

eQube Gaming Limited
Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended November 30, 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

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eQube Gaming Limited
Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian dollars)

(Unaudited)

	November 30, 2018	February 28, 2018
Assets		
Current Assets		
Cash	\$ 71,933	\$ 576,890
Accounts receivable	925,739	411,433
Accrued receivables	150,351	1,447,376
Supplies and components	1,520,999	372,304
Inventory	55,545	56,740
Prepaid expenses and deposits	68,162	160,887
	2,792,728	3,025,630
Property and equipment (Note 6)	950,748	1,258,010
Intangible assets (Note 7)	562,525	677,630
Total Assets	\$ 4,306,001	\$ 4,961,270
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8)	1,165,424	2,618,635
Deferred revenue	1,291,783	441,850
Current portion of shareholder loans (Note 9)	847,286	839,738
Current portion of other related loans (Note 9)	82,705	168,907
Current portion of other loans (Note 10)	242,804	1,460,243
Current portion of obligations under finance lease (Note 11)	18,565	21,197
Preferred shares (Note 12)	1,400,000	1,400,000
	5,048,567	6,950,570
Long term liabilities		
Shareholder loans (Note 9)	900,000	960,000
Obligations under finance lease (Note 11)	20,533	27,919
Preferred shares (Note 12)	660,000	660,000
Total Liabilities	6,629,100	8,598,489
Deficiency		
Share capital (Note 13)	8,135,041	8,135,041
Contributed surplus	435,437	435,437
Deficiency	(10,841,737)	(12,203,306)
Deficiency attributable to the owners of the company	(2,271,260)	(3,632,828)
Non-controlling interest (Note 14)	(51,840)	(4,391)
Total deficiency	(2,323,099)	(3,637,219)
Total liabilities and equity	\$ 4,306,001	\$ 4,961,270

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 November 30,		Nine months ended November 30,	
	2018	2017	2018	2017
Sales, service and other revenue	\$ 1,189,269	\$ 1,413,215	\$ 10,528,948	\$ 4,599,624
Direct costs	349,121	518,827	6,480,342	1,633,891
Gross Profit	840,148	894,388	4,048,606	2,965,733
Expenses				
General and Administrative expenses (Note 18)	809,913	555,328	2,356,436	2,048,894
Income (loss) before other expenses (income)	30,235	339,060	1,692,170	916,839
Other expenses (income)				
Finance income (Note 19)	-	(179)	1,226	331
Finance costs (Note 19)	(229,095)	135,336	1,458	441,355
Depreciation and amortization	266,254	182,101	667,150	664,931
Foreign exchange loss (gain)	(147,625)	32,632	(291,785)	50,882
Total other expenses (income)	(110,467)	349,890	378,050	1,157,499
Income (loss) before taxes	140,702	(10,830)	1,314,120	(240,660)
Income tax expense (recovery)	-	(15,109)	-	(65,802)
Net profit / (loss) and comprehensive loss from continuing operations	\$ 140,702	\$ 4,279	\$ 1,314,120	\$ (174,858)
Total net (loss) / income and comprehensive (loss) income attributable to:				
Owners of the Company - continuing operations	151,484	(12,337)	1,361,569	(215,109)
Non-controlling interest (Note 18)	(10,782)	16,616	(47,449)	40,251
	\$ 140,702	\$ 4,279	\$ 1,314,120	\$ (174,858)
Loss per share (Note 21)				
Basic				
From continuing operations	\$ -	\$ -	\$ 0.04	\$ (0.01)
Diluted				
From continuing operations	\$ -	\$ -	\$ 0.04	\$ (0.01)

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 income	-	-	1,361,569	1,361,569	(47,449)	1,314,120
Balance at November 30, 2018	\$ 8,135,041	\$ 435,437	\$ (10,841,737)	\$ (2,271,259)	\$ (51,840)	\$ (2,323,099)

eQube Gaming Limited

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

(Unaudited)

	Three months ended Nov 30,		Nine months ended Nov 30,	
	2018	2017	2018	2017
Operating				
Net Loss	\$ 140,702	\$ 4,280	\$ 1,314,120	\$ (276,243)
Adjustments for:				
Finance income	-	(179)	1,226	331
Interest expense	63,820	84,156	189,302	279,841
Dividends on preferred shares	(292,915)	51,359	(189,069)	155,205
Depreciation of property and equipment	149,304	162,688	525,600	595,621
Amortization of intangible assets	80,314	19,413	141,550	116,015
Amortization of finance fees	-	-	-	5,972
Change in non-cash operating working capital (Note 20)	149,637	51,116	(877,035)	314,329
Net cash flows provided by operating activities	290,861	372,833	1,105,695	1,191,071
Financing				
Repayment of demand term loans	-	-	-	(75,539)
Repayment of shareholder loans	-	-	(152,452)	398,296
Repayment of other related loans	4,015	(42,384)	(86,202)	(169,015)
Proceed (repayment) of finance lease obligations, net	(3,606)	(8,852)	(10,018)	14,207
Net repayment of other loans	(440,707)	(375,465)	(1,242,499)	(1,302,007)
Proceeds of shareholder loans	100,000	200,000	100,000	200,000
Interest paid	(85,455)	(84,156)	(189,302)	(279,804)
Dividends paid	(51,359)	(51,359)	189,069	(155,205)
Net cash flows (used in) financing activities	(477,112)	(362,216)	(1,391,404)	(1,369,067)
Investing				
Purchase of property and equipment	-	(13,254)	(218,338)	(367,023)
Purchase of and capitalization of intangible assets	(910)	(46,062)	(910)	(130,430)
Net cash flows used in investing activities	(910)	(59,316)	(219,248)	(497,453)
Net (decrease) increase in cash and cash equivalents	(187,160)	(48,699)	(504,957)	(675,449)
Cash and cash equivalents, beginning of period	259,093	410,508	576,890	1,037,258
Cash and cash equivalents, end of period	\$ 71,933	\$ 361,809	\$ 71,933	\$ 361,809

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 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 nine months ended November 30, 2018, including comparatives, were authorized for issue by the Board of Directors on 29 January 2019.

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

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(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 nine months ended November 30, 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:

	November 30, 2018	February 28, 2018
Shareholder loans	\$ 1,747,286	\$ 1,799,738
Other related loans	82,705	168,907
Other loans	242,804	1,460,243
Obligations under finance lease	39,098	49,116
Preferred shares	2,060,000	2,060,000
Deficiency	(2,615,534)	(3,632,828)
	\$ 1,556,359	\$ 1,905,176

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 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 November 30, 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 November 30, 2018 and February 28, 2018, by length of time past due, are:

	November 30, 2018	February 28, 2018
1 to 30 days past due	\$ 627,449	\$ 405,954
31 to 60 days past due	156,438	1,699
Greater than 60 days past due	141,852	3,780
Total	\$ 925,739	\$ 411,433

As at November 30, 2018, the Company had one customer owing more than \$50,000 that accounted for approximately 44% of all the trade accounts receivable owing (February 28, 2018 – one customer owing more than \$50,000; approximately 44% of all the trade accounts receivable). As at November 30, 2018, trade accounts receivable associated with customers that each individually exceeded 10% of the Company's sales, service and other revenue totalled 17% 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 November 30, 2018, totalled \$71,933 (February 28, 2018 – \$576,890), accounts receivable totalled \$925,739 (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 nine months ended November 30, 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 November 30, 2018, the Company had cash of \$71,933 (February 28, 2018 - \$576,890), accounts receivable of \$925,739 (February 28, 2018 - \$411,433), for a total of \$997,672 (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 \$3,756,784 (February 28, 2018 - \$6,508,720). 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 November 30, 2018 summarized by fiscal year are as follows:

	On demand	2019	2020	2021	2022	Total
Accounts payable and accrued liabilities	\$ -	\$ 1,165,424	\$ -	\$ -	\$ -	\$ 1,165,424
Shareholder loans	100,000	747,286	-	900,000	-	1,747,286
Other related loans	-	82,705	-	-	-	82,705
Other loans	-	242,804	-	-	-	242,804
Obligation under finance lease	-	18,565	20,533	-	-	39,098
Preferred shares'	-	1,400,000	660,000	-	-	2,060,000
Total	\$ 100,000	\$ 3,656,784	\$ 680,533	\$ 900,000	\$ -	\$ 5,254,612

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
Total	\$ 160,000	\$ 6,508,719	\$ 687,919	\$ 800,000	\$ -	\$ 8,156,638

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

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(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 \$1,000 at November 30, 2018 (2017 - \$3,000). A 1% appreciation (depreciation) in the Canadian dollar price of Euros would result in gain (loss) of approximately \$1,000 at November 30, 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 November 30, 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 \$2,000 for the three and nine months ended November 30, 2018 (2017 - \$nil).

eQube Gaming Limited
Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 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
Cost or deemed cost							
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	60,633	142,975	14,730	-	-	-	218,338
(Disposals)	-	-	-	-	-	-	-
Balance at November 30, 2018	\$ 10,469,582	\$ 228,115	\$ 147,042	\$ 133,601	\$ -	\$ 46,628	\$ 11,024,968
Depreciation and impairment losses							
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	341,084	151,562	20,179	12,633	-	142	525,600
(Disposals)	-	-	-	-	-	-	-
Balance at November 30, 2018	\$ 9,542,632	\$ 213,717	\$ 145,636	\$ 125,606	\$ -	\$ 46,628	\$ 10,074,219
Carrying amounts							
At February 28, 2018	\$ 1,207,401	\$ 22,985	\$ 6,855	\$ 20,628	\$ -	\$ 142	\$ 1,258,010
At November 30, 2018	\$ 926,950	\$ 14,398	\$ 1,406	\$ 7,995	\$ -	\$ -	\$ 950,748

As at November 2018, the net carrying amount for gaming systems and automotive equipment under finance lease was \$42,673, (February 28, 2018: \$68,241).

eQube Gaming Limited
Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2018

(Expressed in Canadian dollars)

(Unaudited)

7. Intangible assets

	Computer software	Deferred development costs	Gaming intellectual property	Total
Cost				
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	910	-	-	910
Disposals	-	-	-	-
Balance at November 30, 2018	\$ 330,286	\$ 1,024,760	\$ 137,401	\$ 1,492,447
Amortization				
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	76,353	35,450	4,212	116,015
Balance at November 30, 2018	\$ 181,277	\$ 624,127	\$ 124,518	\$ 929,922
Carrying amounts				
At February 28, 2018	\$ 224,452	\$ 436,083	\$ 17,095	\$ 677,630
Balance at November 30, 2018	\$ 149,009	\$ 400,633	\$ 12,883	\$ 562,525

8. Accounts payable and accrued liabilities

	November 30, 2018	February 28, 2018
Trade payables	\$ 1,012,893	\$ 2,090,846
Accrued liabilities	152,531	527,789
Total	\$ 1,165,424	\$ 2,618,635

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2018

(Expressed in Canadian dollars)

(Unaudited)

9. Related party transactions

a) Shareholder loans and other related loans

	November 30, 2018	February 28, 2018
<hr/>		
Shareholder loans		
Loan, bearing interest at 5%, monthly interest only payments of \$3,333, due December 29, 2021	\$ 900,000	\$ 800,000
Loan, in the principal amount of \$350,000 USD, bearing interest at 9%, monthly interest only payments of \$3,333, due August 21 2018	444,499	444,499
Loan, bearing interest at 18% to April 30, 2013 and then 10% thereafter, monthly interest only payments of \$1,318 until March 1, 2017, at which time the loan can be called by the lender	158,101	158,101
Loan, bearing interest at 10% due March 1, 2018, monthly interest only payments of \$833, due at the option of the borrower	100,000	100,000
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	84,686	169,371
Loan, bearing interest at 10%, monthly interest only payments of \$500 due at the option of the borrower	60,000	60,000
Loan, bearing interest at 10%, monthly interest only payments of \$565 until March 1, 2018, at which time the loan can be called by the lender	-	67,767
<hr/>		
Total	\$ 1,747,286	\$ 1,799,738

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(Expressed in Canadian dollars)

(Unaudited)

9. Related party transactions (continued)

b) Shareholder loans and other related loans

	November 30, 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	\$ 31,868	\$ 168,907
Loans, 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.	50,837	
Total	\$ 82,705	\$ 168,907
Less current portion:		
Shareholder loans	\$ 847,286	\$ 839,738
Other related loans	\$ 82,705	\$ 168,907
Long term portion:		
Shareholder loans	\$ 900,000	\$ 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.

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For the three and nine months ended November 30, 2018

(Expressed in Canadian dollars)

(Unaudited)

9. Related party transactions (continued)

Shareholder loans (continued)

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.

In September 2018, the Company entered into a financing arrangement with two directors for a loan 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.

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 November 30, 2018 was \$nil (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 November 30, 2018, interest expense on shareholder and other related loans of \$42,100 (2017 - \$29,509) was recorded as expense and is included in finance costs (Note 19).

During the nine months ended November 30, 2018, interest expense on shareholder and other related loans of \$113,059 (2017 - \$74,177) 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 November 30,		Nine months ended November 30,	
	2018	2017	2018	2017
Compensation and short-term employee benefits	\$ 125,255	\$ 46,112	\$ 390,988	\$ 268,133
Share-based payments	-	-	-	-
	\$ 125,255	\$ 46,112	\$ 390,988	\$ 268,133

eQube Gaming Limited

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For the three and nine months ended November 30, 2018

(Expressed in Canadian dollars)

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9. Related party transactions (continued)

The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel and are included in compensation and benefits expense. Compensation and short-term employee benefits consist of wages and salaries paid or payable to employees, accrued vacation, and other benefits paid or payable within 12 months.

d) Other related party transactions

Included in hardware and software rentals revenue for the three month period ended November 30, 2018 is \$nil (three month period ended November 30, 2017 - \$nil) from a company controlled by a close family member of the CEO.

Included in hardware and software rentals revenue for the nine month period ended November 30, 2018 is \$nil (nine month period ended November 30, 2017 - \$43,851) from a company controlled by a close family member of the CEO.

10. Other loans

	November 30, 2018	February 28, 2018
Other related loans		
Loan, bearing interest at 10%, monthly payments of \$142,924 beginning May 1,	\$ 242,804	\$ 1,460,243
	242,804	1,460,243
Less: Current portion	(242,804)	(1,460,243)
Total	\$ -	\$ -

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 November 30, 2018, interest expense on other loans of \$20,875 (November 30, 2017 - \$53,306) was recorded as expense and is included in finance costs (Note 19).

During the nine months ended November 30, 2018, interest expense on other loans of \$75,532 (November 30, 2017 - \$203,181) was recorded as expense and is included in finance costs (Note 19).

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(Expressed in Canadian dollars)

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11. Finance lease obligations

The Company has finance leasing arrangements related to gaming systems and automotive equipment. As at November 30, 2018 the net carrying amount for the gaming systems and automotive equipment under a finance lease was \$42,673 (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
November 30, 2018			
Less than one year	\$ 21,005	\$ 2,440	\$ 18,565
Between one and five years	23,548	3,015	20,533
	<u>\$ 44,553</u>	<u>\$ 5,455</u>	<u>\$ 39,098</u>

12. Preferred shares

Preferred shareholder dividends were accrued since March 1st 2017. The combined accrued shareholder dividend payable figure of \$344,274 was reversed in November 2019 following legal advice and communication with the preferred shareholders.

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

	November 30, 2018	February 28, 2018
Current portion	\$ 1,400,000	\$ 1,400,000
Long-Term portion	660,000	660,000
Total	<u>\$ 2,060,000</u>	<u>\$ 2,060,000</u>

eQube Gaming Limited
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 (Unaudited)

13. Share capital

Ordinary Shares

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

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

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	\$ 48,415	\$ -	\$ 48,415
Non-Current assets	18,766	-	18,766
Current liabilities	(98,885)	77,000	(21,885)
Net assets	\$ (31,704)	\$ 77,000	\$ 45,296
Carrying amount of NCI	\$ 9,598	\$ -	\$ 9,598
Revenue	\$ 465,423	\$ -	\$ 465,423
Net income and comprehensive income	(47,568)	-	(47,568)
Net income allocated to NCI	\$ (47,449)	\$ -	\$ (47,449)
Net cash flows used in operating activities	\$ 36,253	\$ -	\$ 36,253
Net cash flows from financing activities	(8,552)	-	(8,552)
Net cash flows used in investing activities	(285)	-	(285)
Net decrease in cash and cash equivalents	\$ 27,416	\$ -	\$ 27,416

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(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	-	-	-
Balance at November 30, 2018	1,100,000	\$ 0.50	\$ 0.118
Options exercisable at February 28, 2018	1,100,000	\$ 0.50	\$ 0.155
Options exercisable at November 30, 2018	1,100,000	\$ 0.50	\$ 0.155

The Options outstanding as at November 30, 2018 have an exercise price of \$0.50 and a weighted average remaining contractual life of 4.63 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 nine months ended November 30, 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 nine months ended November 30, 2018

(Expressed in Canadian dollars)

(Unaudited)

17. Segment information (continued)

Segmented results for the three months ended November 30, 2018 were as follows:

	eBingo	Linked Games	Total
Sales, services and other revenue	\$ 1,056,557	\$ 132,712	\$ 1,189,269
Expenses			
Direct costs	275,043	74,077	349,120
General and administrative	765,234	44,679	809,913
Income before other expenses (income)	16,280	13,956	30,236
Finance income	-	-	-
Finance costs	(229,095)	-	(229,095)
Depreciation and amortization	263,640	2,614	266,254
Foreign exchange (gain) loss	(147,625)	-	(147,625)
Loss before income taxes	129,360	11,342	140,702
Income tax recovery	-	-	-
Net (loss) earnings and comprehensive (loss) earnings	\$ 129,360	\$ 11,342	\$ 140,702
Non-current assets	\$ 1,505,762	\$ 7,511	\$ 1,513,273

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2018

(Expressed in Canadian dollars)

(Unaudited)

17. Segment information (continued)

Segmented results for the nine months ended November 30, 2018 were as follows:

	eBingo	Linked Games	Total
Sales, services and other revenue	\$ 10,125,685	\$ 403,263	\$ 10,528,948
Expenses			
Direct costs	6,227,152	253,191	6,480,343
General and administrative	2,204,103	152,333	2,356,436
Income before other expenses (income)	1,694,430	(2,261)	1,692,169
Finance income	1,226	-	1,226
Finance costs	1,458	-	1,458
Depreciation and amortization	659,307	7,843	667,150
Foreign exchange (gain) loss	(291,785)	-	(291,785)
(Loss) income before income taxes	1,324,224	(10,104)	1,314,120
Income tax	-	-	-
Net (loss) income and comprehensive (loss) income	\$ 1,324,224	\$ (10,104)	\$ 1,314,120
Non-current assets	\$ 1,505,762	\$ 7,511	\$ 1,513,273

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Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2018

(Expressed in Canadian dollars)

(Unaudited)

17. Segment information (continued)

Segmented results for the three months ended November 30, 2017 were as follows:

	eBingo	Linked Games	Total
Sales, services and other revenue	\$ 1,272,061	\$ 141,154	\$ 1,413,215
Expenses			
Direct costs	450,643	68,185	518,828
General and administrative	525,152	30,176	555,328
(Loss) gain before other expenses (income)	296,266	42,793	339,059
Finance income	(179)	-	(179)
Finance costs	135,336	-	135,336
Depreciation and amortization	139,451	42,650	182,101
Foreign exchange (gain) loss	32,377	255	32,632
(Loss) gain before income taxes	(10,719)	(112)	(10,831)
Income tax	(15,109)	-	(15,109)
Net (loss) earnings and comprehensive (loss) earnings	\$ 4,390	\$ (112)	\$ 4,278
Non-current assets	\$ 2,172,688	\$ 28,055	\$ 2,200,743

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2018

(Expressed in Canadian dollars)

(Unaudited)

17. Segment information (continued)

Segmented results for the nine months ended November 30, 2017 were as follows:

	eBingo	Linked Games	Total
Sales, services and other revenue	\$ 4,087,508	\$ 512,116	\$ 4,599,624
Expenses			
Direct costs	1,407,469	226,423	1,633,892
General and administrative	1,921,889	127,005	2,048,894
(Loss) gain before other expenses (income)	758,150	158,688	916,838
Finance income	324	7	331
Finance costs	441,355	-	441,355
Depreciation and amortization	533,583	131,348	664,931
Foreign exchange (gain) loss	50,498	382	50,880
(Loss) gain before income taxes	(267,610)	26,951	(240,659)
Income tax	(65,802)	-	(65,802)
Net (loss) earnings and comprehensive (loss) earnings	\$ (201,808)	\$ 26,951	\$ (174,857)
Non-current assets	\$ 2,172,688	\$ 28,055	\$ 2,200,743

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		Sales, services and other revenue		Non-current assets	
	Three months ended November 30, 2018	2017	Nine months ended November 30, 2018	2017	November 30, 2018	February 28, 2018
Canada	\$ 563,845	\$ 321,630	\$ 2,226,021	\$ 1,990,317	\$ 560,857	\$ 1,061,482
United States	458,446	811,335	1,247,724	1,958,095	508,020	462,689
Ireland and other	166,978	280,250	7,055,203	651,212	444,396	504,031
	\$ 1,189,269	\$ 1,413,215	\$ 10,528,948	\$ 4,599,624	\$ 1,513,273	\$ 2,028,202

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

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(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 November 30,		Nine months ended November 30,	
	2018	2017	2018	2017
Hardware and software sales	\$ 349,701	\$ 558,705	\$ 7,012,787	\$ 2,038,025
Hardware and software rentals	13,024	50,323	837,833	122,368
Customer support and other services	630,472	39,032	1,885,239	759,941
Game revenue	93,113	160,041	476,308	531,003
Bingo supplies	102,959	605,114	316,781	1,148,287
	\$ 1,189,269	\$ 1,413,215	\$ 10,528,948	\$ 4,599,624

18. General and administrative expenses

	Three months ended November 30,		Nine months ended November 30,	
	2018	2017	2018	2017
Compensation and benefits	\$ 283,707	\$ 227,986	\$ 1,012,560	\$ 1,023,260
Office and other	282,916	152,470	747,077	243,777
Professional fees	86,738	86,888	270,686	327,595
Advertising and promotion	56,967	13,940	109,311	192,979
Rent	43,526	42,773	138,150	151,058
Business taxes, insurance and licenses	56,059	31,271	78,652	110,225
	\$ 809,913	\$ 555,328	\$ 2,356,436	\$ 2,048,894

19. Finance income and costs

	Three months ended November 30,		Nine months ended November 30,	
	2018	2017	2018	2017
Finance income				
Interest income	\$ -	\$ 179	\$ 1,226	\$ (331)
Finance costs				
Interest on shareholder and other related loans	\$ 42,100	\$ 29,509	\$ 113,059	\$ 74,177
Dividends on preferred shares	(292,915)	51,359	(189,069)	155,205
Interest on finance leases	845	1,162	1,936	2,763
Interest on other loans	20,875	53,306	75,532	203,181
Interest on short-term debt and accounts payable	-	-	-	37
Amortization of finance fees	-	-	-	5,972
	\$ (229,095)	\$ 135,336	\$ 1,458	\$ 441,335

eQube Gaming Limited

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2018

(Expressed in Canadian dollars)

(Unaudited)

20. Supplemental cash flow information

	Three months ended November 30,		Nine months ended November 30,	
	2018	2017	2018	2017
Changes in non-cash working capital:				
Accounts receivable	\$ (526,176)	\$ 173,184	\$ (514,306)	\$ 170,601
Accrued receivables	(79,730)	23,744	1,297,025	(36,044)
Supplies and components	(539,389)	116,786	(1,148,695)	(246,731)
Inventory	(9,116)	(2,008)	1,195	(42,762)
Current income taxes	-	-	-	2,356
Prepaid expenses and deposits	(33,069)	17,147	92,725	766,624
Accounts payable and accrued liabilities	440,011	(46,459)	(1,454,913)	(16,881)
Deferred revenue	897,107	(231,278)	849,933	(282,910)
	\$ 149,637	\$ 51,116	\$ (877,035)	\$ 314,253

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

	Three and Nine months ended November 30,	
	2018	2017
Cash	\$ 71,933	\$ 361,809
Bank indebtedness	-	-
	\$ 71,933	\$ 361,809

21. Income (loss) per share

	Three months ended November 30,		Nine months ended November 30,	
	2018	2017	2018	2017
Net income (loss) from continuing operations	\$ 140,702	\$ 4,279	\$ 1,314,120	\$ (174,858)
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 nine months ended November 30, 2018 and November 30, 2017, the diluted income per share was the same as the basic income 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.