

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

*For the Three and Six Months Ended August 31, 2018*  
*(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**

## **Table of Contents**

---

Condensed Interim Consolidated Statements of Financial Position	4
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss	5
Condensed Interim Consolidated Statements of Changes in Equity	6
Condensed Interim Consolidated Statements of Cash Flows	7
Notes to the Condensed Interim Consolidated Financial Statements	8-28

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

(Expressed in Canadian dollars)  
(Unaudited)

	<b>August 31, 2018</b>	<b>February 28, 2018</b>
<b>Assets</b>		
Current Assets		
Cash	\$ 259,094	\$ 576,890
Accounts receivable	399,563	411,433
Accrued receivables	70,621	1,447,376
Supplies and components	981,610	372,304
Inventory	46,428	56,740
Prepaid expenses and deposits	35,092	160,887
	<b>1,792,407</b>	<b>3,025,630</b>
Property and equipment (Note 6)	1,153,345	1,258,010
Intangible assets (Note 7)	616,394	677,630
	<b>\$ 3,562,147</b>	<b>\$ 4,961,270</b>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8)	1,144,141	2,618,635
Deferred revenue	394,676	441,850
Current portion of shareholder loans (Note 9)	847,286	839,738
Current portion of other related loans (Note 9)	78,690	168,907
Current portion of other loans (Note 10)	658,451	1,460,243
Current portion of obligations under finance lease (Note 11)	19,545	21,197
Preferred shares (Note 12)	1,400,000	1,400,000
	<b>4,542,789</b>	<b>6,950,570</b>
Long term liabilities		
Shareholder loans (Note 9)	800,000	960,000
Obligations under finance lease (Note 11)	23,159	27,919
Preferred shares (Note 12)	660,000	660,000
	<b>6,025,948</b>	<b>8,598,489</b>
<b>Deficiency</b>		
Share capital (Note 13)	8,135,041	8,135,041
Contributed surplus	435,437	435,437
Deficiency	(10,993,222)	(12,203,306)
Deficiency attributable to the owners of the company	(2,422,744)	(3,632,828)
Non-controlling interest (Note 14)	(41,057)	(4,391)
	<b>(2,463,801)</b>	<b>(3,637,219)</b>
	<b>\$ 3,562,147</b>	<b>\$ 4,961,270</b>

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,	
	2018	2017	2018	2017
Sales, service and other revenue	\$ 3,311,363	\$ 1,623,627	\$ 9,606,133	\$ 3,186,409
Direct costs	2,217,531	483,587	6,131,221	1,115,064
Gross Profit	<b>1,093,832</b>	<b>1,140,040</b>	<b>3,474,912</b>	<b>2,071,345</b>
Expenses				
General and Administrative expenses (Note 18)	708,698	690,119	1,546,523	1,493,565
Income (loss) before other expenses (income)	<b>385,134</b>	<b>449,921</b>	<b>1,928,389</b>	<b>577,780</b>
Other expenses (income)				
Finance income (Note 19)	-	510	1,226	510
Finance costs (Note 19)	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)	<b>292,395</b>	<b>395,017</b>	<b>754,971</b>	<b>807,610</b>
Income (loss) before taxes	<b>92,740</b>	<b>54,904</b>	<b>1,173,418</b>	<b>(229,830)</b>
Income tax expense (recovery)	<b>(6,420)</b>	<b>(50,693)</b>	-	<b>(50,693)</b>
<b>Net profit / (loss) and comprehensive loss from continuing operations</b>	<b>\$ 86,319</b>	<b>\$ 4,211</b>	<b>\$ 1,173,418</b>	<b>\$ (280,523)</b>
Total net (loss) / income and comprehensive (loss) income attributable to:				
Owners of the Company - continuing operations	136,975	(20,020)	1,210,084	(304,158)
Non-controlling interest (Note 18)	(50,656)	24,231	(36,666)	23,635
	<b>\$ 86,319</b>	<b>\$ 4,211</b>	<b>\$ 1,173,418</b>	<b>\$ (280,523)</b>
Loss per share (Note 21)				
Basic				
From continuing operations	\$ -	\$ -	\$ 0.04	\$ -
Diluted				
From continuing operations	\$ -	\$ -	\$ 0.04	\$ -

**eQube Gaming Limited**  
**Condensed Interim Consolidated Statements of Changes in Equity**

(Expressed in Canadian dollars)

(Unaudited)

	Share capital amount	Contributed Surplus	Deficiency	Total	Non- controlling interest	Total (deficiency) equity
Balance at February 29, 2017	\$ 8,135,041	\$ 435,437	\$ (11,601,439)	\$ (3,030,961)	\$ 5,683	\$ (3,025,278)
Net loss	-	-	(601,867)	(601,867)	(10,074)	(611,941)
Balance at February 28, 2018	\$ 8,135,041	\$ 435,437	\$ (12,203,306)	\$ (3,632,828)	\$ (4,391)	\$ (3,637,219)
Balance at February 28, 2018	\$ 8,135,041	\$ 435,437	\$ (12,203,306)	\$ (3,632,828)	\$ (4,391)	\$ (3,637,219)
Net loss	-	-	1,210,084	1,210,084	(36,666)	1,173,418
<b>Balance at August 31, 2018</b>	\$ 8,135,041	\$ 435,437	\$ (10,993,222)	\$ (2,422,744)	\$ (41,057)	\$ (2,463,801)

# 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,	
	2018	2017	2018	2017
<b>Operating</b>				
Net Loss	\$ 86,319	\$ 4,211	1,173,418	\$ (280,523)
Adjustments for:				
Finance income	-	510	1,226	510
Interest expense	55,436	87,994	125,482	195,685
Dividends on preferred shares	51,923	51,923	103,847	103,846
Depreciation of property and equipment	201,769	213,387	376,296	432,933
Amortization of intangible assets	3,057	32,490	61,236	56,651
Amortization of finance fees	-	-	-	5,972
Change in non-cash operating working capital (Note 20)	116,873	(243,977)	(607,468)	303,165
Net cash flows provided by operating activities	515,377	146,538	1,234,037	818,239
<b>Financing</b>				
Repayment of demand term loans	-	-	-	(75,539)
Repayment of shareholder loans	-	598,296	(152,452)	398,296
Repayment of other related loans	(45,670)	(87,675)	(90,217)	(126,631)
Proceed (repayment) of finance lease obligations, net	(3,864)	(7,745)	(6,412)	23,059
Repayment of other loans	(405,343)	(566,725)	(801,792)	(926,542)
Interest paid	(55,436)	(87,994)	(125,482)	(195,648)
Dividends paid	(51,923)	(51,923)	(103,847)	(103,846)
Net cash flows (used in) financing activities	(562,236)	(203,766)	(1,280,202)	(1,006,851)
<b>Investing</b>				
Purchase of property and equipment	(270,938)	(11,058)	(271,632)	(353,770)
Purchase of and capitalization of intangible assets	-	-	-	(84,368)
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)	(317,796)	(626,750)
Cash and cash equivalents, beginning of period	576,890	478,794	576,890	1,037,258
Cash and cash equivalents, end of period	\$ 259,093	\$ 410,508	259,094	\$ 410,508

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2018

(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, 2018.

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

These condensed interim consolidated financial statements for the three and six months ended August 31, 2018, including comparatives, were authorized for issue by the Board of Directors on 31 October 2018.

### 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, 2018.

#### 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”)
- Alberta Satellite Bingo Limited Partnership (“Alberta Satellite Bingo LP”)

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.

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

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.

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.

## 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, 2018, there were no changes in the Company’s objectives and policies for capital management.

The Company includes the following in the definition of capital:

	<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

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

---

### 4. Capital disclosures (continued)

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.

### 5. 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, 2018, the balance of the allowance account for credit losses was \$nil (February 28, 2018 - \$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:

	<b>August 31, 2018</b>	<b>February 28, 2018</b>
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.

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

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

#### 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 \$399,563 (February 28, 2018 - \$411,433), for a total of \$658,657 (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 \$4,378,662 (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'	-	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'	-	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.

## eQube Gaming Limited

### Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

---

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

##### Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

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

A 1% appreciation (depreciation) in the Canadian dollar price of United States dollars would result in gain (loss) of approximately \$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).

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

### 6. Property and equipment

	Gaming system	Computer equipment	Office furniture and equipment	Test equipment	Automotive equipment	Leasehold improvements	Total
<b>Cost or deemed cost</b>							
Balance at February 28, 2017	\$ 9,425,534	\$ 77,439	\$ 144,362	\$ 127,131	\$ 36,007	\$ 52,027	\$ 9,862,500
Additions	1,323,623	8,949	2,006	6,470	-	-	1,341,048
(Disposals)	(340,208)	(1,248)	(14,056)	-	(36,007)	(5,399)	(396,918)
Balance at February 28, 2018	10,408,949	85,140	132,312	133,601	-	46,628	10,806,630
Additions	201,642	8,336	60,764	-	-	890	271,632
(Disposals)	-	-	-	-	-	-	-
<b>Balance at August 31, 2018</b>	<b>\$ 10,610,591</b>	<b>\$ 93,476</b>	<b>\$ 193,076</b>	<b>\$ 133,601</b>	<b>\$ -</b>	<b>\$ 47,518</b>	<b>\$ 11,078,262</b>
<b>Depreciation and impairment losses</b>							
Balance at February 28, 2017	\$ 8,581,312	\$ 47,799	\$ 119,086	\$ 98,773	\$ 11,092	\$ 51,141	8,909,203
Depreciation	669,091	15,185	20,427	14,200	-	745	719,648
(Disposals)	(48,855)	(829)	(14,056)	-	(11,092)	(5,400)	(80,232)
Balance at February 28, 2018	9,201,548	62,155	125,457	112,973	-	46,486	9,548,619
Depreciation	285,152	16,185	66,283	8,303	-	373	376,297
(Disposals)	-	-	-	-	-	-	-
<b>Balance at August 31, 2018</b>	<b>\$ 9,486,700</b>	<b>\$ 78,340</b>	<b>\$ 191,740</b>	<b>\$ 121,276</b>	<b>\$ -</b>	<b>\$ 46,859</b>	<b>\$ 9,924,916</b>
<b>Carrying amounts</b>							
At February 28, 2018	\$ 1,207,401	\$ 22,985	\$ 6,855	\$ 20,628	\$ -	\$ 142	\$ 1,258,010
<b>At August 31, 2018</b>	<b>\$ 1,123,891</b>	<b>\$ 15,136</b>	<b>\$ 1,336</b>	<b>\$ 12,325</b>	<b>\$ -</b>	<b>\$ 659</b>	<b>\$ 1,153,345</b>

As at August 31, 2018, the net carrying amount for gaming systems and automotive equipment under finance lease was \$46,973, (February 28, 2018: \$68,241).

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

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

**7. Intangible assets**

	Computer software	Deferred development costs	Gaming intellectual property	Total
<b>Cost</b>				
Balance at February 29, 2017	\$ 125,518	\$ 978,831	\$ 137,401	\$ 1,241,750
Additions	274,707	45,929	-	320,636
Disposals	(70,849)	-	-	(70,849)
Balance at February 28, 2018	329,376	1,024,760	137,401	1,491,537
Additions	-	-	-	-
Disposals	-	-	-	-
<b>Balance at August 31, 2018</b>	<b>\$ 329,376</b>	<b>\$ 1,024,760</b>	<b>\$ 137,401</b>	<b>\$ 1,491,537</b>
<b>Amortization</b>				
Balance at February 29, 2017	\$ 28,826	\$ 512,476	\$ 112,982	\$ 654,284
Amortization	76,098	76,201	7,324	159,623
Balance at February 28, 2018	104,924	588,677	120,306	813,907
Amortization	16,248	39,263	5,725	61,236
<b>Balance at August 31, 2018</b>	<b>\$ 121,172</b>	<b>\$ 627,940</b>	<b>\$ 126,031</b>	<b>\$ 875,143</b>
<b>Carrying amounts</b>				
At February 28, 2018	\$ 224,452	\$ 436,083	\$ 17,095	\$ 677,630
<b>Balance at August 31, 2018</b>	<b>\$ 208,204</b>	<b>\$ 396,820</b>	<b>\$ 11,370</b>	<b>\$ 616,394</b>

**8. Accounts payable and accrued liabilities**

	August 31, 2018	February 28, 2018
Trade payables	\$ 831,294	\$ 2,090,846
Accrued liabilities	309,847	527,789
<b>Total</b>	<b>\$ 1,141,141</b>	<b>\$ 2,618,635</b>

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

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

**9. Related party transactions**

**a) Shareholder loans and other related loans**

	<b>August 31, 2018</b>	<b>February 28, 2018</b>
<b>Shareholder loans</b>		
Loan, bearing interest at 18% to April 30, 2013 and then 10% thereafter, monthly interest only payments of \$1,318 until March 1, 2017, at which time the loan can be called by the lender	<b>\$ 158,101</b>	\$ 158,101
Loans, bearing interest at 10%, monthly interest only payments of \$1,411 until March 1, 2018, at which time the loan can be called by the lender, convertible at the lender's option into ordinary shares at \$0.75/share. The conversion option has been valued at \$nil (February 28, 2017 - \$nil)	<b>84,686</b>	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
Loan, bearing interest at 10%, monthly interest only payments of \$500 due at the option of the borrower	<b>60,000</b>	60,000
Loan, bearing interest at 10% due March 1, 2018, monthly interest only payments of \$833, due at the option of the borrower	<b>100,000</b>	100,000
Loan, bearing interest at 5%, monthly interest only payments of \$3,333, due December 29, 2021	<b>800,000</b>	800,000
Loan, in the principal amount of \$350,000 USD, bearing interest at 9%, monthly interest only payments of \$3,333, due August 21 2018	<b>444,499</b>	444,499
<b>Total</b>	<b>\$ 1,647,286</b>	<b>\$ 1,799,738</b>

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

### 9. Related party transactions (continued)

#### b) Shareholder loans and other related loans

	August 31, 2018	February 28, 2018
Other related loans		
Loan, bearing interest at 10%, monthly payments of \$16,134 beginning December 31, 2015, maturing on January 1, 2019	\$ 78,690	\$ 168,907
<b>Total</b>	<b>\$ 78,690</b>	<b>\$ 168,907</b>
Less current portion:		
Shareholder loans	\$ 847,286	\$ 839,738
Other related loans	\$ 78,690	\$ 168,907
Long term portion:		
Shareholder loans	\$ 800,000	\$ 960,000
Other related loans	\$ -	\$ -

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

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

#### *Shareholder loans:*

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

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

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

### 9. 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, 2018 was \$78,690 (February 28, 2018 - \$168,907) 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 (Note 19).

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 (Note 19).

#### **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,	
	2018	2017	2018	2017
Compensation and short-term employee ben	\$ 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.

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

### 9. Related party transactions (continued)

#### d) 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

	August 31, 2018	February 28, 2018
Other related loans		
Loan, bearing interest at 10%, monthly payments of \$142,924 beginning May 1, 2016, maturing on December 1, 2018	\$ 658,451	\$ 1,460,243
	<b>658,451</b>	1,460,243
Less: Current portion	<b>(658,451)</b>	(1,460,243)
Total	<b>\$ -</b>	<b>\$ -</b>

On March 21, 2016, the Company entered into a financing arrangement for a demand term loan in the amount of \$300,000. The loan has a fifteen month term. The loan bears interest at 12% per annum starting June 30, 2016, with the principal amount due in full at the end of the loan term. The loan is secured by an assignment of proceeds under a specific customer contract.

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

During the 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 (Note 19).

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 (Note 19).

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

### 11. Finance lease obligations

The Company has finance leasing arrangements related to gaming systems and automotive equipment. As at August 31, 2018 the net carrying amount for the gaming systems and automotive equipment under a finance lease was \$46,973 (February 28, 2018: \$68,241).

The finance lease repayments are due as follows:

	Future minimum lease payments	Future finance costs	Present value of minimum lease payments
August 31, 2018			
Less than one year	\$ 21,005	\$ 1,460	\$ 19,545
Between one and five years	26,445	\$ 3,286	23,159
	<b>\$ 47,450</b>	<b>\$ 4,746</b>	<b>\$ 42,704</b>

### 12. Preferred shares

The Company declared dividends of \$51,923 for the three months ended August 31, 2018 (2017 - \$51,923), which are included in finance costs (Note 19).

The Company declared dividends of \$103,847 for the six months ended August 31, 2018 (2017 - \$103,846), which are included in finance costs (Note 19).

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

	August 31, 2018	February 28, 2018
Current portion	\$ 1,400,000	\$ 1,400,000
Long-Term portion	660,000	660,000
Total	<b>\$ 2,060,000</b>	<b>\$ 2,060,000</b>

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

### 13. Share capital

#### *Ordinary Shares*

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

<b>Ordinary Shares of the Company</b>	<b>Number</b>	<b>Share capital</b>
Balance at August 31, 2018 and February 28, 2018	<b>30,220,727</b>	<b>\$ 8,135,041</b>

### 14. 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”).

	Alberta Satellite Bingo LP	Intra-Group Eliminations	Total
NCI Percentage	99.75%		
Current assets	\$ 46,791	\$ -	\$ 46,791
Non-Current assets	21,380	-	21,380
Current liabilities	(102,340)	-	(102,340)
Net assets	\$ (34,169)	\$ -	\$ (34,169)
<b>Carrying amount of NCI</b>	<b>\$ 9,598</b>	<b>\$ -</b>	<b>\$ 9,598</b>
Revenue	\$ 255,111	\$ -	\$ 255,111
Net income and comprehensive income	(36,758)	-	(36,758)
<b>Net income allocated to NCI</b>	<b>\$ (36,666)</b>	<b>\$ -</b>	<b>\$ (36,666)</b>
Net cash flows used in operating activities	\$ 33,253	\$ -	\$ 33,253
Net cash flows from financing activities	(11,586)	-	(11,586)
Net cash flows used in investing activities	(285)	-	(285)
<b>Net decrease in cash and cash equivalents</b>	<b>\$ 21,382</b>	<b>\$ -</b>	<b>\$ 21,382</b>

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

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

**16. 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	-	-	-
Expired	-	-	-
Forfeited	-	-	-
Balance at February 28, 2018	1,100,000	\$ 0.50	\$ 0.118
Granted	-	-	-
Expired	-	-	-
Forfeited	-	-	-
<b>Balance at August 31, 2018</b>	<b>1,100,000</b>	<b>\$ 0.50</b>	<b>\$ 0.118</b>
Options exercisable at February 28, 2018	1,100,000	\$ 0.50	\$ 0.155
<b>Options exercisable at August 31, 2018</b>	<b>1,100,000</b>	<b>\$ 0.50</b>	<b>\$ 0.155</b>

The Options outstanding as at August 31, 2018 have an exercise price of \$0.50 and a weighted average remaining contractual life of 4.88 years (February 28, 2018 – exercise price of \$0.50 and a weighted average remaining contractual life of 5.43 years).

**17. Segment information**

For the three and six months ended August 31 2018, the Company has identified two operating segments: eBingo and Linked Games. 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, 2018

(Expressed in Canadian dollars)

(Unaudited)

**17. Segment information (continued)**

Segmented results for the three months ended August 31, 2018 were as follows:

	<b>eBingo</b>	<b>Linked Games</b>	<b>Total</b>
<b>Sales, services and other revenue</b>	<b>\$ 3,188,582</b>	<b>\$ 122,781</b>	<b>\$ 3,311,363</b>
Expenses			
Direct costs	2,146,061	71,470	2,217,531
General and administrative	652,191	56,507	708,698
<b>Income before other expenses (income)</b>	<b>390,330</b>	<b>(5,196)</b>	<b>385,134</b>
Finance income	-	-	-
Finance costs	107,359	-	107,359
Depreciation and amortization	165,576	2,614	168,190
Foreign exchange (gain) loss	16,846	-	16,846
<b>Loss before income taxes</b>	<b>100,549</b>	<b>(7,810)</b>	<b>92,739</b>
Income tax recovery	6,420	-	6,420
<b>Net (loss) earnings and comprehensive (loss) earnings</b>	<b>\$ 94,129</b>	<b>\$ (7,810)</b>	<b>\$ 86,319</b>
<b>Non-current assets</b>	<b>\$ 1,759,176</b>	<b>\$ 10,563</b>	<b>\$ 1,769,739</b>

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

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

Segmented results for the six months ended August 31, 2018 were as follows:

	<b>eBingo</b>	<b>Linked Games</b>	<b>Total</b>
<b>Sales, services and other revenue</b>	<b>\$ 9,335,443</b>	<b>\$ 270,690</b>	<b>\$ 9,606,133</b>
Expenses			
Direct costs	5,952,107	179,114	6,131,221
General and administrative	1,438,868	107,655	1,546,523
<b>Income before other expenses (income)</b>	<b>1,944,468</b>	<b>(16,079)</b>	<b>1,928,389</b>
Finance income	1,226	-	1,226
Finance costs	230,554	-	230,554
Depreciation and amortization	395,667	5,229	400,896
Foreign exchange (gain) loss	122,295	-	122,295
<b>(Loss) income before income taxes</b>	<b>1,194,726</b>	<b>(21,308)</b>	<b>1,173,418</b>
Income tax	-	-	-
<b>Net (loss) income and comprehensive (loss) income</b>	<b>\$ 1,194,726</b>	<b>\$ (21,308)</b>	<b>\$ 1,173,418</b>
<b>Non-current assets</b>	<b>\$ 1,759,176</b>	<b>\$ 10,563</b>	<b>\$ 1,769,739</b>

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

### 17. 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)	<b>363,238</b>	<b>86,682</b>	<b>449,920</b>
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	<b>44,019</b>	<b>10,885</b>	<b>54,904</b>
Income tax	50,693	-	50,693
Net (loss) earnings and comprehensive (loss) earnings	<b>\$ (6,674)</b>	<b>\$ 10,885</b>	<b>\$ 4,211</b>
Non-current assets	<b>\$ 2,181,558</b>	<b>\$ 30,015</b>	<b>\$ 2,211,573</b>

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

### 17. 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)	<b>461,884</b>	<b>115,895</b>	<b>577,779</b>
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	<b>(256,893)</b>	<b>27,063</b>	<b>(229,830)</b>
Income tax	50,693	-	50,693
Net (loss) earnings and comprehensive (loss) earnings	<b>\$ (307,586)</b>	<b>\$ 27,063</b>	<b>\$ (280,523)</b>
Non-current assets	<b>\$ 2,181,558</b>	<b>\$ 30,015</b>	<b>\$ 2,211,573</b>

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'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 Three months ended August 31,		Sales, services and other revenue Six months ended August 31,		Non-current assets August 31,	
	2018	2017	2018	2017	2018	February 28, 2018
Canada	\$ 575,756	\$ 754,350	\$ 6,423,921	\$ 1,668,687	\$ 938,740	\$ 1,061,482
United States	419,893	687,259	849,607	1,146,760	415,363	462,689
Ireland and other	2,315,714	182,018	2,332,605	370,962	415,636	504,031
	<b>\$ 3,311,363</b>	<b>\$ 1,623,627</b>	<b>\$ 9,606,133</b>	<b>\$ 3,186,409</b>	<b>\$ 1,769,739</b>	<b>\$ 2,028,202</b>

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

### 17. Segment information (continued)

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.

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,	
	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>

### 18. General and administrative expenses

	Three months ended August 31,		Six months ended August 31,	
	2018	2017	2018	2017
Compensation and benefits	\$ 312,940	\$ 382,122	\$ 615,205	\$ 795,274
Office and other	186,590	104,655	600,641	91,307
Professional fees	131,252	76,977	177,569	240,707
Advertising and promotion	28,528	53,019	50,519	179,038
Rent	36,481	39,137	74,703	108,285
Business taxes, insurance and licenses	12,907	34,209	27,886	78,954
	<b>\$ 708,698</b>	<b>\$ 690,119</b>	<b>\$ 1,546,523</b>	<b>\$ 1,493,565</b>

### 19. Finance income and costs

	Three months ended August 31,		Six months ended August 31,	
	2018	2017	2018	2017
Finance income				
Interest income	\$ -	\$ 510	\$ 1,226	\$ 510
Finance costs				
Interest on shareholder and other related loans	\$ 33,223	\$ 16,311	\$ 70,958	\$ 44,668
Dividends on preferred shares	51,923	51,923	103,847	103,846
Interest on finance leases	325	352	524	1,192
Interest on demand term loans	-	-	-	429
Interest on other loans	21,888	71,847	55,225	149,875
Interest on short-term debt and accounts payable	-	-	-	37
Amortization of finance fees	-	-	-	5,972
	<b>\$ 107,359</b>	<b>\$ 140,433</b>	<b>\$ 230,554</b>	<b>\$ 306,019</b>

# eQube Gaming Limited

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

### 20. Supplemental cash flow information

	Three months ended August 31,		Six months ended August 31,	
	2018	2017	2018	2017
Changes in non-cash working capital:				
Accounts receivable	\$ 5,232,925	\$ (345,197)	\$ 11,870	\$ (2,621)
Accrued receivables	1,991	(57,632)	1,376,755	(59,788)
Supplies and components	(622,152)	2,827	(609,306)	(363,517)
Inventory	45,856	(12,416)	10,312	(40,754)
Current income taxes	-	-	-	2,470
Prepaid expenses and deposits	1,561,759	(29,596)	125,795	749,477
Accounts payable and accrued liabilities	(3,793,201)	75,057	(1,475,720)	69,531
Deferred revenue	(2,310,305)	122,980	(47,174)	(51,633)
	\$ 116,873	\$ (243,977)	\$ (607,468)	\$ 303,165

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

	Three and Six months ended August 31,	
	2018	2017
Cash	\$ 259,094	\$ 410,508
Bank indebtedness	-	-
	\$ 259,094	\$ 410,508

### 21. Income (loss) per share

	Three months ended August 31,		Six months ended August 31,	
	2018	2017	2018	2017
Net income (loss) from continuing operations	\$ 86,319	\$ 4,211	\$ 1,173,418	\$ (280,523)
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	\$ 0.00	\$ 0.00	\$ 0.04	\$ (0.01)
Diluted income (loss) per share				
From continuing operations	\$ 0.00	\$ 0.00	\$ 0.04	\$ (0.01)

For the three and six months ended August 31, 2018 and August 31, 2017, the diluted loss per share was the same as the basic loss per share as the inclusion of stock options and warrants would have been anti-dilutive. Accordingly, the diluted loss per share for the period was calculated using the basic weighted average number of common shares outstanding.

## **eQube Gaming Limited**

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

For the three and six months ended August 31, 2018

(Expressed in Canadian dollars)

(Unaudited)

---

#### **22. 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%.