



Form 51-102F1

JACKPOT DIGITAL INC.

**Management's Discussion & Analysis
Consolidated Audited Financial Statements for the
Year ended December 31, 2022**

The following discussion and analysis of the financial condition and financial position and results of operations of Jackpot Digital Inc. (the "Company" or "Jackpot") should be read in conjunction with the annual audited consolidated financial statements for the years ended December 31, 2022 and 2021 and the notes thereto. These consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's consolidated financial statements are expressed in Canadian (CDN) Dollars which is the functional currency of the company and its subsidiaries. All amounts in this MD&A are in CDN dollars unless otherwise stated.

The Company's common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "JJ" and on the OTCQB under the trading symbol "JPOTF". A certain number of the Company's warrants trade on the TSX-V under the symbols "JJ.WT.B" and "JJ.WT.C". The Company's common shares are also listed for trading on the Frankfurt Exchange under the symbol "LVH3".

The following information is prepared as at May 1, 2023.

The Company is a reporting issuer in the Provinces of British Columbia and Alberta and files all public documents on www.sedar.com.

Forward-Looking Statements

Certain statements contained herein are "forward-looking" and are based on the opinions and estimates of management, or on opinions and estimates provided to and accepted by management. Forward-looking statements may include, among others, statements regarding future plans, costs, projections, objectives, economic performance, or the assumptions underlying any of the foregoing. In this MD&A, words such as "may", "would", "could", "will", "likely", "enable", "feel", "seek", "project", "predict", "potential", "should", "might", "hopeful", "objective", "believe", "expect", "propose", "anticipate", "intend", "plan", "estimate", "optimistic" and similar words are used to identify forward-looking statements. Forward-looking statements are subject to a variety of significant risks and uncertainties and other factors that could cause actual events or results to differ materially from those expressed or implied. Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, projections and estimations, there can be no assurance that these assumptions, projections or estimations are accurate. Readers, shareholders and investors are therefore cautioned not to place reliance on any forward-looking statements in this MD&A as the plans, assumptions, intentions, estimations, projections, expectations or factors upon which they are based might vary or might not occur. The forward-looking statements contained in this MD&A are made as of the date of this MD&A, and are subject to change after such date. The Company undertakes no obligation to update or revise any forward-looking statements, except in accordance with applicable securities laws.

Overview

The principal business of Jackpot is the developing and marketing of dealerless electronic table games ("ETGs") to casino operators. The Company's flagship dealerless poker product, Jackpot Blitz®, is a digital 'smart table' which brings the social benefits of multiplayer casino games such as poker, blackjack and baccarat, into the digital era.

The financial statements of the Company’s wholly-owned subsidiaries, Jackpot Digital (NV), Inc. (incorporated in the USA), and Touché Capital Inc. (incorporated in British Columbia) are included in the consolidated financial statements from the date that control commenced to the date of disposal or dissolution.

The Company’s offices are located at Suite 303 – 570 Granville Street, Vancouver, British Columbia, Canada, V6C 3P1 and at Suite 258 – 4664 Lougheed Highway, Burnaby, British Columbia, Canada, V5C 5T5. The Company’s warehouse is located at 4664 Lougheed Hwy, Unit W030, Burnaby, British Columbia, Canada, V5C 5T5.

The Company’s registered office is at Suite 3200 - 650 West Georgia Street, Vancouver, BC V6B 4P7.

The Company’s audit committee consists of Messrs. Neil Spellman (Chairman), Gregory McFarlane and Alan Artunian.

The Company’s Registrar and Transfer Agent is Computershare Investor Services Inc. located at 510 Burrard Street, Vancouver, BC, Canada, V6C 3B9.

Selected Annual Information

Selected annual information from the audited consolidated financial statements for the three years ended December 31, 2022, 2021 and 2020 is shown in the following table:

	2022	2021	2020
Total Revenues	\$1,431,220	\$419,749	\$611,252
Total Expenses	6,189,975	6,754,168	4,177,872
Net loss and Comprehensive Loss	(5,123,052)	(6,555,039)	(3,829,763)
Weighted Average	108,254,779	70,695,482	15,787,154
Basic and Diluted Loss per common share	(0.05)	(0.09)	(0.24)
Total Assets	3,843,650	4,390,366	3,081,648
Long term financial obligations	762,454	5,351,609	4,873,009
Cash dividends	Nil	Nil	Nil

The Company has never paid any dividends and has no plans to pay any dividends in the future. For the year ended December 31, 2022, the Company’s weighted average number of common shares was 108,254,779 as compared to 70,695,482 in 2021 and as compared to 15,787,154 in 2020.

For the year ended December 31, 2022, the Company has recorded revenues of \$1,431,220 (2021: \$419,749) (2020: \$611,252) which includes Electronic gaming tables of \$1,401,220 (2021: \$334,244) (2020: \$540,389) and Table sales of \$30,000 (2021: \$85,505) (2020: \$70,863).

For the year ended December 31, 2022, the Company has recorded total expenses of \$6,189,975 (2021: \$6,754,168) (2020: \$4,177,872).

Results of Operations

In April 2023, the Company signed a licensing agreement with Gray Wolf Peak Casino located in Missoula, Montana to install one Jackpot Blitz® ETG. The licensing agreement is subject to obtaining the customary regulatory approvals.

In April 2023, the Company signed a licensing agreement with Lucky Dog Casino located in Skokomish, Washington to install one Jackpot Blitz® ETG. The licensing agreement is subject to obtaining the customary regulatory approvals.

On March 8, 2023, the Company signed licensing agreements with Penn Entertainment’s Cactus Pete’s Resort Casino to install four (4) Jackpot Blitz® ETGs located in Jackpot, Nevada. The licensing agreement is subject to obtaining the customary licensing and regulatory approvals.

In March 2023, the Company signed letters of intent (“LOIs”) with two (2) Penn Entertainment’s L’Auberge Casino Resort, located in Lake Charles, Louisiana, USA, and L’Auberge Casino & Hotel, located in Baton Rouge, Louisiana, USA. The LOIs are subject to obtaining the customary licensing and regulatory approvals.

On February 3, 2023, the Company received licensing approval from the Santa Ynez Tribal Gaming Agency, which is the regulator for Chumash Casino resort (“Chumash”) located in Santa Ynez, California.

On January 31, 2023, the Company signed a letter of intent with Grande Casino Mille Lacs to install two (2) Jackpot Blitz® ETGs. The letter of intent is subject to obtaining the customary regulatory approvals.

In January 2023, the Company signed a partnership agreement with a leading global gaming equipment manufacturer. The partner will manufacture and deliver Jackpot Blitz® ETGs for installation in casinos worldwide.

In December 2022, the Company signed a Master Services Agreement with Penn Entertainment Inc., the largest regional casino operator in the United States. Penn Entertainment Inc. Has 43 properties in 20 different states throughout the United States.

During November 2022, the Company signed a licensing agreement with Chumash Casino Resort to install four (4) Jackpot Blitz® Electronic Table Games (“ETGs”) at Chumash Casino Resort located in Santa Ynez, California near Santa Barbara. The licensing agreement is subject to obtaining the customary regulatory approvals.

On November 11, 2022, the Company received licensing approval from the Pit River Gaming Commission, which is the regulator for Pit River Casino (“Pit River”) located in Burney, California.

On October 7, 2022, the Company completed the installation of two (2) Jackpot Blitz® ETGs on site at Sac and Fox Casino Resort (“Sac & Fox”) located in Powhattan, Kansas.

During October 2022, the Company sold two Jackpot Blitz® dealerless poker ETGs to an international commercial casino group located in Vietnam.

During September 2022, the Company signed a licensing agreement with Norson Group S.R.L, located in Santiago, Dominican Republic to install five (5) Jackpot Blitz® ETGs. The licensing agreement is subject to obtaining the customary regulatory approvals.

On August 15, 2022, the Company received licensing approval from the Redding Rancheria Gaming Commission, which is the regulator for Win River Resort & Casino (“Win River”) located in Redding, California.

During August 2022, the Company signed a licensing agreement with Piggs Peak Hotel & Casino located in Eswatini (formerly Swaziland), Africa to install four (4) Jackpot Blitz® ETGs. The licensing agreement is subject to obtaining the customary regulatory approvals.

During July 2022, the Company signed a licensing agreement with Buffalo Bill’s Casino Resort, located in Primm, Nevada to install two (2) Jackpot Blitz® ETGs. The licensing agreement is subject to obtaining the customary regulatory approvals.

On June 29, 2022, the Company successfully completed the installation of 2 (two) Jackpot Blitz® ETGs at Rosebud Casino, located in South Dakota.

During June 2022, the Company signed a licensing agreement with Casino Pauma, located in Pauma Valley, California to install two (2) Jackpot Blitz® ETGs. The licensing agreement is subject to obtaining the customary regulatory approvals.

During May 2022, the Company signed a licensing contract with Treasure Bay VI Corporation of the United States Virgin Islands to install one (1) Jackpot Blitz® ETG at Divi Carina Bay Resort & Casino located in St. Croix. The agreement is subject to obtaining the customary regulatory approvals, and resurrects the original agreement announced on May 15, 2020, which did not advance due to the COVID-19 pandemic.

During May 2022, the Company signed a licensing agreement with Win-River Resort & Casino, located in Redding, California to install two (2) Jackpot Blitz® ETGs. The licensing agreement is subject to obtaining the customary tribal regulatory approval. Jackpot currently holds all other required state and federal registrations.

On April 21, 2022, the Company introduced the next generation of Jackpot Blitz® to the casino world at the Indian Gaming Tradeshow and Convention. The new version of Jackpot Blitz® supports the Slot Accounting System (“SAS”) protocol, with capabilities to accept cash/voucher and print voucher at each seat.

During April 2022, the Company completed the installation of five (5) Jackpot Blitz® ETGs on site at Three Rivers Casino Resort located in Oregon.

During April 2022, the Company submitted additional software packages for Jackpot Blitz® for User Acceptance testing (“UAT”) to Jackpot’s client, Royal Caribbean Cruises Ltd. (“RCL”). Upon sign-off from RCL, Jackpot and RCL intend to begin field testing of Jackpot Blitz® and installation of the ETGs is expected to follow shortly after the UAT process is finalized.

During March 2022 the Company signed licensing agreements with:

- (i) Silver Wolf Casino, located in Wolf Point, Montana to install one (1) Jackpot Blitz® ETG;
- (ii) Pit River Casino located in California to install 1 (one) Jackpot Blitz® ETG; and
- (iii) Sac & Fox Casino located in Kansas to install 2 (two) Jackpot Blitz® ETGs.

On February 23, 2022, the Company signed a Licensing Agreement with Casino Cosmos located in Tsaghkadzor, Armenia to install 2 (two) of the Company’s Jackpot Blitz® ETGs.

On February 3, 2022, the Company received its Class II Gaming License from Three Rivers Gaming Commission located in Oregon.

On January 2, 2022, the Company signed an agreement for the installation of one Jackpot Blitz® ETG on the Resilient Lady, the newest member of the Virgin Voyages fleet.

At the Company’s Annual General Meeting which was held on December 5, 2022 in Vancouver, BC, the shareholders received the Audited Consolidated Financial Statements for the fiscal year ended December 31, 2021 and the Independent Auditor’s report thereon; fixed the number of Directors for the ensuing year at four; re-elected Jake H. Kalpakian, Neil Spellman, Gregory T. McFarlane and Alan Artunian as Directors of the Company; re-appointed the Company’s Independent Auditor, Smythe LLP, Chartered Professional Accountants, for the ensuing year; authorized the Directors to fix the remuneration to be paid to the Auditor, re-approved the Company’s 10% Rolling Stock Option Plan.

Electronic Table Games

It is anticipated that the recently announced partnership with a leading global gaming equipment manufacturer shall enable Jackpot to reduce the production cost of the Jackpot Blitz® ETGs and streamline the manufacturing and delivery process, allowing the Company to ship its product to new clients in a timely manner.

The Company is focused on expansion of the Jackpot Blitz® ETG order book during 2023, improvement of the next generation Jackpot Blitz® ETG, and the completion of GLI certification, which is a prerequisite for new installations of the next generation Jackpot Blitz® ETG.

The expansion of the Company’s Jackpot Blitz(T) ETG footprint continues to focus on: (i) the US Tribal land-based casino market; and, (ii) the US corporate land-based casino market.

The Company categorizes its ETG customers in three markets: cruise ships, North American casinos and other markets.

Cruise Ships

- The cruise ship industry operates their casinos while they are in international waters, and therefore, they do not require their gaming equipment vendors to attain any form of gaming license or product approval.
- During 2021, the Company acquired certain assets of 52 Gaming, LLC (“52 Gaming”) thereby fortifying its ETG monopoly in the cruise ship industry. 52 Gaming, based in North Carolina, manufactured and licensed its electronic poker tables (“ETGs”) to the cruise ship industry. This transaction has solidified Jackpot’s position as the leading Electronic Table Game supplier for the cruise ship industry.
- The Company typically leases ETGs on a monthly recurring basis to cruise ship companies and generates revenues according to the gross rakes, fees and side games offered.
- Carnival Corporation (“Carnival”) is the largest operator of the Company’s ETGs.
- The Company has installed three Jackpot Blitz® ETGs on the three ships of the Virgin Voyages fleet.
- The Company has in place a Software License and Equipment Lease Agreement (the “Agreement”) with Royal Caribbean International (“RCI”) to be the third cruise ship operator to offer the Jackpot Blitz® ETGs in their casinos. The Company submitted software for RCI’s User Acceptance Testing (“UAT”) for launch of the Jackpot Blitz® ETG on an RCI ship. The installation date of the ETGs will be set after the RCI’s UAT finalization.

North American Casinos

- The North American casino industry is regulated at the federal, state, provincial and/or tribal levels as individual jurisdictions. Every jurisdiction approves the gaming equipment used in their casinos, usually in the form of a gaming or vendor licenses. Therefore, the Company must attain gaming licenses directly or through a distributor to expand its ETG business in North America.
- The Company currently holds approved gaming licenses and registrations in North America with the California Gambling Control Commission, the Department of Justice and Public Safety, Gaming, Liquor and Security Licensing in the Province of New Brunswick, the Rosebud Sioux Tribe of Nebraska, the Soboba Tribal Gaming Commission of California, and the Three Rivers Gaming Commission of Oregon, the Sac & Fox Tribe of Kansas, , the Pauma Tribe of California. The Company currently has license applications underway with several States, a Province, and Tribal gaming regulators across North America.
- The Company typically leases ETGs on a monthly recurring basis to North American casino customers sharing revenue from the rakes generated by the ETGs.
- The Company has signed Agreements and/or Binding Letters of Intent with numerous entities in Canada and the United States which are contingent on the Company receiving license approvals by the relevant regulatory bodies.

Other Markets

- Markets outside cruise ships and North American casinos are considered on a case-by-case basis, depending on the revenue potential, practicality of deploying and supporting the Company’s ETGs in other countries/continents, and other considerations.
- The Company may opt to lease or sell ETGs in other markets.
- The Company has signed Sales/Service and/or Distribution agreements and/or Binding Letters of Intent with several entities in other markets.
- The Company has installed one Jackpot Blitz® ETG at the *Il Palazzo* land- based casino in San Lorenzo, Paraguay.

Research and Development

The Company is continuously developing new hardware and software components for the Jackpot Blitz® ETG and other products in the development pipeline. During the twelve-month period ended December 31, 2022, the Company incurred \$320,933 on salaries and benefits in respect to Research and Development (“R&D”). This cost was incurred primarily to develop new software features and improve the hardware with the aim to reduce cost and improve the efficiency of the Jackpot Blitz® ETG. Furthermore, during the year ended December 31, 2022, the Company incurred \$231,296 for the purchase of parts and \$100,907 for the design fees of the next generation model of the Jackpot Blitz® ETG which were capitalized as the prototype and the Intellectual property respectively.

In January 2023, the Company entered into a partnership agreement with a leading global gaming equipment manufacturer to outsource the production and delivery of Jackpot Blitz® ETGs to casinos worldwide. It is expected that this partnership shall enable the Company to meet the growing demand for Jackpot Blitz® ETGs at a reduced cost.

During 2022, the Company’s R&D efforts continue to develop new hardware and software components for the Jackpot Blitz® ETGs.

In June 2022, the Company entered into a master license agreement with an arm’s length third party to acquire an “SAS” Engine which enables Jackpot Blitz® ETG to be “SAS” compatible, a requirement to gain market access in many of the land-based jurisdictions.

In October 2022, the Company showcased its next generation Jackpot Blitz® dealerless Poker ETG at the 2022 Global Gaming Expo (“G2E”) in Las Vegas, Nevada, USA. The Jackpot Blitz® ETG tables introduced in G2E represents a major milestone in the Company’s R&D efforts to develop a next generation ETG table.

The Company plans to continue its R&D efforts in order to enhance the marketability of the Company’s product.

Consulting and Advisory Agreements

On May 13, 2022, the Company engaged the services of Market One Media Group Inc. (“MarketOne”) to provide marketing and social media expertise in support of Jackpot’s growth initiatives. The Company has signed a contract for services to be provided over a 12-month period for a fee of C\$150,000, plus applicable taxes. MarketOne is a marketing agency for public companies with offices in Vancouver and Toronto. It offers a multi-platform media solution for the capital markets operating in print, digital, and broadcast television.

During March 2022, the Company hired a Chief Strategy Officer, Angelo Palmisano. Mr. Palmisano is a proven entrepreneurial leader with a track record of building successful companies, brands, and market segments globally through product creation and commercial execution. With his experience Jackpot intends to streamline its operational processes and update the Company’s strategic approach to the market. Mr. Palmisano has been granted 900,000 stock options by the Company which are exercisable at the price of \$0.10 per share for a period of two years. Furthermore, in the event that Jackpot successfully completes any sale or strategic transaction that is introduced by Mr. Palmisano to Jackpot, then he will be entitled to receive a bonus.

Revenues

For the year ended December 31, 2022, the Company has recorded table sales revenue of \$30,000 (December 31, 2021: \$85,505) and Electronic gaming tables of \$1,401,220 (December 31, 2021: \$334,244). The increase in Electronic gaming tables revenue is attributable to the continued resumption of the cruise ship tourism.

Cost of Sales

For the year ended December 31, 2022, the cost of sales was \$364,297 as compared to cost of sales of \$220,600 during the year ended December 31, 2021.

Gross Profits

For the year ended December 31, 2022, the Company has recorded gross profits of \$1,066,923 as compared to gross profits of \$199,129 during the year ended December 31, 2021. The increase of gross profit is attributable to the continued resumption of the cruise ship tourism.

Expenses

For the year ended December 31, 2022, operating and other expenses were \$6,189,975 as compared to \$6,754,168 during the year ended December 31, 2021.

During the year-ended December 31, 2022, the Company had:

- Amortization expense of \$906,718 as compared to \$658,795 at the year-ended December 31, 2021. The increase is mainly due to the purchase of parts and the design fees of the next generation model of the Jackpot Blitz® ETG which were capitalized as the prototype and the Intellectual property.

- Advertising and Promotion of \$520,254 as compared to \$250,332 at the year-ended December 31, 2021. The increase is mainly due to market awareness activities.
- Travel, meals and entertainment expenses of \$231,615 as compared to \$47,262 at the year-ended December 31, 2021. The increase is mainly due to market awareness activities.
- Regulatory and transfer agent fees of \$164,581 as compared to \$91,534 at the year-ended December 31, 2021. The increase is mainly .

Net Loss and Comprehensive Loss

During the year ended December 31, 2022, the Company had a net loss and comprehensive loss of \$5,123,052 or \$0.05 per share (weighted average) as compared to a net loss and comprehensive loss of \$6,555,039 or \$0.09 per share (weighted average) during the year ended December 31, 2021. During the year ended December 31, 2022, the Company’s weighted average number of common shares was 108,254,779 as compared to 70,695,482 during the year ended December 31, 2021.

Liquidity and Capital Resources

Presently, the Company does not have sufficient funds to continue its operations uninterrupted. In order for the Company to be efficient, the Company requires new funding so as to be able to meet the Company’s expenses, pay its liabilities promptly, and expand its operations to increase its revenues. New funding for the Company may or may not be available to the Company. Should the Company’s revenues decline or should the Company lose its major customer, then it will be difficult for the Company to raise additional funds.

The Company intends to seek equity and/or debt financing through private placements and/or public offerings and/or loans. In the past, the Company has been successful in securing equity and debt financings in order to conduct its operations uninterrupted. While the Company does not give any assurances whatsoever that in the future it will continue being successful in securing equity and/or debt financings in order to conduct its operations uninterrupted, it is the Company’s intention to pursue these methods for future funding of the Company.

As at December 31, 2022, the Company’s total assets were \$3,843,650 as compared to \$4,390,366 for the corresponding period in 2021. The Company’s total liabilities were \$11,998,845 as compared to \$10,809,699 for the corresponding period in 2021. The Company has not paid any dividends and does not plan to pay any dividends in the future.

Financing Activities and Capital Expenditures

During the year ended December 31, 2022, the Company received \$2,324,640 cash from financing activities as compared to \$3,245,569 cash from financing activities in the corresponding period of 2021.

As the Company has been significantly impacted by the COVID-19 pandemic, during the year ended December 31, 2022, the Company has received a total of \$100,270 (December 31, 2021: \$392,561) regarding the wage subsidy in relation to the Hardest-Hit Business Recovery Program (HHBRP). Furthermore, during the year ended December 31, 2022, the Company has received a total of \$40,262 regarding the rent subsidy in relation to HHBRP (December 31, 2021: \$141,317).

Investing Activities

During the year ended December 31, 2022, the Company used cash in investing activities of \$577,948 as compared to investing activities of \$553,766 cash used in investing activities during the corresponding period of 2021.

Capitalization

In order for the Company to increase its revenues, the Company must reduce or preferably eliminate its outstanding debts as soon as possible, must increase its workforce and the production of its ETGs, and must dedicate more resources to marketing and promotion of the Company’s products and services.

During the year ended December 31, 2022, the Company has incurred a net loss and comprehensive loss of \$5,123,052 (December 31, 2021: \$6,555,039), has limited revenues, has outstanding liabilities and has no assurances that sufficient funding will be available to continue its operations for an extended period of time.

During the year ended December 31, 2022, and up to the date of this MD&A, the following transactions have occurred:

- i) During February 2023, March 2023 and April 2023, the Company has closed the all four tranches of the private placement of convertible debentures for an aggregate gross proceeds of C\$456,050 (the “Debentures”). The Debentures bear interest at the rate of 10% per annum, and will mature on November 20, 2025. The Debentures are convertible into common shares at a conversion price of \$0.07 per common share until November 20, 2025. In addition, the Company issued an aggregate of 6,515,000 share purchase warrants exercisable at \$0.10 per share until November 20, 2025. The Company paid to an arm’s length party finder’s fee of \$7,550 in cash and issued 107,857 non-transferable share purchase warrants exercisable at the price of \$0.10 per share for a period of two years. The securities issued are subject to a statutory hold period which expires on June 28, 2023 for the first tranche, July 8, 2023 for the second tranche, August 5, 2023 for the third tranche and August 19, 2023 for the fourth tranche.
- ii) During September and October 2022, the Company closed the non-brokered private placement financing which was announced on August 15, 2022, whereby Jackpot issued 25,600,032 units of the Company at \$0.05 per unit for gross proceeds of \$1,280,002. Each Jackpot unit consists of one common share of the Company and one share purchase warrant to acquire an additional common share of the Company at the price of \$0.10 per share until November 20, 2025. All securities that have been issued in respect to this private placement are subject to a hold period expiring on January 3, 2023 (first tranche), January 23, 2023 (second tranche), February 8, 2023 (third tranche) and February 21, 2023 (fourth tranche). The Company paid finder’s fees of \$15,800 in cash and has issued 316,000 broker warrants exercisable at \$0.10 per share for a period of two years to arm’s length parties.
- iii) During March and April 2022, the Company closed the non-brokered private placement financing which was announced on February 7, March 4 and April 4, 2022, whereby Jackpot issued 21,498,554 units of the Company at \$0.09 per unit for gross proceeds of \$1,934,870. Each Jackpot unit consists of one common share of the Company and one share purchase warrant to acquire an additional common share of the Company at the price of \$0.10 per share until November 20, 2025. All securities that have been issued in respect to this private placement were subject to a hold period which expired on July 2, 2022 (first tranche), August 1, 2022 (second tranche) and August 15, 2022 (third tranche). The Company paid finder’s fees of \$76,750 in cash, share issue cost of \$2,281 and has issued 852,782 broker warrants exercisable at \$0.10 per share for a period of two years to arm’s length parties.

Warrants

As at December 31, 2022, there were 108,818,441 warrants outstanding with a weighted average exercise price of \$0.20 per share (December 31, 2021: 65,284,576 warrants outstanding with a weighted average exercise price of \$0.54 per share). Subsequent to the year ended December 31, 2022, a total of 913,633 warrants exercisable at pricing ranging from \$0.25 to \$6.00 per share

expired and a total of 6,622,857 warrants exercisable at \$0.10 per share have been issued. As of the date of this MD&A, a total of 114,527,665 warrants are outstanding.

Should any warrants be exercised by any party, then any funds received by the Company shall be used for general working capital purposes. However, there are no assurances whatsoever that any warrants will be exercised.

Stock Options

As at December 31, 2022, there were 2,816,769 options available for granting under the 10% Rolling Stock Option Plan (December 31, 2021: 3,047,411). As at December 31, 2022, there were 10,379,161 stock options outstanding with a weighted average exercise price of \$0.15 per share (December 31, 2021: 5,438,661 stock options outstanding with a weighted average exercise price of \$0.20 per share). Subsequent to the year ended December 31, 2022, a total of 1,300,000 stock options exercisable at prices ranging from \$0.10 and \$0.245 per share have expired unexercised. As of the date of this MD&A, a total of 9,079,161 stock options with a weighted average exercise price of \$0.14 per share are outstanding.

There were no stock options exercised during the year ended December 31, 2022.

Should any outstanding stock options be exercised by any party, then any funds received by the Company shall be used for general working capital purposes. However, there are no assurances whatsoever that any stock options will be exercised.

LOANS PAYABLE AND DEBENTURES*

Loans

	2022	2021
Company Received	\$330,000	\$nil
Company Repaid	\$330,000	\$565,000
Accrued Interest	\$11,745	\$19,354

Non-Convertible Debentures

	2022	2021
Company Received	\$nil	\$nil
Company Repaid	\$4,443	\$8,729
Accrued Interest	\$385,145	\$255,836

Convertible Debentures

	2022	2021
Company Received	\$nil	\$nil
Company Repaid	\$nil	\$228,000
Accrued Interest	\$181,865	\$212,128

* For more detailed information regarding Loans Payable and Debentures, please refer to the Company’s Audited Consolidated Financial Statements for the years-ended December 31, 2022 and 2021.

On March 23, 2023, the Company entered into a Subsequent Amendment Agreement with the Company’s major Debentureholders whereby they have agreed to extend the maturity date of the Debentures from July 1, 2023 to July 1, 2025 (“Amended Maturity Date of Jackpot’s Debentures”). In consideration of the Company’s major Debentureholders agreeing to the Amended Maturity Date of Jackpot’s Debentures, the Company will pay on or before March 31, 2024 to the Company’s major Debentureholders, on a pro-rata basis, the total amount of Cdn\$300,000 which shall be applied towards the outstanding interest and principal. Furthermore, in the event that the Company sells its Jackpot dealerless electronic table games (ETGs) in two specific European countries, then the Company will pay 25% of the proceeds received from such sales to the Company’s major Debentureholders which shall be applied towards the outstanding interest and principal.

Summary of Quarterly Results

The following are the results for the eight most recent quarterly periods, starting with the three-month quarterly period ended December 31, 2022:

For the Quarterly Periods ended		December 31, 2022	September 30, 2022	June 30, 2022	March 31, 2022
Total Revenues	\$	440,199	379,436	341,605	269,980
Net loss and comprehensive loss for the period	\$	(1,050,416)	(1,543,620)	(1,378,908)	(1,150,108)
Weighted Average		130,226,365	108,196,227	106,003,714	88,130,864
Basic and diluted loss per common share	\$	(0.01)	(0.01)	(0.01)	(0.01)

For the Quarterly Periods ended		December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Total Revenues	\$	216,520	93,505	23,249	86,475
Net loss and comprehensive loss for the period	\$	(2,578,757)	(1,298,255)	(1,290,200)	(1,387,827)
Weighted Average		84,803,140	82,519,230	65,338,018	49,604,812
Basic and diluted loss per common share	\$	(0.03)	(0.02)	(0.02)	(0.03)

Fourth Quarterly Results (December 31, 2022)

During the three months [fourth quarter] period ended December 31, 2022:

- The Company had a net loss and comprehensive loss of \$1,050,416 or \$0.01 per share as compared to a net loss and comprehensive loss of \$2,578,757 or \$0.03 per share in the same three months [fourth quarter] period of 2021. The decrease is mainly due to the transaction fee of \$1,608,564 that was recorded in the fourth quarter of 2021 in connection with the acquisition of 52 Gaming.

- The Company’s total revenues were \$440,199 as compared to total revenues of \$216,520 in the same three months [fourth quarter] period of 2021. The increase is mainly due to the resumption of the cruise ship industry.
- The Company’s total operating and other expenses were \$1,444,608 as compared to total operating and other expenses of \$2,697,692 in the same three months [fourth quarter] period of 2021. The decrease is mainly due to the transaction fee of \$1,608,564 that was recorded in the fourth quarter of 2021 in connection with the acquisition of 52 Gaming.

Significant Accounting Policies

All of the Company’s significant accounting policies and estimates are included in Note 4 of the Company’s annual consolidated audited financial statements for the years ended December 31, 2022 and 2021.

Risks Related To Our Business

The Company, and the Securities of the Company, should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company’s Securities:

- **General legislative risk**

The Company’s business is heavily regulated.

Although management believes that the revenues generated from the Company’s gaming products represent lawful business, there is the risk that the legality may be challenged by Canadian or other legal authorities.

Changes in gaming legislations in any jurisdiction, or the Company’s inability to obtain, maintain and comply with all applicable and required licenses, permits, and certifications can adversely affect the financial affairs of the Company.

- **Competition**

The marketplace for the Company’s gaming products is constantly undergoing changes, is intensely competitive and is subject to changes in customer preferences.

- **Internet and system infrastructure viability**

Any changes in the internet’s role as the premier computer network information service or any shutdown of internet services by significant internet service providers may have an adverse material impact on the Company’s ability to generate revenues. Furthermore, the Company can be severely and adversely affected from power failures, internet slowdowns or failures, software slowdowns or failures or hackings.

- **Reliance on key personnel**

The Company relies heavily on its employees, the loss of any of whom could have an adverse effect on the Company.

- ***Customer loyalty***

The Company also relies on its licensees for the operation of the Company’s gaming products, the loss of any of which could have an adverse effect on the affairs of the Company.

- ***Payment processing***

Changes in policies of companies, financial institutions or banks, that handle credit card transactions and/or other types of financial transactions for gaming, can have an adverse impact on the business and financial affairs of the Company.

- ***Foreign exchange rates***

The profitability of the Company can be affected by fluctuations in the exchange rate of the US Dollar in relation to the Canadian Dollar.

- ***Reliance on Major Customer***

The Company relies heavily on its major customer. In the event that the Company loses its major customer, then it will have an adverse effect on the Company.

- ***Price volatility and liquidity of the Company’s securities***

The market price of the Company’s common shares and warrants have experienced considerable volatility and may continue to fluctuate in the future. Factors such as the Company’s quarterly and annual results, changes in existing legislation, new legislation, technological changes and general market conditions may adversely affect the market price of the Company’s common shares and warrants. There is a limited trading market for the Company’s common shares and warrants, and the ability of investors to sell their shares and/or warrants or the price at which those shares and/or warrants may be sold cannot be assured.

- ***Growth management***

If the Company’s gaming products gain traction in the market, rapid growth may occur which can result in certain strains on the Company.

- ***Dilution***

There are a number of outstanding securities and agreements pursuant to which common shares of the Company may be issued in the future. This would result in further dilution to the Company’s shareholders.

- ***Revenues and Dividends***

While the Company generates some nominal revenues, the Company has not yet established a long-term pattern of consistently generating meaningful revenues. The Company intends to retain its earnings in order to finance growth. Furthermore, the Company has not paid any dividends in the past and does not expect to pay any dividends in the future.

- ***Under Capitalized***

The Company has outstanding debts, has working capital deficiency, has limited revenues, and has no assurances that sufficient funding will be available to the Company to continue its operations for an extended period of time.

- ***Disruption in Trading***

Trading in the common shares and warrants of the Company may be halted or suspended or may be subject to cease trade orders at any time and for any reason, including, but not limited to, the failure by the Company to submit documents to the Regulatory Authorities within the required time periods.

- ***Coronavirus (COVID-19) Pandemic***

The pandemic outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has caused, and is continuing to cause, significant disruptions globally in the financial markets and to the international economies. Such disruptions will continue to impact the Company’s business, financial condition and results of operations.

- ***Research and development risk***

Research and development carries an element of risk because it involves trying new and untested ideas. New or modified products or services may prove to be more difficult or costly to develop than anticipated due to engineering challenges encountered internally or with external vendors. Additionally, delays in commercializing new products and services may lead to a decrease in projected revenue.

The primary research and development risks for the Company include the following:

- a. **Custom large high-performance touchscreen.** The custom touchscreen used in the Company’s new product uses a combination of cutting-edge hardware and proprietary software techniques that are geared specifically for gesture-based game play. Due to the unique and new nature of this technology, the Company cannot realistically estimate the longevity and reliability of the touchscreen in a 24/7 casino environment. With the current shortage of display devices around the world, the custom large high-performance touchscreen has a long lead time, 4+ months, and if the demand of the product changes, the Company may have difficulty meeting customer demand or hold a costly raw material in inventory until the demand is met which impacts the Company’s cash flow. The Company expects to mitigate this risk as it gains more operational experience with the touchscreen and newer technologies become available in the global touchscreen industry.
- b. **Product safety testing and certification.** New products must meet Canadian Standards Association (CSA) and/or Underwriters Laboratories (UL) standards to be used in the USA and Canada. Any scheduling issues or abnormal delays experienced by the 3rd party testing company will result in delays for launching the regulated version of the product. The Company has received its safety testing and certification reports for the Jackpot Blitz® ETG Platform under the applicable CSA, UL, and CE standards.
- c. **Electromagnetic compatibility (EMC) testing and certification.** New products must have a Federal Communications Commission (FCC) "Declaration of Conformity" label for it to be used in the USA and Canada. Any scheduling issues or abnormal delays experienced by the 3rd party testing company will result in delays for launching the regulated version of the product.

The Company has received its certification reports and Declaration of Conformity label for the Jackpot Blitz® ETG platform under the applicable FCC and CE EMC standards.

- d. **Gaming device testing and certification.** New products must undergo both hardware and software testing to be permitted for use in a regulated casino environment. Gaming products must comply with Gaming Labs International (GLI) standards in most gaming jurisdictions in the USA and Canada. Some jurisdictions, such as Ontario, have their own testing standards. Any scheduling issues or abnormal delays experienced by the 3rd party testing company will result in delays for launching the regulated version of the product.

The Company has received its Certification Document from Gaming Laboratories International (“GLI”) that the Jackpot Blitz® ETG platform is compliant with the requirements of GLI-24 and the National Indian Gaming Commission’s Class 2 Gaming Systems standard. Jackpot Blitz® is also compliant with the applicable requirements from GLI-12, GLI-13, GLI-16 and GLI-21.

Related Party Transactions

The Company shares office space and certain expenses with 37 Capital Inc. (“37 Capital”), a company related by certain common officers and directors.

37 Capital is related to the Company by virtue of the fact that 37 Capital’s CEO, namely Jake H. Kalpakian, is the Chairman, President and CEO of the Company, and a director of 37 Capital namely Bedo H. Kalpakian, was the former Chairman and CFO of the Company. Furthermore, Gregory T. McFarlane and Neil Spellman are directors of both the Company and 37 Capital, and Neil Spellman is the CFO of both the Company and 37 Capital.

Amounts payable to directors are for expenses incurred on behalf of the Company and/or for funds that have been lent to the Company and are payable on demand.

In respect to the Non-Convertible Secured Debentures issued to 30 Rock Management Inc. (“30 Rock”), for further particulars, please see Note 15 (Loans Payable and Debentures) in the accompanying Audited Financial Statements for the year ended December 31, 2022 and 2021. The Company is related to 30 Rock by virtue of the fact that 30 Rock is owned by the President and CEO of the Company.

On July 1, 2020 Kalpakian Bros. of B.C. Ltd. (“Kalpakian Bros.”) and Jackpot entered into a new management services agreement (the “New Management Services Agreement”) whereby Kalpakian Bros. shall provide management services to Jackpot for a period of five years (the “Term”) at a monthly rate of \$33,000 plus applicable taxes.

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management personnel include the CEO, CFO and COO of the Company. The remuneration of key management personnel during the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Management fees	\$ 396,000	\$ 396,000
Salaries and benefits	155,984	172,614
Share-based payments	6,892	-

Total key management personnel compensation	\$	558,876	\$	568,614
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As at December 31, 2022, there is \$57,311 due from (2021 - \$966 due to) key management which is included in the due from related parties balance. The amounts are non-interest bearing and have no fixed repayment terms. Subsequent to the year ended December 31, 2022, the related party has repaid the \$57,311.

Insider Participation

In respect to the non-brokered private placement which closed on March 1, 2022, a director subscribed for 1,111,111 units at \$0.09 per unit in the capital of the Company. In addition, in respect to the non-brokered private placement closed on October 7, 2022, a director and his private company subscribed for an aggregate of 3,000,000 units at \$0.05 per unit in the capital of the Company.

Transaction with 37 Capital Inc. (“37 Capital”)

During January 2021, pursuant to a debt settlement agreement dated December 11, 2020, the Company acquired 597,380 common shares of 37 Capital with a total fair value of \$328,559 in settlement of outstanding debt in the amount of \$149,345. As a result, the Company recorded a gain on debt settlement of \$179,214 during the year ended December 31, 2021. As at December 31, 2022, the Company has approximately 10.57% (December 31, 2021 – 13.51%) of 37 Capital’s issued and outstanding shares.

Office Support Services

37 Capital entered into an agreement for office support services with the Company. Under the office support services agreement, 37 Capital is entitled to receive office support services from the Company at a monthly rate of \$1,000 plus applicable taxes. The agreement expires on September 30, 2023. Either Jackpot or 37 Capital may terminate this agreement by giving each other a three months’ notice in writing.

Office Lease

Effective as of May 1, 2018, 37 Capital pays a monthly rent of \$1,000 plus applicable taxes to Jackpot. Either Jackpot or the Company may terminate this agreement by giving each other a three months’ notice in writing.

As at December 31, 2022, due from related parties consists of \$62,828 receivable from 37 Capital for rent and shared office expenditures and other expense paid on behalf of 37 Capital.

During the year ended December 31, 2022, the Company charged 37 Capital for rent and shared office expenditures in the amount of \$24,000 (2021: \$24,000).

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Risk management overview

The Company’s activities expose it to a variety of financial risks, including credit risk, liquidity risk and market risk. This note presents information about the Company’s exposure to each of the above’ risks, the Company’s objectives, policies and processes for measuring and managing risk, and the Company’s management of capital. The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company’s business objectives and risk tolerance levels. While the Board of Directors has the overall

responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor these risks.

(b) Fair value of financial instruments

The fair values of cash and cash equivalents, accounts receivable, due from related parties, accounts payable and accrued liabilities, promissory note, loans payable and interest payable approximate their carrying values due to the short-term maturity of these instruments. The lease liability, deferred royalty liability, non-convertible secured debentures and convertible debentures are classified as Level 3 financial instruments.

(b) Fair value of financial instruments (continued)

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. The levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for assets or liabilities that are not based on observable market data.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and cash equivalents and accounts receivable. The Company mitigates its exposure to credit loss associated with cash by placing its cash and cash equivalents in a major financial institution. The Company’s cash and cash equivalents as at December 31, 2022 and 2021 are as follows:

	2022	2021
Cash and Cash Equivalents consists of:		
Cash	\$ 84,039	\$ 135,607
Term deposit	17,250	117,250
	\$ 101,289	\$ 252,857

As at December 31, 2022, the Company had a cashable term deposit of \$17,250 (2021 - \$17,250) readily convertible into cash, maturing July 31, 2023 with an annual interest rate of 0.60%.

As at December 31, 2022, the Company had a cashable term deposit of \$nil (2021 - \$100,000) readily convertible into cash with an annual interest rate of prime rate minus 2.2%.

To mitigate credit risk on the Company’s trade receivables, the Company regularly reviews the collectability of the accounts receivable to ensure there is no indication

that these amounts will not be fully recoverable. During the year ended December 31, 2022, the Company had one customer that represented 95% (2021 - 69%) of total revenue. As at December 31, 2022, the Company had receivables from this customer representing 95% (2021 - 90%) of total trade receivables. In addition, as at December 31, 2022, allowance for doubtful accounts is \$nil (2021 - \$nil) and the Company’s accounts receivable are due within 60 days of December 31, 2022.

As at December 31, 2022, due from related party (“37 Capital) was \$62,828 (2021 - \$33,401) which is non-interest bearing and has no fixed repayment terms.

As at December 31, 2022, due from related party (key management) was \$57,311 (2021 - \$966 due to) which is non-interest bearing and has no fixed repayment terms.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company’s approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due.

At December 31, 2022, the Company has cash and cash equivalents of \$101,289 (2021 - \$252,857) available to apply against short-term business requirements and current liabilities of \$11,236,391 (2021 - \$5,458,090). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of December 31, 2022. As at December 31, 2022, all of the Company’s debentures have maturity dates within one year. The deferred royalty liability is payable quarterly over a period of five years, with remaining undiscounted payments of \$406,320 (US\$300,000) at December 31, 2022 (2021 - \$475,425 or US\$375,000). Undiscounted lease payments of \$312,468 are due within one year. The Company will be required to raise additional capital in order to fund operations for the next twelve months.

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk for management is to manage and control market risk exposures within acceptable parameters while optimizing return on capital.

(i) Currency risk

The Company is exposed to foreign currency risk and has significant financial assets and liabilities denominated in US dollars. The Company has not entered into any foreign currency contracts to mitigate this risk. As at December 31, 2022 and 2021, the Company is exposed to currency risk for its Canadian dollar equivalent of financial assets and liabilities denominated in US dollars:

	Held in US dollars (stated in Canadian dollars)	
	2022	2021
Cash	\$ 7,990	\$ 68,837
Accounts receivable	301,085	175,124
Accounts payable and accrued liabilities	(531,974)	(303,538)

Promissory note	-	(381,803)
Deferred royalty liability	(329,334)	(367,609)
Interest payable	(2,539,889)	(2,003,429)
Non-convertible secured debentures	(2,905,887)	(2,496,466)
Net financial liability	\$ (5,998,009)	\$ (5,308,884)

Based upon the above net exposure as at December 31, 2022 and assuming all other variables remain constant, a 7% (2021 – 2%) depreciation or appreciation of the US dollar relative to the Canadian dollar would result in a change of approximately \$419,861 (2021 - \$106,178) in the Company’s consolidated net loss and comprehensive loss.

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and cash equivalents is at nominal interest rates, and therefore the Company does not consider interest rate risk to be significant.

As at December 31, 2022, the interest rate on the promissory note, non-convertible secured debentures, loans payable, and convertible debenture balances have fixed interest rates. As such, the Company is exposed to interest rate price risk to the extent of these financial liabilities.

(iii) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements.

Capital Stock

Authorized share capital: Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

Outstanding Share Data as at May 1, 2023	Common shares	Number of Preferred Shares	Exercise (\$) Price per common share	Expiry Dates
Issued and Outstanding	131,959,302	Nil		
Warrants	114,427,665*/**		\$0.10 - \$5.00	May 25, 2023 – May 25, 2026
Compensation Broker Units	100,000		\$0.06 / Broker Unit and \$0.10 / Underlying Warrant	June 10, 2023

Stock Options	9,079,161		\$0.10 - \$0.245	January 13, 2024 - April 19, 2025
Fully Diluted as at May 1, 2023	255,566,128			

*6,439,656 are trading on the TSX-V under the symbol “JJ.WT.B” expiring on September 26, 2024.

**74,477,192 are trading on the TSX-V under the symbol “JJ.WT.C” expiring on November 20, 2025.

Director Approval

The contents of this MD&A and the sending thereof to the Shareholders of the Company have been approved by the Company’s Board of Directors.

Outlook

While the COVID-19 pandemic has negatively impacted the Company, business continues to gradually rebound in concert with the cruise ship industry bookings and sailings. In the meantime, land-based casinos traffic shows continued signs of recovery. The Company continues to maintain its business development activities to increase the number of Jackpot Blitz® ETG installations at Penn Entertainment Inc. properties, US Tribal casinos and elsewhere. In addition to signing new business, a key indicator of the Company’s success will depend on its ability to obtain vendor licenses from the various regulatory agencies in a timely and efficient manner.

Leveraging the research and development undertaken during 2021, the Company has introduced the next generation Jackpot Blitz® prototype to the casino industry throughout 2022 at the Indian Gaming Tradeshow in Anaheim, California, the Oklahoma Indian Gaming Association (“OIGA”) Tradeshow in Tulsa, Oklahoma, and the Global Gaming Expo in Las Vegas, Nevada. At all three Tradeshows, the Company’s next generation product has been attracting significant interest from casino operators in North America. The Company is currently working to obtain GLI-11 certification for the next generation Jackpot Blitz®. The next generation Jackpot Blitz® ETG features functionalities such as TITO and SAS protocol integration. These features capture the needs of casino operators, and it is expected to significantly increase the number of casinos that are willing and able to install Jackpot Blitz® ETGs onto their casino floors. Management is optimistic that once GLI-11 certification has been obtained, it should increase the Company’s revenues.