eQube Gaming Limited

Management Discussion and Analysis

For the Three Months Ended May 31, 2016

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 months ended May 31, 2016 and the audited consolidated financial statements and notes thereto for the year ended February 29, 2016. Our unaudited condensed interim consolidated financial statements and related notes for the three months ended May 31, 2016 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. 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 July 20, 2016.

2. Forward-Looking Statements

The MD&A offers our assessment of the Company's future plans and operations as of July 20, 2016 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 Months Ended May 31, 2016

- Total revenue increased 50.2% to $1,666,466 from $1,109,185 for the same period in the prior year;
- Revenue, excluding hardware sales, increased 54.8% to $1,665,318 from $1,076,048 for the same period in the prior year;
- Gross profit margin increased 57.3% to $1,138,358 compared with $723,788 for the same period in the prior year; and
- Gross profit margin percentage was 68.3% compared with 65.3% in the same period in 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 ordinary shares of the Company resumed trading on the TSXV on November 4, 2014 under the new name "eQube Gaming Limited". The Company's registered office is located at #100, 10493 – 184 Street, Edmonton, Alberta.

While the Company was the legal acquirer of eQube and is the continuing legal entity whose ordinary shares are listed on the TSXV and for which this MD&A is being reported, the accounting acquirer was deemed to have been eQube, and this MD&A and the financial results herein are presented on the basis of reverse acquisition accounting principles. Unless the context requires, when the term "eQube" is used herein, it refers to the actions or operations of the acquired company prior to the closing of the Qualifying Transaction and when the term "Triox" is used herein it refers to the actions or operations of the company prior to the closing of the Qualifying Transaction.

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 5 of the consolidated financial statements for the year ended February 29, 2016.

On January 4, 2016, the Company took over the bingo hall operations of a bingo hall in Cork, Ireland. The operations are run through a wholly-owned subsidiary of eQube Gaming Limited, e3 Bingo Limited. This provides a strategic platform for the Company to showcase its products and services in a live 'demo' environment of an operational European hall. This is where customers from the U.K. and mainland Europe can see 'fit for purpose' product in use in a European context, rather than purchase from North America or visit North America to view.

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 and gaming revenue. The equipment is typically owned directly by the Company or its subsidiaries.

	Three months ended May 31,	
	2016	2015
Hardware and software rentals	**46.4%**	62.9%
Game revenue	**27.9%**	0.0%
Customer support and other services	**25.6%**	34.1%
Hardware and software sales	**0.1%**	3.0%
Total sales, service and other revenue	**100.0%**	100.0%

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; and
- professional services.

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

With its strategic acquisition of Alberta Satellite Bingo in June 2015, the Company also earns revenue through the operations of the Alberta Satellite Bingo linked game in Alberta, Canada.

International

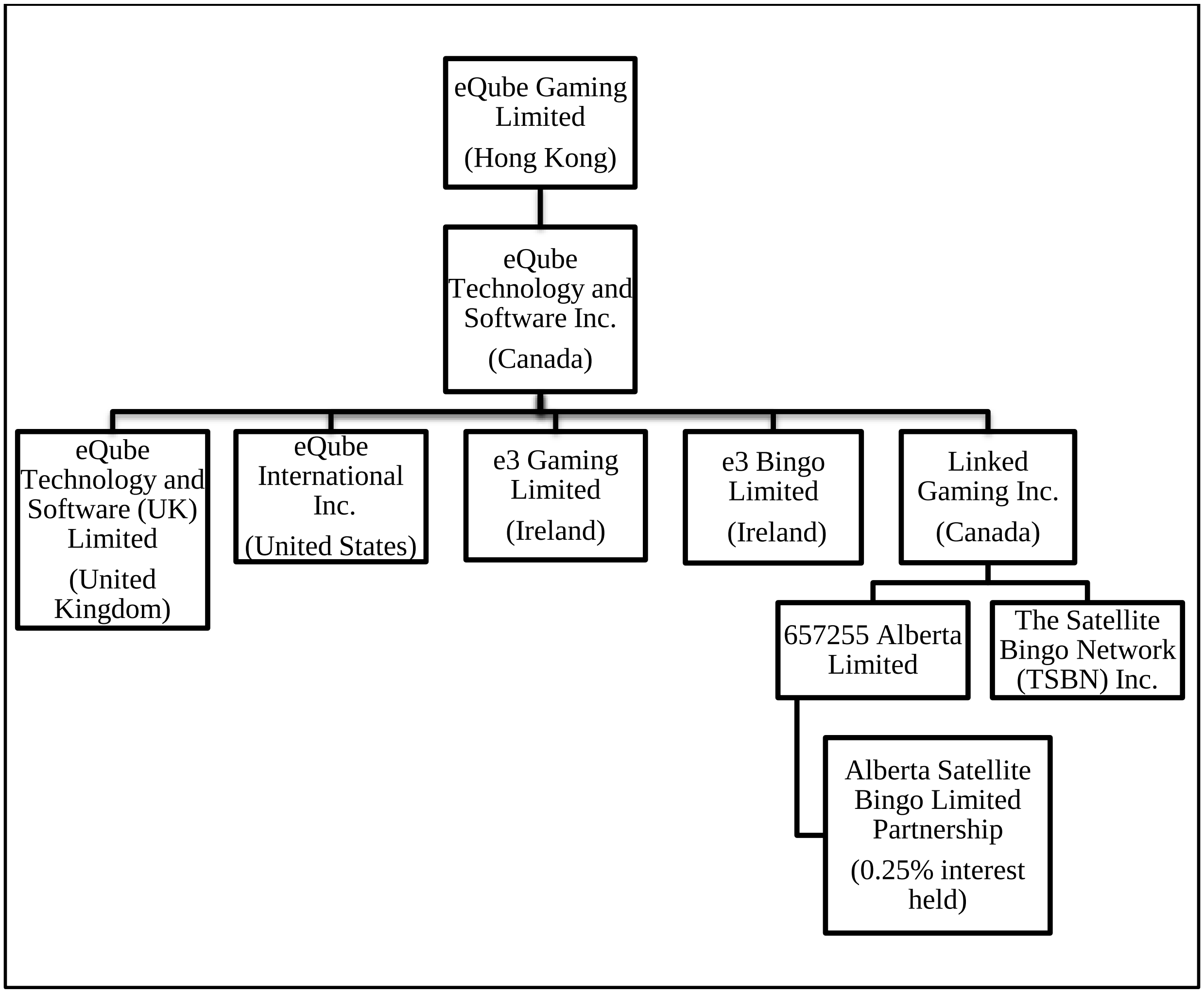
Each U.S. state has its own rules and regulations which govern gaming in their respective jurisdictions. In addition, tribal sites may have their own regulatory framework separate from the state which must be adhered to. Each supplier is required to go through a licensing process, which is similar to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



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 provides a strategic platform for the Company to showcase its products and services in the live 'demo' environment of an operational European hall. This is where customers from the UK and mainland Europe can 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.

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.

5.1. Summary of Quarterly Results

	For the three months ended			
	May 31, 2016	February 29, 2016	November 30, 2015	August 31, 2015
Total revenue	$ 1,666,466	$ 1,568,549	$ 1,397,277	$ 1,306,931
Net (loss) income and comprehensive (loss) income attributable to the owners of the Company	$ (613,465)	$ 99,577	$ (647,505)	$ (802,547)
(Loss) income per share, basic	$ (0.02)	$ 0.00	$ (0.02)	$ (0.03)
(Loss) income per share, diluted	$ (0.02)	$ 0.00	$ (0.02)	$ (0.03)

	For the three months ended			
	May 31, 2015	February 28, 2015	November 30, 2014	August 31, 2014
Total revenue	$ 1,109,185	$ 1,031,340	$ 996,134	$ 999,565
Net (loss) income and comprehensive (loss) income attributable to the owners of the Company	$ (924,978)	$ (1,012,940)	$ (3,172,948)	$ (934,805)
(Loss) income per share, basic	$ (0.03)	$ (0.03)	$ (0.14)	$ (0.05)
(Loss) income per share, diluted	$ (0.03)	$ (0.03)	$ (0.14)	$ (0.05)

Total Revenue

Total revenue for the three months ended May 31, 2016 is up over the prior quarters due to the Rock Bingo operations contributing for a full quarter, which totaled $240,968. Total revenue for the three months ended February 29, 2016 is up over the prior quarters due to the addition of Rock Bingo operations in the fourth quarter which contributed $126,241 in revenue and due to new U.S. contracts entered into late in the third quarter and during the fourth quarter. Total revenue for the three months ended November 30, 2015 is up over the prior quarters due to the acquisition and consolidation of Alberta Satellite Bingo which contributed $168,713 in revenue in addition to new recurring revenue contracts that started during the quarter. Total revenue for the three months ended August 31, 2015 is up due to the acquisition of the operations of Alberta Satellite Bingo which contributed $140,752 in revenue for the period. Total revenue for the three months ended May 31, 2015 is up over the prior three quarters due to the addition of new recurring revenue contracts deployed during the quarter. Revenues for the three months ended February 28, 2015 were up from the prior quarter reflecting incremental new revenue streams. Revenues for the quarters ended November 30, 2014 and August 31, 2014 were consistent.

5.2. Comparison of Results

	Three months ended May 31, 2016	2015
Sales, service and other revenue	**$ 1,666,466**	$ 1,109,185
Direct costs	**(528,108)**	(385,397)
Gross profit	**1,138,358**	723,788
Expenses		
General and administrative expenses	**1,272,366**	1,064,241
Impairment of supplies and components	**1,605**	19,034
Total expenses	**1,273,971**	1,083,275
Loss before other expenses (income)	**(135,613)**	(359,487)
Other expenses (income)		
Finance income	**(4,316)**	(4,612)
Finance costs	**153,843**	163,904
Depreciation and amortization	**355,290**	413,112
Foreign exchange gain	**(6,941)**	(6,913)
Total other expenses	**497,876**	565,491
Loss before income taxes	**(633,489)**	(924,978)
Income tax recovery	**(4,307)**	-
Net loss and comprehensive loss	**$ (629,182)**	$ (924,978)
Total net loss and comprehensive loss attributable to:		
Owners of the Company	**(613,465)**	(924,978)
Non-controlling interest	**(15,717)**	-
	$ (629,182)	$ (924,978)
Loss per share		
Basic	**$ (0.02)**	$ (0.03)
Diluted	**$ (0.02)**	$ (0.03)

Sales, Service and Other Revenue

Revenue for the three months ended May 31, 2016 increased $557,281 or 50.2% to $1,666,466 from $1,109,185 for the three months ended May 31, 2015. Subsequent to May 31, 2015, the Company took over operations of Rock Bingo in Cork, Ireland and Alberta Satellite Bingo in Alberta which respectively contributed $240,968 and $190,317 in revenue for the three months ended May 31, 2016. New customer contracts in the U.S. and Ireland increased revenue by $88,260 and $20,269 respectively. In addition, revenue from existing Canadian contracts increased by $17,467.

Direct Costs

Direct costs, comprised mainly of cost of goods sold and direct labour expense, increased $142,711 or 37.0% to $528,108 for the three months ended May 31, 2016 from $385,397 compared with the same period in the prior year. As a percentage of revenue, direct costs were 31.7% for the three months ended May 31, 2016 compared with 34.7% for the three months ended May 31, 2015. Excluding Rock Bingo and Alberta Satellite Bingo's impact, the direct costs as a percentage of revenue dropped to 27.6%. The decrease was due to reductions in payroll costs of $35,454, $21,087 in repairs, $14,185 in the cost of hardware sold and $9,902 in third party testing. The decreases were offset by $35,304 increase in distributor commissions and $1,296 other costs. Rock Bingo and Alberta Satellite Bingo respectively contributed $68,706 and $118,031 to the direct costs for the period.

Gross Profit

Gross profit increased $414,570 or 57.3% to $1,138,358 for the three months ended May 31, 2016 from $723,788 for the three months ended May 31, 2015. As a percentage of revenue, gross profit is 68.3% for the three months ended May 31, 2016 compared with 65.3% for the same period in the prior year. Excluding the impact of the operations of Alberta Satellite Bingo and Rock Bingo, the gross profit for the three months ended May 31, 2016 is 72.4%. The remainder of the increase in gross profit compared to the prior year period is due to decreased payroll, repairs, cost of hardware sold and third party testing costs which were offset by increased distributor commissions and other costs. Alberta Satellite Bingo and Rock Bingo respectively have a gross profit margin of 38.0% and 71.5% respectively as a percentage of revenue for the three months ended May 31, 2016.

General and Administrative Expenses

General and administrative expenses increased $208,125 or 19.6% to $1,272,366 for the three months ended May 31, 2016 from $1,064,241 for the same period in the prior year. The increase is due to $91,790 additional rent for the offices occupied by Rock Bingo and Alberta Satellite Bingo, $55,169 in business taxes for the Irish offices, $53,536 in legal costs, $49,733 in management salaries due to additions to the executive team, $32,932 in accounting fees, $30,778 in travel and mileage costs from increased commercial activities in the U.S. and Ireland, communications costs $9,838 and $467 in other expenses offset by decrease in warrants expense of $116,118.

The increases in general and administrative costs directly relate to an increase in resources as the Company positions itself for future growth activities in the European and U.S. markets. In addition, the Company added new service lines through the acquisition of the operations of Alberta Satellite Bingo and Rock Bingo. These acquisitions have a strategic value in terms of being a platform for the Company to showcase its products and services in a live demonstration environment, as well as potential new game deployment and the potential to link players in other markets.

Impairment of Supplies and Components

Impairment of supplies and components decreased by $17,429 or 91.6% to $1,605 for the three months ended May 31, 2016 compared to $19,034 for the same period in the prior year. The impairment relates to amortization of parts and supplies relating to handheld hardware devices that are now fully depreciated.

Loss Before Other Expenses (income)

The loss before other expenses (income) for the three months ended May 31, 2016 decreased $223,874 or 62.3% to $135,613 from $359,487 for the same period in the prior year. The decrease is a result of many factors previously discussed including: an increase in gross profit of $414,570 and $17,429 decrease in the impairment of supplies and components, offset by a $208,125 net increase in general and administrative expenses.

Finance Income

For the three months ended May 31, 2016 finance income decreased by $296 or 6.4% to $4,316 from $4,612. The finance income for the three months ended May 31, 2016 is fairly consistent with the income from the same period in the prior year.

Finance Costs

Finance costs, consisting of interest on loans and dividends on preferred shares, decreased by $10,061 or 6.1% for the three months ended May 31, 2016 compared to the same period in the prior year. The decrease in finance costs was due to $24,721 decreases in shareholder and other related loans interest, $23,966 in demand loans and $1,710 in other interest expenses, offset by $40,336 in interest on other loans.

Depreciation and Amortization

For the three months ended May 31, 2016, depreciation and amortization expense decreased $57,822 or 14.0% to $355,290 from $413,112 in the same period in the prior year. The decrease is due to intangible assets and property and equipment being fully depreciated in the three months ended May 31, 2016.

Foreign Exchange Gain

For the three months ended May 31, 2016, the foreign exchange gain increased $28 or 0.4% to $6,941 from $6,913 for the same period in the prior year.

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

Net Loss and Comprehensive Loss

Net loss and comprehensive loss for the three months ended May 31, 2016 was $629,182 compared with $924,978 for the same period in the prior year. The $295,796 or 32.0% decrease in the loss is the result of many factors discussed previously including: an increase in gross profit of $414,570, $57,822 decrease in depreciation and amortization, $17,429 decrease in the impairment of supplies and components, $10,061 decrease in finance costs, $4,307 income tax recovery and a $28 increase in the foreign exchange gain. The decreases were offset by $208,125 increase in general and administration expenses and $296 decrease in finance income.

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 May 31, 2016 is $15,717. The Company's share of the operating loss of Alberta Satellite Bingo LP for the three months and year ended May 31, 2016 is $39.

6. Financial Position

	May 31, 2016	February 29, 2016	February 28, 2015
Total assets	$ 6,934,552	$ 5,594,215	$ 7,495,556
Total non-current financial liabilities	$ 5,079,024	$ 2,323,020	$ 3,778,618

Total assets increased $1,340,337 or 24.0% from February 29, 2016 to May 31, 2016. The net increase is the result of $1,572,639 increase in cash, $562,667 in accounts receivable and $11,246 in prepaid expenses. The increases were offset by $460,859 decrease in accrued receivables, $306,845 in property and equipment, $33,130 in supplies and components and $5,381 in intangible assets.

Total assets decreased $1,901,341 or 25.4% from February 28, 2015 to February 29, 2016. The net decrease is the result of $1,949,820 decrease in cash, $218,918 decrease in prepaid expenses and a $346,910 decrease in accrued receivables. The decreases were offset by $155,587 increase in accounts receivable, $47,430 increase in supplies and components, $271,995 increase in property and equipment and $131,295 increase in intangible assets.

The increase in the non-current liabilities between February 29, 2016 and May 31, 2016 is the result of proceeds from new loans and the Company obtaining waivers from preferred shareholders which resulted in the reclassification of $760,000 preferred shares from the current to non-current preferred portion.

The net decrease in the non-current financial liabilities between February 28, 2015 and February 29, 2016 is the result of the $1,810,000 of the preferred shares moving to current liabilities as at February 29, 2016, and a $353,131 net decrease in other related loans. These decreases were offset by $386,856 obtained from vendor financing for the purchase of gaming hardware, $42,490 from new finance lease obligations and a $278,187 net increase in shareholder loans. The increase in non-current portion of shareholder loans was a result of demand waivers that moved the loans from current to non-current in the current year. Subsequent to year end, holders of $1,710,000 of the current portion and $100,000 of the long-term portion of preferred shares have agreed to not ask for redemption of their preferred shares until April 30, 2018.

7. Liquidity and Capital Resources

7.1. Cash Flows by Activity

	Three months ended May 31	
Cash (used in) provided by:	**2016**	2015
Cash flows used in operations	**$ (118,628)**	$ (213,714)
Changes in non-cash working capital	**(104,585)**	313,610
Operating activities	**(223,213)**	99,896
Financing activities	**1,985,988**	(437,425)
Investing activities	**(46,080)**	(324,416)
Increase (decrease) in cash and cash equivalents	**$ 1,716,695**	$ (661,945)

Operating Activities

Cash flows used in operating activities are $223,213 for the three months ended May 31, 2016 compared to cash provided by operating activities of $99,896 for the same period in the prior year. This change is a result of decrease of approximately $95,000 in cash used in operations and decrease of $418,000 in non-cash working capital. The non-cash working capital changes include $4,000 increase in accrued receivables, $35,000 in supplies and components, and $38,000 in deferred revenue offset by a $6,000 decrease in accounts receivable, $211,000 decrease in prepaid expenses and deposits and $278,000 decrease in accounts payable and accrued liabilities.

<u>Financing Activities</u>

Cash provided by financing activities was $1,985,988 for the three months ended May 31, 2016 compared with cash used in financing activities of $437,425 for the same period in the prior year. During the three months ended May 31, 2016 the Company obtained $4,400,000 in proceeds from new loans offset by repayment of loan and lease obligations of $2,261,455 and payment of interest and dividends of $152,557. During the same period in the prior year the company repaid or retired existing loans in the amount of $325,027, paid interest and dividends of $162,618 and received proceeds from the exercise of stock options of $50,220.

<u>Investing Activities</u>

Cash flows used in investing activities were $46,080 for the three months ended May 31, 2016 compared with $324,416 for the same period in the prior year. The Company purchased $21,045 of property and equipment, and capitalised $25,035 of intangible assets. This compares to the property and equipment purchases of $240,823 and $83,593 in capitalised intangible assets for the same period in the prior year.

Timing of purchase of equipment is dependent upon the timing of new customer contracts and the scheduling of equipment installations.

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 three months May 31, 2016, there were no changes in the Company’s objectives and policies for capital management.

The Company includes the following in the definition of capital:

	May 31, 2016	February 29, 2016
Demand term loans	$ **750,537**	$ 824,252
Shareholder loans	**555,239**	455,239
Other related loans	**499,160**	2,681,747
Other loans	**4,300,000**	-
Obligations under finance lease	**49,897**	53,765
Preferred shares	**2,060,000**	2,060,000
(Deficiency) equity	**(2,673,385)**	(2,060,202)
	$ **5,541,448**	$ 4,014,801

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 an operating line of credit in place that can be drawn upon, if required.

Under the Company's credit facilities for the operating line of credit and demand term loans, the annual debt service coverage ratio measured on the last day of February must not be less than 1.25 to 1. At February 29, 2016 the Company was not in compliance with this covenant.

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.

To manage this risk the Company maintains an operating line of credit which provides access to funds to meet short-term financing obligations.

As at May 31, 2016, the Company had cash of $1,755,648 (February 29, 2016 - $183,009), accounts receivable of $1,099,951 (February 29, 2016 - $537,284), and current portion of accrued receivables of $94,825 (February 29, 2016 - $559,166) for a total of $2,950,424 (February 29, 2016 - $1,279,459). Current and on demand obligations from bank indebtedness, accounts payable and accrued liabilities, current income tax payable, interest bearing loans, and dividend paying preferred shares total $3,580,387 (February 29, 2016 - $5,585,089). 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.

Demand loans are classified as current due to the demand feature associated with each of the loans. Each demand loan has scheduled repayment terms as described in Note 10 of the Company's May 31, 2016 unaudited condensed interim consolidated financial statements.

The Company's contractual obligations at May 31, 2016 summarized by fiscal year were as follows:

	On demand	2017	2018	2019	2020	Thereafter	Total
Bank indebtedness	$ 20,518	$ -	$ -	$ -	$ -	$ -	$ 20,518
Current income tax payable	-	41,146	-	-	-	-	41,146
Accounts payable and accrued liabilities	-	802,120	66,879	325,275	-	-	1,194,274
Demand term loans	750,537	-	-	-	-	-	750,537
Shareholder loans	-	204,371	194,970	227,767	-	-	627,107
Other related loans	-	150,602	256,003	161,336	-	-	567,941
Other loans	-	1,446,176	2,022,102	1,428,055	-	-	4,896,332
Obligations under finance lease	-	10,840	13,606	20,795	7,630	2,634	55,505
Preferred shares	-	154,077	1,166,575	1,026,879	-	-	2,347,531
Total	$ 771,055	$ 2,809,332	$ 3,720,135	$ 3,190,106	$ 7,630	$ 2,634	$ 10,500,893

The Company's contractual obligations at February 29, 2016 summarized by fiscal year are as follows:

	On demand	2017	2018	2019	2020	Thereafter	Total
Bank indebtedness	$ 164,574	$ -	$ -	$ -	$ -	$ -	$ 164,574
Current income tax payable	-	41,146	-	-	-	-	41,146
Accounts payable and accrued liabilities	-	850,688	70,364	342,223	-	-	1,263,275
Demand term loans	825,538	-	-	-	-	-	825,538
Shareholder loans	-	105,525	395,238	-	-	-	500,763
Other related loans	-	1,626,640	1,051,731	274,271	-	-	2,952,642
Obligations under finance lease	-	14,071	14,071	21,498	7,892	2,724	60,256
Preferred shares	-	1,956,907	250,671	-	-	-	2,207,578
Total	$ 990,112	$ 4,594,977	$ 1,782,075	$ 637,992	$ 7,892	$ 2,724	$ 8,015,772

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

At February 29, 2016 the Company was not in compliance with a lending covenant related to the Company's operating line of credit and demand term loans.

The shareholders and other related loans contain demand features. The lenders have waived the demand provisions for not less than 365 days after February 29, 2016.

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 May 31, 2016 under operating lease obligations for the Company's office and warehouse facilities are as follows:

	Edmonton	Las Vegas	Ireland	Total
Less than one year	$ 80,727	$ 48,194	$ 17,981	$ 146,902
Between one and five years	34,388	2,835	-	$ 37,223
Over Five Years	-	-	-	$ -
Total	$ 115,115	$ 51,029	$ 17,981	$ 184,125

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

9. Related Party Transactions

a) Shareholder Loans and Other Related Loans

As at May 31, 2016, the Company had $1,054,399 outstanding in shareholder and other related loans (February 29, 2016 - $3,136,986). $487,472 of shareholder loans are from the Company's CEO and $67,767 are from other employee shareholders of the Company. Other related loans of $439,160 are from Andon RD Ventures Inc., a company controlled by a director of eQube. Additional information regarding these loans can be found in the Company's unaudited condensed interim consolidated financial statements for the three months ended May 31, 2016.

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 CEO of the Company. The loan bears interest at 10% per annum with the principal amount due upon demand by the lender.

On March 31, 2014, the Company entered into a financing arrangement for a demand term loan in the amount of $3,000,000 from an entity controlled by a director of the Company. Each draw under the agreement has a three-year term. The amount drawn on the loan at May 31, 2016 was $nil (February 29, 2016 - $1,682,181) and is included in "other related loans". The proceeds of this loan were used in the year ended February 28, 2015 to repay the remaining balance of a $1,000,000 demand term loan, repay certain existing shareholders and other related loans, and to purchase equipment for customer deployment. The loan bears interest at 9.5%. Interest and principal were payable monthly beginning June 21, 2014. The loan was fully repaid and terminated on May 2, 2016.

On September 17, 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 amount drawn on the loan at February 29, 2016 was $nil (February 29, 2016 - $451,531) 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. The loan was fully repaid and terminated on May 2, 2016.

During the three months ended May 31, 2016, interest expense on shareholder and other related loans of $43,664 (2015 - $68,385) 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:

	Three months ended May 31,	
	2016	2015
Short-term employee benefits	$ **154,741**	$ 96,114
Share-based payments	**282**	904
	$ **155,023**	$ 97,018

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. 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

As at May 31, 2016 accrued receivables includes $48,120 (February 29, 2016 - $49,772) due from an entity controlled by the COO of the Company.

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 2, 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.

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

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the Company have been disclosed in the audited consolidated financial statements as at and for the year ended February 29, 2016. No additional standards, interpretations, amendments and improvements applicable to the Company were issued prior to May 31, 2016.

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 May 31, 2016, the balance of the allowance account for credit losses was $nil (February 29, 2016 - $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 May 31, 2016 and February 29, 2016, by length of time past due, are:

		May 31, 2016		February 29, 2016
1 to 30 days past due	**$**	**771,241**	$	389,174
31 to 60 days past due		**25,430**		43,691
Greater than 60 days past due		**29,596**		8,391
Total	**$**	**826,267**	$	441,256

As at May 31, 2016, the Company had two customers owing more than $50,000 that accounted for approximately 73% of all the trade accounts receivable owing (February 29, 2016 – one customer owing more than $50,000; approximately 35% of all the trade accounts receivable). As at May 31, 2016, trade accounts receivable associated with customers that each individually exceeded 10% of the Company's sales, service and other revenue totalled 16% of trade accounts receivable (February 29, 2016 – 35%). In addition, the balance in accrued receivables relates primarily to one customer.

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 May 31, 2016, totalled $1,755,648 (February 29, 2016 - $183,009), accounts receivable totalled $1,099,951 (February 29, 2016 - $537,284), and accrued receivables totalled $540,901 (February 29, 2016 - $1,001,760), 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 $1,000 for the three months ended May 31, 2016 (2015 - $2,000). A 1%

appreciation (depreciation) in the Canadian dollar price of Euros would result in gain (loss) of approximately $1,000 (2015 - $nil).

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. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's operating line of credit (bank indebtedness) and demand term loans which 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 $8,000 for the three months ended May 31, 2016 (2015 - $15,000).

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, 1,880,000 stock options outstanding under the Company's stock option plan and 417,600 warrants outstanding.

As at the date of this MD&A, 5,811,539 (February 28, 2015 – 7,748,718) of the issued ordinary shares were held in escrow. 1,937,179 of these shares will be released from escrow on November 4, 2016 and every six months thereafter.

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

14. Risks and Uncertainties

For the three months ended May 31, 2016, there has been no significant change in the Company's risks and uncertainties from those described in the MD&A for the three months and year ended February 29, 2016. Those risks and uncertainties are herein incorporated by reference.

15. Subsequent Events

The following events occurred subsequent to May 31, 2016:

Demand term loan

On July 1, 2016, the demand term loan of $450,000 was repaid in full in accordance with the loan agreement.

Broker Warrants

On June 13, 2016, 22,800 broker warrants with an exercise price of $0.50 expired.

16. Other Information

Additional information about the Company is available on SEDAR at www.sedar.com.