# eQube Gaming Limited

Management Discussion and Analysis
*For the Three Months and Year Ended February 29, 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 audited consolidated financial statements and notes thereto for year ended February 29, 2016. Our audited consolidated financial statements and related notes for year ended February 29, 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 May 30, 2016.

## 2. Forward-Looking Statements

The MD&A offers our assessment of the Company's future plans and operations as of May 30, 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 Catalyst Agreement (as defined herein) and 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 research and development, 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 Fiscal Year Ended February 29, 2016

- Total revenue increased 16.1% to $5,381,942 from $4,634,821 for the prior year;
- Revenue excluding hardware sales increased 37.2% to $5,317,093 from $3,874,670;
- Revenue from hardware sales is $64,849 compared with $760,151 for the prior year;
- Gross profit margin increased 47.5% to $3,645,133 compared with $2,470,487 for the prior year;
- Gross profit margin percentage of 67.7% for the year ended February 29, 2016 compared with 53.3% in the prior year;
- Strategic acquisitions provide entrance into linked game market;
- Opening of Bingo Hall in Cork, Ireland; and
- New customers in key markets including Nevada.

During the year ended February 29, 2016, the Company entered the linked game market through its strategic acquisitions of Alberta Satellite Bingo in Canada and the national linked game in Ireland. These platforms offer strategic channels for the Company to deliver its new and existing products directly to customers and will allow the Company to test new products and revenue models in these markets. Late in the year the Company took over direct operation of a bingo hall in Ireland. Operating this hall located in Cork, Ireland allows the Company to showcase its entire product suite to customers within the European market, which is a key strategic focus for eQube's growth.

The Company also completed several significant installations in the United States including a large tribal casino and bingo hall in the Northwest. The Company also marked its entry into the large and strategically important Nevada market when it successfully brought on two casinos.

### *Business Objectives*

The Company's primary business objectives are as follows:

- to use eQube collected "single view of the customer" and data analytics to leverage and increase revenue opportunities for itself and its customers;
- 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;
- to attract equity and debt investment to finance further geographic and market expansion through strategic acquisitions and organic growth; and
- to fund working capital requirements in relation to expansion activities.

The amount and timing of actual requirements for working capital or funds for general corporate purposes will depend on numerous factors related to the implementation of the Company's business strategy.

***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 US, 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 e3 Bingo Limited in Ireland. 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 UK 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 United States (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 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** | | **Year ended** | |
|---|---|---|---|---|
| | **February 29, 2016** | February 28, 2015 | **February 29, 2016** | February 28, 2015 |
| Hardware and software rentals | **50.1%** | 64.6% | **55.1%** | 47.3% |
| Customer support and other services | **28.5%** | 35.4% | **30.8%** | 34.9% |
| Game revenue | **21.4%** | 0.0% | **12.9%** | 0.0% |
| Hardware and software sales | **0.0%** | 0.0% | **1.2%** | 17.8% |
| Total sales, service and other revenue | **100.0%** | 100.0% | **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 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.

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

***International***

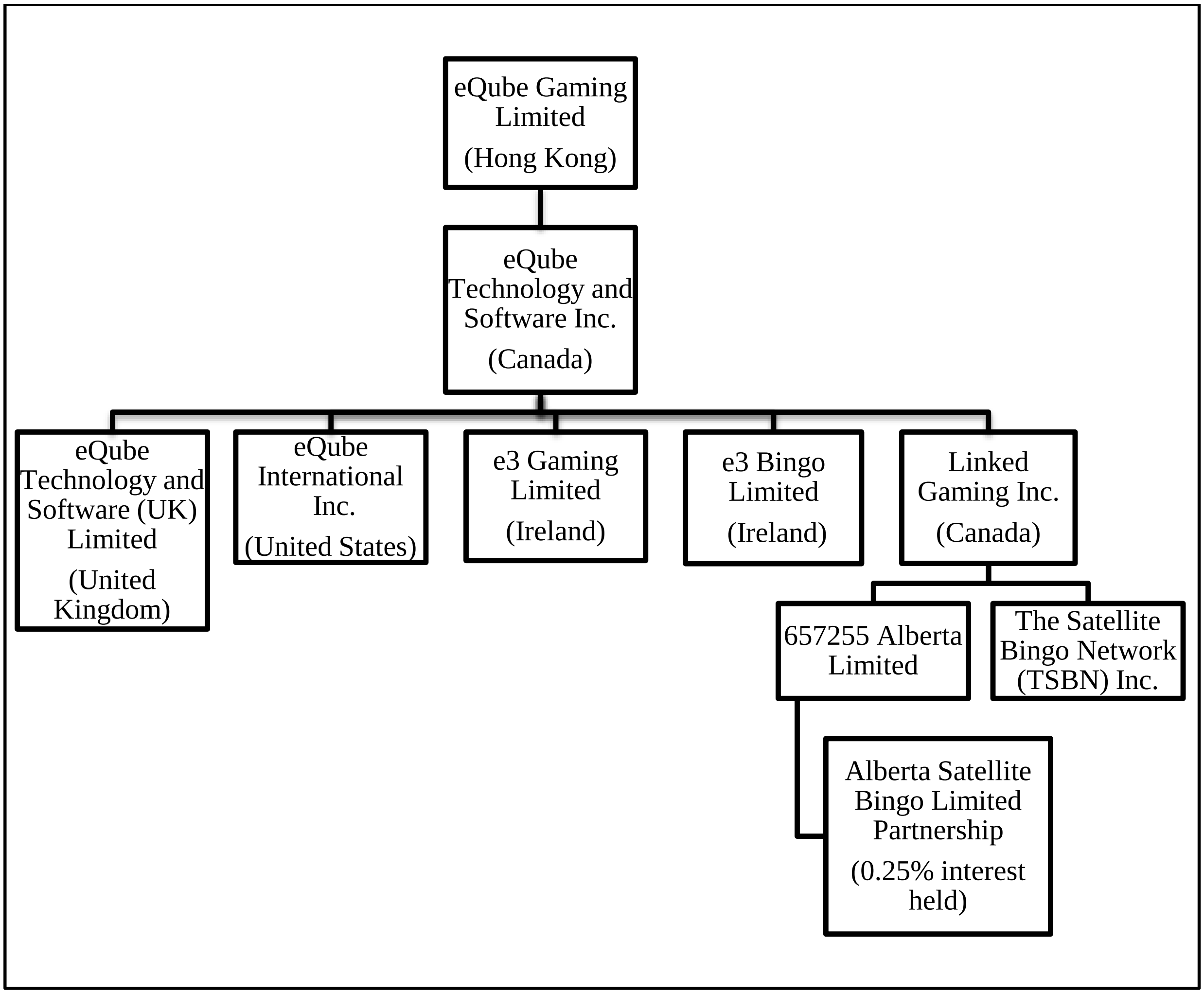
Each American state has its own rules and regulations which govern gaming in their jurisdictions. In addition, tribal sites may have their own regulatory framework which must be adhered to. Each supplier is required to go through a licensing process, which is similar to that of the Canadian jurisdictions.

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 is different than 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 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 Gaming Limited
(Hong Kong)
eQube Technology and Software Inc.
(Canada)
eQube Technology and Software (UK) Limited
(United Kingdom)
eQube International Inc.
(United States)
e3 Gaming Limited
(Ireland)
e3 Bingo Limited
(Ireland)
Linked Gaming Inc.
(Canada)
657255 Alberta Limited
The Satellite Bingo Network (TSBN) Inc.
Alberta Satellite Bingo Limited Partnership
(0.25% interest held)

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

eQube Technology and Software Inc. services all of 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 all of 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. Completion of Qualifying Transaction

### *Amalgamation*

Pursuant to the Amalgamation Agreement, eQube and 1824721 Alberta Limited ("Subco") amalgamated (the "Amalgamation") under the *Business Corporations Act* (Alberta) to form a new company under the corporate name "eQube Technology and Software Inc." ("Amalco"). Amalco carries on the business previously carried on by eQube as a subsidiary of the Company.

On October 29, 2014, the Company consolidated (the "Consolidation") all of its issued and outstanding ordinary shares (the "Ordinary Shares") and all outstanding options and warrants to purchase Ordinary Shares on the basis of one post-Consolidation Ordinary Share for every three pre-Consolidation Ordinary Shares. Following completion of the Consolidation and pursuant to the Amalgamation (with each Ordinary Share being issued on a post-Consolidation basis):

- the holders of class "A" common shares of eQube ("eQube Class A Shares") received three Ordinary Shares for each eQube Class A Share held in exchange for the issuance to the Company of three common shares of Amalco ("Amalco Common Shares") for each eQube Class A Share so exchanged;
- the holders of class "F" preferred shares of eQube ("eQube Class F Shares") received one preferred share of Amalco ("Amalco Preferred Shares") for each eQube Class F Share held;
- the Company received one Amalco Common Share for each class "A" common share of Subco ("Subco Share") held;
- the holders of Subco Shares (other than the Company and including Subco Shares issued pursuant to the Offerings (as defined below)) received one Ordinary Share for each Subco Share held in exchange for the issuance to the Company of one Amalco Common Share for each Subco Share so exchanged;
- all of the options to purchase eQube Class A Shares ("eQube Options") were replaced with options ("Options") to purchase three Ordinary Shares for each eQube Class A Share issuable on exercise of the eQube Options; and
- all of the Subco Agent Warrants (as defined below) were replaced with Agent Warrants (as defined below) to purchase one Ordinary Share for each Subco Share issuable on exercise of the Subco Agent Warrants.

### *Private Placement Financings*

As a condition to and prior to the closing of the Amalgamation, Subco completed a brokered private placement for 5,220,000 class "A" common shares of Subco ("Subco Shares") at a price of $0.50 per Subco Share for gross proceeds of $2,610,000 (the "Brokered Offering"). Subco also completed a non-brokered private placement for 1,355,000 Subco Shares at a price of $0.50 per Subco Share for gross proceeds of $677,500 (the "Non-Brokered Offering"). Collectively, the Brokered Offering and the Non-Brokered Offering are referred to herein as the "Offerings".

Pursuant to the Brokered Offering, the broker received a commission equal to 8% of the aggregate gross proceeds placed under the Brokered Offering, payable in cash, and was paid a corporate finance fee. The broker was also granted warrants by Subco (the "Subco Agent Warrants") to acquire the number of Subco

Shares equal to 8% of the total number of Subco Shares sold under the Brokered Offering, exercisable at a price of $0.50 per Subco Agent Warrant for a period of 24 months from the closing date of the Brokered Offering.

Under the Amalgamation: (i) each Subco Share issued pursuant to the Offerings were exchanged for one Ordinary Share; and (ii) the Subco Agent Warrants were replaced with agent warrants ("Agent Warrants") to purchase one Ordinary Share for each Subco Share issuable on exercise of the Subco Agent Warrants.

***Reverse Acquisition***

The substance of the Qualifying Transaction is a reverse acquisition of the non-operating company. The Qualifying Transaction does not constitute a business combination as the accounting aquireee does not meet the definition of a business under IFRS 3. As a result, the Qualifying Transaction has been accounted for as an acquisition of assets with eQube identified as the accounting acquirer and the equity consideration being measured at fair value. The resulting financial statements are presented as a continuation of eQube and comparative amounts presented in the consolidated financial statements after the reverse acquisition are those of eQube.

IFRS 2 applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. Because the Company issued shares with a value in excess of the net assets deemed received, IFRS 2 dictates the difference is to be recognized in comprehensive income as a transaction cost. The amount assigned to transaction cost of $2,087,492 is the difference between the fair value of the consideration and the net identifiable assets deemed acquired by eQube and is included in the statement of loss and comprehensive loss as a transaction cost and included in other expenses.

The fair value of the consideration of the Qualifying Transaction includes the fair value of 3,766,667 Ordinary Shares and 372,949 stock options of the Company (being the unexercised stock options of Triox outstanding on the date of Amalgamation). The fair value of the 3,766,667 Ordinary Shares was determined to be $0.50 per share based on the fair value of the eQube shares at the time of the Qualifying Transaction.

The fair value of $0.258 per option granted was estimated using the Black-Scholes option pricing model using the following grant date assumptions: exercise price $0.30; amalgamation date stock price $0.50; risk-free rate 1.11%; expected volatility 48.69%; annual dividend yield 0%; expected remaining life of the options of 3 years. The expected volatility is based on historic volatility of similar companies in the public market.

Based on the statement of financial position of the Company at the time of the Qualifying Transaction, the net assets at estimated fair value that were deemed acquired by eQube of negative $107,937, and the resulting transaction cost charged to the statement of loss and comprehensive loss were as follows:

| | | |
|---|---|---|
| Consideration: | | |
| Ordinary Shares | $ | 1,883,334 |
| Stock options | | 96,221 |
| | $ | 1,979,555 |
| | | |
| Identifiable net assets acquired: | | |
| Cash | $ | 5,731 |
| Accounts payable and accrued liabilities | | (113,668) |
| Total identifiable net assets acquired | | (107,937) |
| Transaction cost | | 2,087,492 |
| Total net identifiable assets and transaction cost | $ | 1,979,555 |

## 6. 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.

### 6.1. Summary of Quarterly Results

| | For the three months ended | | | |
|---|---|---|---|---|
| | February 29, 2016 | November 30, 2015 | August 31, 2015 | May 31, 2015 |
| Total revenue | $ 1,568,549 | $ 1,397,277 | $ 1,306,931 | $ 1,109,185 |
| Net income (loss) and comprehensive income (loss) attributable to the owners of the Company | $ 99,577 | $ (647,505) | $ (802,547) | $ (924,978) |
| Income (loss) per share, basic | $ 0.00 | $ (0.02) | $ (0.03) | $ (0.03) |
| Income (loss) per share, diluted | $ 0.00 | $ (0.02) | $ (0.03) | $ (0.03) |

| | For the three months ended | | | |
|---|---|---|---|---|
| | February 28, 2015 | November 30, 2014 | August 31, 2014 | May 31, 2014 |
| Total revenue | $ 1,031,340 | $ 996,134 | $ 999,565 | $ 1,607,782 |
| Net income (loss) and comprehensive income (loss) attributable to the owners of the Company | $ (1,012,940) | $ (3,172,948) | $ (934,805) | $ (651,046) |
| Income (loss) per share, basic | $ (0.03) | $ (0.14) | $ (0.05) | $ (0.04) |
| Income (loss) per share, diluted | $ (0.03) | $ (0.14) | $ (0.05) | $ (0.04) |

Total Revenue

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. 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. Revenues for the three months ended May 31, 2014 were higher due to the recognition of one-time hardware sales to new customers of $710,720.

## 6.2. Comparison of Results

| | **Three months ended** | | **Year ended** | |
|---|---|---|---|---|
| | **February 29, 2016** | February 28, 2015 | **February 29, 2016** | February 28, 2015 |
| Sales, service and other revenue | **$ 1,568,549** | $ 1,031,340 | **$ 5,381,942** | $ 4,634,821 |
| Direct costs | **(584,404)** | (373,995) | **(1,736,809)** | (2,164,334) |
| Gross profit | **984,145** | 657,345 | **3,645,133** | 2,470,487 |
| Expenses | | | | |
| General and administrative expenses | **324,361** | 970,806 | **3,637,479** | 3,735,748 |
| Impairment of supplies and components | **17,605** | (2,666) | **76,458** | 43,671 |
| Impairment of intangible assets | **-** | 5,490 | **-** | 5,490 |
| Total expenses | **341,966** | 973,630 | **3,713,937** | 3,784,909 |
| Income (loss) before other expenses | **642,179** | (316,285) | **(68,804)** | (1,314,422) |
| Other expenses (income) | | | | |
| Finance income | **(4,672)** | (3,481) | **(18,545)** | (13,924) |
| Finance costs | **163,598** | 150,320 | **616,396** | 577,159 |
| Depreciation and amortization | **472,989** | 427,615 | **1,811,787** | 1,622,737 |
| (Gain) loss on disposal of property and equipment | **(10,087)** | 20,363 | **(10,087)** | 56,022 |
| Foreign exchange (gain) loss | **(2,253)** | (87,957) | **2,217** | (63,128) |
| Transaction cost | **-** | - | **-** | 2,087,492 |
| Total other expenses | **619,575** | 506,860 | **2,401,768** | 4,266,358 |
| Income (loss) before income taxes | **22,604** | (823,145) | **(2,470,572)** | (5,580,780) |
| Income tax expense | **41,666** | 189,795 | **41,880** | 190,959 |
| Net loss and comprehensive loss | **$ (19,062)** | $ (1,012,940) | **$ (2,512,452)** | $ (5,771,739) |
| Total net income (loss) and comprehensive income (loss) attributable to: | | | | |
| Owners of the Company | **99,577** | (1,012,940) | **(2,275,453)** | (5,771,739) |
| Non-controlling interest | **(118,639)** | - | **(236,999)** | - |
| | **$ (19,062)** | $ (1,012,940) | **$ (2,512,452)** | $ (5,771,739) |
| Income (loss) per share | | | | |
| Basic | **$ 0.00** | $ (0.03) | **$ (0.08)** | $ (0.26) |
| Diluted | **$ 0.00** | $ (0.03) | **$ (0.08)** | $ (0.26) |

### Sales, Service and Other Revenue

Revenue for the three months ended February 29, 2016 increased $537,209 or 52.1% to $1,568,549 from $1,031,340 for the three months ended February 28, 2015. During the three months ended February 29, 2016, the Company took over operations of Rock Bingo in Cork Ireland which contributed $126,241 in revenue. Alberta Satellite Bingo contributed $180,393 to the consolidated revenue for the three months ended February 29, 2016. New customer contracts in the U.S. and Ireland increased revenue by $130,970 and $121,475 respectively. These increases in revenue were offset by a $21,870 decrease in revenue from Canadian contracts.

For the year ended February 29, 2016, revenue increased $747,121 or 16.1% to $5,381,942 from $4,634,821 for the year ended February 28, 2015. Excluding hardware sales from the comparison, revenue for the year ended February 29, 2016 increased by $1,507,272. The increase is comprised of recurring revenue from new contract deployments in the U.S. of approximately $565,220, new recurring revenue contracts in Ireland contributed $359,915 and the consolidation of Alberta Satellite Bingo, Rock Bingo and the Irish linked game contributed $489,858, $126,241 and $78,032 respectively. The increase in revenue was offset by a decrease of $111,994 in revenue from Canadian contracts.

Direct Costs

Direct costs, comprised mainly of cost of goods sold and direct labour expense, increased $210,409 or 56.3% to $584,404 for the three months ended February 29, 2016 from $373,995 compared with the same period in the prior year. As a percentage of revenue, direct costs were 37.3% for the three months ended February 29, 2016 compared with 36.3% for the three months ended February 28, 2015. As a percentage of revenue these costs remain relatively consistent.

Direct costs decreased $427,525 or 19.8% to $1,736,809 for the year ended February 29, 2016 from $2,164,334 compared with the same period in the prior year. Excluding hardware sales from the comparison, direct costs for the year ended February 29, 2016 increased by $249,189. The increase was due to the consolidation of Alberta Satellite Bingo which added $381,127 to direct costs, Rock Bingo operations were $30,885, spare parts were $55,043 and third party testing $45,854. The increase in direct costs were offset by decreases in installation and support costs of $93,540, $87,305 in payroll costs, $82,351 in distributor commissions and $524 in other costs.

Gross Profit

Gross profit increased $326,800 or 49.7% to $984,145 for the three months ended February 29, 2016 from $657,345 for the three months ended February 28, 2015. As a percentage of revenue, gross profit is 62.7% for the three months ended February 29, 2016 compared with 63.7% 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 February 29, 2016 is 71.1%. The remainder of the increase in gross profit compared to the prior year period is due to decreased payroll and installation and support costs. Alberta Satellite Bingo and Rock Bingo respectively have a gross loss of 11.3% and gross profit of 74.6% as a percentage of revenue for the three months ended February 29, 2016.

Gross profit increased $1,174,646 or 47.5% to $3,645,133 for the year ended February 29, 2016 from $2,470,487 for the year ended February 28, 2015. As a percentage of revenue, gross profit is 67.7% for the year ended February 29, 2016 compared with 53.3% in the prior year. Gross profit on rental revenue and customer service and support is higher than on hardware sales. 2015 included approximately $825,000 in hardware sales; 2016 hardware sales were $65,000. After excluding the impact of the operations of Alberta Satellite Bingo and Rock Bingo, the gross profit for the year ended February 29, 2016 is 72.2% of revenue. Excluding the impact of the one-time hardware sales in the prior year, gross profit for the year ended February 28, 2015 was of 62.2% of revenue. The remainder of the increase in the gross profit for the year ended February 29, 2016 is due to decreases in installation and support, payroll costs and distributor commissions. Alberta Satellite Bingo and Rock Bingo respectively have a 22.2% and 74.6% gross profit as a percentage of revenue for the year ended February 29, 2016.

General and Administrative Expenses

General and administrative expenses decreased by $646,445 or 66.6% to $324,361 for the three months ended February 28, 2016 from $970,806 for the same period in the prior year. The decrease is due to a $602,528 non-cash recovery from the warrants expected to vest under the joint venture agreement dated July 22, 2014 among the Company, eQube and Catalyst Gaming Corporation (the "Catalyst Agreement"), decreases in payroll costs of $93,387, $93,005 in professional fees and $14,627 in stock-based compensation. The decreases were offset by increases in travel costs of $46,958, $35,053 in bad debts, $20,186 in office supplies, $18,003 in rent, $14,674 in communication costs and $23,228 in other expenses.

General and administrative expenses decreased by $98,269 or 2.6% to $3,637,479 for the year ended February 29, 2016 from $3,735,748 in the prior year. The decrease is due to a reduction in professional fees of $398,047, $244,113 in stock-based compensation compared to the prior year, and $296,628 non-cash recovery from the warrants expected to vest under the Catalyst Agreement in the current year. Due to the Qualifying Transaction in the prior year, the prior year's expenses consisted of one-time professional fees and stock-based compensation. The decrease was offset by $224,697 in payroll costs, $178,489 in travel costs, $86,255 in rent, $57,758 in advertising costs, $50,933 in communication costs, $49,121 in public listing related expenses, $43,335 in trade shows, $37,781 in insurance costs, $35,053 in bad debts, $31,763 in office supplies, $30,330 in license and registration costs and $15,004 in other expenses.

The increases in general and administrative expenses directly relate to the future growth activities of the Company. In order to support growth into the European market, an office was opened in Ireland and additional sales and operations employees were hired. At the Edmonton head office, additional staff were brought on to facilitate growth into new markets and support the Company's ability to provide timely reporting information. The Company also attended several trade shows to expand eQube's exposure in the marketplace. The Company added a complimentary service line through the acquisition of the operations of Alberta Satellite Bingo, which also has strategic value in terms of potential game deployment and the ability to link players in other markets, and the addition of bingo hall operations in Ireland. The Catalyst Agreement provided for Catalyst Gaming Corporation to identify and bring forward to the Company strategic growth opportunities in exchange for the issuance of warrants. However, as at February 29, 2016 management concluded that Benchmark Success, as defined in the Catalyst Agreement, will not occur before the agreement expiry on April 30, 2016. Therefore, the warrants will expire effective April 30, 2016.

Impairment of Supplies and Components

Impairment of supplies and components increased by $20,271 or 760.4% to $17,605 for the three months ended February 29, 2016 compared to a recovery of $2,666 for the same period in the prior year. For the year ended February 29, 2016 impairment of supplies and components increased by $32,787 or 75.1% to $76,458 from $43,671 in the prior year. Impairment relates to amortization of parts and supplies relating to handheld hardware devices that are now fully depreciated.

Impairment of Intangible Assets

There was a one-time impairment of $5,490 of intangible assets in the three months and year ended February 28, 2015. There was no such impairment in 2016.

Income (Loss) Before Other Expenses (income)

The income before other expenses (income) for the three months ended February 29, 2016 increased $958,464 or 303.0% to $642,179 from a loss of $316,285 for the same period in the prior year. The increase is a result of many factors previously discussed including: an increase in gross profit of $326,800, a $646,445 net decrease in general and administrative expenses and a $5,490 decrease in the impairment of intangible assets as described above, offset by $20,271 increase in the impairment of supplies and components.

For the year ended February 26, 2016 the loss before other expenses (income) decreased by $1,245,618 to $68,804 from $1,314,422 in the prior year. The decrease is a result of many factors previously discussed including: a $1,174,646 increase in gross profit, $98,269 net decrease in general and administrative expenses and a $5,490 decrease in the impairment of intangible assets as described above, offset by $32,787 increase in the impairment of supplies and components.

Finance Income

For the three months ended February 29, 2016 finance income increased by $1,191 or 34.2% to $4,672 from $3,481. Finance income increased by $4,621 or 33.2% to $18,545 from $13,924 in the prior year. The increase in finance income resulted from interest earned on cash balances in bank accounts throughout the year.

Finance Costs

Finance costs, consisting of interest on loans and dividends on preferred shares, increased by $13,278 or 8.8% for the three months ended February 29, 2016 compared to the same period in the prior year. For the year ended February 29, 2016, finance costs increased by $39,237 or 6.8% compared to the prior year. The increase in finance costs for the three months and year ended February 29, 2016 was due to increases in finance leases, shareholder and related party loans.

Depreciation and Amortization

For the three months ended February 29, 2016, depreciation and amortization expense increased $45,374 or 10.6% to $472,989 from $427,615 in the same period in the prior year. For the year ended February 29, 2016, depreciation and amortization expense increased $189,050 or 11.7% to $1,811,787 from $1,622,737 in the prior year. The increase in depreciation and amortization in the current period is directly related to the volume of gaming equipment purchased and deployed in the three months, and the year ended, February 29, 2016. The Company purchased $1,834,226 of property and equipment during the year ended February 29, 2016 compared to $918,038 in the prior year to service new and existing clients.

(Gain) Loss on Disposal of Property and Equipment

The gain on disposal of property and equipment increased $30,450 or 149.5% to $10,087 from a loss of $20,363 in the same period in the prior year. For the year ended February 29, 2016 the gain on disposal of property and equipment increased $66,109 or 118% to $10,087 from a loss of $56,022 in the prior year. For the three months and year ended February 29, 2016, the Company received proceeds of $14,827. No proceeds were received for the disposals in the prior year.

Foreign Exchange Gain or Loss

For the three months ended February 29, 2016, the foreign exchange gain decreased $85,704 or 97.4% to $2,253 from $87,957. For the year ended February 29, 2016, the foreign exchange loss increased $65,345 or 103.5% to $2,217 from a gain of $63,128. The increase in the foreign exchange losses for the three months and year ended February 29, 2016 was due to the realisation of the foreign exchange portion on the purchase of gaming hardware which is denominated in U.S. dollars.

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

Transaction Cost

During the year ended February 28, 2015, the Company incurred a transaction cost of $2,087,492 that relates to a one-time non-cash cost incurred to complete the Company's Qualifying Transaction that took place on November 30, 2014 (included under the heading "Completion of Qualifying Transaction" in item 5).

Net Loss and Comprehensive Loss

Net loss and comprehensive loss for the three months ended February 29, 2016 was $19,062 compared with $1,012,940 for the same period in the prior year. The $993,878 or 98.1% decrease in the loss is the result of many factors discussed previously including: an increase in gross profit of $326,800, $646,445 decrease in general and administration expenses, $5,490 decrease in the impairment of intangible assets, $1,191 increase in finance income, $30,450 increase in the gain on disposal of property and equipment and a $148,129 decrease in the tax expense. The increases were offset by a $20,271 increase in the impairment of supplies and components, $13,278 in finance costs, $45,374 in depreciation and amortization and $85,704 decrease in the foreign exchange gain.

For the year ended February 29, 2016 the net loss and comprehensive loss was $2,512,452, compared with $5,771,739 in the prior year. The $3,259,287 or 56.5% decrease in the loss is a result of many factors discussed previously including: an increase in gross profit of $1,174,646, $98,269 decrease in general and administration expenses, $5,490 decrease in the impairment of intangible assets, $4,621 increase in finance income, $66,109 increase in the gain on disposal of property and equipment, $2,087,492 decrease transaction costs and a $149,079 decrease in the tax expense. The decreases in the loss were offset by a $32,787 increase in the impairment of supplies and components, $39,237 increase in finance costs, $189,050 increase in depreciation and amortization and a $65,345 increase in the foreign exchange loss.

Net Income (Loss) and Comprehensive Income (Loss) Attributable to the Owners of the Company

Net income and comprehensive income attributable to the owners of the Company for the three months ended February 29, 2016 was $99,577 compared with a net loss of $1,012,940 for the same period in the prior year. The $1,112,517 or 109.8% increase in the income is the result of many factors discussed previously including: an increase in gross profit of $326,800, $646,445 decrease in general and administration expenses, $5,490 decrease in the impairment of intangible assets, $1,191 increase in finance income, $30,450 increase in the gain on disposal of property and equipment, $148,129 decrease in the tax expense and $118,639 in the net loss and comprehensive loss attributable to non-controlling interest. The increases were offset by a $20,271 increase in the impairment of supplies and components, $13,278 in finance costs, $45,374 in depreciation and amortization and an $85,704 decrease in the foreign exchange gain.

For the year ended February 29, 2016 the net loss and comprehensive net loss attributable to the owners of the Company was $2,275,453 compared with $5,771,739 in the prior year. The $3,496,286 or 60.6% decrease in the loss is the result of many factors discussed previously including: an increase in gross profit of $1,174,646, $98,269 decrease in general and administration expenses, $5,490 decrease in the impairment of intangible assets, $4,621 increase in finance income, $66,109 increase in the gain on disposal of property and equipment, $2,087,492 decrease transaction costs, a $149,079 decrease in the tax expense and $236,999 in the net loss and comprehensive loss attributable to non-controlling interest. The decreases in the loss were offset by a $32,787 increase in the impairment of supplies and components, $39,237 increase in finance costs, $189,050 increase in depreciation and amortization and a $65,345 increase in the foreign exchange loss.

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 and year ended February 29, 2016 is $118,639 and $236,999 respectively. The Company's share of the operating loss of Alberta Satellite Bingo LP for the three months and year ended February 29, 2016 is $297 and $594 respectively.

## 7. Financial Position

| | February 29, 2016 | February 28, 2015 | February 28, 2014 |
|---|---|---|---|
| Total assets | $ 5,594,215 | $ 7,495,556 | $ 7,083,432 |
| Total non-current financial liabilities | $ 2,323,020 | $ 3,778,618 | $ 2,301,823 |

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. Total assets increased $412,124 or 5.8% from February 28, 2014 to February 28, 2015. The increase in total assets reflects the addition of approximately $3,000,000 in net proceeds from the Offerings offset by use of such proceeds of approximately $1,300,000, reductions in accrued receivables of approximately $470,000, property and equipment of approximately $600,000, deferred tax assets of approximately $191,000, as well as changes in other accounts with a collective effect of decreasing total assets by approximately $27,000.

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. The increase from February 28, 2014 to February 28, 2015 is the result of the Company taking on increased debt and the issuance of dividend bearing preferred shares, which are considered a financial liability according to IFRS. The increased debt was to finance growth including software development and the purchase of hardware to be deployed at new customer sites.

## 8. Liquidity and Capital Resources

### 8.1. Cash Flows by Activity

| | Three months ended | | Year ended | |
|---|---|---|---|---|
| | **February 29,** | February 28, | **February 29,** | February 28, |
| **Cash (used in) provided by:** | **2016** | 2015 | **2016** | 2015 |
| Cash flows from (used in) operations | **$ 131,560** | $ (97,991) | **$ 289,553** | $ (342,542) |
| Changes in non-cash working capital | **50,191** | 38,120 | **675,411** | (1,007,968) |
| Operating activities | **181,751** | (59,871) | **964,964** | (1,350,510) |
| Financing activities | **122,608** | (545,160) | **(1,131,525)** | 4,018,284 |
| Investing activities | **(327,839)** | (467,999) | **(1,830,393)** | (1,060,471) |
| Decrease in cash and cash equivalents | **$ (23,480)** | $ (1,073,030) | **$ (1,996,954)** | $ 1,607,303 |

Operating Activities

Cash flows provided by operating activities are $181,751 for the three months ended February 29, 2016 compared to cash used in operating activities of $59,871 for the same period in the prior year. This change is a result of increase of approximately $230,000 in cash from operations and $12,000 in non-cash working capital, largely the results of new contracts and the consolidation of operations of Alberta Satellite Bingo and Rock Bingo. The non-cash working capital changes include increases in accounts receivable of $80,000, $52,000 in accrued receivables, $28,000 in prepaid expenses, $42,000 in deferred revenue, $41,000 in current income taxes payable offset by $107,000 decrease in supplies and components and $125,000 decrease in accounts payable and accrued liabilities.

For the year ended February 29, 2016 cash flows provided by operating activities were $964,964 compared to cash used in operating activities of $1,350,510 in the prior year. This change is a result of approximately $632,000 increase in cash from operations and $1,683,000 from non-cash working capital. The non-working capital changes include increases in accounts receivable $48,000, $41,000 in current income taxes payable, $108,000 in prepaid expenses, $892,000 in accounts payable and accrued liabilities, $786,000 in deferred revenue relating to customer prepayments for the purchase of hardware which was delivered and recognized in May 2014 offset by $123,000 in accrued receivables, $69,000 decrease in supplies and components.

Financing Activities

Cash provided by financing activities was $122,608 for the three months ended February 29, 2016 compared with cash used in financing activities of $545,160 for the same period in the prior year. During the three months ended February 29, 2016 the Company obtained $560,000 in proceeds from new shareholder and other related loans offset by repayment of loans and finance lease obligations of $275,080 and payment of interest and dividends of $162,312. During the same period in the prior year, the Company repaid or retired existing loans in the amount of $371,529, paid interest and dividends of $188,481 and received proceeds from the exercise of stock options of $14,850.

For the year ended February 29, 2016 cash used in financing activities was $1,131,525, compared with cash provided by financing activities of $4,018,284 in the prior year. During the year ended February 29, 2016 the Company made repayments of $1,690,492 on existing loans and finance lease obligations, paid interest and dividends of $611,253 offset by proceeds from the exercise of stock options of $50,220 and $1,120,000 proceeds from shareholder and other related loans. During the year ended February 28, 2015, the Company issued Ordinary Shares of $3,075,484 in connection with the Offerings, received proceeds from the issuance of preferred shares of $250,000, received proceeds from new loans of $3,809,681 offset by repayments of existing loans and finance lease obligations of $2,587,795, paid interest and dividends of $572,017 and received proceeds from the exercise of stock options of $42,931.

Investing Activities

Cash flows used in investing activities were $327,839 for the three months ended February 29, 2016 compared with $467,999 for the same period in the prior year. The Company purchased $269,178 of property and equipment, and capitalised $74,361 of intangible assets offset by $14,827 proceeds from the disposal of property and equipment and $873 cash from the acquisition of the operations of Alberta Satellite Bingo. This compares to the property and equipment purchases of $416,541 and $51,458 in capitalised intangible assets for the same period in the prior year.

For the year ended February 29, 2016 cash used in investing activities was $1,830,393 compared with $1,060,471 in the prior year. The Company purchased $1,772,965 in property and equipment, capitalised $245,975 of intangible assets offset by $173,720 in cash from the acquisition of the operations of Alberta Satellite Bingo and $14,827 proceeds from the disposal of property and equipment. This compares to $918,038 purchases of property and equipment, $148,164 in capitalised intangible assets offset by $5,731 cash acquired from the amalgamation.

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

### 8.2. 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 and year ended February 29, 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:

| | **February 29, 2016** | February 28, 2015 |
|---|---|---|
| Demand term loans | **$ 824,252** | $ 1,569,109 |
| Shareholder loans | **455,239** | 421,756 |
| Other related loans | **2,681,747** | 2,528,226 |
| Obligations under finance lease | **53,765** | - |
| Preferred shares | **2,060,000** | 2,060,000 |
| (Deficiency) equity | **(2,060,202)** | 306,179 |
| | **$ 4,014,801** | $ 6,885,270 |

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 in violation of this covenant.

### 8.3. 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 February 29, 2016, the Company had cash of $183,009 (February 28, 2015 - $2,132,829), accounts receivable of $537,284 (February 28, 2015 - $381,697), and current portion of accrued receivables of $559,166 (February 28, 2015 - $460,000) for a total of $1,279,459 (February 28, 2015 - $2,974,526). 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 $5,585,089 (February 28, 2015 - $3,853,015). 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 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 Company’s contractual obligations at February 28, 2015 summarized by fiscal year were as follows:

| | On demand | 2016 | 2017 | 2018 | Total |
|---|---|---|---|---|---|
| Bank indebtedness | $ 117,440 | $ - | $ - | $ - | $ 117,440 |
| Accounts payable and accrued liabilities | - | 492,846 | - | - | 492,846 |
| Demand term loans | 1,575,538 | - | - | - | 1,575,538 |
| Shareholders loans | - | 334,009 | 119,095 | - | 453,104 |
| Other related loans | - | 1,127,182 | 1,127,182 | 602,125 | 2,856,489 |
| Preferred shares | - | 206,000 | 1,956,907 | 250,671 | 2,413,578 |
| Total | $ 1,692,978 | $ 2,160,037 | $ 3,203,184 | $ 852,796 | $ 7,908,995 |

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

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 13 of the Company's audited consolidated financial statements.

At February 29, 2016 the Company was in violation of 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.

## 9. 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 February 29, 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 | $ 103,163 | $ 67,447 | $ 29,058 | $ 199,668 |
| Between one and five years | 34,388 | 2,932 | - | 37,320 |
| Over five years | - | - | - | - |
| | $ 137,551 | $ 70,379 | $ 29,058 | $ 236,988 |

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

## 10. Related Party Transactions

### a) Shareholder Loans and Other Related Loans

As at February 29, 2016, the Company had $3,136,986 outstanding in shareholder and other related loans (February 28, 2015 - $2,949,982). $285,868 of shareholder loans are from the Company's CEO and $169,371 are from other employee shareholders of the Company. Other related loans of $2,621,747 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 audited consolidated financial statements for the year ended February 29, 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 $451,531 (February 28, 2015 - $nil) 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. Subsequent to February 29, 2016, this loan was repaid in full.

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 controlled by a shareholder of the Company. The loan bears interest at 10% per annum with the principal amount due at the option of the borrower.

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 a shareholder 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 February 29, 2016 was $488,035 (February 28, 2015 - $nil) 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.

For the three months ended February 29, 2016, interest expense on shareholder and other related loans of $84,440 (February 28, 2015 - $75,362) was recorded as expense and included in finance costs.

During the year ended February 29, 2016, interest expense on shareholder and other related loans of $283,131 (February 28, 2015 - $210,796) 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, | | | | Year ended | | |
|---|---|---|---|---|---|---|---|---|
| | | **February 29, 2016** | | February 28, 2015 | | **February 29, 2016** | | February 28, 2015 |
| Short-term employee benefits | **$** | **198,334** | $ | 96,932 | **$** | **464,619** | $ | 350,909 |
| Share-based payments | | **2,049** | | 12,870 | | **5,665** | | 243,127 |
| | **$** | **200,383** | $ | 109,802 | **$** | **470,284** | $ | 594,036 |

Stock options granted to board advisors during the year ended February 28, 2015 vested when they received regulatory approval to become directors. During the year ended February 29, 2016 all board advisors received regulatory approval and were appointed to the Board of Directors.

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 February 29, 2016 accrued receivables includes $49,772 (February 28, 2015 - $nil) due from an entity controlled by the COO 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, 2015.

### *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 annual financial statements for the year ended February 29, 2016. Management has not yet assessed the impact on the consolidated financial statements of the following changes that are applicable to the Company:

*IFRS 9 – Financial Instruments*

IFRS 9 will replace *IAS 39 – Financial Instruments: Recognition and Measurement*. The new standard includes guidance on recognition and derecognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

*IFRS 15 – Revenue from Contracts with Customers*

IFRS 15 replaces *IAS 11 – Construction Contracts, IAS 18 – Revenue and IFRIC 13 – Customer Loyalty Programmes*. This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

*IFRS 16 - Leases*

IFRS 16 will replace *IAS 17 – Leases, IFRIC 4 – Determining whether an arrangement contains a lease, SIC 15 – Operating leases and SIC 27 – Evaluating the substance of transactions involving the legal form of a lease*. The new standard provides a single lessee accounting model, requiring a lessee to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged from IAS 17. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

*IAS 1 – Presentation of Financial Statements*

IAS 1 was amended to clarify the use of materiality, disclosure of line items on the statement of financial position and statement of profit or loss and other comprehensive income and possible ways of ordering the notes to the financial statements. The IAS 1 disclosure initiative is effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

## 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, demand term loans, shareholders loans, other related 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, demand term loans, shareholders loans, other related 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 and accounts payable and current accrued liabilities 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, demand term loans, shareholders loans, other related loans, obligations under finance lease and preferred shares reasonably approximate their fair value. The fair value 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 and accrued receivables. As at February 29, 2016, the balance of the allowance account for credit losses was $nil (February 28, 2015 - $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 February 29, 2016 and February 28, 2015, by length of time past due, are:

| | | **February 29, 2016** | | February 28, 2015 |
|---|---|---|---|---|
| 1 to 30 days past due | **$** | **389,174** | $ | 132,108 |
| 31 to 60 days past due | | **43,691** | | 41,273 |
| Greater than 60 days past due | | **8,391** | | - |
| Total | **$** | **441,256** | $ | 173,381 |

As at February 29, 2016, the Company had one customer owing more than $50,000 that accounted for approximately 35% of all the trade accounts receivable owing (February 28, 2015 – three customers owing more than $50,000; approximately 62% of trade accounts receivable). Trade accounts receivable associated with customers that each individually exceeded 10% of the Company's sales, service and other revenue for the year totalled 35% of trade accounts receivable (February 28, 2015 – 45%). 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 February 29, 2016, totalled $183,009 (February 28, 2015 - $2,132,829), accounts receivable totalled $537,284 (February 28, 2015 - $381,697), and accrued receivables totalled $1,001,760 (February 28, 2015 - $1,348,670), 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 $nil for the three months ended February 29, 2016 (February 28, 2015 - $5,000). A 1% appreciation (depreciation) in the Canadian dollar price of Euros would result in gain (loss) of approximately $1,000 for the three months ended February 29, 2016 (February 28, 2015 - $2,000).

A 1% appreciation (depreciation) in the Canadian dollar price of United States dollars would result in gain (loss) of approximately $3,000 for the year ended February 29, 2016 (February 28, 2015 - $4,600). A 1% appreciation (depreciation) in the Canadian dollar price of Euros would result in gain (loss) of approximately $3,000 (February 28, 2015 - $900).

### *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 $9,000 for the three months ended February 29, 2016 (February 28, 2015 - $9,000).

A 1% decrease (increase) in the bank's prime rate would result in a gain (loss) of approximately $12,000 for the six months ended February 29, 2016 (February 28, 2015 - $22,000).

## 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 440,400 warrants outstanding.

As at the date of this MD&A, 5,811,539 (February 28, 2015 – 11,623,076) 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

The risks presented below should not be considered to be exhaustive and may not be all of the risks that the Company may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. The markets in which the Company currently competes are very competitive and change rapidly. New risks may emerge from time to time and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements.

### *Refinancing Risks*

The Company's ability to make scheduled payments on or to refinance its debt obligations and to make distributions to enable it to service its debt obligations depends on its financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business, and other factors beyond the Company's control, including fluctuations in interest rates, market liquidity conditions, increased operating costs, and trends in its industry. If the Company's cash flows and capital resources are insufficient to fund its debt service obligations, it may be forced to reduce or delay activities and capital expenditures, sell assets, seek additional capital, or restructure or refinance its indebtedness. These alternative measures may not be successful and may not permit us to meet the Company's scheduled debt service obligations. In such circumstances, the Company could face substantial liquidity problems and might be required to dispose of material assets or operations to meet debt service and other obligations.

*Adequate Liquidity*

Under its current capital structure, the Company must generate sufficient revenue from operations to provide access to additional capital under its secured borrowings. Under the Company's credit facilities for the operating line of credit and demand term loans, the debt service coverage ratio must not be less than 1.25 to 1. As at February 29, 2016, the Company was in violation of this covenant. Failure to maintain adequate liquidity in the future would restrict the Company's ability to operate, pay current liabilities, comply with covenants applicable to its secured borrowings, or pursue new possible business opportunities.

*Products May Become Obsolete*

The markets for the Company’s solutions are characterized by rapidly changing technology, evolving industry standards and increasingly sophisticated customer requirements. The introduction of products embodying new technology and the emergence of new industry standards could render the Company's existing solutions obsolete and unmarketable and could exert price pressures on existing solutions. It is critical to the success of the Company to be able to anticipate and react quickly to changes in technology or in industry standards and to successfully develop and introduce new, enhanced and competitive products on a timely basis. The Company cannot give assurance that it will successfully develop new products or enhance and improve its existing products, that new products and enhanced and improved existing products will achieve market acceptance or that the introduction of new products or enhanced existing products by others will not render the Company's products obsolete. The Company's inability to develop solutions that are competitive in technology and price and that meet customer needs could have a material adverse effect on the Company's business, financial condition and results of operations. Accelerated product introductions and sometimes short product life cycles require high levels of expenditure for research and development that could adversely affect the Company's operating results. Further, any new solutions that the Company develops could require long development and testing periods and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue.

*Loans Secured by Proceeds from Customer Contracts*

One of the Company's demand term loans is secured by an assignment of proceeds under a specific customer contract. There is a risk if the contract is lost the security to the demand loans may be compromised, which could have a material adverse effect on the Company’s financial condition.

*Additional Financing*

The Company requires additional financing to fund growth in working capital and for other purposes. The ability to source such financing in the future, if needed, will depend in part on prevailing capital market conditions and the Company’s ongoing financial success. There can be no assurance the Company will be successful in its efforts to arrange additional financing, if needed, on favourable commercial terms or at all. Failure to obtain such financial resources could affect the Company's plan for growth, result in the Company’s failure to take advantage of certain opportunities or adequately respond to competitive pressures or result in the Company being unable to satisfy its obligations as they become due, any of which could have a material adverse effect on the business, results of operations and the financial condition of the Company. If additional financing is raised by the issuance of shares or other forms of convertible securities from treasury, control of the Company may change and existing shareholders will suffer dilution.

*The Company is Incorporated and Registered in a Foreign Jurisdiction*

The Company is incorporated and registered in Hong Kong and must comply with Hong Kong laws and corporate reporting requirements in addition to complying with Canadian securities law. Failure to comply with the regulatory and reporting requirements of Hong Kong could result in substantial financial penalties, administrative punishment and other sanctions. There can be no assurance that the legal framework or enforcement trends under Hong Kong laws will not change in a manner that will result in increased costs of compliance, or that the Company will be successful in responding to such changes. The costs the Company incurs to comply with Hong Kong laws and regulations, including those related to applicable filings and corporate requirements, may materially increase our total costs and decrease our profit.

*Heavily Regulated Industry*

The manufacture and distribution of gaming solutions is subject to extensive scrutiny and regulation in all levels of government including, but not limited to, federal, state, provincial, local and in some instances, Tribal authorities. Accordingly, the Company only conducts business in jurisdictions where gaming is legal. Most, if not all, jurisdictions require licenses, permits and documentation of suitability, demonstrating the financial stability for the manufacturers and distributors of such gaming solutions in addition to their officers, directors, major shareholders and other key personnel. The Company's delay or failure to obtain these licenses and approvals in any jurisdiction may prevent it from distributing its solutions and generating revenues in those jurisdictions. A gaming regulatory body may refuse to issue or renew a registration if the Company, or one of its directors, officers, employees or associates: (i) is considered to be a detriment to the integrity or lawful conduct or management of gaming; (ii) no longer meets a registration requirement; (iii) has breached or is in breach of a condition of registration or an operational agreement with a lottery corporation; (iv) has made a material misrepresentation, omission or misstatement in an application for registration or in reply to an enquiry by a person conducting an audit, investigation or inspection under the gaming control legislation; (v) has been refused a similar registration in another jurisdiction; (vi) has held a similar registration, or license in that province or another jurisdiction which has been suspended or cancelled; or (vii) has been convicted of an offence, inside or outside of Canada, that calls into question the Company's honesty or integrity or the honesty or integrity of one of its directors, officers, employees or associates.

Additionally, the Company's solutions must be approved in most jurisdictions in which they are offered; this process cannot be assured or guaranteed. Obtaining these approvals is a time-consuming process that can be extremely costly and cannot be assured. A manufacturer of gaming solutions may pursue corporate regulatory approval with regulators of a particular jurisdiction while it pursues technical regulatory approval for its gaming solutions by that same jurisdiction. It is possible, although unlikely, that after incurring significant expenses and dedicating substantial time and effort towards such regulatory approvals, that the Company may not obtain either of them. If the Company fails to obtain the necessary certification, registration, license, approval or finding of suitability in a given jurisdiction, it would likely be prohibited from distributing its solutions in that particular jurisdiction all together. Furthermore, some jurisdictions require license holders to obtain government approval before engaging in some transactions, such as business combinations, reorganizations, stock offerings and repurchases. The Company may not be able to obtain all necessary registrations, licenses, permits, approvals or findings of suitability in a timely manner, or at all. The Company's failure to obtain the necessary regulatory approvals in jurisdictions, whether individually or collectively, would have a material adverse effect on its business. Further, changes in existing gaming regulations may hinder or prevent the Company from continuing to operate in those jurisdictions where it currently carries on business, which would harm its operating results and financial condition. In particular, the enactment of unfavourable legislation or government efforts affecting or directed at manufacturers or gaming operators, such as referendums to increase gaming taxes or requirements to use local distributors, may have a negative impact on the Company's operations. Furthermore, gaming regulatory bodies may from time to time require changes to the Company's practice in complying with the various disclosures and reporting requirements. If the Company fails to comply with any existing or future disclosure requirements, the regulators may take action against the Company which could ultimately include cancellation of a gaming registration.

*Impairment*

Economic, market, legal, regulatory, competitive, customer, contractual and other factors may affect the value of the Company’s long-lived assets, intangible assets, investments and goodwill, including but not limited to the Company’s gaming and intellectual property and operations of Alberta Satellite Bingo. If any of these factors impair the value of these assets, IFRS requires that we reduce their carrying value and recognize an impairment charge. This would reduce our reported assets and earnings in the year the impairment charge is recognized.

*Customer Concentration*

A substantial proportion of the Company's total revenues are derived from a small number of customers. The loss of one or more of these top clients or a reduction in sales to one or more of the top clients may have a material adverse effect on the Company's business, results of operations or liquidity. The concentration of the Company's sales to a few clients could make the Company more vulnerable to collection risk if one or more of these clients were unable to pay for the Company's products. Also, having such a large portion of its total net revenue concentrated in a few clients may hinder the Company's negotiating leverage with these clients. In the event the Company fails to grow its customer base and if one or more of the Company's customers discontinues its relationship with the Company for any reason, or reduces or postpones current or expected purchases of the Company's solutions, the Company's business, results of operations and financial condition could be materially adversely affected.

*Significant Barriers to Entry*

There are significant barriers to entry to the market for its solutions. The primary barriers to entry are the establishment of relationships with the owners and operators of casinos, cruise ships and other gaming operators, the receipt of necessary regulatory approvals and the development of the technology necessary to create its solutions. If the Company is unable to overcome the barriers to entry, it will materially affect its results of operations and future prospects.

*Competitive Industry*

There are a number of companies that manufacture and distribute automated gaming solutions. Most of these companies have greater financial resources than the Company. If the Company is unable to obtain significant market presence or it loses market share to the Company's competitors, it will materially affect its results of operations and future prospects. There are many companies who could introduce directly competitive products in the short term that have already established relationships with gaming operators, have the potential to develop technology quickly and have greater resources. The Company's success depends on its ability to develop new products and enhance existing products.

*Impact of Change in Regulations or Industry Standards*

The emergence or evolution of regulations and industry standards for gaming solutions, through official standards committees or widespread use by operators, could require the Company to modify its systems. This may be expensive and time-consuming. Gaming solutions is subject to extensive regulation under the laws of jurisdictions worldwide. Each jurisdiction has different regulations and regulatory processes for gaming. If new industry standards emerge that the Company does not anticipate, substantial costs might be incurred by the Company to bring its products up to date.

*Potential Changes to the Class II Regulatory Scheme*

The Company’s Native American Tribal customers that operate Class II games under the U.S. *Indian Gaming Regulatory Act* are subject to regulation by the U.S. National Indian Gaming Commission (the “NIGC”). The NIGC is conducting consultations with industry participants regarding Native American gaming activities, including the clarification of regulations regarding Class II gaming machines. It is possible that any such changes in regulations, when finally enacted, could cause the Company to modify its Class II games to comply with the new regulations, which may result in the Company’s products becoming less competitive. Any required conversion of games pursuant to changing regulatory schemes could cause a disruption to the Company’s business. In addition, the Company could lose market share to competitors who offer games that do not appear to comply with published regulatory restrictions on Class II games and therefore offer features not available in the Company’s products.

*Relationships with Distributors*

The Company is dependent upon its ability to establish and develop new relationships and to build on existing relationships with distributors, on which it relies on in certain markets to sell its current and future products and services. The Company cannot provide assurance that it will be successful in maintaining or advancing its relationships with distributors. In addition, the Company cannot provide assurance that its distributors will act in a manner that will promote the success of the Company's products and services. Failure by channel partners to promote and support the Company's products and services could adversely affect its business, results of operations and financial condition.

If some of the Company's competitors offer their products and services to distributors on more favourable terms or have more products or services available to meet their needs, there may be pressure on the Company to reduce the price of its products or services or increase distributor commissions, failing which the Company's distributors may stop carrying its products or services or de-emphasize the sale of its products and services in favour of the products and services of competitors.

*Lengthy and Variable Sales Cycle*

It is difficult for the Company to forecast the timing of revenue from its activities because its customers typically invest substantial time, money and other resources researching their needs and available competitive alternatives before deciding to purchase the Company's solutions. Typically, the larger the potential sale, the more time, money and other resources will be invested by customers. As a result, it may take many months after the Company's first contact with an end-customer before a sale can actually be completed. In addition, the Company relies on its channel partners to sell its products to customers and, therefore, the Company's sales efforts are vulnerable to delays at both the channel partner and the end-customer level.

During these long sales cycles, events may occur that affect the size or timing of the order or even cause it to be cancelled, including:

- purchasing decisions may be postponed, or large purchases reduced, during periods of economic uncertainty;
- the Company or its competitors may announce or introduce new solutions;
- the Company's competitors may offer lower prices; or
- budget and purchasing priorities of customers may change.

If these events were to occur, sales of the Company's solutions or services may be cancelled or delayed, which would reduce the Company's revenue.

*Risk of Foreign Operations*

A significant portion of the Company’s operations are conducted in foreign jurisdictions including, but not limited to: Native American Tribal jurisdictions with sovereign immunity, various U.S. states and Ireland. The Company expects that receivables with respect to foreign sales will continue to account for a significant portion of its total accounts receivables outstanding. As such, the Company’s operations may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within the control of the Company, including, but not limited to, recessions in foreign economies, expropriation, nationalization and limitation or restriction on repatriation of earnings, longer receivables collection periods and greater difficulty in collecting accounts receivable, changes in consumer tastes and trends, renegotiation or nullification of existing contracts or licenses, changes in gaming policies, regulatory requirements or the personnel administering them, currency fluctuations and devaluations, exchange controls, economic sanctions and royalty and tax increases, risk of terrorist activities, revolution, border disputes, implementation of tariffs and other trade barriers and protectionist practices, taxation policies, including royalty and tax increases and retroactive tax claims, volatility of financial markets and fluctuations in foreign exchange rates, difficulties in the protection of intellectual property, labour disputes and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted. The Company’s operations may also be adversely affected by social, political and economic instability and by laws and policies of such foreign jurisdictions affecting foreign trade, taxation and investment. If the Company’s operations are disrupted and/or the economic integrity of its contracts is threatened for unexpected reasons, its business may be harmed.

In the event of a dispute arising in connection with the Company’s operations in a foreign jurisdiction where it conducts its business, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. The Company may also be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. Accordingly, the Company’s activities in foreign jurisdictions could be substantially affected by factors beyond the Company's control, any of which could have a material adverse effect on Company.

*Defects in the Company's Products*

The Company’s solutions are complex and, accordingly, they may contain defects or errors, particularly when first introduced or as new versions are released. The Company may not discover such defects or errors until after a product has been released and used by its end-customers. Defects and errors in the Company's solutions could materially and adversely affect the Company's reputation, result in significant costs to it, delay planned release dates and impair its ability to sell its products in the future. The costs incurred in correcting any product defects or errors may be substantial and could adversely affect the Company's operating margins. While the Company plans to continually test its products for defects and errors and work with customers through the Company's support and service activities to identify and correct defects and errors, defects or errors in the Company's solutions may be found in the future.

*Changes in Ownership of Customers or Consolidation within the Gaming Industry*

The Company is heavily dependent on the gaming industry. A decline in demand for the Company's products in the gaming industry could adversely affect its business. Demand for the Company's products is driven primarily by the replacement of existing products as well as the expansion of existing bingo locations, casinos and the opening of new properties in existing and new jurisdictions as well as the opening of new channels of distributions, such as mobile and online gaming. Because a significant portion of the Company's sales come from repeat customers, its business could be affected if one of its customers is sold to or merges with another entity that utilizes the products and services of one of the Company's competitors or that reduces spending on its products or causes downward pricing measures. Such consolidations could lead to order cancellation or negatively impact pricing and purchasing decisions or results in the removal of some or all of the Company's products. Also, any fragmentation within the industry creating a number of smaller, independent operators with fewer resources could also adversely affect the Company's business as these operators might cause a further slowdown in the replacement cycle for the Company's products or otherwise adjust the number and frequency of orders they place with the Company to save money.

*Management of Growth*

If the Company does not effectively manage its growth, its ability to develop and market its solutions could suffer, which could negatively affect its operating results. To manage the Company's expected growth effectively, it must continue to improve its operational, financial and management controls and its reporting systems and procedures. These systems enhancements and improvements will require significant capital expenditures and allocation of valuable management resources. If required improvements are not implemented successfully, the Company's ability to manage its expected growth will be impaired and it may have to make significant additional expenditures to address these issues, which could harm its financial position.

*Changes to Tax Rates or Exposure to Additional Tax Liabilities*

The Company may be subject to income taxes in various foreign jurisdictions. Significant judgment will be required in determining the Company's worldwide provision for income taxes and, in the ordinary course of its business, there are many transactions and calculations where the ultimate tax determination may be uncertain.

The Company will be required to estimate what its taxes will be in the future. Although the Company believes its current tax estimates are reasonable, the estimate process and applicable tax laws are inherently uncertain, and its estimates are not binding on tax authorities. The Company's effective tax rate could be adversely affected by changes in its business, including but not limited to the mix of earnings in countries with differing statutory tax rates, changes in the elections it makes or applicable tax laws. The Company's tax determinations will be subject to audit by tax authorities, where audits, if any, could adversely affect the Company's income tax provision. Should the Company's ultimate tax liability exceed its estimates, its income tax provision and net income may be materially affected.

*Reliance on Key Personnel*

The Company is substantially dependent upon the services of its management team for the successful operation of its business. The loss of the services of any of these individuals could have a material adverse effect on the business of the Company. The Company's success is also highly dependent on its continuing ability to identify, hire, train, motivate and retain highly qualified technical, sales, marketing and management personnel. Competition for such personnel can be intense, and the Company cannot provide assurance that it will be able to attract or retain highly qualified technical, sales, marketing and management personnel in the future. If the Company cannot successfully recruit and retain the employees it needs, or replace key employees following their departure, the Company's ability to develop and manage its business will be impaired.

*Ability to Successfully Execute Strategies*

If the Company fails to execute any element of its strategy in a timely and effective manner, competitors may be able to seize marketing opportunities that the Company has identified. The Company's business strategy requires that it successfully and simultaneously complete many tasks. In order to be successful, the Company must: (i) continue to build and operate a highly reliable, complex infrastructure; (ii) attract and retain clients; (iii) hire, train and retain quality employees; and (iv) evolve the Company's business to gain advantages in a competitive environment.

*Acquisitions*

The Company may in the future acquire additional businesses. Acquisitions involve a number of special risks, including diversion of management’s attention, failure to retain key acquired personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on the business, results of operations and financial condition. In addition, there can be no assurance that the Company can complete any acquisition it pursues on favourable terms, that any acquired businesses, products or technologies will achieve anticipated revenues and income, or that any acquisitions completed will ultimately benefit the business. An acquisition could also result in a potentially dilutive issuance of equity securities. If a strategy of growth through acquisition is pursued, the failure of the Company to successfully manage this strategy could have a material adverse effect on the Company’s business, results of operations and financial condition.

*Player and Operator Preferences*

As a supplier of gaming solutions, the Company must continually offer themes and products that appeal to gaming operators and players. The Company's success depends in part on unpredictable and volatile factors that are beyond its control, such as customer preferences, competing games, travel activity and the availability of other entertainment activities. The Company faces continuous pressure to design and deploy new and successful game themes and technologically innovative products to maintain its revenue and remain competitive. If the Company is unable to anticipate or react to any significant changes in player or customer preferences in a timely manner, the demand for its solutions could decline or suffer a loss of significant floor space or customer contracts, which could affect its financial results. If the Company's land-based gaming solutions suffer a loss of floor space to other more technologically advanced games, the Company could fail to meet certain minimum performance levels, or operators may reduce revenue sharing arrangements with the Company, each of which could negatively impact the Company's sales and financial results.

*Economic Conditions*

The demand for entertainment and leisure activities tends to be highly sensitive to consumers' disposable income, and thus can be affected by changes in the economy and consumer tastes, both of which are difficult to predict and beyond the control of the Company. Unfavourable changes in the general economic conditions, including recessions, economic slowdown, sustained high levels of unemployment, and higher fuel or transportation costs, may reduce disposable income of patrons or result in fewer patrons visiting casinos. As a result, the Company cannot ensure that demand for its products or services will remain constant. Continued or renewed adverse developments affecting economies throughout the world, including a general tightening of availability of credit, decreased liquidity in many financial markets, increasing interest rates, increasing energy costs, acts of war or terrorism, transpiration disruptions, natural disasters, declining consumer confidence, sustained high levels of unemployment or significant declines in stock markets, as well as concerns regarding epidemics and the spread of contagious diseases, could lead to a further reduction in discretionary spending on leisure activities such as gambling. Any significant or prolonged decrease in consumer spending on leisure activities could greatly affect the gaming industry. If the Company experiences a significant unexpected decrease in demand for its products, it could incur losses.

*Reduced Spending*

It is difficult to estimate the level of growth for the economy as a whole. It is even more difficult to estimate growth in various parts of the economy, including the markets in which the Company will participate. All components of the Company's budgeting and forecasting are dependent upon estimates of growth in the markets that the Company will serve and economic uncertainties make it difficult to estimate future income and expenditures. Downturns in the economy or geopolitical uncertainties may cause clients to reduce or cancel orders for the Company's products, which could have a material adverse impact on the Company's business, operating results and financial condition. In addition, natural disasters, acts of terrorism and the outbreak of hostilities and armed conflicts between countries have created uncertainties that may affect the global economy and could have a material adverse effect on the Company's business, operating results and financial condition.

*Litigation*

From time to time in the future, the Company is subject to other claims and litigation, which could be expensive, lengthy, and disruptive to normal business operations. In addition, the outcome of any claims or litigation may be difficult to predict and could have a material adverse effect on the business, results of operations and financial condition.

*Protection of Intellectual Property*

The Company's ability to secure its intellectual property rights is essential to the success of its ongoing operations and future opportunities. There is no assurance, however, that none of the Company's rights will be challenged, invalidated or circumvented. In addition, the laws of certain countries do not protect proprietary rights to the same extent as do the laws of the U.S. and Canada, and therefore there can be no assurance that the Company will be able to adequately protect its proprietary technology against unauthorized third-party copying or use. Such unauthorized copying or use may adversely affect the Company's competitive position. Further, there can be no assurance that the Company will successfully obtain licenses to any technology that it may require to conduct its business or that, if obtainable, such technology can be licensed at a reasonable cost.

*Infringement of Intellectual Property*

The software and Internet industries are characterized by the existence of a large number of patents, trademarks and copyrights and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. The Company may receive, in the future, communications from third parties claiming that it has infringed on the intellectual property rights of others. The Company's technologies may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time-consuming and expensive to resolve, could divert management attention from executing the business plan and could require the Company to pay monetary damages or enter into royalty or licensing agreements. In addition, many of the Company's licensing agreements require the Company to indemnify its customers for third-party intellectual property infringement claims, which would increase the cost to the Company of an adverse ruling on such a claim. An adverse determination could also prevent the Company from offering its service to others.

*Market Price of Company's Ordinary Shares May be Subject to Wide Price Fluctuations*

The market price of the Company's Ordinary Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company and its subsidiaries, divergence in financial results from analyst expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company and its subsidiaries, general economic conditions, legislative changes, and other events and factors outside of the Company's control. Stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price of the Company's Ordinary Shares.

*Limited Market for Securities*

The Company's Ordinary Shares are currently listed on the TSXV, however, there can be no assurance that an active and liquid market for the Company's Ordinary Shares will be developed.

*Tax Considerations Applicable to an Investment in the Company's Ordinary Shares*

The Canadian and non-Canadian income tax considerations applicable to an investment in the Company's Ordinary Shares may be significantly different than those applicable to an investment in shares of a corporation that was incorporated in Canada. Each prospective investor should consult with their own tax advisor with respect to the Canadian and non-Canadian income tax consequences of acquiring, holding and disposing of the Company's Ordinary Shares, based on each prospective investor's particular circumstances.

*The Trading Price of the Company's Ordinary Shares May Be Volatile*

The trading prices of the securities of technology companies have been highly volatile. Accordingly, the trading price of the Company's Ordinary Shares may be and is likely to be subject to wide fluctuations. Further, the Company's Ordinary Shares have limited trading history. Factors affecting the trading price of the Company's Ordinary Shares include:

- variations in its operating results and cash flows;
- the quarterly net increases in the number of customers and licensing agreements;
- announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by the Company or by its competitors;
- customer cancellations or delays in customer purchases;
- recruitment or departure of key personnel;
- changes in the estimates of its operating results or changes in recommendations by any securities analysts that elect to follow its Ordinary Shares;
- market conditions in its industry, the industries of its customers and the economy as a whole; and
- disruptions in the Company's service due to computer hardware, software or network problems or due to a natural disaster, act of terrorism or other catastrophic event.

In addition, if the market for technology stocks or the stock market in general experiences uneven investor confidence, the trading price of the Company's Ordinary Shares could decline for reasons unrelated to the business, operating results or financial condition. The trading price of the Company's Ordinary Shares might also decline in reaction to events that affect other companies within, or outside, the Company's industry even if these events do not directly affect the Company.

*Natural Events*

The Company has operations in locations subject to natural occurrences such as severe weather and other geological events, including hurricanes, earthquakes, floods, or tsunamis that could disrupt operations. Any serious disruption at any of the Company's facilities or the facilities of its customers or suppliers due to a natural disaster could have a material adverse effect on the Company's revenues and increase its costs and expenses. If there is a natural disaster or other serious disruption at any of the Company's facilities, it could impair its ability to adequately supply its customers, cause a significant disruption to its operations, cause the Company to incur significant costs to relocate or re-establish these functions and negatively impact its operating results. While the Company insures against certain business interruption risks, such insurance may not adequately compensate the Company for any losses incurred as a result of natural or other disasters. In addition, any natural disaster that results in a prolonged disruption to the operations of the Company's customers or suppliers may adversely affect its business, results of operations or financial condition.

*Uninsured Losses*

The Company carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or under-insured loss occur, the Company could suffer damage to its equipment and facilities and impair the Company’s ability to service its clients, which may have a material adverse effect on the Company’s business, financial condition, liquidity and results of operations.

*Changes in Laws*

Changes to any of the laws, rules, regulations or policies to which the Company is subject could have a significant impact on the Company’s business. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact the Company's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

## 15. Subsequent Events

The following events occurred subsequent to February 29, 2016:

*Preferred shares*

Subsequent to year end, holders of $800,000 of the current portion of preferred shares have agreed to not redeem their preferred shares until April 30, 2017, $910,000 of the current portion and $100,000 of the long-term portion of preferred shares have agreed to not redeem their preferred shares until April 30, 2018.

*Related party transactions*

On March 1, 2016, the Company entered into a financing arrangement for a demand term loan in the amount of $100,000 from the CEO of the Company. The loan bears interest at 10% per annum with the principal amount due upon demand by the lender.

*Other transactions*

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 Andon RD Ventures Inc., a company controlled by a director of the Company.

## 16. Other Information

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