JACKPOT DIGITAL INC.
(formerly Las Vegas From Home.com Entertainment Inc.)

Consolidated Financial Statements
December 31, 2015 and 2014
(Expressed in Canadian Dollars)

Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF JACKPOT DIGITAL INC.
(formerly Las Vegas From Home.com Entertainment Inc.)

We have audited the accompanying consolidated financial statements of Jackpot Digital Inc., which comprise the consolidated balance sheets as at December 31, 2015 and 2014, and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Jackpot Digital Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements, which describes matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2016

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JACKPOT DIGITAL INC.
(formerly Las Vegas From Home.com Entertainment Inc.)
Consolidated Balance Sheets
As at December 31
(Expressed in Canadian Dollars)

	2015	2014
Assets		
Current		
Cash and cash equivalents	$ 227,481	$ 7,920
Accounts receivable (note 5)	273,427	12,681
Due from related parties (note 12)	259,911	110,384
Prepaid expenses and deposits (note 17)	56,924	42,796
Inventory (note 9)	663,847	-
	1,481,590	173,781
Gaming Systems (note 8)	1,401,082	-
Equipment (note 7)	33,476	28,715
Intangible Assets and Goodwill (note 10)	6,823,086	17,875
Total Assets	$ 9,739,234	$ 220,371
Liabilities		
Current		
Accounts payable and accrued liabilities (note 6)	$ 7,795,421	$ 230,502
Deferred revenue (note 15)	46,787	34,264
Loan payable (note 14)	126,438	50,000
	7,968,646	314,766
Deferred Revenue (note 15)	575,820	47,940
Non-Convertible Debenture (note 14)	2,498,191	-
Total Liabilities	11,042,657	362,706
Shareholders' Deficiency		
Capital Stock (note 11)	42,689,759	41,549,764
Reserves (note 11)	1,953,064	1,262,416
Deficit	(45,946,246)	(42,954,515)
Total Shareholders' Deficiency	(1,303,423)	(142,335)
Total Liabilities and Shareholders' Deficiency	$ 9,739,234	$ 220,371

On behalf of the Board:

"Bedo H. Kalpakian" (signed)
.... Director
Bedo H. Kalpakian

"Neil Spellman" (signed)
.... Director
Neil Spellman

See notes to consolidated financial statements.

JACKPOT DIGITAL INC.
(formerly Las Vegas From Home.com Entertainment Inc.)
Consolidated Statements of Comprehensive Loss
Years Ended December 31
(Expressed in Canadian Dollars)

	2015	2014
Revenues		
Licensing	$ 135,461	$ 22,829
Sales	5,380	11,042
Electronic gaming tables	1,001,337	-
	1,142,178	33,871
Royalty expense	(253,439)	-
Licensing fee	(108,463)	-
	780,276	33,871
Cost of Sales	67,745	-
Operating Income	712,531	33,871
Expenses		
Salaries and benefits (notes 11(d), 12 and 13)	1,602,172	1,096,091
Consulting fees (notes 11(b), 11(d) and 12)	559,534	864,889
Management fees (note 12)	396,000	396,000
Travel, meals and entertainment	159,975	199,732
Legal, accounting and audit	166,370	63,686
Regulatory and transfer agent fees	93,050	43,606
Rent, office and miscellaneous (note 12)	118,670	30,795
Interest expense (note 14)	282,353	3,715
Advertising and promotion	-	3,399
Loss on disposal of equipment	-	2,748
Foreign exchange loss	376,544	2,086
Shareholder communications	69	1,214
Impairment loss on inventory (note 9)	312,474	-
Interest and other income	(1,963)	(473)
Amortization (notes 7, 8 and 10)	416,100	12,172
	4,481,348	2,719,660
Net Loss and Comprehensive Loss for the Year	$ (3,768,817)	$ (2,685,789)
Basic and Diluted Loss Per Share	$ (0.03)	$ (0.02)
Weighted Average Number of Common Shares Outstanding	149,812,198	120,235,825

JACKPOT DIGITAL INC.
(formerly Las Vegas From Home.com Entertainment Inc.)
Consolidated Statements of Changes in Shareholders' Deficiency
(Expressed in Canadian Dollars)

	Capital Stock		Reserves			
	Common Shares	Amount	Warrants	Options	Deficit	Total Shareholders' Deficiency
Balance, December 31, 2013	91,505,204	$ 39,119,306	$ 764,950	$ 49,765	$ (40,290,443)	$ (356,422)
Net loss for year	-	-	-	-	(2,685,789)	(2,685,789)
Private placement, net of issuance costs	30,615,750	1,948,680	288,420	-	-	2,237,100
Issuance of shares pursuant to agreements (note 11(b))	979,167	78,750	-	-	-	78,750
Issuance of warrants on agreement (note 11(b))	-	-	142,767	-	-	142,767
Exercise of warrants	5,290,000	392,625	-	-	-	392,625
Reclassification of reserves on exercise of warrants	-	10,403	(10,403)	-	-	-
Expiry of warrants	-	-	(5,814)	-	5,814	-
Expiry of options	-	-	-	(15,903)	15,903	-
Share-based payment	-	-	-	48,634	-	48,634
Balance, December 31, 2014	128,390,121	41,549,764	1,179,920	82,496	(42,954,515)	(142,335)
Net loss for the year	-	-	-	-	(3,768,817)	(3,768,817)
Private placement, net of issuance costs	26,856,429	1,085,086	7,714	-	-	1,092,800
Issuance of shares pursuant to agreements (note 11(b))	750,000	45,000	-	-	-	45,000
Issuance of warrants with debentures (note 14)	-	-	1,035,312	-	-	1,035,312
Issuance of warrants pursuant to Transaction (note 6)	-	-	2,147	-	-	2,147
Reclassification of reserves on exercise of warrants	-	9,909	(9,909)	-	-	-
Expiry of warrants	-	-	(738,824)	-	738,824	-
Expiry of options	-	-	-	(38,262)	38,262	-
Share-based payment	-	-	-	432,470	-	432,470
Balance, December 31, 2015	**155,996,550**	**$ 42,689,759**	**$ 1,476,360**	**$ 476,704**	**$ (45,946,246)**	**$ (1,303,423)**

See notes to consolidated financial statements.

JACKPOT DIGITAL INC.
(formerly Las Vegas From Home.com Entertainment Inc.)
Consolidated Statements of Cash Flows
Years Ended December 31
(Expressed in Canadian Dollars)

		2015		**2014**
Operating Activities				
Net loss	$	(3,768,817)	$	(2,685,789)
Items not affecting cash				
Amortization		416,100		12,172
Shares issued for consulting fees (note 11(b))		45,000		58,125
Interest expense		[illegible]		-
Foreign exchange loss		354,045		123
Share-based payments		432,470		48,634
Warrants issued for consulting fees		-		142,767
Impairment loss on inventory		312,474		-
Loss on disposal of equipment		-		2,748
		(1,926,375)		(2,421,220)
Changes in non-cash working capital				
Accounts receivable		(260,746)		6,079
Due from related parties		(149,527)		(164,489)
Prepaid expenses and deposits		(14,128)		(42,796)
Inventory		(976,321)		-
Accounts payable and accrued liabilities		1,453,420		(90,634)
Deferred revenue		540,403		82,204
		593,101		(209,636)
Cash Provided Used in Operating Activities		(1,333,274)		(2,630,856)
Financing Activities				
Funds from loan payable		125,000		50,000
Repayment of loan payable		(50,000)		-
Issuance of common shares and warrants, net of share issuance costs		1,092,800		2,237,100
Issuance of non-convertible debentures		3,421,598		-
Exercise of warrants		-		392,625
Repayment of loans from related parties		-		(324,496)
Cash Provided by Financing Activities		4,589,398		2,355,229
Investing Activities				
Purchase of equipment		(13,516)		(1,988)
Purchase of assets pursuant to the Transaction		(2,669,000)		-
Cash Used in Investing Activities		(2,682,516)		(1,988)
Effect of Foreign Currency Translation on Cash		(354,047)		(123)
Net Change in Cash and Cash Equivalents		219,561		(277,738)
Cash and Cash Equivalents, Beginning of Year		7,920		285,658
Cash and Cash Equivalents, End of Year	$	227,481	$	7,920

Supplemental Cash Flow Information (note 19)

See notes to consolidated financial statements.

1. NATURE OF OPERATIONS

Effective July 18, 2015, the Company's name has been changed to Jackpot Digital Inc. (formerly Las Vegas From Home.com Entertainment Inc.) (the "Company" or "Jackpot"). The Company is a developer and provider of electronic table games, and is also a software developer and provider for online and mobile gaming platforms. The Company's common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "JP".

The Company's office is located at Suite 300 – 570 Granville Street, Vancouver, British Columbia, Canada, V6C 3P1, and its registered office is located at Suite 1500 – 1055 West Georgia Street, PO Box 11117 Royal Centre, Vancouver, British Columbia, Canada, V6E 4N7.

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 cast significant doubt on the validity of this assumption. The Company has incurred significant operating losses over the past two fiscal years (2015 - $3,768,817; 2014 - $2,685,789), has a deficit of $45,946,246 (2014 - $42,954,515) and a working capital deficiency of $6,487,056 (2014 - $140,985). Though the Company recognized revenue of $1,142,178 during the year ended December 31, 2015 (2014 - $33,871), it has no steady revenues and resources, and no assurances that sufficient funding will be available 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, is seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost-cutting measures. 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.

3. BASIS OF PRESENTATION

(a) Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

(b) Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for financial instruments classified as for available-for-sale ("AFS") and assets and liabilities at fair value through profit or loss ("FVTPL"), which are measured at fair value. These consolidated financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

3. BASIS OF PRESENTATION (Continued)

(b) Basis of measurement (continued)

The accounting policies set in note 4 have been applied consistently by the Company and its subsidiary to all years presented in these consolidated financial statements.

(c) Approval of the consolidated financial statements

The consolidated financial statements of Jackpot for the year ended December 31, 2015 were approved and authorized for issue by the Board of Directors on April 29, 2016.

(d) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's and subsidiary's 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.

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:

- 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.

3. BASIS OF PRESENTATION (Continued)

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

- 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.

- 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 December 31, 2015 and 2014, the Company recorded an allowance for doubtful accounts of $nil. If circumstances related to specific customers and related parties change, estimates of the recoverability of receivables could also change.

- Intangible assets – useful lives

  Following initial recognition, the Company carries the value of intangible assets at cost less accumulated amortization and any accumulated impairment losses. 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 resulting in a change in related amortization expense.

- Inventory

  Inventories are stated at the lower of cost or market, where cost is determined on a first-in, first-out basis. Inventories may include parts from gaming systems that have been previously operated at customer sites and returned for refurbishment and subsequent redeployment. Those inventory items are stated at the lower of cost or market, where cost is determined based on the depreciated cost of the returned items. The Company regularly reviews inventory for slow moving, obsolete and excess characteristics in relation to historical and expected usage and establishes reserves to value inventory at the lower of cost or estimated net realizable value. If expectations related to customer demand change or the Company changes its product offering in the future, estimates regarding the net realizable value of inventory could also change.

3. BASIS OF PRESENTATION (Continued)

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

- Discount rate of non-convertible debenture

  The non-convertible debentures are initially recognized at fair value, calculated as the net present value of the liability based upon discount rate issued by comparable issuers and accounting for at amortized cost using the effective interest rate method.

Critical accounting judgments

- Research and development expenditures

  The application of the Company's accounting policy for research and 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, after expenditures is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

- Impairment of goodwill and intangible assets

  The application of the Company's accounting policy for intangible assets requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which are based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If information becomes available suggesting that the recovery of the asset is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available.

- Functional currency

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

- The assessment of the Transaction as an asset acquisition or business combination

  Management has had to apply judgments relating to the Transaction with respect to whether the acquisition was a business combination or an asset acquisition. Management applied a three-element process to determine whether a business or an asset was purchased, considering inputs, processes and outputs of each acquisition in order to reach a conclusion.

- The allocation of fair value of assets acquired

  The determination of fair value of assets acquired requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of the assets acquired require the most judgment and include estimates of future cash flows.

3. BASIS OF PRESENTATION (Continued)

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

- 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.

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 subsidiary, Jackpot Digital (NV), Inc. (incorporated in the U.S.A.) are included in the consolidated financial statements from the date that control commenced to the date of disposal or dissolution.

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 with original maturities of three months or less.

(c) Financial instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity and AFS. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the company manages and has an actual pattern of short-term profit-taking or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (continued)

(i) Financial assets (continued)

Financial instruments at FVTPL are measured at fair value and changes therein are recognized in profit or loss. The Company classifies its cash and cash equivalents as FVTPL.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at period-end. Bad debts are written off during the year in which they are identified. The Company classifies its due from related parties, accounts receivable (excluding GST receivable) as loans and receivables.

Held-to-maturity

Held-to-maturity are non-derivative financial assets with fixed or determinable payments that the Company intends on holding to maturity and do not meet the definitions of loans and receivables. Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method.

Available-for-sale

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial assets categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income and classified as a component of equity.

(ii) Financial liabilities

The Company classifies its financial liabilities as FVTPL, or other financial liabilities.

Fair value through profit or loss

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

Other financial liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost using the effective interest rate method. Any difference between the amounts originally received, net of transaction costs, and the redemption

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (continued)

(ii) Financial liabilities (continued)

value is recognized in profit or loss over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date. The Company classifies accounts payable and accrued liabilities, loan payable, deferred revenue, and non-convertible debenture as other financial liabilities.

(iii) Impairment

The Company assesses at each consolidated balance sheet date whether there is objective evidence that financial assets, other than those designated as FVTPL, are impaired. When impairment has occurred, the cumulative loss is recognized in the consolidated statement of comprehensive loss. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

(d) Research and development

Research costs are expensed as incurred. Costs related to the development of software 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.

Capitalized development costs are amortized over an estimated useful life of five years or prorated over its expected revenue stream, whichever is higher, beginning in the year when commercial sales of the products commence.

(e) Gaming systems and equipment

Gaming systems represent equipment owned by the Company. The majority of this equipment is operated at customer sites pursuant to contractual license agreements. The gaming systems may also include equipment used by the Company for demonstration or testing purposes.

Gaming systems are transferred from respective inventory accounts to the gaming systems account at the time the units are fully assembled, configured, tested and otherwise ready for use by a customer. As the configuration of each gaming system is unique to the specific customer environment in which it is being placed, the final steps to configure and test the unit generally occur immediately prior to shipment. Depreciation expense for the gaming systems begins in the month of transfer of each gaming system from the inventory account to the gaming systems account.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Gaming systems and equipment (continued)

Gaming systems and property and equipment are stated at cost, less accumulated depreciation. Allocation of direct labor, indirect labor and overhead costs for each gaming system are included to the cost of the gaming system. Costs not clearly related to the procurement, manufacture and implementation are expensed as incurred. As gaming systems are returned from customer sites, the hardware components are dismantled and transferred to inventory at depreciated cost, and all labor, overhead and installation costs capitalized in connection with the original installation are expensed immediately. As the gaming systems are returned to the warehouse, the various hardware components are individually disassembled, inspected, tested, thoroughly cleaned and refurbished with new components as needed for redeployment. Unusable parts are scrapped. Refurbished systems installed at customer sites are transferred from inventory to the gaming systems account and depreciated over their estimated useful life in a manner consistent with new gaming systems described above.

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

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

Gaming systems	- 20%
Computer equipment	- 30% - 55%
Office furniture	- 20%

Gain 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 the consolidated statements of operations.

(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 any 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 the 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 cash-generating unit 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets (continued)

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

Intellectual property	- 5 years
Customer relationships	- 5 to 10 years
Acquired software technology	- 2 to 4 years
Patents	- 2 to 4 years

(g) Goodwill

The Company measures goodwill as the fair value of the consideration transferred less the net recognized amount (generally fair value) of the identifiable assets acquired and the liabilities assumed, all measured as of the acquisition date. Since goodwill results from the application of the acquisition method of accounting for a business combination, it is inherently imprecise and requires judgment in the determination of the fair value of assets and liabilities. Goodwill is allocated to the Company's cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination. Goodwill is not amortized, but is tested for impairment at least annually. An impairment loss in respect of goodwill is not reversed. On the disposal or termination of a previously acquired business, any remaining balance of associated goodwill is included in the determination of the gain or loss on disposal. The Company performs the annual goodwill impairment tests.

(h) Impairment

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. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows 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.

When an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset (or cash-generating unit) 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 cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition

The Company derives revenue from the sale of perpetual software licenses, software license subscriptions and professional services fees. During the year ended December 31, 2015, the Company purchased certain assets from Everi Holdings Inc. (note 6) recognized revenue from the lease or sale of electronic gaming tables, and from maintenance, installation and support services related to those products.

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

(i) Licensing revenue

The Company recognizes revenues from licensees upon completion of each game according to the terms and conditions of the license agreement. Revenue is recognized to the extent that the economic benefit will flow to the Company and the amount be measured reliably. 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.

(ii) Sales revenue

Sales revenue is recognized based on negotiated percentages of gross sales as specified in the agreements with licensees, which varies from agreement to agreement. The Company recognizes its percentage of sales at the end of each month based on the sales of the licensees.

(iii) 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 ratable 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.

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 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (continued)

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

(j) 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.

(k) 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)

(l) Inventory

Inventories are stated at the lower of cost or market, where cost is determined on a first-in, first-out basis. Inventories also include parts from gaming systems that have been used at customer sites and returned for refurbishment and subsequent redeployment with the customer. Those inventory items are stated at the lower of cost or market, where cost is determined based on the undepreciated cost of the returned items.

(m) 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.

(n) 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 non-monetary consideration is valued at the pre-determined private placement price. 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.

(o) 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 net loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) New accounting pronouncements

The Company has not early-adopted these standards and is currently assessing the impact that the standards will have on the consolidated financial statements.

IFRS 9 Financial Instruments (2014)

This is a finalized version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a “fair value through other comprehensive income” category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Applicable to the Company’s annual period beginning January 1, 2018.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

Applicable to the Company’s annual period beginning January 1, 2018.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) New accounting pronouncements (continued)

IFRS 16 *Leases*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 *Leases*.

Applicable to the Company's annual period beginning January 1, 2019.

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 payable and accrued liabilities, trade accounts receivable, loan payable, deferred revenue and due from related parties approximate their carrying values due to the short-term maturity of these instruments. The non-convertible debenture is classified as Level 2 financial instruments.

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
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 due from related parties. The Company mitigates its exposure to credit loss associated with cash by placing its cash and cash equivalents in a major financial institution.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(c) Credit risk (continued)

To reduce the credit risk of due from related parties, the Company regularly reviews the collectability of due from related parties to ensure there is no indication that these amounts will not be fully recoverable. 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. As at December 31, 2015, allowance for doubtful accounts is $nil (2014 - $nil).The Company's accounts receivable are due within 60 days.

(d) Liquidity risk

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

At December 31, 2015, the Company has cash and cash equivalents of $227,481 (2014 - $7,920) available to apply against short-term business requirements and current liabilities of $7,921,859 (2014 - $280,502). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of December 31, 2015.

(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 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, as it holds cash denominated in US dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company is not exposed to significant currency risk on its financial instruments at year-end. The Company's reported earnings include gains/losses on foreign exchange, largely reflecting revaluation of its foreign operations. The future foreign exchange gain or loss would change based on the level of foreign operating activities.

At December 31, 2015, the Company is exposed to currency risk for its US dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Held in US dollars (stated in Canadian dollars)	
	2015	**2014**
Cash	$ 7,779	$ 1,089
Account payable	(7,169,609)	-
Non-convertible debenture	(2,498,191)	-
Net financial assets (liability)	$ (9,660,021)	$ 1,089

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(e) Market risk (continued)

(i) Currency risk (continued)

Based upon the above net exposure as at December 31, 2015 and assuming all other variables remain constant, a 13% depreciation or appreciation of the US dollar relative to the Canadian dollar would result approximately $1,255,803 (2014 - $142) change 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.

The interest rate on loan payable and non-convertible debenture balances as at December 31, 2015 is fixed at 10%, as such, the Company is not exposed to interest rate risk.

(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. TRANSACTION WITH EVERI HOLDINGS INC.

On August 10, 2015, the Company entered into an asset purchase agreement (the "Agreement") with Everi Holdings Inc. (formerly Multimedia Games, Inc.) ("Everi"), whereby the Company purchased the assets of the PokerTek business unit of Everi, including inventory, software, patents, and all the licensing contracts with third parties related to the PokerTek business unit (the "Transaction").

Pursuant to the Agreement, the consideration payable to Everi consists of US$5,400,000 of which US$2,000,000 was paid on the closing of the Transaction. The remaining balance is payable by September 30, 2015. The agreement has late fee penalties which may increase the consideration payable up to US$7,500,000. In addition, the Company should pay a royalty equal to 60% of the monthly net revenue and issued 7,500,000 share purchase warrants exercisable at $0.20 per unit for a period of five years. As at December 31, 2015, the Company has a balance payable to Everi of $4,991,243.

(Expressed in Canadian Dollars, unless otherwise stated)

6. TRANSACTION WITH EVERI HOLDINGS INC. (Continued)

The Transaction was recorded in the accounts of the Company at its fair value determined as follows (amounts in US):

Consideration		
Cash	$	7,170,000
Warrants		1,620
	$	7,171,620

Purchase Price Allocation		
Gaming systems	$	1,205,330
Inventory		747,795
Acquired intangible assets		3,110,000
Fair value of identifiable net assets acquired		5,063,125
Goodwill		2,108,495
Total net assets acquired	$	7,171,620

The balance of goodwill is the difference between the Transaction date fair value of the consideration transferred and the values assigned to the identifiable assets acquired. The goodwill balance is expected to be deductible for tax purposes. The goodwill recorded represents intangible assets that do not qualify for separate recognition, such as the assembled workforce.

The following table presents details of the purchased identifiable intangible assets:

	Estimated Useful Life (in years)		Acquired Amount (US)
Intellectual property	5	$	590,000
Customer relationships	5 to 10		2,200,000
Acquired software technology	2 to 4		190,000
Patent portfolio	2 to 4		130,000
		$	3,110,000

(Expressed in Canadian Dollars, unless otherwise stated)

7. EQUIPMENT

		Computer Equipment		Furniture		Total
Cost						
Balance at December 31, 2013	$	91,886	$	21,400	$	113,286
Additions		1,988		-		1,988
Disposals		(15,674)		-		(15,674)
Balance at December 31, 2014		78,200		21,400		99,600
Additions		13,516		-		13,516
Balance at December 31, 2015	$	91,716	$	21,400	$	113,116
Accumulated Amortization						
Balance at December 31, 2013	$	59,370	$	15,019	$	74,389
Amortization expense		8,256		1,166		9,422
Disposals		(12,926)		-		(12,926)
Balance at December 31, 2014		54,700		16,185		70,885
Amortization expense		7,802		953		8,755
Balance at December 31, 2015	$	62,502	$	17,138	$	79,640
Carrying Amounts						
December 31, 2014	$	23,500	$	5,215	$	28,715
December 31, 2015	$	29,214	$	4,262	$	33,476

8. GAMING SYSTEMS

Gaming systems at December 31, 2015 and 2014 consist of the following:

Cost		
Balance at December 31, 2014 and 2013	$	-
Acquired from Transaction with Everi Holdings Inc.		1,526,703
Balance at December 31, 2015	$	1,526,703
Accumulated Amortization		
Balance at December 31, 2014 and 2013	$	-
Amortization expense		125,621
Balance at December 31, 2015	$	125,621
Carrying Amounts		
December 31, 2014	$	-
December 31, 2015	$	1,401,082

(Expressed in Canadian Dollars, unless otherwise stated)

9. INVENTORY

Inventory at December 31, 2015 consists of the following:

Raw materials and components	$	929,554
Finished goods		46,767
Impairment loss		(312,474)
Balance at December 31, 2015	$	663,847

10. INTANGIBLE ASSETS AND GOODWILL

	Intellectual Property	Customer Relationships	Acquired Software	Patents	Goodwill	Total
Cost						
Balance at December 31, 2013	$ -	$ -	$ -	$ -	$ -	$ -
Additions	20,625	-	-	-	-	20,625
Balance at December 31, 2014	20,625	-	-	-	-	20,625
Additions	733,975	2,935,900	253,555	173,485	2,990,020	7,086,935
Balance at December 31, 2015	$ 754,600	$ 2,935,900	$ 253,555	$ 173,485	$ 2,990,020	$ 7,107,560
Accumulated Amortization						
Balance at December 31, 2013	$ -	$ -	$ -	$ -	$ -	$ -
Amortization expense	2,750	-	-	-	-	2,750
Balance at December 31, 2014	2,750	-	-	-	-	2,750
Amortization expense	61,636	164,319	33,113	22,656	-	281,724
Balance at December 31, 2015	$ 64,386	$ 164,319	$ 33,113	$ 22,656	$ -	$ 284,474
Carrying Amounts						
December 31, 2014	$ 17,875	$ -	$ -	$ -	$ -	$ 17,875
December 31, 2015	$ 690,214	$ 2,771,581	$ 220,442	$ 150,829	$ 2,990,020	$ 6,823,086

During the year ended December 31, 2014, the Company entered into an agreement with BaddaMedia Inc. for the rights to use certain intellectual property on the Company's gaming platform. As consideration, the Company issued 229,167 common shares valued at $20,625.

11. 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

During the year ended December 31, 2015, the following share transactions occurred:

- On February 27 and March 3, 2015, the Company closed the first and second tranches of a non-brokered private placement financing that was announced February 25, 2015 and issued an aggregate 12,471,429 units of the Company's securities at $0.035 per unit for gross proceeds of $436,500. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.10 for two years from the date of issuance. In connection with this closing. Securities issued in the first tranche had a hold period, which expired June 28, 2015, and securities issued in the second tranche were subject to a hold period, which expired July 4, 2015. The Company has paid finder's fees totalling $2,275 to arm's length third parties.

- On March 9, 2015, the Company closed the third and final tranches of a non-brokered private placement financing that was announced February 25, 2015 and issued an aggregate 2,715,000 units of the Company's securities at $0.035 per unit for gross proceeds of $95,025. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.10 for two years from the date of issuance. All securities issued were subject to a hold period, which expired July 10, 2015.

- On April 17, 2015, the Company closed a non-brokered private placement financing that was announced April 2, 2015 and issued 11,500,000 units of the Company at a price of $0.05 per unit for total gross proceeds to the Company of $575,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.10 for two years from the date of issuance. The Company has paid finder's fees totalling $11,450 in cash, 170,000 units fair valued at $8,500 and 229,000 share purchase warrants fair valued at $7,714 to arm's length third parties. Each unit consists of one common share and one common share purchase warrant, exercisable at $0.10 for a period of two years from the grant date. The share purchase warrants have the same terms as the warrants in the units. All securities issued were subject to a hold period, which expired August 18, 2015.

11. CAPITAL STOCK (Continued)

(b) Issued and outstanding (continued)

During the year ended December 31, 2014, the following share transactions occurred:

- On January 30, 2014, the Company closed a non-brokered private placement financing and issued an aggregate 14,375,000 units of the Company's securities at $0.08 per unit for gross proceeds of $1,150,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.10 per share up to January 30, 2016. In connection with this closing, the Company paid as finder's fee $10,000 cash, issued 125,000 broker warrants fair valued at $9,983 and issued 1,142,500 units fair valued at $91,400 to three arm's length parties. Each brokers warrant is exercisable at $0.10 for a period of two years from the grant date. Each unit consists of one common share and one common share purchase warrant, exercisable at $0.10 for a period of two years from the grant date. All the securities issued were subject to a hold period of four months and a day from the issuance date.

- On March 25, 2014, the Company closed a non-brokered private placement financing and issued an aggregate 15,000,000 units of the Company's securities at $0.08 per unit for gross proceeds of $1,200,000. Each unit consists of one common share and one share purchase warrant exercisable at a price of $0.10 up to March 25, 2016. In connection with the private placement, the Company has paid as finder's fees $102,400 cash, issued 1,280,000 compound warrants fair valued at $278,437, and 98,250 units fair valued at $7,860 to arm's length parties and the Company has incurred share issue cost of $500. Each compound warrant is exercisable at $0.08 for two years. Each unit comprises one common share and one share purchase warrant exercisable at $0.10 for two years. All the securities issued were subject to a hold period of four months and a day from the issuance date.

- On May 6, 2014, the Company issued a total of 229,167 common shares fair valued at $20,625 in respect to the asset purchase agreement, which was entered into by the Company with BaddaMedia Inc. (note 10).

- On May 6, 2014, the Company issued 375,000 common shares fair valued at $37,500 in respect to the Advisory Agreement (the "Agreement") entered into with Kingsdale Capital Markets Inc. ("Kingsdale"). Under the Agreement, the Company agreed to issue a total of 1,500,000 common shares and 1,500,000 compensation warrants to Kingsdale fair valued at $142,767. Each compensation warrant will have a three year expiry term and will be exercisable into one common share at $0.105. On October 22, 2014, the Company issued 375,000 common shares fair valued at $20,625 to Kingsdale in respect to the Agreement. The remaining 750,000 common shares were issued to Kingsdale on April 23, 2015 fair valued at $45,000.

- An aggregate 5,290,000 common shares were issued in connection with the exercise of 5,125,000 share purchase warrants at $0.075 per share and 165,000 compound warrants at $0.05 per share for total proceeds to the Company of $392,625.

(Expressed in Canadian Dollars, unless otherwise stated)

11. CAPITAL STOCK (Continued)

(c) Warrants

Warrants activity for the years ended December 31, 2015 and 2014 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2013	64,402,128	$ 0.14
Issued	32,405,750	$ 0.10
Exercised	(5,125,000)	$ 0.10
Expired	(566,563)	$ 1.16
Balance, December 31, 2014	91,116,315	$ 0.10
Issued	42,085,429	$ 0.14
Expired	(964,680)	$ 0.10
Balance, December 31, 2015	**132,237,064**	**$ 0.11**

Compound warrants activity for the years ended December 31, 2015 and 2014 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2013	4,864,838	$ 0.05
Issued	1,280,000	$ 0.08
Exercised	(165,000)	$ 0.05
Balance, December 31, 2014	5,979,838	$ 0.06
Expired	(4,699,838)	$ 0.05
Balance, December 31, 2015	**1,280,000**	**$ 0.08**

(Expressed in Canadian Dollars, unless otherwise stated)

11. CAPITAL STOCK (Continued)

(c) Warrants (continued)

At December 31, 2015 and 2014, the following warrants and compound warrants were outstanding and exercisable:

Expiry Date	Exercise Price		Number of Warrants 2015	2014
October 10, 2016	$	0.16*	3,125,000	3,125,000
June 26, 2017	$	0.10**	3,460,000	3,460,000
July 10, 2017	$	0.10*****	7,100,000	7,100,000
July 17, 2017	$	0.10*****	797,500	925,100
July 24, 2017	$	0.10*****	8,570,000	8,590,000
August 9, 2017	$	0.10*****	10,149,000	10,850,040
October 3, 2017	$	0.10*****	14,010,000	14,010,000
October 22, 2017	$	0.10*****	4,150,000	4,150,000
November 5, 2017	$	0.10*****	4,801,000	4,901,800
November 18, 2017	$	0.10*****	1,748,385	1,763,625
July 24, 2015	$	0.05***	-	790,000
August 9, 2015	$	0.05***	-	1,594,900
October 3, 2015	$	0.05***	-	1,280,000
October 22, 2015	$	0.05***	-	400,000
November 5, 2015	$	0.05***	-	168,000
November 5, 2015	$	0.065***	-	312,100
November 18, 2015	$	0.065***	-	154,838
January 30, 2016	$	0.10******	14,375,000	14,375,000
January 30, 2016	$	0.10	1,267,500	1,267,500
March 25, 2016	$	0.08****	1,280,000	1,280,000
March 25, 2016	$	0.10******	15,000,000	15,000,000
March 25, 2016	$	0.10	98,250	98,250
May 6, 2017	$	0.10	1,500,000	1,500,000
February 27, 2017	$	0.10	8,500,000	-
March 3, 2017	$	0.10	3,971,429	-
March 9, 2017	$	0.10	2,715,000	-
April 17, 2017	$	0.10	11,899,000	-
August 4, 2020	$	0.20	7,500,000	-
August 10, 2020	$	0.20	7,500,000	-
	$	0.10	133,517,064	97,096,153

* During the year ended December 31, 2014, the exercise price was amended from $0.80 to $0.16 and the term extended from October 10, 2014 to October 10, 2016.

** Exercisable at $0.10 and the term extended to June 26, 2017.

*** These warrants were exercisable into one unit. Each unit consisted of one common share and one share purchase warrant. Once exercised, each share purchase warrant was exercisable at $0.075 in the first year and at $0.10 in the second year from the date of issuance.

(Expressed in Canadian Dollars, unless otherwise stated)

11. CAPITAL STOCK (Continued)

(c) Warrants (continued)

**** These warrants are exercisable into one unit. Each unit consists of one common share and one share purchase warrant. Once exercised, each share purchase warrant is exercisable at $0.10 for two years from the date of issuance.

***** The expiry of these warrants have been extended for a further two year period from 2015 to 2017.

****** The expiry of these warrants have been extended for a further two year period from 2016 to 2018.

The weighted average remaining contractual life for warrants outstanding at December 31, 2015 is 3.22 (2014 - 0.89) years.

The Company applies the fair value method using option pricing models in accounting for its warrants issued.

The fair value of each warrant and compound warrant issued was calculated using the following weighted average assumptions:

	2015	**2014**
Expected life (years)	2	2.52
Grant date fair value per share	0.03	0.11
Interest rate	0.62%	1.06%
Volatility	133%	227%
Dividend yield	0.00%	0.00%

Expected stock price volatility is based on the historical volatility of the Company to the extent of the expected life of the warrant.

(d) Stock options

Pursuant to the Company's Amended 2004 Stock Option Plan, which has received TSX-V approval, the Company grants stock options to employees, directors, officers and consultants. 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 December 31, 2015, there are 503,905 (2014 - 222,262) stock options available for granting. The terms of the options are determined at the date of grant.

(Expressed in Canadian Dollars, unless otherwise stated)

11. CAPITAL STOCK (Continued)

(d) Stock options (continued)

The following summarizes the officer, director, employee and consultant stock options that were granted, cancelled and expired during the years ended December 31, 2015 and 2014. The options vest 25% on grant and thereafter at 25% every four or six months.

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2013	588,250	$ 0.30
Granted	675,000	$ 0.10
Expired	(162,500)	$ 0.82
Balance, December 31, 2014	1,100,750	$ 0.10
Expired	(535,000)	$0.10
Granted	14,530,000	$0.06
Balance, December 31, 2015	15,095,750	$0.06

At December 31, 2015 and 2014, the following stock options were outstanding and exercisable:

Exercise Price	Expiry Date	Outstanding 2015	Exercisable 2015	Outstanding 2014	Exercisable 2014
$ 0.10	February 1, 2015	-	-	30,000	30,000
$ 0.80	January 3, 2016	3,750	3,750	3,750	3,750
$ 0.10	August 8, 2016	200,000	200,000	200,000	200,000
$ 0.10	August 26, 2016	192,000	192,000	192,000	192,000
$ 0.10	January 16, 2016	100,000	50,000	100,000	50,000
$ 0.12	April 2, 2016	-	-	75,000	37,500
$ 0.11	May 5, 2016	100,000	50,000	100,000	50,000
$ 0.10	March 24, 2017	-	-	400,000	400,000
$ 0.06	Sep 1, 2017	2,000,000	1,000,000	-	-
$ 0.06	May 14, 2018	12,500,000	6,250,000	-	-
		15,095,750	7,745,750	1,100,750	963,250

The weighted average remaining contractual life for options outstanding at December 31, 2015 is 2.20 (2014 - 1.70) 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 $343,296 (2014 - $10) were recognized as salaries expense and $89,174 (2014 - $48,624) was recognized as consulting fees for options granted to consultants.

(Expressed in Canadian Dollars, unless otherwise stated)

11. CAPITAL STOCK (Continued)

(d) Stock options (Continued)

The fair value of each option grant was calculated using the following weighted average assumptions:

	2015	2014
Expected life (years)	2.86	2.56
Grant date fair value per share	$0.05	$0.11
Interest rate	0.65%	1.05%
Volatility	181%	206%
Dividend yield	0.00%	0.00%

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% (2014 - 0%) in determining the expense recorded in the accompanying consolidated statements of comprehensive loss.

12. RELATED PARTY TRANSACTIONS

Amounts due from related parties are unsecured, due on demand without interest and consist of the following:

	2015	2014
Entities with common directors	$ 259,911	$ 110,401
Key management personnel	-	(17)
	$ 259,911	$ 110,384

During the year ended December 31, 2012, the Company entered into two credit facilities with two directors, whereby the Company may draw-down up to $170,000 from each of the two facilities ($340,000 in the aggregate) as and when needed by the Company. Amounts advanced under the facilities bear interest at 5% per annum and are due on demand. The Company drew down $300,000 from these two credit facilities. On April 1, 2014, the Company repaid the principal amounts totaling $300,000 plus $28,027 accrued interest to the two directors.

(Expressed in Canadian Dollars, unless otherwise stated)

12. RELATED PARTY TRANSACTIONS (Continued)

During the years ended December 31, the Company completed the following related party transactions:

		2015		2014
Rent charged by entities with common directors	$	-	$	41,784
Rent recovered from entities with common directors	$	(58,807)	$	(24,378)
Office and other expenses recovered from entities with common directors	$	(147,161)	$	(167,782)
Interest charged on amounts due to related parties	$	193	$	3,716

The remuneration of key management personnel during the years ended December 31, 2015 and 2014 is as follows:

		2015		2014
Management fees	$	396,000	$	396,000
Short-term benefits		92,694		92,381
Total key management personnel compensation	$	488,694	$	488,381

13. RESEARCH AND DEVELOPMENT

The Company included research and development costs in salaries and benefits in the consolidated statements of comprehensive loss for the years ended December 31, 2015 and 2014 as follows:

		2015		2014
Administrative salaries and benefits	$	329,843	$	320,347
Research and development salaries		1,272,329		775,744
	$	1,602,172	$	1,096,091

14. LOAN PAYABLE AND NON-CONVERTIBLE DEBENTURE

Loan payable

During the year ended December 31, 2015, the Company entered into a loan agreement with a third party for a total amount of $125,000. The loan bears interest at the rate of 10% per annum, payable on a quarterly basis and is due December 31, 2015 (note 21(c)).

During the year ended December 31, 2014, the Company entered into a loan agreement with a third party for a total amount of $50,000. The loan bears interest at the rate of 10% per annum, payable on a quarterly basis and is due December 31, 2015. The Company repaid the amount during the year ended December 31, 2015.

(Expressed in Canadian Dollars, unless otherwise stated)

14. LOAN PAYABLE AND NON-CONVERTIBLE DEBENTURE (Continued)

Non-convertible debenture

During the year ended December 31, 2015, the Company entered into two non-convertible debenture agreements for an aggregate US$2,500,000 with two related parties. The non-convertible debenture agreements provide for a term of three years and bear interest at 10% per annum, with interest payable quarterly. As additional consideration of the risk associated with the debenture, the Company issued 7,500,000 warrants to the lenders. Each warrant will have a five year expiry term and will be exercisable into one common share at $0.20.

The liability component of the non-convertible debenture was recognized initially at the fair value of a similar liability that does not have the warrant, 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 notes payable represents the value of the warrants, which has been recognized separately.

15. DEFERRED REVENUE

As at December 31, 2015, the Company recorded $62,144 (2014 - $82,204) in deferred revenue with respect to its license agreements. The Company is expected to recognize the balance by fiscal 2017.

In addition, the Company recorded $560,463 (2014 - $nil) in deferred revenue with respect to electronic gaming table regulated licenses.

16. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 26.00% (2014 - 26.00%) to income before income taxes. The reasons for the differences are as follows:

	2015	2014
Loss before income taxes	$ (3,768,817)	$ (2,685,789)
Statutory income tax rate	26.00%	26.00%
Income tax benefit computed at statutory tax rate	(979,892)	(698,305)
Items not deductible for income tax purposes	212,687	49,764
Change in timing differences	(7,475)	19,973
Effect of change in tax rate	-	-
Differences attributable to income tax rates of other countries	-	-
Overprovided in prior years	205,703	(4,485)
Unrecognized benefit of deferred income tax assets	568,977	633,053
Income tax expense	$ -	$ -

(Expressed in Canadian Dollars, unless otherwise stated)

16. INCOME TAXES (Continued)

Significant unrecognized tax benefits and unused tax losses for which no deferred tax asset is recognized as of December 31 are as follows:

	2015	2014
Excess of unused exploration expenditures for Canadian tax purposes over carrying value of mineral property interests	$ 268,000	$ 262,000
Excess of undepreciated capital cost over carrying value of equipment	2,467,000	2,266,000
Excess of tax cost over carrying value of investment deposit	1,000,000	1,000,000
Share issuance costs	197,000	275,000
Cumulative eligible capital	237,000	-
Non-capital losses carried forward	22,998,000	20,522,000
Net capital losses carried forward	113,000	1,209,000
Unrecognized deductible temporary differences	$ 27,280,000	$ 25,534,000

The Company's unrecognized unused non-capital losses have the following expiry dates:

2026	$ 687,000
2027	3,875,000
2028	3,503,000
2029	2,935,000
2030	2,520,000
2031	2,405,000
2032	2,058,000
2034	2,373,000
2035	2,642,000
	$ 22,998,000

The Company has available approximate net capital losses of $226,000 that may be carried forward indefinitely.

17. COMMITMENTS

(a) On July 1, 2010 the Company entered into an agreement for management services, as amended (the "Agreement") with Kalpakian Bros. of B.C. Ltd. ("Kalpakian Bros."), a private company owned by two directors of the Company. The Company is entitled to receive management services from Kalpakian Bros. at a monthly rate of $33,000 plus applicable taxes. On July 1, 2015, the Agreement has been renewed for a term of five years. Kalpakian Bros. is also entitled to reimbursement for all traveling and other expenses incurred by it in connection with performing its services. If the Agreement is terminated by the Company other than for just cause, or is terminated by Kalpakian Bros. for good reason, then Kalpakian Bros. is entitled to be paid the annual remuneration for the unexpired term of the Agreement and is also entitled to immediate vesting of all unvested stock options. Kalpakian Bros. may terminate the Agreement on giving four months' notice.

(Expressed in Canadian Dollars, unless otherwise stated)

17. COMMITMENTS (Continued)

(b) The Company has an agreement for office support services with 37 Capital Inc. ("37 Capital"), a public company with common directors. Under the agreement, the Company is committed to provide to 37 Capital office support services for $7,000 plus applicable taxes per month. The agreement expires April 30, 2016. The agreement can be terminated by either party upon giving three months' written notice.

(c) The Company has an agreement for office support services with Green Arrow Resources Inc. ("Green Arrow"), a public company with common directors. Under the agreement, the Company is committed to provide to Green Arrow office support services for $5,000 plus applicable taxes per month. The agreement expires April 30, 2016. The agreement can be terminated by either party upon giving three months' written notice.

The Company, together with 37 Capital and Green Arrow, have entered into an office lease agreement with an arm's length party (the "Lease"). The Lease has a one year term with a commencement date of August 1, 2014. The office lease agreement has been extended for a period of one year until July 31, 2016. Under the Lease, the three companies are required to pay monthly basic rent of $7,769 plus property and operating expenses. In respect to the Lease, the Company has paid a deposit in the amount of $10,000.

(d) The Company has entered into a lease agreement with an arm's length party ("Warehouse Lease"). The Warehouse Lease has a term commencing as of December 1, 2015 until May 31, 2016. The Warehouse Lease has been extended for a further period of 3 years commencing June 1, 2016 and expiring on May 31, 2019. The base rent payable is $3,968 per month. The Company has paid a deposit in the amount of $8,930.

18. CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders' deficiency and loans.

The Company's objective when managing capital is to maintain adequate levels of funding support for the development and marketing of the Company's online multi-player interactive games and 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 year ended December 31, 2015. The Company is not subject to externally imposed capital requirements.

19. SUPPLEMENTAL CASH FLOW INFORMATION

	2015	2014
Cash and Cash Equivalents consists of:		
Cash (cheques issued in excess of funds on deposit)	$ 210,231	$ (9,330)
Term deposit	17,250	17,250
	$ 227,481	$ 7,920

(Expressed in Canadian Dollars, unless otherwise stated)

19. SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

	2015	2014
Supplemental information		
Non-cash items		
Shares issued for intangible asset	$ -	$ 20,625
Warrants issued as part of Transaction	$ 2,147	$ -
Accounts payable recorded in intangible assets	$ 4,417,935	$ -
Accounts payable recorded in gaming systems	$ 1,526,703	$ -
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

20. SEGMENTAL INFORMATION

The Company has two operating segments, which are the Company's strategic business units. The reportable segments are the licensing of gaming software and the leasing of electronic gaming tables. A breakdown of revenues and cost of sales for each reportable segment for the year ended December 31, 2015 is as follows:

	2015		
	Electronic Gaming Tables	Licensing Gaming Software	Total
Revenue	$ 1,001,337	$ 140,841	$ 1,142,178
Royalty expense	253,439	-	253,439
Licensing fee	108,463	-	108,463
Cost of sales	67,745	-	67,745
	$ 571,690	$ 140,841	$ 712,531

	2014		
	Electronic Gaming Tables	Licensing Gaming Software	Total
Revenue	$ -	$ 33,871	$ 33,871
	$ -	$ 33,871	$ 33,871

As at December 31, 2015 and 2014, the Company's equipment is located in Canada and the gaming systems are in the United States and internationally.

21. EVENTS AFTER THE REPORTING DATE

The following events occurred after December 31, 2015:

(a) A total of 130,000 stock options previously granted to a consultant and a former employee expired.

(b) A total of 1,365,750 broker warrants expired unexercised, and a total of 1,280,000 compound warrants expired unexercised.

(c) The Company repaid the loan payable principal amount of $125,000 and accrued interest of $1,438.

(d) The Company announced on April 22, 2016 that it has entered into an engagement letter (the “Engagement”) with Kingsdale Capital Markets Inc. (“Kingsdale” or the “Agent”) to act as the Agent of the Company to raise gross proceeds of up to $2,000,000 (the “Financing”) for the Company through the sale of secured convertible debentures (“Secured Debentures”) of the Company. The Company has received conditional approval from the TSX-V and has closed the Financing on April 28, 2016.