



Form 51-102F1

JACKPOT DIGITAL INC.

**Management's Discussion & Analysis
Condensed Interim Financial Statements for the
Six Months Ended June 30, 2023**

The following discussion and analysis of the financial condition and financial position and results of operations of Jackpot Digital Inc. (the "Company" or "Jackpot") for the six months ended June 30, 2023 should be read in conjunction with the condensed interim unaudited financial statements and notes thereto for the six months ended June 30, 2023 and 2022 and the annual audited financial statements and notes thereto for the years ended December 31, 2022 and 2021. The condensed interim unaudited financial statements and notes thereto for the six months ended June 30, 2023 and 2022 have not been reviewed by the Company's Auditor.

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 August 29, 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.

Highlights for the Period

During the six-month period ended June 30, 2023 and up to the date of this MD&A, cruise ship revenues continued to improve due to the ongoing recovery in cruise ship tourism, and land-based back orders for the Company's next generation Jackpot Blitz® continued to build.

The Company:

- reported revenue of \$1,090,829 for the six-months ended June 30, 2023 as compared to \$611,585 for the first six months ended June 30, 2022, a 78% increase from the 2022 period, which is largely attributable to the continued recovery in cruise ship tourism.
- announced new agreements or letters of intent for 17 Jackpot Blitz® table installations and received letters of intent for an additional 16 tables from yet-to-be-announced partners, for a total of 33 new Jackpot Blitz® orders. These new orders, once installed, represent an approximate 50% increase in Jackpot Blitz® installations.
- continued the process of obtaining licensing for the relevant jurisdictions and is expected to begin installing the next generation Jackpot Blitz® in the latter part of 2023. The Company's pipeline of new business is expected to grow throughout 2023 as the Company obtains licensing for new jurisdictions. In addition to Jackpot's cruise ship customers, which include Carnival Cruises, Virgin Voyages, Princess Cruises, Holland America, AIDA, and Costa Cruises, Jackpot has announced land-based installations or orders in 11 states and territories in the U.S. and growing, including Mississippi, Washington, Nevada, California, Kansas, Louisiana, Minnesota, Montana, Oregon, South Dakota, U.S. Virgin Islands, as well as several international jurisdictions.
- completed financings totalling gross proceeds of \$4,507,654 which will be utilized towards regulatory licensing fees and related expenses in multiple jurisdictions to facilitate the widespread placement of Jackpot Blitz®, and for general working capital.
- made its first payment to the Debentureholders in the aggregate amount of US\$700,000. Subject to payment schedule conditions outlined in the Loans and Debentures section below, the Debentureholders have agreed to a significant reduction in interest payments, as long as the remaining payments are met.
- announced a partnership with a leading global gaming equipment manufacturer to significantly 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.

- exhibited Jackpot Blitz® for the first time to a mass retail audience of over 200,000 entries during the World Series of Poker at Paris Hotel and Casino in Las Vegas. Estimates that GLI testing on the next generation Jackpot Blitz® ETG table will be completed by end of September, 2023.
- GLI certification represents a key milestone for the next generation Jackpot Blitz®. New features include direct cash funding and casino management system integration, which enables casinos to easily track all Jackpot Blitz® revenues, reports and player activity from their centralized management system.
- Continued the testing of two Jackpot Blitz™ tables with Royal Caribbean Cruise Lines. Royal Caribbean represents a significant growth opportunity for Jackpot’s cruise ship business segment, with the potential to install across the entire fleet.
- Commenced work on a new business segment, Online Casino Platform for an existing customer. Once ready, the Online Casino Platform will be installed and tested at the customer’s User Acceptance Testing (“UAT”) lab.

Results of Operations

In August 2023, the Company signed a licensing agreement with Glacier Peaks Casino located in Browning, Montana to install one Jackpot Blitz® ETG. The licensing agreement is subject to obtaining the customary regulatory approvals.

On June 2, 2023, the Company signed a licensing agreement with Penn Entertainment’s Boomtown Casino Biloxi. The LOI is subject to obtaining the customary licensing and regulatory approvals.

On June 20, 2023, the Company signed letters of intent (“LOIs”) with Penn Entertainment’s Hollywood Casino & Resort Gulf Coast. The LOI is subject to obtaining the customary licensing and regulatory approvals.

On June 1, 2023, the Company signed a licensing agreement with Coyote Valley Casino located in Redwood Valley, California to install four Jackpot Blitz® ETG. The licensing agreement is subject to obtaining the customary regulatory approvals.

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.

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® 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 in international waters.
- During 2021, the Company acquired certain assets of 52 Gaming, LLC ("52 Gaming") thereby fortifying its poker 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 // *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 six-month period ended June 30, 2023, the Company incurred \$199,178 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 six-month period ended June 30, 2023, the Company incurred \$1,352 for the purchase of parts and \$118,865 for the design and certification fees of the next generation model of the Jackpot Blitz® ETG which were capitalized as the prototype and the Intellectual property respectively.

In August 2023, the Company is continuing with GLI testing on the next generation Jackpot Blitz® ETG table. The testing is estimated to be completed by end of September 2023. Once completed, the product will be ready to enter the tested and certified jurisdictions.

In May 2023, the Company started work on a new segment, Online Casino Platform for an existing customer. Once ready, the Online Casino Platform will be installed and tested at the customer's User Acceptance Testing ("UAT") lab.

In April 2023, the Company began GLI testing on the next generation Jackpot Blitz® ETG table. The testing is ongoing and is estimated to be completed in Q3 of this year. Once completed, the product will be ready to enter the tested and certified jurisdictions.

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 2023, the Company's R&D efforts plan to continue the development of new hardware and software components for the Jackpot Blitz® ETGs in order to enhance the marketability of the Company's product.

Consulting, Advisory and Marketing Agreements

In April 2023, the Company entered into an advertising/media sponsorship agreement for the “World Series of Poker” branded poker tournament which shall take place in Las Vegas, Nevada during May to July 2023.

In April 2023 the Company entered into a letter agreement with an arm's length party whereby the arm's length party's services shall include, but not be limited to, the production of on-line digital and video marketing campaigns, and the printing of Jackpot's promotional and marketing materials campaign. The total compensation shall be US\$150,000 and 350,000 stock options exercisable at \$0.08 per share for a period of three years.

In May 2023 the Company entered into a consulting agreement with an arm's length party for a period of three years for advisory services. As compensation, the arm's length party has been granted 500,000 incentive stock options exercisable at \$0.10 per share.

In June 2023, the Company has, under certain terms and conditions, entered into a non-exclusive financial advisory and investment banking services agreement for a term of 12 months with Maxim Group LLC of New York, USA (the “Agreement”). The Agreement is subject to the approval of the TSX Venture Exchange.

Revenues

For the six months ended June 30, 2023, the Company has recorded Electronic gaming tables revenue of \$886,814 (June 30, 2022: \$581,585) and table sales revenue of \$204,015 (June 30, 2022: \$30,000). The increase in Electronic gaming tables revenue is attributable to the resumption of the cruise ship tourism.

Cost of Sales

For the six months ended June 30, 2023, the cost of sales was \$227,549 as compared to \$229,029 during the six months ended June 30, 2022.

Gross Profits

For the six months ended June 30, 2023, the Company has recorded gross profit of \$863,280 as compared to gross profit of \$382,556 during the six months ended June 30, 2022. The increase of gross profit is attributable to the resumption of the cruise ship tourism.

Expenses

For the six months ended June 30, 2023, operating and other expenses were \$1,840,543 as compared to \$2,911,572 during the six months ended June 30, 2022.

Net Loss and Comprehensive Loss

During the six months ended June 30, 2022, the Company had a net loss and comprehensive loss of \$977,263 or \$0.01 per share (weighted average) as compared to a net loss and comprehensive loss of \$2,529,016 or \$0.03 per share (weighted average) in the same period in 2022. During the six months ended June 30, 2023, the Company's weighted average number of common shares was 131,974,772 as compared to 97,116,662 in the same period in 2022.

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 June 30, 2023, the Company's total assets were \$3,347,725 as compared to \$4,152,505 for the corresponding period in 2022. The Company's total liabilities were \$12,201,852 as compared to \$11,069,099 for the corresponding period in 2022. 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 six months ended June 30, 2023, the Company received \$782,124 cash from financing activities as compared to \$1,731,099 cash from financing activities in the corresponding period of 2022.

During the six months ended June 30, 2023, the Company has received a total of \$nil (December 31, 2022: \$100,270) regarding the wage subsidy in relation to the Hardest-Hit Business Recovery Program (HHBRP). Furthermore, during the six months ended June 30, 2023, the Company has received a total of \$nil regarding the rent subsidy in relation to HHBRP (December 31, 2022: \$40,262).

As at June 30, 2023, the Company had:

- Cash and cash equivalents of \$109,623 as compared to \$161,725 at June 30, 2022 (December 31, 2022: \$101,289).
- Accounts receivable of \$254,623 as compared to \$279,867 at June 30, 2022 (December 31, 2022: \$326,339).
- Prepaid expenses and deposits of \$52,915 as compared to \$75,620 at June 30, 2022 (December 31, 2022: \$51,792).
- Gaming systems of \$2,216,392 as compared to \$2,683,104 at June 30, 2022 (December 31, 2022: \$2,483,000).
- Equipment of \$224,580 as compared to \$149,659 at June 30, 2022 (December 31, 2022: \$281,410).
- Intangible assets of \$256,751 as compared to \$174,988 at June 30, 2022 (December 31, 2022: \$156,437).
- Right of Use Assets of \$102,440 as compared to \$449,826 at June 30, 2022 (December 31, 2022: \$276,133).

Operating Activities

During the six months ended June 30, 2023, the Company used \$641,545 of cash for operating activities as compared to \$1,360,001 of cash used for operating activities in the corresponding period of 2022.

Investing Activities

During the six months ended June 30, 2023, the Company used cash in investing activities of \$132,181 as compared to \$464,257 of cash used in investing activities in the corresponding period of 2022.

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 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 six months ended June 30, 2023, and up to the date of this MD&A, the following transactions have occurred:

- i) During July and August 2023, pursuant to a private placement announced on July 10, 2023, Jackpot closed three tranches and issued convertible debentures totaling \$3,579,953 (the "Debentures"). The Debentures bear interest at the rate of 10% per annum and will mature on July 28, 2028 (first tranche), August 2, 2028 (second tranche) and August 14, 2028 (third tranche). The convertible debentures are convertible at \$0.075 per common share in the first year and at \$0.10 in subsequent years. In addition, the Company issued an aggregate of 47,732,700 share purchase warrants exercisable at \$0.10 per for a period of five years. The Company paid finder's fee of \$6,506 in cash and issued 86,750 broker warrants exercisable at \$0.10 per common share for two years. All securities that have been issued in respect to this debenture financing are subject to applicable hold periods.
- ii) During May and June 2023, pursuant to a private placement announced on March 29, 2023, Jackpot closed three tranches and issued convertible debentures totaling \$471,652 (the "Debentures"). The Debentures bear interest at the rate of 10% per annum and will mature on May 17, 2028 (first tranche), May 25, 2028 (second tranche) and June 12, 2028 (third tranche). The convertible debentures are convertible at \$0.075 per common share in the first year and at \$0.10 in subsequent years. In addition, the Company issued an aggregate of 6,288,690 share purchase warrants exercisable at \$0.10 per for a period of five years. The Company paid finder's fee of \$375 in cash and issued 5,000 broker warrants exercisable at \$0.10 per common share for two years. All securities that have been issued in respect to this debenture financing are subject to applicable hold periods.
- iii) During February 2023, March 2023 and April 2023, the Company closed all four tranches of the private placement of convertible debentures announced on February 13, 2023 for an aggregate gross proceeds of \$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.

Warrants

As at June 30, 2023, there were 118,896,255 warrants outstanding with a weighted average price of \$0.18 per warrant (June 30, 2022: 84,270,009 warrants outstanding with a weighted average price of \$0.24 per warrant). Subsequent to the six months ended June 30, 2023, a total of 47,819,450 warrants exercisable

at the price of \$0.10 per share were issued, a total of 2,150,000 warrants exercisable at \$0.10 per share were expired and nil warrants were exercised. As of the date of this MD&A, a total of 164,565,705 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 June 30, 2023, there were 3,276,769 stock options available for granting under the 10% Rolling Stock Option Plan (June 30, 2022: 26,766). As at June 30, 2023, there were 9,929,161 stock options outstanding with a weighted average exercise price of \$0.14 per share (June 30, 2022: 10,609,161 stock options outstanding with a weighted average exercise price of \$0.15 per share). As of the date of this MD&A, a total of 9,929,161 stock options are outstanding.

There were no stock options exercised during the six months ended June 30, 2023.

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

	June 30, 2023	June 30, 2022
Company Received	\$330,000	\$nil
Company Repaid	\$330,000	\$nil
Accrued Interest	\$24,000	\$nil

Non-Convertible Debentures

	June 30, 2023	June 30, 2022
Company Received	\$nil	\$nil
Company Repaid	\$nil	\$4,443
Accrued Interest	\$209,041	\$183,237

Convertible Debentures

	June 30, 2023	June 30, 2022
Company Received	\$919,777	\$nil
Company Repaid	\$nil	\$4,443
Accrued Interest	\$108,167	\$183,237

* For more detailed information regarding Loans Payable and Debentures, please refer to the Company's Interim Consolidated Financial Statements for the six-months ended June 30, 2023 and June 30, 2022.

On March 23, 2023, the Company entered into a subsequent amendment agreement whereby the maturity date of the Debentures has been extended from July 1, 2023 to July 1, 2025.

In respect to the *non-convertible secured debentures*, *Convertible debentures (2016)* and *Convertible debenture (August 2018)*, on June 30, 2023, the Company entered into a Third Amendment Agreement with the lenders and the lenders have agreed, under certain terms and conditions, a new payment schedule which shall commence on July 31, 2023, and shall terminate on July 1, 2025. In aggregate the new payment

schedule is as follows: 1) US\$700,000 by July 31, 2023; 2) US\$1,300,000 by July 1, 2024; and 3) the remaining outstanding principal plus 20% of all accrued and unpaid interest by July 1, 2025. If the new payment schedule is met, the Debentureholders have agreed to a significant reduction in interest payments, thus savings to the Company would be approximately Cdn\$4,045,091 (US\$3,042,108). Upon making the scheduled payments and therefore benefitting from the reduced interest expense, the Company will eliminate a substantial amount of its debt. In the event the Company defaults on the new payment schedule, then the remaining principal outstanding shall immediately be due and payable along with all accrued and unpaid interest to the Debentureholders. n July 28, 2023, the Company entered into a Fourth Amendment Agreement with the lenders and the lenders have agreed, to have the first payment by August 15, 2023.

On August 4, 2023, Jackpot has made its first payment to the Debentureholders in the aggregate amount of US\$700,000.

Summary of Quarterly Results

The following are the results for the eight most recent quarterly periods, starting with the three-month quarterly period ended June 30, 2023:

For the Quarterly Periods ended		June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Total Revenues	\$	501,187	589,642	440,199	379,436
Net loss and comprehensive loss for the period	\$	(754,738)	(222,525)	(1,050,416)	(1,543,620)
Weighted Average		131,990,071	131,959,302	130,226,365	108,196,227
Basic and diluted loss per common share	\$	(0.01)	(0.00)	(0.01)	(0.01)

For the Quarterly Periods ended		June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Total Revenues	\$	341,605	269,980	216,520	93,505
Net loss and comprehensive loss for the period	\$	(1,378,908)	(1,150,108)	(2,578,757)	(1,298,255)
Weighted Average		106,003,714	88,130,864	84,803,140	82,519,230
Basic and diluted loss per common share	\$	(0.01)	(0.01)	(0.03)	(0.02)

Second Quarterly Results (June 30, 2023)

During the three months [second quarter] period ended June 30, 2023:

- The Company had a net loss and comprehensive loss of \$754,738 or \$0.01 per share as compared to a net loss and comprehensive loss of \$1,378,908 or \$0.01 per share in the same three months [second quarter] period of 2022.
- The Company’s total revenues were \$501,187 as compared to total revenues of \$341,605 in the same three months [second quarter] period of 2022.

- The Company's total operating and other expenses were \$1,151,175 as compared to total operating and other expenses of \$1,583,301 in the same three months [second quarter] period of 2022.

Significant Accounting Policies

All of the Company's significant accounting policies and estimates are included in Note 4 of the Company's condensed consolidated interim financial statements for the six months ended June 30, 2023 and 2022.

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.

- **Floor Space**

The Company may encounter floor space availability for its gaming product due to market demand/competition with other gaming products in the gaming industry.

- **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 11 (Loans Payable and Debentures) in the accompanying unaudited interim consolidated Financial Statements for the six-month period ending June 30, 2023. 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. The Company is related to Kalpakian Bros. by virtue of the fact that Kalpakian Bros. is owned by the President & CEO of the Company.

During the six months ended June 30, 2023, Jackpot has paid management fees totaling \$198,000 to Kalpakian Bros. (June 30, 2022: \$198,000).

As at June 30, 2023, due from related parties consists of \$69,300 (June 30, 2022 - \$52,309) receivable from 37 Capital for rent and shared office expenditures.

As at June 30, 2023, due from related parties consists of \$182 (June 30, 2022 - \$4,891) receivable from Yo Eleven for certain office expenditures.

Yo Eleven is related to the Company by virtue of the fact that Yo Eleven has certain common directors and officers as that of the Company.

As at June 30, 2023, there is \$14,404 due from (June 30, 2022 - \$12,978 due from) key management which is included in the due from related party balance.

Transaction with 37 Capital Inc.

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 June 30, 2023, the Company owns 607,377 common shares or approximately 5.17% (June 30, 2022 – 13.51%) of 37 Capital's issued and outstanding shares. As of the date of this MD&A, the Company has approximately 4.42% 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 June 30, 2023, due from related parties consists of \$69,300 receivable from 37 Capital for rent and shared office expenditures and other expense paid on behalf of 37 Capital.

During the six months ended June 30, 2023, the Company charged 37 Capital for rent and shared office expenditures in the amount of \$12,000 (June 30, 2022: \$12,000).

On August 18, 2023, the Company entered into a Sublease Agreement with a third party for certain premises in Vancouver, BC comprising a total of area of approximately 5,314 sq. ft. commencing on January 1, 2024 and shall expire on August 20, 2027. The Company has paid a deposit of \$35,171.

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.

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 June 30, 2023 and 2022 are as follows:

	2023	2022
Cash and Cash Equivalents consists of:		
Cash	\$ 92,373	\$ 144,475
Term deposit	17,250	17,250
	\$ 109,623	\$ 161,725

As at June 30, 2023, the Company had a cashable term deposit of \$17,250 (June 30, 2022 - \$17,250) readily convertible into cash, maturing July 31, 2023 with an annual interest rate of 0.60%.

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 six months ended June 30, 2023, the Company had one customer that represented 79% (June 30, 2022 - 90%) of total revenue. As at June 30, 2023, the Company had receivables from this customer representing 95% (June 30, 2022 – 91%) of total trade receivables. In addition, as at June 30, 2023, allowance for doubtful accounts is \$nil (June 30, 2022 - \$nil) and the Company’s accounts receivable are due within 60 days of June 30, 2023.

As at June 30, 2023, due from related party (37 Capital) was \$69,300 (June 30, 2022 - \$52,309) which is non-interest bearing and has no fixed repayment terms.

As at June 30, 2023, due from related party (Yo Eleven) was \$182 (June 30, 2022 - \$4,891) which is non-interest bearing and has no fixed repayment terms.

As at June 30, 2023, due from related party (key management) was \$14,404 (June 30, 2022 - \$12,978) 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 June 30, 2023, the Company has cash and cash equivalents of \$109,623 (December 31, 2022 - \$101,289) available to apply against short-term business requirements and current liabilities of \$6,481,895 (December 31, 2022 - \$11,236,391). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of June 30, 2023. As at June 30, 2023, all of the Company’s debentures have maturity dates within one year to five years. The deferred royalty liability is payable quarterly over a period of five years, with remaining undiscounted payments of \$397,200 (US\$300,000) at June 30,

2023 (December 31, 2022 - \$406,320 or US\$300,000). The undiscounted lease payments of \$115,887 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 June 30, 2023, 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)	
	June 30, 2023	December 31, 2022
Cash	\$ 1,366	\$ 7,990
Accounts receivable	234,529	301,085
Accounts payable and accrued liabilities	(499,393)	(531,974)
Deferred royalty liability	(338,029)	(329,334)
Interest payable	(2,688,245)	(2,539,889)
Non-convertible secured debentures	(2,589,346)	(2,905,887)
Net financial liability	\$ (5,879,118)	\$ (5,998,009)

Based upon the above net exposure as at June 30, 2023 and assuming all other variables remain constant, a 7% (December 31, 2022 - 7%) depreciation or appreciation of the US dollar relative to the Canadian dollar would result in a change of approximately \$411,538 (December 31, 2022 - \$419,861) 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 June 30, 2023, the interest rate on the 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 August 29, 2023	Common shares	Number of Preferred Shares	Exercise (\$) Price per common share	Expiry Dates
Issued and Outstanding	132,059,302	Nil		
Warrants	164,565,705**/**		\$0.10 - \$5.00	March 1, 2024 – August 14, 2028
Stock Options	9,929,161		\$0.08 - \$0.20	January 13, 2024 - May 3, 2026
Fully Diluted as at August 29, 2023	306,554,168			

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

**80,992,192 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 negatively impacted the Company, however the Company’s business continues to 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 marketing of its Jackpot Blitz® ETGs. A key indicator of the Company’s success will depend on its ability to obtain product certification and vendor licensing from the various regulatory agencies in a timely and efficient manner.

The Company expects to begin installations of the next generation (land-based) Jackpot Blitz ® during the latter part of 2023.

The Company continues to focus upon establishing its Jackpot Blitz ® footprint in regulated land-based casinos in the United States, Canada and other markets.

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.

The Company is in negotiations/discussions with multiple partners, consisting of tribal, commercial and government agencies who have expressed interest in the Company’s Jackpot Blitz® ETG tables. Any consummated transaction will be subject to regulatory approval.