JACKPOT DIGITAL INC.

Consolidated Interim Financial Statements
Three Months Ended March 31, 2023 and 2022
(Expressed in Canadian Dollars)
(Unaudited)

Notice of No Auditor Review of Condensed Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim financial statements as at March 31, 2023 and for the three months ended March 31, 2023 and 2022.

JACKPOT DIGITAL INC.
Consolidated Balance Sheets
(Expressed in Canadian Dollars)

		March 31, 2023		December 31, 2022
				(audited)
Assets (note 11)				
Current				
Cash and cash equivalents (note 5)	$	490,726	$	101,289
Accounts receivable (note 5)		338,223		326,339
Due from related parties (note 8)		131,598		120,139
Prepaid expenses and deposits		51,792		51,792
		1,012,339		599,559
Gaming Systems		2,329,052		2,483,000
Investment in 37 Capital Inc. (“37 Capital”) (note 9)		7,115		9,111
Deposit (note 10)		38,000		38,000
Equipment		250,900		281,410
Intangible Assets		147,162		156,437
Right-of Use Assets (note 12)		189,286		276,133
Total Assets	$	3,973,854	$	3,843,650
Liabilities				
Current				
Accounts payable and accrued liabilities	$	1,495,594	$	1,532,582
Deferred royalty liability (note 6)		97,235		70,201
Lease liability (note 12)		206,918		297,962
Interest payable		3,986,019		3,837,751
Deferred revenue (note 13)		294,342		305,100
Loans payable (note 11)		232,183		7,277
Convertible debentures (note 11)		402,672		2,279,631
Non-convertible secured debentures (note 11)		6,767		2,905,887
Obligation to issue debenture (note 11)		334,877		-
		7,056,607		11,236,391
Deferred Royalty Liability (note 6)		240,226		259,133
Deferred Revenue (note 13)		502,913		503,321
Non-Convertible Secured Debentures (note 11)		2,597,590		-
Convertible Debentures (note 11)		1,887,428		-
Total Liabilities		12,284,764		11,998,845
Shareholders’ Deficiency				
Capital Stock (note 7)		62,041,953		62,041,953
Reserves (notes 7)		2,416,488		2,775,009
Convertible Debentures - Equity Portion (note 11)		56,966		12,536
Deficit		(72,826,317)		(72,984,693)
Total Shareholders’ Deficiency		(8,310,910)		(8,155,195)
Total Liabilities and Shareholders’ Deficiency	$	3,973,854	$	3,843,650

On behalf of the Board:

“Jake H. Kalpakian” (signed)
....
Jake H. Kalpakian, Director

“Neil Spellman” (signed)
....
Neil Spellman, Director

See notes to consolidated financial statements.

JACKPOT DIGITAL INC.
Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

		March 31, 2023		March 31, 2022
Revenues				
Electronic gaming tables	$	487,027	$	269,980
Table sales		102,615		-
		589,642		269,980
Cost of sales		122,799		91,817
Gross Profit/(Loss)		466,843		178,163
Expenses				
Advertising and promotion		12,580		23,493
Amortization		232,138		221,463
Consulting fees		58,465		217,432
Foreign exchange gain		(83)		(80,395)
Gain on extinguishment of debt (note 11)		(614,087)		-
Impairment loss on gaming systems		696		26,364
Impairment of investment in 37 Capital Inc.		-		25,681
Interest and finance expense		303,203		254,593
Interest and other income		-		(235)
Legal, accounting and audit		39,269		21,136
Management fees		99,000		99,000
Regulatory and transfer agent fees		60,034		47,964
Rent, office and miscellaneous		31,681		28,772
Salaries and benefits		391,198		378,916
Travel, meals and entertainment		73,278		61,099
Share of net loss of 37 Capital Inc.		1,996		2,988
		689,368		1,328,271
Net Loss and Comprehensive Loss for the Period	$	(222,525)	$	(1,150,108)
Basic and Diluted Loss Per Share	$	(0.00)	$	(0.01)
Weighted Average Number of Common Shares Outstanding		131,959,302		88,130,864

JACKPOT DIGITAL INC.
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

	Capital Stock		Reserves				
	Common Shares	**Amount**	**Warrants and Other**	**Options**	**Equity Portion of Convertible Debentures**	**Deficit**	**Shareholders' Deficiency**
Balance, December 31, 2021	84,860,716	$ 58,980,489	$ 1,664,722	$ 1,089,399	$ 19,957	$ (68,173,900)	$ (6,419,333)
Net loss for the period	-	-	-	-	-	(1,150,108)	(1,150,108)
Private placements, net of issuance costs	19,187,443	1,600,672	50,767	-	-	-	1,651,439
Expiry of warrants	-	-	(78,000)	-	-	78,000	-
Cancellation of options	-	-	-	(21,434)	-	21,434	-
Share-based payment	-	-	-	44,234	-	-	44,234
Balance, March 31, 2022	104,048,159	$ 60,581,161	$ 1,637,489	$ 1,112,199	$ 19,957	$ (69,224,574)	$ (5,873,768)
Net loss for the period	-	-	-	-	-	(3,972,944)	(3,972,944)
Private placements, net of issuance costs	27,911,143	1,460,792	7,810	-	-	-	1,468,602
Extinguishment of convertible debentures conversion	-	-	-	-	(7,421)	7,421	-
Share-based payment	-	-	-	222,915	-	-	222,915
Expiry of warrants	-	-	(151,532)	-	-	151,532	-
Cancellation of options	-	-	-	(1,916)	-	1,916	-
Expiry of options	-	-	-	(51,956)	-	51,956	-
Balance, December 31, 2022	131,959,302	$ 62,041,953	$ 1,493,767	$ 1,281,242	$ 12,536	$ (72,984,693)	$ (8,155,195)
Net loss for the period	-	-	-	-	-	(222,525)	(222,525)
Share-based payment	-	-	-	21,689	-	-	21,689
Convertible debenture issued	-	-	-	-	44,430	-	44,430
Broker warrants issued	-	-	691	-	-	-	691
Expiry of warrants	-	-	(107,022)	-	-	107,022	-
Expiry of options	-	-	-	(273,879)	-	273,879	-
Balance, March 31, 2023	131,959,302	$ 62,041,953	$ 1,387,436	$ 1,029,052	$ 56,966	$ (72,826,317)	$ (8,310,910)

JACKPOT DIGITAL INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	March 31, 2023	March 31, 2022
Operating Activities		
Net loss	$ (222,525)	$ (1,150,108)
Items not affecting cash		
Amortization	232,138	221,463
Interest expense and finance expense	293,422	237,641
Unrealized foreign exchange loss (gain)	(1,705)	(82,531)
Share-based payment	21,689	44,234
Repairs and maintenance	31,310	9,119
Gain on sale of gaming system table	(77,768)	-
Gain on extinguishment of debt	(614,087)	-
Impairment loss on gaming systems	696	26,364
Impairment loss on investment in 37 Capital Inc.	-	25,681
Share of net loss of 37 Capital Inc.	1,996	2,988
	(334,834)	(665,149)
Changes in non-cash working capital		
Accounts receivable	(11,884)	(115,680)
Due from related parties	(11,459)	(9,612)
Prepaid expenses and deposits	-	(541)
Accounts payable and accrued liabilities	(54,589)	(11,856)
Deferred revenue	91,301	-
	13,369	(137,689)
Cash Used in Operating Activities	(321,465)	(802,838)
Financing Activities		
Private placement, net of share issuance cost	-	1,651,439
Funds from convertible debenture, net of issuance cost	246,550	-
Funds from loan payable	265,000	-
Repayment of loan payable	(55,000)	-
Obligations to issue debenture	334,877	-
Payment of lease liability	(73,447)	(81,740)
Cash Provided by Financing Activities	717,980	1,569,699
Investing Activities		
Purchase of gaming systems	(6,931)	(112,079)
Purchase of equipment and prototypes	(309)	(145,964)
Acquisition of 52 Gaming	-	(83,764)
Cash Used in Investing Activities	(7,240)	(341,807)
Effect of Foreign Currency Translation on Cash	162	(542)
Net Change in Cash and Cash Equivalents	389,437	424,512
Cash and Cash Equivalents, Beginning of Period	101,289	252,857
Cash and Cash Equivalents, End of Period	$ 490,726	$ 677,369

1. NATURE OF OPERATIONS

The principal business of Jackpot Digital Inc. (the "Company" or "Jackpot") is the developing, marketing, and leasing of electronic table games to casino operators. 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 Company's office is located at Suite 303 – 570 Granville Street, Vancouver, British Columbia, Canada, V6C 3P1, and the Company's warehouse is located at 4664 Lougheed Highway, Unit W030, Burnaby, British Columbia, Canada, V5C 5T5. The Company's registered office is located at Suite 3200 – 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4P7.

On June 28, 2021, the Company incorporated a wholly owned subsidiary Yo Eleven Gaming Inc. ("Yo Eleven") under the *Business Corporations Act* (British Columbia). Effective November 4, 2021, pursuant to a Plan of Arrangement under the British Columbia Corporations Act, the Company transferred certain online gaming software to Yo Eleven in exchange for 16,966,931 Yo Eleven common shares which were then distributed to the Company's registered and beneficial shareholders as of November 1, 2021 on the basis of 1 Yo Eleven common share for every 5 Jackpot common shares held by Jackpot shareholders (the "Spinout"). As of the completion of the Spinout, Yo Eleven is no longer a subsidiary of Jackpot.

As the shareholders of the Company continued to hold their respective interests in Yo Eleven, there was no resulting change of control in Yo Eleven. Therefore, in accordance with IFRIC 17 *Distribution of Non-cash Assets to Owners*, the Company recognized the distribution of assets to Yo Eleven at their historical costs, which was $nil.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

Several adverse conditions may cast significant doubt on the validity of this assumption. The Company has incurred a net loss and comprehensive loss of $222,525 during the three months ended March 31, 2023 (March 31, 2022: $1,150,108), has incurred significant operating losses over the past two fiscal years (2022 - $5,123,052; 2021 - $6,555,039), has a working capital deficiency of $6,044,268 (December 31, 2022: working capital deficiency of $10,636,832). There are no assurances that sufficient funding will be available to the Company to continue operations for an extended period of time.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its shareholders. Management is actively engaged in the review and due diligence on new projects and is seeking to raise the necessary capital to meet its funding requirements. There can be no assurance that management's plan will be successful.

If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

2. **GOING CONCERN** (Continued)

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. 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.

3. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim financial statements are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting using the accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for full annual financial statements.

(b) Basis of measurement

These condensed interim financial statements have been prepared under the historical cost basis, except for certain financial instruments, which are measured at fair value.

These condensed interim financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

(c) Approval of the consolidated financial statements

The condensed interim financial statements of Jackpot for the three months ended March 31, 2023 were approved and authorized for issue by the Board of Directors on May 30, 2023.

(d) Functional and presentation currency

These condensed interim financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries' functional currency.

(e) Significant accounting judgments, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. BASIS OF PRESENTATION (Continued)

(e) Significant accounting judgments, estimates and assumptions (continued)

Significant assumptions about the future and other sources of estimated uncertainty that management has made as at the consolidated balance sheet dates that could result in a material adjustment to the carrying amount of assets and liabilities in the event that actual results differ from assumptions made, related to, but are not limited to, the following:

Critical accounting estimates

Critical accounting estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities include, but are not limited to, the following:

- Recoverability of accounts receivable and allowance for doubtful accounts

  The Company monitors its exposure for credit losses on its customer and related parties receivable balances and the credit-worthiness of the customers and related parties on an ongoing basis and records related allowances for doubtful accounts. Allowances are estimated based upon specific customer and related parties balances, where a risk of default has been identified, and also include a provision for non-customer specific defaults based upon historical experience and aging of accounts. As of March 31, 2023, the Company recorded an allowance for doubtful accounts of $nil (March 31, 2022 - $nil). If circumstances related to specific customers and related parties change, estimates of the recoverability of receivables could also change.

- Intangible assets, gaming systems, and equipment – useful lives

  Amortization is recorded on the straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of the technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets, gaming systems and equipment resulting in a change in related amortization expense.

- Fair value of equity instruments

  The fair value of equity instruments are subject to the limitations of the Black-Scholes option pricing model, as well as other pricing models that incorporate market data and involves uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

- Recoverability of asset carrying values

  Determining the amount of impairment of intangible assets and gaming systems requires an estimation of the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. Many factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period.

3. BASIS OF PRESENTATION (Continued)

(e) Significant accounting judgments, estimates and assumptions (continued)

Critical accounting estimates (continued)

- Right-of-use assets and lease liability

  The right of use assets and lease liability are measured by discounting the future lease payments at incremental borrowing rate. The incremental borrowing rate is an estimated rate the Company would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

- Discount rates for convertible debentures

  Convertible debentures are separated into their liability and equity components on the consolidated balance sheets. The liability component is initially recognized at fair value, calculated at the net present value of the liability based upon non-convertible debt issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for non-convertible debt with similar terms at the time of issue.

- Determination of purchase price allocation and consideration

  Estimates are made in determining the fair value of assets and liabilities, including the valuation of separately identifiable intangibles acquired as part of an acquisition. The fair value of identified assets is determined using appropriate valuation techniques which are generally based on a forecast of the total expected future net cash flows of the acquiree or the replacement cost approach. The fair value of consideration transferred in a business combination requires management to make estimates regarding the valuation of equity and debt instruments issued, as well as future payments required under the acquisition agreements. Valuations of the net assets acquired and consideration transferred are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets, including replacement costs, share prices and market interest rates.

- Discount rate for deferred royalty liability

  The deferred royalty liability was initially recognized at fair value, calculated at the net present value of the minimum future royalty payments and subsequently accounted for at amortized cost using the effective interest rate method. The discount rate used is based on the estimated market rate for debt at the time of initial recognition.

Critical accounting judgments

- Recovery of deferred tax assets

  The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the consolidated financial statements.

3. BASIS OF PRESENTATION (Continued)

(e) Significant accounting judgments, estimates and assumptions (continued)

Critical accounting judgments (continued)

- Debentures

  In accordance with the substance of the contractual arrangement, convertible debentures are compound financial instruments that are accounted for separately by their components: a financial liability and an equity instrument.

  The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgment from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability is also based on a number of assumptions, including contractual future cash flows, discount factors and the presence of any derivative financial instruments.

- Modification verses extinguishment of financial liability

  Judgment is required in applying IFRS 9 *Financial Instruments* to determine whether the amended terms of the loan agreements are a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original financial liability.

- Development expenditures

  The application of the Company's accounting policy for development expenditures requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If new information suggests future economic benefits are unlikely, the amount capitalized in excess over the recoverable value is written off to profit or loss in the period the new information becomes available. As at March 31, 2022, the Company had capitalized $nil (March 31, 2022 - $185,509) for the development of intellectual property and $309 (March 31, 2022 - $111,061) for the related prototypes.

- Functional currency

  The determination of the functional currency for the Company and its subsidiaries was based on management's judgment of the underlying transactions, events, and conditions relevant to each entity.

- Assessment of control and significant influence

  In determining whether the Company controls 37 Capital Inc. ("37 Capital") or has significant influence, management is required to consider and assess the definitions in accordance with IFRS 10 *Consolidated Financial Statements*. There is judgment required to determine when and whether the rights of the Company result in control or significant influence of 37 Capital.

3. BASIS OF PRESENTATION (Continued)

(e) Significant accounting judgments, estimates and assumptions (continued)

Critical accounting judgments (continued)

- Determination of cash-generating units ("CGU")

  CGUs are defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash flows of other assets or groups of assets. The classification of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, external users and the way in which management monitors the Company's operations.

- Going concern assumption

  The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company is aware that material uncertainties related to events or conditions may cast significant doubt upon the Company's ability to continue as a going concern.

- Right-of-use assets and lease liability

  For right-of-use assets and lease liability, the Company applies judgment in determining whether the contract contains an identified asset, whether they have the right to control the asset, and the lease term. The lease term is based on considering facts and circumstances, both qualitative and quantitative, that can create an economic incentive to exercise renewal options. Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

- Impairment of long-lived assets

  Assets or CGUs are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's long-lived assets.

- Government tax credits

  The Company is eligible for refundable tax credits on qualified research and development expenditures incurred in the province of British Columbia (the "Province"). Uncertainties exist with respect to the interpretation of tax regulations resulting in certain claimed credits being disallowed by the Province. The calculation of the Company's refundable tax credits involves significant estimates and judgment on items whose tax treatment cannot be verified until a notice of assessment and subsequent payments have been received from the Province. Differences between management's estimates and the final assessment could result in adjustments to the tax credit and the future income tax expense.

- Asset acquisition versus business combination

  Management had to apply judgment with respect to whether the acquisition of assets from 52 Gaming, LLC (Note 6) was an asset acquisition or business combination. The assessment required management to assess the inputs, processes and outputs of the assets acquired at the time of acquisition.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company include the following:

(a) Principles of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. 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, dissolution, or loss of control.

Intercompany balances and transactions and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

(b) Cash and cash equivalents

Cash and cash equivalents comprises cash and highly liquid investments that are readily convertible to known amounts of cash.

(c) Financial instruments

The Company's financial instruments are classified as follows:

	IFRS 9
Financial Asset	
Cash and cash equivalents	Fair value through profit and loss ("FVTPL")
Accounts receivable	Amortized cost
Due from related parties	Amortized cost
Financial Liability	
Accounts payable and accrued liabilities	Amortized cost
Promissory note	Amortized cost
Deferred royalty liability	Amortized cost
Lease liability	Amortized cost
Interest payable	Amortized cost
Loans payable	Amortized cost
Convertible debentures	Amortized cost
Non-convertible secured debentures	Amortized cost

Financial assets

(i) Recognition and measurement of financial assets

The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (continued)

Financial assets (continued)

(ii) Classification of financial assets

The Company classifies financial assets at initial recognition as financial assets: measured at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss. The Company recognizes a financial asset when it becomes a party to the contractual provisions of the instrument.

Financial assets measured at amortized cost

A financial asset that meets both of the following conditions is classified as a financial asset measured at amortized cost.

- The Company's business model for the such financial assets, is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction costs directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, net of impairment loss, if necessary.

Financial assets measured at fair value through other comprehensive income ("FVTOCI")

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income.

Financial assets measured at fair value through profit or loss ("FVTPL")

A financial asset measured at fair value through profit or loss is recognized initially at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial asset is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(iii) Derecognition of financial assets

The Company derecognizes a financial asset if the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset. Any interests in transferred financial assets that are created or retained by the Company are recognized as a separate asset or liability. Gains and losses on derecognition are generally recognized in the consolidated statement of loss and comprehensive loss. However, gains and losses on derecognition of financial assets classified as FVTOCI remain within accumulated other comprehensive loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (continued)

Financial liabilities

(i) Recognition and measurement of financial liabilities

The Company recognizes financial liabilities when it becomes a party to the contractual provisions of the instruments.

(ii) Classification of financial liabilities

The Company classifies financial liabilities at initial recognition as financial liabilities: measured at amortized cost or measured at fair value through profit or loss.

Financial liabilities measured at amortized cost

A financial liability at amortized cost is initially measured at fair value less transaction cost directly attributable to the issuance of the financial liability. Subsequently, the financial liability is measured at amortized cost based on the effective interest rate method.

Financial liabilities measured at fair value through profit or loss

A financial liability measured at fair value through profit or loss is initially measured at fair value with any associated transaction costs being recognized in profit or loss when incurred. Subsequently, the financial liability is re-measured at fair value, and a gain or loss is recognized in profit or loss in the reporting period in which it arises.

(iii) Derecognition of financial liabilities

The Company derecognizes a financial liability when the financial liability is discharged, cancelled, or expired. Generally, the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of comprehensive loss.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment of financial assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Research and development

Research costs are expensed as incurred. Costs related to the development of software and gaming systems are expensed as incurred unless such costs meet the criteria for deferral and amortization under IFRS. The criteria includes identifiable costs attributable to a clearly defined product, the establishment of technical feasibility, demonstration of the Company's intention and ability to complete the software and use or sell it, identification of a market for the software, the Company's intent to market the software, and the existence of adequate resources to complete the project.

(e) Gaming systems and equipment

Gaming systems represent gaming tables and parts for the assembly of the tables owned by the Company. The majority of the gaming tables are operated at customer sites pursuant to contractual license agreements. The gaming systems may also include gaming tables used by the Company for demonstration or testing purposes.

Parts for assembly are transferred to gaming tables at the time the units are fully assembled, configured, tested and otherwise ready for use by a customer. As the configuration of each gaming table is unique to the specific customer environment in which it is being placed, the final steps to configure and test the unit generally occurs immediately prior to shipment. Amortization expense for the gaming tables begins in the month of transfer of each gaming table from the parts for assembly to the gaming tables.

Gaming systems and equipment are stated at cost less accumulated amortization. Allocation of direct labor, indirect labor and overhead costs for each gaming table are included in the cost of the gaming table. Costs not clearly related to the procurement, manufacturing and implementation are expensed as incurred. As gaming tables are returned from customer sites, the gaming tables are either disposed of or refurbished. If the gaming table is refurbished, all unusable parts are scrapped, and the cost of labor refurbishment and replacement parts is added to the value of the gaming table. The gaming table is then installed at another customer site and amortizes over its estimated useful life in a manner consistent with new gaming tables as described above.

Items of gaming systems and equipment are measured at cost less accumulated amortization and accumulated impairment loss.

Amortization of the gaming tables and equipment is calculated on the declining-balance basis at the following annual rates:

Gaming tables	- 20% - 50%
Computer equipment	- 30% - 55%
Office furniture	- 20%
Warehouse equipment	- 20%
Prototypes	- 50%

Gaming table parts are amortized once the gaming tables are constructed.

Gains and losses on disposal of an item of gaming systems and equipment are determined by comparing the proceeds from disposal with the carrying amount of the long-term asset and are recognized net in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. A change in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Company amortizes intangible assets with finite lives on a straight-line basis over their estimated useful lives as follows:

Intellectual property	- 5 years

(g) Impairment of non-financial assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased When an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the product or service in the ordinary course of the Company's activities. The Company derives revenue mainly from the lease of electronic gaming tables, maintenance, installation, and support services related to those products and the sale of electronic gaming tables.

Revenue is recognized as it is earned in accordance with the following:

(i) Sale of Electronic gaming tables

For sales of gaming systems with multiple deliverables, revenue is generally recognized for the hardware and embedded software unit of accounting at time of delivery based on the relative selling price method using best estimate of selling price. Revenue related to professional services (installation and training) is recognized as those services are delivered, which usually occurs at or near the time of delivery of the gaming system. Revenue allocated to post contract services ("PCS") is recognized as those services are delivered on a table basis over the PCS term. Revenue recognized from the delivery of gaming systems and installation and training services are limited to those amounts that are not contingent upon the delivery of future PCS or other services.

(ii) Leasing of Electronic gaming tables

Lease arrangements are generally accounted for as operating leases, as the terms are typically less than 75% of the economic life of the leased product, they do not contain bargain purchase options, transfer of ownership or have minimum lease payments greater than 90% of the fair value of the leased equipment. For lease arrangements containing multiple deliverables, revenue from fixed-fee leases of hardware and embedded software is generally recognized on a straight-line basis, as the performance obligations are satisfied, over the contract term. For leases with participation features, where consideration varies based on the monthly amount of revenue earned by the customer, revenue is generally recognized on a monthly basis as the lease price for each period becomes fixed and determinable. To the extent that installation and training services are provided in a lease arrangement, those professional services are treated as separate units of accounting and the allocated amounts are recognized as those services are delivered, limited to the amount that is not contingent upon the delivery of future services.

(iii) Any consideration received in advance of services being rendered is recorded as deferred revenue and subsequently recognized as it is earned.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the consolidated statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(j) Share-based payments

The Company grants share options to acquire common shares of the Company to directors, officers, employees, and consultants. The fair value of share-based payments to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period for employees using the graded method. Fair value of share-based payments for non-employees is recognized and measured at the date the goods or services are received based on the fair value of the goods or services received. If it is determined that the fair value of goods and services received cannot be reliably measured, the share-based payment is measured at the fair value of the equity instruments issued using the Black-Scholes option pricing model.

For both employees and non-employees, the fair value of share-based payments is recognized as an expense with a corresponding increase in option reserves. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Consideration received on the exercise of stock options is recorded in capital stock and the related share-based payment in option reserves is transferred to capital stock. For those options that expire, the recorded value is transferred to deficit.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net loss attributable to common shares of the Company by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(l) Capital stock

Proceeds from the exercise of stock options and warrants are recorded as capital stock in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Capital stock issued for consideration other than cash are valued at the fair value of assets received or services rendered. If the fair value of assets received or services rendered cannot be reliably measured, shares issued for consideration will be valued at the quoted market price at the date of issuance.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock and the related residual value is transferred from warrant reserve to capital stock. For unexercised warrants that expire, the recorded value is transferred to deficit.

(m) Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the consolidated balance sheet date;

(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

(iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange on the transaction date.

Gains and losses arising from this translation of foreign currency are included in the determination of profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases

At inception, the Company assesses whether a contract contains an embedded lease. A contract contains a lease when the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Company, as lessee, is required to recognize a right-of-use asset (“ROU asset”), representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments.

The Company may elect to not apply IFRS 16 *Leases* (“IFRS 16”) to leases with a term of less than 12 months or to low value assets, which is made on an asset-by-asset basis.

The Company recognizes a ROU asset and a lease liability at the commencement of the lease. The ROU asset is initially measured based on the present value of lease payments, plus initial direct cost, less any incentives received. It is subsequently measured at cost less accumulated amortization, impairment losses and adjusted for certain remeasurements of the lease liability. The ROU asset is amortized from the commencement date over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. The incremental borrowing rate is the rate which the operation would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment.

Lease payments included in the measurement of the lease liability are comprised of:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Company is reasonably certain to exercise;
- Lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option; and
- Penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases (continued)

Variable lease payments that do not depend on an index or a rate not included in the initial measurement of the ROU asset and lease liability are recognized as an expense in profit or loss in the period in which they are incurred.

The ROU assets are presented within “Right-of-use assets” and the lease liabilities are presented in “Lease liability” on the consolidated balance sheet.

The Company applied the exemption not to recognize ROU asset and lease liabilities for leases with less than 12 months of lease term and leases for low-value assets.

(o) Investment in 37 Capital Inc. (“37 Capital”)

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results, assets and liabilities of the Company’s investment in 37 Capital are incorporated using the equity method of accounting. Under the equity method, the Company’s investment in 37 Capital is initially recognized in the consolidated balance sheet at cost and adjusted thereafter to recognize the Company’s share of the profit or loss of 37 Capital.

When the Company’s share of losses exceeds the Company’s interest in 37 Capital, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of 37 Capital.

Any excess of the Company’s share of the net fair value of the identifiable assets, liabilities, and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

(p) Government tax recoveries

The Company recognizes government tax recoveries in the period in which there is reasonable expectation, based on management’s estimate, of receiving a refund. The amount of tax credit receivable is subject to review and approval by the taxation authorities and is adjusted for in the period when such approval is confirmed.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Substantial modification of debentures

Modification is deemed to be substantial if the net present value of the cash flows under the modified terms, including and fees paid or recovered, is at least 10 percent different from the net present value of the remaining cash flows of the liability prior to the modification, both discounted at the original effective interest rate of the liability prior to the modification. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The consideration paid, represented by the fair value of the modified debentures is allocated to the liability and equity components of the original debentures at the date of extinguishment. The method used in allocating the consideration paid and the transaction costs to the separate components of the original debentures is consistent with that used in the original allocation to the separate components of the original debentures of the proceeds received by the Company when the original debentures were issued.

Once the allocation of the consideration is made, any resulting gain or loss is treated as follows:

- The amount of gain or loss relating to the original liability component is recognized in the consolidated statements of loss; and
- The amount of consideration relating to the original equity component is recognized in equity in warrants and other reserves. Warrants and other reserves comprises a) the fair value of warrants granted, and b) the amount transferred from debentures equity reserve attributable to the extinguished debentures, net of the amount of consideration relating to the equity component of debentures upon their early extinguishment.

5. 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.

(Expressed in Canadian Dollars, unless otherwise stated)

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(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 March 31, 2023 and 2022 are as follows:

		2023		2022
Cash and Cash Equivalents consists of:				
Cash	$	473,476	$	660,119
Term deposit		17,250		17,250
	$	490,726	$	677,369

As at March 31, 2023, the Company had a cashable term deposit of $17,250 (March 31, 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 three months ended March 31, 2023, the Company had one customer that represented 81% (March 31, 2022 - 99%) of total revenue. As at March 31, 2023, the Company had receivables from this customer representing 95% (March 31, 2022 - 98%) of total trade receivables. In addition, as at March 31, 2023, allowance for doubtful accounts is $nil (March 31, 2022 - $nil) and the Company's accounts receivable are due within 60 days of March 31, 2023.

As at March 31, 2023, due from related party (37 Capital) was $69,128 (March 31, 2022 - $41,609) which is non-interest bearing and has no fixed repayment terms.

As at March 31, 2023, due from related party (Yo Eleven) was $139 (March 31, 2022 - $500) which is non-interest bearing and has no fixed repayment terms.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(c) Credit risk (continued)

As at March 31, 2023, due from related party (key management) was $62,331 (March 31, 2022 - $62 due to) which is non-interest bearing and has no fixed repayment terms. Subsequent to March 31, 2023, the related party repaid $57,892.

(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 March 31, 2023, the Company has cash and cash equivalents of $490,726 (December 31, 2022 - $101,289) available to apply against short-term business requirements and current liabilities of $7,056,607 (December 31, 2022 - $11,236,391). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of March 31, 2023. As at March 31, 2023, all of the Company’s debentures have maturity dates within one year to three years. The deferred royalty liability is payable quarterly over a period of five years, with remaining undiscounted payments of $405,990 (US$300,000) at March 31, 2023 (December 31, 2022 - $406,320 or US$300,000). The undiscounted lease payments of $214,177 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 March 31, 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)	
	March 31, 2023	**December 31, 2022**
Cash	$ 334,520	$ 7,990
Accounts receivable	319,562	301,085
Accounts payable and accrued liabilities	(506,483)	(531,974)
Deferred royalty liability	(337,461)	(329,334)
Interest payable	(2,641,239)	(2,539,889)
Non-convertible secured debentures	(2,604,357)	(2,905,887)
Net financial liability	$ (5,435,458)	$ (5,998,009)

5. **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT** (Continued)

(e) Market risk (continued)

Based upon the above net exposure as at March 31, 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 $380,482 (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 March 31, 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.

6. **52 GAMING, LLC – ACQUISITON OF ASSETS**

On February 10, 2021, the Company entered into an asset purchase agreement with 52 Gaming, LLC ("52 Gaming") and acquired certain assets of 52 Gaming (the "Transaction"). Terms of the of the transaction are as follows:

- Cash payment of US$107,500 on the closing date by the Company to 52 Gaming (paid - $136,514);
- Issuance of a promissory note by the Company for the amount of US$470,000 with a term of twenty-four months, bearing 10% simple interest per annum, and which may be prepaid by the Company (issued - fair value of $596,853 on issuance);
- On the closing date, the issuance of 1,500,000 common shares to 52 Gaming (issued - fair value of $525,000 on issuance);
- On the closing date, the issuance of 2,000,000 share purchase warrants to 52 Gaming exercisable at $0.105 per share for a period of five years (issued - fair value of $638,475 on issuance); and
- Commencing January 2022 and for a period of ten years, the Company is to make variable royalty payments to 52 Gaming as follows:
  - During the period between January 1, 2022 and December 31, 2026, the Company is required to make quarterly royalty payments to 52 Gaming in the amount equal to the greater of USD$18,750 or 2% of any revenues generated from (i) licensing fees, and (ii) sales revenue from the electronic poker tables acquired from 52 Gaming; and
  - During the period between January 1, 2027 and December 31, 2031, the Company is required to make quarterly royalty payments to 52 Gaming in the amount equal to 2% of any revenues generated from (i) licensing fees,

(Expressed in Canadian Dollars, unless otherwise stated)

6. 52 GAMING, LLC – ACQUSITION OF ASSETS (Continued)

- and (ii) sales revenue from the electronic poker tables acquired from 52 Gaming.

Under IFRS 3 *Business Combinations*, the substance of the acquisition was considered to be a business combination. The Company acquired certain gaming system assets and the related software from 52 Gaming, as well as a non-competition agreement with the owners of 52 Gaming which restricts them from operating in a similar business to the Company for a period of five years. The purchase consideration was allocated as follows:

Cash	$	136,514
Common shares issued		525,000
Warrants issued		638,475
Promissory note		596,853
Deferred royalty liability		335,722
Total consideration		2,232,564
Gaming systems		624,000
Transaction expense	$	1,608,564

Management determined that the only identifiable assets acquired in the Transaction were the electronic gaming tables, with the remaining consideration relating to the non-competition agreement. 52 Gaming is a company with nominal revenues, accordingly the value attributed to the non-competition agreement was expensed.

During the year ended December 31, 2020, the fair value of the deferred royalty liability was determined based on the discounted minimum royalty payments over a period of five years. The payments were discounted using a rate of 10% to determine a fair value which is being accreted over time as follows:

Balance at December 31, 2021	$	367,609
Accretion		36,692
Payments		(97,583)
Foreign exchange		22,616
Balance at December 31, 2022	$	329,334
Accretion		8,389
Foreign exchange		(262)
Balance at March 31, 2023	$	337,461

As at December 31, 2022, the Company has fully repaid the promissory note issued to 52 Gaming for the principal amount of US$470,000 plus interest.

7. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares and an unlimited number of preferred shares, without par value.

(b) Issued and outstanding

Preferred shares

No preferred shares have been issued.

Common shares

As of March 31, 2023, there are 131,959,302 common shares issued and outstanding.

During the three months ended March 31, 2023, the following transactions occurred:

Pursuant to a private placement announced on February 7, 2023, Jackpot closed the first and the second tranches and issued convertible debentures totalling $249,000. The debentures bear interest at the rate of 10% per annum and will mature on November 20, 2025. The convertible debentures are convertible into 3,557,143 common shares at $0.07 per common share until November 20, 2025. In addition, the Company has issued an aggregate of 3,557,143 share purchase warrants exercisable at $0.10 per share until November 20, 2025. The Company paid finder's fee of $2,450 in cash and issued 35,000 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. The broker warrants had a fair value of $691.

During the year ended December 31, 2022, the following transactions occurred:

i) 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. 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. The broker warrants had a fair value of $6,254.

ii) 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. 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. The broker warrants had a fair value of $52,323.

(Expressed in Canadian Dollars, unless otherwise stated)

7. CAPITAL STOCK (Continued)

(c) Warrants

Warrants activity for the three months ended March 31, 2023 and 2022 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2020	50,290,478	$0.65
Issued	28,988,583	$0.21
Exercised	(12,581,808)	$0.10
Expired	(1,222,567)	$2.08
Forfeited	(290,110)	$0.28
Balance, December 31, 2021	65,184,576	$0.54
Issued	48,267,368	0.10
Expired	(4,733,503)	3.75
Balance, December 31, 2022	108,718,441	$0.20
Issued	3,592,143	$0.10
Expired	(670,273)	$1.49
Balance, March 31, 2023	111,640,311	$0.19

(c) Warrants

Compound warrants activity for the three months ended March 31, 2023 and 2022 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2021 and 2022 and March 31, 2023	100,000	$0.06

(Expressed in Canadian Dollars, unless otherwise stated)

7. **CAPITAL STOCK** (Continued)

(c) Warrants (continued)

At March 31, 2023 and 2022, the following warrants and compound warrants were outstanding and exercisable:

Expiry Date		Exercise Price	Number of Warrants 2023	2022
August 21, 2022	$	6.00	-	70,000
September 13, 2022	$	6.00	-	34,600
November 28, 2022	$	6.00	-	85,000
December 1, 2022	$	6.00	-	30,000
December 15, 2022	$	0.10	-	1,248,000
January 3, 2023	$	6.00	-	105,355
January 24, 2023	$	6.00	-	38,900
March 3, 2023	$	0.25	-	72,000
March 10, 2023	$	0.25	-	454,018
April 7, 2023	$	0.27	243,360	243,360
May 25, 2023	$	0.27	327,240	327,240
June 10, 2023	$	0.06	100,000	100,000
June 10, 2023	$	0.10	1,350,000	1,350,000
June 22, 2023	$	5.00	147,860	147,860
July 1, 2023	$	0.10	2,000,000	2,000,000
August 7, 2023	$	0.10	150,000	150,000
March 1, 2024	$	0.10	347,867	347,867
March 31, 2024	$	0.10	464,915	464,915
April 14, 2024	$	0.10	40,000	-
September 2, 2024	$	0.10	300,000	-
September 26, 2024	$	1.00	6,439,656(1)	6,439,656(1)
September 26, 2024	$	1.00	333,333	333,333
October 20, 2024	$	0.10	16,000	-
February 19, 2025	$	0.50	100,000	100,000
March 7, 2025	$	0.10	35,000	-
November 20, 2025	$	0.10	74,477,192(2)	27,378,606(2)
November 20, 2025	$	0.10	500,000	500,000
November 20, 2025	$	0.10	3,557,143	19,187,443
January 2, 2026	$	0.195	102,564	102,564
January 29, 2026	$	0.10	450,000	450,000
February 1, 2026	$	0.235	85,106	85,106
February 10, 2026	$	0.105	2,000,000	2,000,000
March 1, 2026	$	0.28	71,429	71,429
March 3, 2026	$	0.25	2,730,555	2,730,555
March 10, 2026	$	0.25	7,211,668	7,211,668
April 1, 2026	$	0.26	76,923	76,923
April 7, 2026	$	0.27	3,692,000	3,692,000
May 4, 2026	$	0.27	100,000	100,000
May 25, 2026	$	0.27	4,290,500	4,290,500
			111,740,311	82,018,898

(Expressed in Canadian Dollars, unless otherwise stated)

7. CAPITAL STOCK (Continued)

(c) Warrants (continued)

(1) Trading on the TSX Venture Exchange under the trading symbol "JJ.WT.B".
(2) Trading on the TSX Venture Exchange under the trading symbol "JJ.WT.C".

The weighted average remaining contractual life for warrants outstanding at March 31, 2023 is 2.53 (March 31, 2022 – 3.42) years.

The Company applies the fair value method using option pricing models in accounting for its warrants issued as compensation. The expected volatility is based on historical prices of the Company. The risk-free rate of return is the yield on a zero-coupon Canadian treasury bill of a term consistent with the assumed warrant life. The expected average warrant term is the average expected period to exercise, based on the historical activity patterns.

(d) Stock options

On April 14, 2015, the TSX-V accepted the Company's new rolling stock option plan whereby a maximum of 10% of the issued shares of the Company will be reserved for issuance under the plan. As at March 31, 2023, there are 3,716,769 (March 31, 2022 – 5,100,655) stock options available for granting. The terms of the options are determined at the date of grant.

The following summarizes the officer, director, employee, and consultant stock options that were granted, cancelled and expired during the three months ended March 31, 2023 and 2022. The options vest 25% on grant and thereafter at 25% every three or six months.

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2021	5,438,661	$0.20
Issued	5,305,000	$0.10
Expired	(364,500)	$0.19
Balance, December 31, 2022	10,379,161	$0.15
Expired	(900,000)	$0.18
Balance, March 31, 2023	9,479,161	$0.15

The weighted average remaining contractual life for options outstanding at March 31, 2023 is 1.35 (March 31, 2022 - 1.71) years.

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. Accordingly, share-based payments of $20,062 (March 31, 2022 - $45,448) were recognized as salaries and $1,627 (March 31, 2022 - $1,214) was recognized as consulting fees for options granted to consultants.

(Expressed in Canadian Dollars, unless otherwise stated)

7. CAPITAL STOCK (Continued)

(d) Stock options (continued)

The expected volatility is based on historical prices of the Company. The risk-free rate of return is the yield on a zero-coupon Canadian treasury bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Companies are required to utilize an estimated forfeiture rate when calculating the expense for the reporting period. Based on the best estimate, management applied the estimated forfeiture rate of 0% (March 31, 2022 - 0%) in determining the expense recorded in the accompanying consolidated statements of comprehensive loss.

8. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the consolidated financial statements, related party transactions for the three months ended March 31, 2023 and 2022 are as follows.

During the three months ended March 31, 2023, the Company incurred the following related party transactions:

	2023	2022
Rent and shared office expenditures charged	$ 6,000	$ 6,000

During the three months ended March 31, 2023, Jackpot has paid management fees totaling $99,000 to a company owned by a director and officer of Jackpot (March 31, 2022 - $99,000).

As at March 31, 2023, due from related parties consists of $69,128 (March 31, 2022 - $41,609) receivable from 37 Capital for rent and shared office expenditures.

As at March 31, 2023, due from related parties consists of $139 (March 31, 2022 - $500) receivable from Yo Eleven for certain office expenditures.

As at March 31, 2023, there is $62,331 due from (2022 - $62 due to) key management which is included in the due from related party balance. Subsequent to March 31, 2023, the related party repaid $57,892.

9. INVESTMENT IN 37 CAPITAL INC.

The Company has determined that it has significant influence over 37 Capital and, therefore, accounts for the investment under the equity method as follows:

Balance at December 31, 2021	$ 101,555
Impairment loss	(81,078)
Share of net loss	(11,366)
Balance at December 31, 2022	$ 9,111
Share of net loss	(1,996)
Balance at March 31, 2023	$ 7,115

(Expressed in Canadian Dollars, unless otherwise stated)

9. INVESTMENT IN 37 CAPITAL INC. (Continued)

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. There were no such transactions during the year ended December 31, 2022. As at March 31, 2023, the Company holds approximately 10.57% (March 31, 2022 - 13.51%) of 37 Capital's issued and outstanding shares.

During the year ended December 31, 2022, the Company recorded an impairment loss of $81,078. The recoverable amount was determined using Level 1 inputs, based on the quoted price of 37 Capital shares held by the Company at December 31, 2022.

Summarized financial information for 37 Capital is as follows:

		March 31, 2023		**December 31, 2022**
Current assets	$	1,928	$	1,682
Non-current assets	$	54,001	$	54,001
Current liabilities	$	846,053	$	826,925
Non-current liabilities	$	-	$	-
Net loss	$	18,883	$	125,036

10. DEPOSIT

On February 24, 2022, Jackpot entered into a binding Letter of Intent ("LOI") with Huudl App Inc. ("Huudl'), Yo Eleven, and the principals of Huudl. Huudl has developed intellectual property known as the Huudl App Banner which is a marketing application. Pursuant to the LOI, the Company advanced $38,000 to Huudl. In the event that Yo Eleven makes a subsequent payment of $352,000 in the share capital of Huudl, then Jackpot shall own 6.6% of the share capital of Huudl. Additionally, Huudl will have the option to repay $38,000 to Jackpot and $352,000 to Yo Eleven within a period of 12 months. In the event that Huudl exercises its option and repays both Jackpot and Yo Eleven, then 4.5% of the share capital of Huudl will be owned by Jackpot. As at March 31, 2023, Yo Eleven has not made the subsequent payment of $352,000 to Huudl; thus, Jackpot has not received 6.6% of the share capital of Huudl.

11. LOANS PAYABLE AND DEBENTURES

Loans payable

		Principal		Accrued Interest		Total
Balance at December 31, 2021	$	-	$	7,277	$	7,277
Additions		330,000		11,745		341,745
Repayments		(330,000)		(11,745)		(341,745)
Balance at December 31, 2022	$	-	$	7,277	$	7,277
Additions		265,000		14,906		279,906
Repayments		(55,000)		-		(55,000)
Balance at March 31, 2023	$	210,000	$	22,183	$	232,183

11. LOANS PAYABLE AND DEBENTURES (Continued)

Loans payable (continued)

The loans of $210,000 issued during the year ended December 31, 2020 bore interest at the rate of 10%. During the year ended December 31, 2021, the Company repaid the full principal and a portion of accrued interest. As at March 31, 2023, the outstanding accrued interest is $7,277.

During July and August 2022, the Company issued two promissory notes to arm's length parties for the amount of $230,000. The promissory notes bore interest at the rate of 10% per annum and were fully repaid during the year ended December 31, 2022.

During August 2022, the Company issued a promissory note to an arm's length party for the amount of $100,000. The promissory note had a fixed interest in the amount of $10,000 which was fully repaid during the year ended December 31, 2022.

During the three months ended March 31, 2023, the Company issued three promissory notes to arm's length parties for the amount of $265,000. The promissory notes bear fixed interests. As at March 31, 2023, the Company repaid $55,000 of one promissory note's principal. Subsequent to March 31, 2023, the three promissory notes have been fully repaid plus the accrued interests.

Non-convertible secured debentures

During the year ended December 31, 2015, the Company entered into two non-convertible secured debenture agreements for an aggregate US$2,500,000 with one arm's length party and one related party. The non-convertible secured debentures are secured against the Company's assets. The non-convertible debenture agreements provided for a term of three years, maturing on August 4, 2018, and bear interest at 10% per annum, with interest compounding and payable quarterly. As additional consideration of the risk associated with the debenture, the Company issued 75,000 warrants to the lenders. Each warrant has a five-year expiry term and is exercisable into one common share at $20.00. On August 9, 2019, the maturity date of the convertible debenture with the arm's length party was extended to July 1, 2021.

On September 23, 2020, an amendment agreement was entered into whereby the maturity date has been further extended to July 1, 2023 and the interest rate has been reduced from 10% to 7.5% per annum. As consideration, the Company issued 1,163,827 bonus warrants. Each warrant is exercisable into one common share at the price of $0.10 until July 21, 2023.

In addition, the Company was required to pay the lenders a combined royalty of 2% of gross revenues from electronic gaming tables. The royalty agreement expired on April 30, 2021.

The liability component of the non-convertible debentures was recognized initially at the fair value of a similar liability that does not have attached warrants, which was calculated based on the application of a market interest rate of 25%. The difference between the face value of US$2,500,000 and the fair value of the non-convertible debentures of $2,386,286 represents the value of the warrants, which has been recognized as a component of equity.

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. As consideration, the Company will pay to the lenders on or before March 31, 2024, on a pro-rata basis, the total amount of $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 lenders which shall be applied towards the outstanding interest and principal.

(Expressed in Canadian Dollars, unless otherwise stated)

11. LOANS PAYABLE AND DEBENTURES (Continued)

Non-convertible secured debentures (continued)

The modification was considered an extinguishment of the existing non-convertible debenture and a new non-convertible debenture was recognized as the modified terms were substantially different from the original terms. The difference between the fair value and carrying value on the extinguishment date was determined to be $374,088.

As at March 31, 2023, the amount of $2,604,357 (December 31, 2022 - $2,905,887 has been recorded as the non-convertible secured debentures. The following table reconciles the fair value of the liability component of non-convertible debentures on initial recognition to the carrying amount at March 31, 2023.

Balance at December 31, 2021	$	2,496,466
Finance expense		617,924
Interest reclassified to interest payable		(385,145)
Principal repayment		(3,211)
Foreign exchange		179,853
Balance at December 31, 2022	$	2,905,887
Finance expense		174,168
Gain on extinguishment		(374,088)
Interest reclassified to interest payable		(103,360)
Foreign exchange		1,750
Balance at March 31, 2023	$	2,604,357

Obligation to issue debenture

During the three months ended March 31, 2023 the Company received the amount of $334,877 towards to the subscription of convertible debenture. As at March 31, 2023, the convertible debenture has not been issued.

Convertible debentures

Convertible debentures (April 2016)

During the year ended December 31, 2016, the Company issued convertible secured debentures for gross proceeds of $2,000,000 (net proceeds of $1,753,111). The convertible secured debentures had a term of 12 months, bore simple interest at the rate of 12% per annum, and are payable on a quarterly basis. The principal amount of the convertible secured debentures were convertible into common shares of the Company at a price of $5.00 per share. The convertible secured debentures are secured against the Company's assets. On initial recognition, the amount of $101,601 was recorded as the equity portion of convertible secured debentures reserve. The effective interest rate was 20%.

On August 9, 2019, the maturity date of the convertible secured debentures was extended to July 1, 2021.

On September 23, 2020, an amendment agreement was entered into whereby the maturity date has been further extended to July 1, 2023 and the interest rate has been reduced from 10% to 7.5% per annum. As consideration the Company issued 836,173 bonus warrants. Each warrant is exercisable into one common share at the price of $0.10 until July 21, 2023.

11. LOANS PAYABLE AND DEBENTURES (Continued)

Convertible debentures (continued)

Convertible debentures (April 2016) (continued)

During the year ended December 31, 2022, as a result of the lapsed convertible debenture conversion feature, the Company recorded $1,764 from the reversal of the equity portion of convertible secured debenture reserve.

During the three months ended March 31, 2023, the Company paid $nil (2022 - $nil) of accrued interest and repaid principal amounts totaling $nil (2022 - $nil).

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. As consideration, the Company will pay to the lenders on or before March 31, 2024, on a pro-rata basis, the total amount of $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 lenders which shall be applied towards the outstanding interest and principal.

The modification was considered an extinguishment of the existing convertible debentures and new convertible debentures was recognized as the modified terms were substantially different from the original terms. The difference between the fair value and carrying value on the extinguishment date was determined to be $239,999.

Convertible debenture (August 2018)

During August 2018, the Company entered into a convertible debenture with an arm's length party for the principal amount of $328,000 which bears interest at the rate of 8% per annum and which was due and payable on October 30, 2018 (the "Term"). Subsequent to December 31, 2018, the Term was extended to July 15, 2019. On initial recognition, the amount of $328,000 was recorded as the liability portion of convertible secured debentures and the amount of $5,658 was recorded as the equity portion of convertible secured debentures reserve. The effective interest rate was 20%. During the year ended December 31, 2022, as a result of the lapsed convertible debenture conversion feature, the Company recorded $5,658 from the reversal of the equity portion of convertible secured debentures reserve. As at March 31, 2023, the convertible debenture remains outstanding and is due on demand.

Convertible debentures (June 2020)

During June 2020, the Company entered into unsecured convertible debenture agreements for gross proceeds of $446,000, $75,000 of which was received during the year ended December 31, 2019. The debentures bear interest at 10% per annum and have a maturity date of 36 months from closing. The debentures are convertible into the Company's units at a conversion price of $0.06 per unit in Year 1 and at a conversion price of $0.10 per unit in Year 2 and Year 3. Each unit will consist of one common share and one share purchase warrant. Each share purchase warrant will be exercisable into one common share at a price of $0.10 per share for a period of three years from the closing of the debenture financing. A total of 500,000 compensation warrants which are exercisable into units at $0.06 per unit were issued in connection with this closing and were determined to have a fair value of $40,451. On initial recognition, the amount of $81,983 was recorded as the equity portion of convertible secured debentures reserve and remained outstanding at December 31, 2020. The effective interest rate was 20%. During the year ended December 31, 2021, a total of $371,000 of the convertible debentures were converted at $0.06 per unit and the Company issued a total of 6,183,333 units in the capital of the Company. In addition,

11. LOANS PAYABLE AND DEBENTURES (Continued)

Convertible debentures (continued)

Convertible debentures (June 2020) (continued)

the Company has issued 124,967 common shares of the Company at a fair value of $23,744 in settlement of accrued interest totaling $34,991, resulting in a gain on debt settlement of $11,247. The common shares issued were subject to a hold period which expired December 24, 2021. As at March 31, 2023, $75,000 of the convertible debentures remain outstanding.

Convertible debentures (August 2020)

During August 2020, the Company entered into unsecured convertible debenture agreements for gross proceeds of $135,000. The debentures bore interest at the rate of 10% per annum and have a maturity date of 36 months from closing. The debentures were convertible at a conversion price of $0.10 per unit for three years. Each unit would have consisted of one common share and one share purchase warrant exercisable at the price of $0.10 per share for a period of three years from closing. On initial recognition, the amount of $24,816 was recorded as the equity portion of convertible secured debentures reserve. The effective interest rate was 20%. During the year ended December 31, 2021, $15,000 of the convertible debentures were converted into 150,000 units at $0.10 per unit, and the Company repaid the remaining $120,000 of convertible debentures plus the accrued interest of $12,197. As of March 31, 2023, the accrued interest for the convertible debenture of $15,000 remains outstanding, in the amount of $1,410.

Convertible debentures (2023)

During the three months ended March 31, 2023, pursuant to the private placement announced on February 7, 2023 the Company closed the first and the second tranches and issued convertible debentures totalling $249,000. The debentures bear interest at the rate of 10% per annum and will mature on November 20, 2025. The convertible debentures are convertible into 3,557,143 common shares at $0.07 per common share until November 20, 2025. In addition, the Company has issued an aggregate of 3,557,143 share purchase warrants exercisable at $0.10 per share until November 20, 2025. The Company paid finder's fee of $2,450 in cash and issued 35,000 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.

As at March 31, 2023, the amount of $2,290,100 (December 31, 2022 - $2,279,631) has been recorded as the convertible debentures. The following table reconciles the fair value of the liability and equity components of convertible debentures on initial recognition to the carrying amount at March 31, 2023:

(Expressed in Canadian Dollars, unless otherwise stated)

12. LOANS PAYABLE AND DEBENTURES (Continued)

Convertible debentures (continued)

Convertible debentures (2023) (continued)

		Liability Component		Equity Component		Total
Balance at December 31, 2021	$	2,115,305	$	19,957	$	2,135,262
Finance expense		346,191		-		346,191
Interest reclassified to interest payable		(181,865)		-		(181,865)
Extinguishment of convertible debentures conversion		-		(7,421)		(7,421)
Balance at December 31, 2022	$	2,279,631	$	12,536	$	2,292,167
Additions		202,120		44,430		246,550
Commission cost (broker warrants)		(691)		-		(691)
Finance expense		95,957		-		95,957
Gain on extinguishment		(239,999)		-		(239,999)
Interest reclassified to interest payable		(46,918)		-		(46,918)
Balance at March 31, 2023	$	2,290,100	$	56,966	$	2,347,066

13. LEASE LIABILITY

The Company has a lease agreement for its warehouse in Burnaby, BC commencing May 1, 2021 until October 31, 2023. Upon entering into this lease, the Company recognized $396,706 for a ROU asset and $396,706 for a lease liability.

The Company has a lease agreement for its office in Vancouver, BC commencing August 1, 2021 until July 31, 2023. Upon entering into this lease, the Company recognized $106,850 for a ROU asset and $106,850 for a lease liability.

The Company has a lease agreement for its office in Burnaby, BC commencing December 15, 2021 until October 31, 2023. Upon entering into this lease, the Company recognized $259,286 for a ROU asset and $259,286 for a lease liability.

The continuity of the ROU asset and lease liability for the periods ended March 31, 2023 and December 31, 2022 is as follows:

Right-of-use asset		
Balance at December 31, 2021	$	623,520
Depreciation		(347,387)
Balance at December 31, 2022	$	276,133
Depreciation		(86,847)
Value of right-of-use asset as at March 31, 2023	**$**	**189,286**

(Expressed in Canadian Dollars, unless otherwise stated)

13. LEASE LIABILITY (Continued)

Lease liability		
Balance at December 31, 2021	$	638,563
Lease payments*		(352,900)
Lease interest		52,561
Lease subsidy		(40,262)
Balance at December 31, 2022	$	297,962
Lease payments*		(98,291)
Lease interest		7,247
Lease liability recognized as of March 31, 2023	**$**	**206,918**

* Lease payments of $83,123 (December 31, 2022 - $65,527) are included in accounts payable and accrued liabilities at March 31, 2023.

13. DEFERRED REVENUE

During the three months ended March 31, 2023, the Company recorded $502,913 (December 31, 2022 - $503,321) in deferred revenue with respect to electronic gaming table regulated licenses. The deferred revenue will be recognized as revenue upon the Company receiving the necessary gaming licenses.

During the three months ended March 31, 2023, the Company recorded $294,342 (December 31, 2022 - $305,100) in deferred revenue with respect to the sale of electronic gaming tables. The deferred revenue will be recognized as revenue when the electronic gaming tables are delivered and the installation and training services are performed as per the selling agreements.

14. COMMITMENTS

The Company's commitments relate to the following:

(a) In order to carry out the production and shipping of the Company's Jackpot Blitz® ETGs, the Company has leased a warehouse in Burnaby, BC which has an area of 9,792 square feet. The term of the lease has been extended from May 1, 2021 up to October 31, 2023 for a monthly rent of $15,000 and the applicable tax.

(b) During June 2021, the Company entered into an office lease agreement with an arm's length party in respect to 1,293 square feet of office space in Vancouver, BC commencing August 1, 2021 until July 31, 2023. The Company pays a monthly rent of $5,056 and the applicable tax.

(c) On July 1, 2020, the Company entered into a management services agreement with Kalpakian Bros. of B.C. Ltd. ("Kalpakian Bros.") with a term of five years at a monthly rate of $33,000 plus applicable taxes. Kalpakian Bros. is a private company controlled by a director and officer of the Company.

(d) During December 2021, the Company leased an office in Burnaby, BC which has an area of 4,002 square feet commencing December 15, 2021 until October 31, 2023. The Company pays monthly rent of $12,708 and the applicable tax.

(e) The Company entered into a royalty agreement with 52 Gaming and is committed to minimum royalty payments of US$18,750 per quarter from January 1, 2022 up to December 31, 2026 (Note 6).

15. CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders' deficiency and loans (Note 11).

The Company's objective when managing capital is to maintain adequate levels of funding support for the development and marketing of the Company's electronic gaming tables while maintaining the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds on acceptable terms in the future. There were no changes to the Company's approach to capital management during the three months ended March 31, 2023. The Company is not subject to externally imposed capital requirements.

16. EVENTS AFTER THE REPORTING DATE

The following events occurred after March 31, 2023:

(a) A total of 570,600 share purchase warrants exercisable at $0.27 expired unexercised.

(b) Pursuant to a private placement announced on February 7, 2023, Jackpot closed the third and fourth tranches and issued convertible debentures totalling $207,050. The debentures bear interest at the rate of 10% per annum and will mature on November 20, 2025. The convertible debentures are convertible into 2,987,857 common shares at $0.07 per common share until November 20, 2025. In addition, the Company has issued an aggregate of 2,957,857 share purchase warrants exercisable at $0.10 per share until November 20, 2025. The Company paid finder's fee of $5,100 in cash and issued 72,857 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.

(c) Pursuant to a private placement announced on March 29, 2023, Jackpot closed the first and second tranches and issued convertible debentures totalling $442,401.75. The debentures bear interest at the rate of 10% per annum and will mature on May 17, 2028. The convertible debentures are convertible into 5,898,690 common shares at $0.075 per common share until May 17, 2028 (first tranche) and May 25, 2028 (second tranche). In addition, the Company has issued an aggregate of 5,898,690 share purchase warrants exercisable at $0.10 per share until May 17, 2028 and May 25, 2028, respectively. 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.

(d) A total of 400,000 stock options exercisable at $0.245 per common share expired unexercised.

(e) A total of 850,000 stock options exercisable at prices ranging from $0.08 to $0.10 per common share have been granted.