The U.S. and International markets have evolved to allow each bingo hall operator to independently negotiate and purchase or, more commonly lease, equipment that best suits their needs. This differs from Canadian jurisdictions where the applicable gaming regulator selects the software and hardware platform to be used in all halls within that regulator's jurisdiction.

The majority of bingo hall operators in North America and International markets lease or rent hardware and software on a monthly/weekly/daily rate basis. The most common rental terms in these markets are: (i) a fixed transaction fee per use; or (ii) a fixed weekly fee per unit. These revenue models offer higher gross margin returns over the life of a contract compared to software only models, but require the eBingo supplier to make significant capital equipment investments up front.

#### 4.5 Corporate Structure

The Company's corporate structure as of August 31, 2018 is as follows:



*\*The Company, sold its equity interest in e3 Bingo Limited on October 31, 2016 and as of that date e3 Bingo Limited was no longer a subsidiary of the Company.*

#### ***eQube Technology and Software Inc.***

eQube Technology and Software Inc. services the Company's clients in Canada. These clients include provincial gaming regulators in British Columbia, Alberta and Ontario. eQube Technology and Software Inc. is headquartered in Edmonton, Alberta and is engaged in the design, development, distribution, licensing and sale of technology-based electronic bingo gaming solutions for regulated gaming markets. eQube Technology and Software Inc. produces server-based, electronic bingo solutions, which include multi-gaming software platform, tablet and fixed based hardware devices, and a central control system module that protects the financial integrity of a jurisdiction's gaming operations by tracking gaming revenue and other data to enable gaming centre operators to meet strict regulatory reporting requirements.

***eQube International Inc.***

With its headquarters located in Las Vegas, Nevada, eQube International Inc. services the Company's clients in the U.S. These clients consist of the U.S. Army, tribal organizations, state-run bingo facilities and private bingo operators. eQube International Inc. drives the marketing efforts of the Company as it expands further into the U.S.

***eQube Technology and Software (UK) Limited***

eQube Technology and Software (UK) Limited, incorporated in the United Kingdom on October 14, 2013, was established to service the Company's new Irish markets and is the legal entity which contracts with the Company's electronic bingo clients in Ireland. The headquarters of eQube Technology and Software (UK) Limited are located in Edmonton, Alberta.

***e3 Gaming Limited***

e3 Gaming Limited, incorporated in Ireland on December 15, 2014, was established to service the Company's new charitable and community gaming initiatives in Ireland. The headquarters of e3 Gaming Limited are located in Cork, Ireland.

***e3 Bingo Limited ("Rock Bingo")***

e3 Bingo Limited, incorporated in Ireland on February 11, 2016, was established to run the operations of Rock Bingo Hall. Rock Bingo is a 1,000 seat bingo hall located in Cork, Ireland. The bingo hall operation provided a strategic platform for the Company to showcase its products and services in the live 'demo' environment of an operational European hall where customers from the UK and mainland Europe could see 'fit for purpose' product in use in a European context, a much more compelling model compared to travelling to view or directly purchasing a "North American" product. On October 31, 2016, the Company sold its equity interest in e3 Bingo Limited to a close family member of the Chief Executive Officer of the Company for €100, which was approved by the TSXV in accordance with its policies. The financial performance of e3 Bingo Limited was disclosed as discontinued operations in the audited consolidated financial statements for the year ended February 28, 2017.

***Linked Gaming Inc.***

Linked Gaming Inc., incorporated in Edmonton, Alberta on June 16, 2015 was established to hold the shares of 657255 Alberta Limited and The Satellite Bingo Network (TSBN) Inc. which are fully controlled subsidiaries.

***657255 Alberta Limited***

657255 Alberta Limited, incorporated in Edmonton, Alberta was acquired by the Company on June 19, 2015 as part of the operations of Alberta Satellite Bingo. 657255 Alberta Limited owns 0.25% and is the general partner of Alberta Satellite Bingo Limited Partnership ("Alberta Satellite Bingo LP"). As the general partner, it is responsible for managing all aspects of Alberta Satellite Bingo LP's operations.

***The Satellite Bingo Network (TSBN) Inc. (“TSBN”)***

TSBN, incorporated in Edmonton, Alberta was acquired by the Company on June 19, 2015 as part of the operations of the Alberta Satellite Bingo. TSBN owns all the intellectual property required to operate the Alberta Satellite Bingo game and receives a license fee from Alberta Satellite Bingo LP.

***Alberta Satellite Bingo Limited Partnership (“Alberta Satellite Bingo LP”)***

Alberta Satellite Bingo LP is a limited partnership that provides linked session bingo gaming in Alberta, Canada. 657255 Alberta Limited manages all aspects of the Alberta Satellite Bingo LP’s operations. Through the Company’s common ownership of 657255 Alberta Limited and TSBN, and 657255 Alberta Limited’s operational control over Alberta Satellite Bingo LP, the Company is deemed to control Alberta Satellite Bingo LP and has consolidated the operations accordingly. 657255 Alberta Limited owns 0.25% and is the general partner of Alberta Satellite Bingo LP. The remaining ownership stake of 99.75% is owned by approximately 160 charitable organisations.

**5. Results of Operations**

The following selected financial data is derived from the audited consolidated financial statements or unaudited condensed interim consolidated financial statements of the Company, as applicable, prepared within acceptable limits of materiality and is in accordance with IFRS applicable to the preparation of financial statements.

**eQube Gaming Limited**  
**Management Discussion and Analysis**  
*For the Three and Six Months Ended August 31, 2018*

**5.1. Summary of Quarterly Results**

	For the three months ended			
	August 31, 2018	May 31, 2018	February 28, 2018	November 30, 2017
Total revenue from continuing operations	\$ 3,311,363	\$ 6,294,770	\$ 1,011,817	\$ 1,413,215
Net (loss) income and comprehensive (loss) income attributable to the owners of the Company:				
From continuing operations	\$ 86,319	\$ 1,074,258	\$ (3,206)	\$ 4,280
From discontinued operations	\$ -	\$ -	\$ -	\$ -
Basic weighted average number of shares	30,220,727	30,220,727	30,220,727	30,220,727
(Loss) income per share, basic				
From continuing operations	\$ -	\$ 0.04	\$ -	\$ -
From discontinued operations	\$ -	\$ -	\$ -	\$ -
Diluted weighted average number of share	30,220,727	30,220,727	30,220,727	30,220,727
(Loss) income per share, diluted				
From continuing operations	\$ -	\$ 0.04	\$ -	\$ -
From discontinued operations	\$ -	\$ -	\$ -	\$ -
	For the three months ended			
	August 31, 2017	May 31, 2017	February 28, 2017	November 30, 2016
Total revenue from continuing operations	\$ 1,623,627	\$ 1,562,782	\$ 2,636,351	\$ 1,712,078
Net (loss) income and comprehensive (loss) income attributable to the owners of the Company:				
From continuing operations	\$ 4,211	\$ (284,138)	\$ 602,141	\$ (180,311)
From discontinued operations	\$ -	\$ -	\$ 3,942	\$ (178,709)
Basic weighted average number of shares	30,220,727	30,220,727	30,220,727	30,220,727
(Loss) income per share, basic				
From continuing operations	\$ -	\$ (0.01)	\$ 0.02	\$ (0.01)
From discontinued operations	\$ -	\$ -	\$ -	\$ (0.01)
Diluted weighted average number of share	30,220,727	30,220,727	30,220,727	30,220,727
(Loss) income per share, diluted				
From continuing operations	\$ -	\$ (0.01)	\$ 0.02	\$ (0.01)
From discontinued operations	\$ -	\$ -	\$ -	\$ (0.01)

Total Revenue from continuing operations

Total revenue for the three months ended August 31, 2018 has increased from the prior quarter due to increases of \$1,759,427 in hardware and software sales, \$297,030 in customer support and other services and \$56,706 in bingo supplies. The increase was offset by decreases in hardware and software rentals of \$383,445 and game revenue of \$41,982.

Total revenue for the three months ended May 31, 2018 has increased from the prior quarter due to, increases in gaming revenue of \$25,636, hardware and software rentals of \$211,452 and hardware and software sales of \$4,915,036 and customer support and other services of \$157,190, offset by decrease bingo supplies of \$26,361.

Total revenue for the three months ended February 28, 2018 has decreased from the prior quarter due to decreases in bingo supplies of \$23,968, gaming revenue of \$11,117, hardware and software rentals of \$126,563 and hardware and software sales of \$841,542, offset by increases of customer support and other services of \$601,792.

Total revenue for the three months ended November 30, 2017 is down from the prior quarter due to decreases of gaming revenue of \$21,977, customer support and other services of \$295,113, hardware and software rentals of \$185,147, offset by increases in bingo supplies of \$9,066 and hardware and software sales of \$282,759.

Total revenue for the three months ended August 31, 2017 is down from the prior quarter due to decreases of \$279,411, customer support and other services of \$94,415, offset by increases in, hardware and software rentals \$25,142, bingo supplies \$41,257 and hardware and software sales \$313,131.

Total revenue for the three months ended May 31, 2017 is down from the prior quarter due to decreases of \$1,332,505 in hardware and software rentals, \$1,337,257 in contract termination revenue offset by increases in customer support and other services of \$932,339, game revenue \$409,995, hardware sales \$223,071 and Bingo supplies \$30,788.

Total revenue for three months ended February 28, 2017 is up from the prior quarter due to an increase of \$1,376,594 in hardware sales and software sales and an increase of \$1,337,257 due to contract termination revenue offset by a decrease of \$1,012,530 in customer support and other services a \$411,753 decrease in game revenue and \$365,295 in hardware and software sales.

Total revenue for three months ended November 30, 2016 is up from the prior quarter due to an increase of \$353,818 in hardware sales, \$38,395 in customer support and other services offset by a \$27,331 decrease in hardware and software rentals and \$9,619 in game revenue

**eQube Gaming Limited**  
**Management Discussion and Analysis**  
*For the Three and Six Months Ended August 31, 2018*

## 5.2. Comparison of Results

	Three months ended August 31,		Six months ended August 31,	
	2018	2017	2018	2017
<b>Sales, service and other revenue</b>	<b>\$ 3,311,363</b>	<b>\$ 1,623,627</b>	<b>\$ 9,606,133</b>	<b>\$ 3,186,409</b>
Direct costs	(2,217,531)	(483,587)	(6,131,221)	(1,115,064)
Gross Profit	1,093,832	1,140,040	3,474,912	2,071,345
<b>Expenses</b>				
General and administrative expenses	708,698	690,119	1,546,523	1,493,565
Income before other expenses (income)	385,134	449,921	1,928,389	577,780
<b>Other expenses (income)</b>				
Finance income	-	510	1,226	510
Finance costs	107,359	140,433	230,554	306,020
Depreciation and amortization	168,190	245,877	400,896	482,830
Foreign exchange loss (gain)	16,846	8,197	122,295	18,250
Total other expenses (income)	292,395	395,017	754,971	807,610
Income before income taxes	92,739	54,904	1,173,418	(229,830)
Income tax expense	6,420	50,693	-	50,693
<b>Net profit / (loss) and comprehensive profit (loss) from continuing operations</b>	<b>\$ 86,319</b>	<b>\$ 4,211</b>	<b>\$ 1,173,418</b>	<b>\$ (280,523)</b>

### Sales, Service and Other Revenue

Revenue for the three months ended August 31, 2018 increased \$1,687,736 or 104.0% to \$3,311,363 from \$1,623,627 for the three months ended August 31, 2017. The increase is due to \$2,123,335 in Canadian revenue offset by a decrease of \$267,366 in US revenue and a decrease of \$168,233 in European revenue.

Revenue for the six months ended August 31, 2018 increased \$6,419,724 or 201.5% to \$9,606,133 from \$3,186,409 for the six months ended August 31, 2017. The increase is due to \$7,057,163 in Canadian revenue offset by a decrease of \$297,153 in US revenue and a decrease of \$340,286 in European revenue.

### Direct Costs

Direct costs increased \$1,733,944 or 358.6% to \$2,217,531 for the three months ended August 31, 2018 from \$483,587 compared with the same period in the prior year. As a percentage of revenue, direct costs were 67.0% for the three months ended August 31, 2018 compared with 29.8% for the three months ended August 31, 2017.

**eQube Gaming Limited**  
**Management Discussion and Analysis**  
***For the Three and Six Months Ended August 31, 2018***

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Gross Profit

Gross profit decreased \$46,208 or 4.05% to \$1,093,832 for the three months ended August 31, 2018 from \$1,140,040 for the three months ended August 31, 2017. As a percentage of revenue, gross profit is 33.0% for the three months ended August 31, 2018 compared with 70.2% for the same period in the prior year.

Gross profit increased \$1,403,567 or 67.8% to \$3,474,912 for the six months ended August 31, 2018 from \$2,071,345 for the six months ended August 31, 2017. As a percentage of revenue, gross profit is 36.2% for the three months ended August 31, 2018 compared with 65.0% for the same period in the prior year.

General and Administrative Expenses

General and administrative expenses increased \$18,579 or 2.7% to \$708,698 for the three months ended August 31, 2018 from \$690,119 for the same period in the prior year. The increase is due to a \$81,935 increase in office and other and a \$54,275 increase in professional fees, offset by decreases of \$69,182 in compensation and benefits, \$24,491 in advertising and promotion, \$2,656 in rent and \$21,302 in business taxes, insurance and licenses.

General and administrative expenses increased \$52,958 or 3.6% to \$1,546,523 for the six months ended August 31, 2018 from \$1,493,565 for the same period in the prior year. The increase is due to an increase of \$509,334 in office and other, offset by decreases of \$180,000 in compensation and benefits, \$63,138 in professional fees, \$128,519 in advertising and promotion, \$33,582 in rent and \$51,068 in business taxes, insurance and licenses.

Income Before Other Expenses (loss)

The income before other expenses for the three months ended August 31, 2018 decreased \$64,787 or 14.4% to \$385,134 from \$449,921 for the same period in the prior year. The increase is a result of factors previously discussed.

For the six months ended August 31, 2018 the income before other expenses increased \$1,350,609 or 233.8% to \$1,928,389 from \$577,780 for the same period in the prior year. The increase is a result of factors previously discussed.

Finance Income

For the three months ended August 31, 2018 finance expense decreased by \$510 or 100.0% to \$nil from an income of \$510 in the same period in the prior year. For the six months ended August 31, 2018 finance income increased by \$716 or 140.4% to \$1,226 from \$510 in the same period in the prior year.

Finance Costs

Finance costs, consisting of interest on loans and dividends on preferred shares, decreased by \$33,074 or 23.6% for the three months ended August 31, 2018 compared to the same period in the prior year. The decrease in finance costs were due to the general reduction of debt in the Company due to regular repayments in accordance with the terms of financing.

### Depreciation and Amortization

For the three months ended August 31, 2018, depreciation and amortization expense decreased \$77,687 or 31.6% to \$168,190 from \$245,877 in the same period in the prior year. For the six months ended August 31, 2018, depreciation and amortization expense decreased \$81,934 or 17.0% to \$400,896 from \$482,830 in the same period in the prior year. The decrease is due to intangible assets and property and equipment being fully depreciated prior to the three and six months ended August 31, 2018.

### Foreign Exchange Loss

For the three months ended August 31, 2018, the foreign exchange loss increased \$8,649 or 105.5% to \$16,846 from a loss of \$8,197 for the same period in the prior year. For the six months ended August 31, 2018, the foreign exchange loss increased \$104,045 or 570.1% to \$122,295 from a loss of \$18,250 for the same period in the prior year. The loss is due to the weakening of the Canadian dollar against the Euro and against the American dollar.

The Company does not currently use derivative financial instruments to alter the risks associated with foreign exchange fluctuations.

### Net Income and Comprehensive Loss from continuing operations

Net income and comprehensive income for the three months ended August 31, 2018 was \$86,319 compared with income of \$4,211 for the same period in the prior year. The \$82,108 or 1,949.9% increase in the income is the result of many factors discussed.

Net income and comprehensive income for the six months ended August 31, 2018 was \$1,173,418 compared with a loss of \$280,523 for the same period in the prior year. The \$1,453,941 increase in the income is the result of many factors discussed.

### Net Loss and Comprehensive Loss Attributable to Non-Controlling Interest

On June 19, 2015 the Company acquired Alberta Satellite Bingo LP as part of the operations of Alberta Satellite Bingo. The non-controlling interest holds 99.75% of the partnership units. The net loss attributable to their interest in Alberta Satellite Bingo LP for the three months ended August 31, 2018 is \$127 The Company's share of the operating income of Alberta Satellite Bingo LP for the three months ended August 31, 2017 is \$61.

The net loss attributable to their interest in Alberta Satellite Bingo LP for the six months ended August 31, 2018 is \$92 The Company's share of the operating income of Alberta Satellite Bingo LP for the six months ended August 31, 2017 is \$60.

**eQube Gaming Limited**  
**Management Discussion and Analysis**  
*For the Three and Six Months Ended August 31, 2018*

**6. Financial Position**

	August 31, 2018	February 28, 2018	February 28, 2017	February 29, 2016
Total assets	\$ 4,602,294	\$ 4,961,270	\$ 4,729,201	\$ 5,594,215
Total non-current financial liabilities	\$ 1,483,159	\$ 1,647,919	\$ 2,606,298	\$ 2,323,020

Total assets decreased \$1,399,123 or 28.2% from February 28, 2018 to August 31, 2018. The net decrease is the result of a \$317,796 decrease in cash, a \$11,870 decrease in accounts receivable, a \$1,376,755 decrease in accrued receivables, a \$609,306 increase in supplies and components, a \$10,312 decrease in inventory, a \$125,794 decrease in prepaid expenses and deposits, a \$104,665 decrease in property and equipment and a \$61,235 decrease in intangible assets.

Total assets increased \$232,069 or 4.9% from February 28, 2017 to February 28, 2018. The net increase is the result of a \$460,368 decrease in cash, a \$289,414 decrease in accounts receivable, an \$182,725 decrease in property and equipment, and a \$720,482 decrease in prepaid expenses. The decreases were offset by a \$1,368,529 increase in accrued receivables, a \$369,626 increase in supplies and components, a \$56,740 increase in inventory and a \$90,164 increase in intangible assets.

The decrease in the non-current liabilities from February 28, 2018 to May 31, 2018 of \$162,005 is the result of repayments of shareholder loans of \$160,000 and reduction of the long term portion of obligations under finance lease of \$2,005.

The decrease in the non-current liabilities from February 28, 2018 to February 28, 2017 of \$1,118,379 is the result of repayments on other related loans of \$154,181, reduction of the long term portion of obligations under finance lease of \$1,205 and the payment on other loans of \$1,365,855. The decrease is offset by an increase of \$402,862 in shareholder loans.

**7. Liquidity and Capital Resources**

**7.1. Cash Flows by Activity**

	Three months ended August 31,		Six months ended August 31,	
	2018	2017	2018	2017
Cash flows provided by operations	\$ 398,504	\$ 390,515	\$ 1,841,505	\$ 515,074
Change in non-cash operating working capital	116,873	(243,977)	(607,468)	303,165
Net cash flows provided by operating activities	515,377	146,538	1,234,037	818,239
Net cash flows (used in) financing activities	(562,236)	(203,766)	(1,280,202)	(1,006,851)
Net cash flows used in investing activities	(270,938)	(11,058)	(271,632)	(438,138)
Net (decrease) increase in cash and cash equivalents	\$ (317,797)	\$ (68,286)	\$ (317,797)	\$ (626,750)

**eQube Gaming Limited**  
**Management Discussion and Analysis**  
***For the Three and Six Months Ended August 31, 2018***

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Operating Activities

Cash flows from operating activities are \$515,377 for the three months ended August 31, 2018 compared to cash flows from operating activities of \$146,538 for the same period in the prior year.

Cash flows provided by operating activities are \$1,234,037 for the six months ended August 31, 2018 compared to cash flows from operating activities of \$818,239 for the same period in the prior year.

Financing Activities

Cash used by financing activities was \$562,236 for the three months ended August 31, 2018 compared with cash used by financing activities of \$203,766 for the same period in the prior year. During the three months ended August 31, 2018, the company repaid loans in the amount of \$454,877 and payment of interest and dividends of \$107,359.

Cash used by financing activities was \$1,280,202 for the six months ended August 31, 2018 compared with cash from financing activities of \$1,006,851 for the same period in the prior year. During the six months ended August 31, 2018, the company repaid loans in the amount of \$1,050,873 and paid of interest and dividends of \$229,329.

Investing Activities

Cash flows used in investing activities were \$270,938 for the three months ended August 31, 2018 compared with \$11,058 for the same period in the prior year. The Company purchased \$270,938 of property and equipment.

Cash flows used in investing activities were \$271,632 for the six months ended August 31, 2018 compared with \$438,138 for the same period in the prior year. The Company purchased \$271,632 of property and equipment.

## **7.2. Capital Resources**

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 six months August 31, 2017, there were no changes in the Company's objectives and policies for capital management other than the changes noted below.

The Company includes the following in the definition of capital:

	<b>August 31, 2018</b>	<b>February 28, 2018</b>
Shareholder loans	\$ 1,647,286	\$ 1,799,738
Other related loans	78,690	168,907
Other loans	658,451	1,460,243
Obligations under finance lease	42,704	49,116
Preferred shares	2,060,000	2,060,000
Deficiency	(2,422,744)	(3,632,828)
	<b>\$ 2,064,387</b>	<b>\$ 1,905,176</b>

**eQube Gaming Limited**  
**Management Discussion and Analysis**  
*For the Three and Six Months Ended August 31, 2018*

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 offerings.

The Company has closed its operating line of credit as of April 21, 2017.

### 7.3. 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.

As at August 31, 2018, the Company had cash of \$259,094 (February 28, 2018 - \$576,890), accounts receivable of \$1,439,710 (February 28, 2018 - \$411,433), for a total of \$1,698,803 (February 28, 2018 - \$988,323). Current and on demand obligations from accounts payable and accrued liabilities, interest bearing loans, and dividend paying preferred shares total \$6,671,419 (February 28, 2018 - \$6,668,719). 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, 2018 summarized by fiscal year are as follows:

	On demand	2019	2020	2021	2022	Total
Accounts payable and accrued liabilities	-	1,144,141	-	-	-	1,144,141
Shareholder loans	160,000	687,286	-	800,000	-	1,647,286
Other related loans	-	78,690	-	-	-	78,690
Other loans	-	658,451	-	-	-	658,451
Obligation under finance lease	-	19,545	23,159	-	-	42,704
Preferred shares <sup>1</sup>	-	1,400,000	660,000	-	-	2,060,000
<b>Total</b>	<b>\$ 160,000</b>	<b>\$ 3,988,113</b>	<b>\$ 683,159</b>	<b>\$ 800,000</b>	<b>\$ -</b>	<b>\$ 5,631,272</b>

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

	On demand	2019	2020	2021	2022	Total
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 <sup>1</sup>	-	1,400,000	660,000	-	-	2,060,000
<b>Total</b>	<b>\$ 160,000</b>	<b>\$ 6,508,719</b>	<b>\$ 687,919</b>	<b>\$ 800,000</b>	<b>\$ -</b>	<b>\$ 8,156,638</b>

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

## 8. Off-Balance Sheet Arrangements and Derivative Instruments

The Company's off-balance sheet arrangements comprise operating leases entered into in the normal course of business. The Company has no other off-balance sheet arrangements and does not anticipate entering into any such arrangements other than in the normal course of business.

The minimum payments at August 31, 2017 under operating lease obligations for the Company's office and warehouse facilities 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

The Company does not enter into the speculative use of derivatives.

## 9. Related Party Transactions

### a) Shareholder Loans and Other Related Loans

#### *Shareholder loans:*

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

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

On January 23, 2017, the Company entered into a financing arrangement for a three month demand term loan in the amount of \$200,000 from the COO of the Company. The loan bears interest at 10% per annum with monthly interest only payments and the principal due at the end of the term. The loan was repaid in full on April 18, 2017.

#### *Other related loans:*

On 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

**eQube Gaming Limited**  
**Management Discussion and Analysis**  
*For the Three and Six Months Ended August 31, 2018*

\$16,134. The amount drawn on the loan at August 31, 2017 was \$284,121 (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, 2018, interest expense on shareholder and other related loans of \$33,223 (2017 - \$16,311) was recorded as expense and is included in finance costs.

During the six months ended August 31, 2018, interest expense on shareholder and other related loans of \$70,958 (2017 - \$44,668) was recorded as expense and is included in finance costs.

**b) Key Management Compensation**

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

	<b>Three months ended August 31,</b>		<b>Six months ended August 31,</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
Compensation and short-term employee benefits	\$ 138,086	\$ 86,767	\$ 248,057	\$ 222,021
Share-based payments	-	-	-	-
	<b>\$ 138,086</b>	<b>\$ 86,767</b>	<b>\$ 248,057</b>	<b>\$ 222,021</b>

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.

**c) Other related party transactions**

Included in hardware and software rentals revenue for the three month period ended August 31, 2018 is \$nil (three month period ended August 31, 2017 - \$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, 2018 is \$nil (six month period ended August 31, 2017 - \$43,851) from a company controlled by a close family member of the CEO.

**10. Other loans**

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 from the effective date until June 30, 2016 and 7% for the remainder of the term, with the principal amount due in full at the end of the loan term.

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 due to a company controlled by a director of the Company.

During the three months ended August 31, 2018, interest expense on other loans of \$23,427 (August 31, 2017 - \$71,847) was recorded as expense and is included in finance costs.

During the six months ended August 31, 2018, interest expense on other loans of \$55,750 (August 31, 2017 - \$149,875) was recorded as expense and is included in finance costs.

## **11. Changes in Accounting Policies Including Initial Adoption**

### ***Changes in Accounting Policies***

There were no significant amendments or new standards adopted by the Company for the first time for the financial year beginning on March 1, 2016.

### ***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.

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.

## **12. Financial Instruments and Other Instruments**

### ***Fair Value Measurement***

The Company’s financial assets include cash, accounts receivable and accrued receivables. The Company’s financial liabilities include bank indebtedness, accounts payable and accrued liabilities, current income tax payable, demand term loans, shareholders loans, other related loans, other loans, obligations under finance lease and preferred shares.

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

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

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

### ***Credit Risk***

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

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

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

The Company regularly reviews the collectability of its accounts receivable and accrued receivables and establishes an allowance account for credit losses based on its best estimate of any potentially uncollectible accounts receivables and accrued receivables. As at 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, 2018 and February 28, 2018, by length of time past due, are:

**eQube Gaming Limited**  
**Management Discussion and Analysis**  
*For the Three and Six Months Ended August 31, 2018*

	August 31, 2018	February 28, 2018
1 to 30 days past due	\$ 370,168	\$ 405,954
31 to 60 days past due	11,848	1,699
Greater than 60 days past due	17,547	3,780
<b>Total</b>	<b>\$ 399,563</b>	<b>\$ 411,433</b>

As at August 31, 2018, the Company had one customer owing more than \$50,000 that accounted for approximately 52% of all the trade accounts receivable owing (February 28, 2018 – one customer owing more than \$50,000; approximately 44% of all the trade accounts receivable). As at August 31, 2018, trade accounts receivable associated with customers that each individually exceeded 10% of the Company’s sales, service and other revenue totalled 21% of trade accounts receivable (February 28, 2018 – 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, 2018, totalled \$295,094 (February 28, 2018 - \$576,890), accounts receivable totalled \$399,563 (February 28, 2018 - \$411,433), representing the maximum exposure to credit risk of these financial assets.

***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 \$2,000 at August 31, 2018 (2017 - \$3,000). A 1% appreciation (depreciation) in the Canadian dollar price of Euros would result in gain (loss) of approximately \$3,000 at August 31, 2018 (2017 - \$4,000).

***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 August 31, 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 three and six months ended August 31, 2018 (2017 - \$nil).

### **13. Disclosure of Outstanding Share Data**

As at the date of this MD&A, the Company had a total of 30,220,727 Ordinary Shares issued and outstanding, 1,100,000 stock options outstanding under the Company's stock option plan.

As at the date of this MD&A, none (February 28, 2018 – none) of the issued ordinary shares were held in escrow.

As at the date of this MD&A, the Company had a total of 2,060,000 Preferred Shares issued and outstanding.

### **14. Subsequent events**

Subsequent to the period ended August 31, 2018, the Company secured the following financing:

- a) Shareholder loan financing of \$150,000 bearing interest at 9% with repayment terms of interest only to January 2019 followed by 12 monthly capital and interest repayments. The loans mature on January 2020.
- b) A revolving operating line with Bank of Ireland up to a maximum of \$100,000. The operating line bears interest at 8%.

### **15. Risks and Uncertainties**

For the three months ended August 31, 2018, there has been no significant change in the Company's risks and uncertainties from those described in the MD&A for the three and six months and year ended February 28, 2018. Those risks and uncertainties are herein incorporated by reference.

### **16. Other Information**

Additional information about the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).