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

Condensed Consolidated Interim Financial Statements
Three Months Ended March 31, 2016 and 2015
(Expressed in Canadian Dollars)

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Notice of No Auditor Review of Condensed Consolidated 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 consolidated interim financial statements as at March 31, 2016 and for the three months ended March 31, 2015.

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

	March 31, 2016	December 31, 2015
	(Unaudited)	(Audited)
Assets		
Current		
Cash and cash equivalents	$ 58,138	$ 227,481
Accounts receivable	231,805	273,427
Due from related parties (note 8)	295,136	259,911
Prepaid expenses and deposits (note 11)	43,930	56,924
Inventory	694,517	663,847
	1,323,526	1,481,590
Gaming Systems	1,330,142	1,401,082
Equipment	31,130	33,476
Intangible Assets and Goodwill (note 6)	6,644,915	6,823,086
Total Assets	$ 9,329,713	$ 9,739,234
Liabilities		
Current		
Accounts payable and accrued liabilities (note 6)	$ 7,405,995	$ 7,795,421
Deferred revenue (note 10)	44,515	46,787
Loan payable (note 9)	26,603	126,438
	7,477,113	7,968,646
Deferred Revenue (note 10)	836,441	575,820
Non-Convertible Debenture (note 9)	2,413,531	2,498,191
Total Liabilities	10,727,085	11,042,657
Shareholders' Deficiency		
Capital Stock (note 7)	42,689,759	42,689,759
Reserves (note 7)	1,721,673	1,953,064
Deficit	(45,808,804)	(45,946,246)
Total Shareholders' Deficiency	(1,397,372)	(1,303,423)
Total Liabilities and Shareholders' Deficiency	$ 9,329,713	$ 9,739,234

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.)
Condensed Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	March 31, 2016	March 31, 2015
Revenues		
Licensing	$ 52,221	$ 8,566
Sales	1,181	1,234
Electronic gaming tables	643,786	-
	697,188	9,800
Royalty expense	(160,060)	-
Licensing fee	(63,544)	-
	473,584	-
Cost of Sales	(28,595)	-
Operating Income	444,989	9,800
Expenses		
Salaries and benefits (notes 7)	483,722	302,406
Consulting fees (notes 7)	97,997	49,091
Management fees (note 8)	99,000	99,000
Travel, meals and entertainment	34,107	35,181
Legal, accounting and audit	14,082	410
Regulatory and transfer agent fees	21,646	17,003
Rent, office and miscellaneous (note 8)	71,515	23,811
Interest expense (note 9)	153,773	135
Foreign exchange loss (gain)	(625,032)	657
Amortization	251,456	3,006
	602,266	530,700
Net Loss and Comprehensive Loss for the Period	$ (157,277)	$ (520,900)
Basic and Diluted Loss Per Share	$ (0.00)	$ (0.00)
Weighted Average Number of Common Shares Outstanding	155,996,550	133,311,566

JACKPOT DIGITAL INC.
(formerly Las Vegas From Home.com Entertainment Inc.)
Condensed 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, 2014	128,390,121	$ 41,549,764	$ 1,179,920	$ 82,496	$ (42,954,515)	$ (142,335)
Net loss for the period	-	-	-	-	(520,900)	(520,900)
Private placement, net of issuance costs	15,186,429	529,250	-	-	-	529,250
Expiry of options	-	-	-	(1,998)	1,998	-
Share-based payment	-	-	-	591	-	591
Balance, March 31, 2015	143,576,550	42,079,014	1,179,920	81,089	(43,473,417)	(133,394)
Net loss for the period	-	-	-	-	(3,247,917)	(3,247,917)
Private placement, net of issuance costs	11,670,000	555,836	7,714	-	-	563,550
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	-	-	-	431,879	-	431,879
Balance, December 31, 2015	155,996,550	42,689,759	1,476,360	476,704	(45,946,246)	(1,303,423)
Net loss for the period	-	-	-	-	(157,277)	(157,277)
Expiry of warrants	-	-	(288,420)	-	288,240	-
Expiry of options	-	-	-	(6,299)	6,299	-
Share-based payment	-	-	-	63,328	-	63,328
Balance, March 31, 2016	155,996,550	$ 42,689,759	$ 1,187,940	$ 533,733	$ (45,808,804)	$ (1,397,372)

See notes to consolidated financial statements.

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

	March 31, 2016	March 31, 2015
Operating Activities		
Net loss	$ (157,277)	$ (520,900)
Items not affecting cash		
Amortization	251,457	3,006
Interest expense	69,113	-
Share-based payments	63,328	591
Foreign exchange loss (gain)	(625,032)	657
	(398,411)	(516,646)
Changes in non-cash working capital		
Accounts receivable	41,622	(236)
Due from related parties	(35,225)	6,363
Prepaid expenses and deposits	12,994	7,796
Inventory	(30,670)	-
Accounts payable and accrued liabilities	(540,219)	(19,377)
Deferred revenue	258,349	(8,566)
	(293,149)	(14,020)
Cash Provided/(Used) in Operating Activities	(691,560)	(530,666)
Financing Activities		
Funds from loan payable	76,000	50,000
Repayment of loan payable	(178,815)	-
Issuance of common shares and warrants, net of share issuance costs	-	529,250
Cash Provided by (Used in) Financing Activities	(102,815)	579,250
Effect of Foreign Currency Translation on Cash	625,032	(657)
Net Change in Cash and Cash Equivalents	(169,343)	47,927
Cash and Cash Equivalents, Beginning of Period	227,481	7,920
Cash and Cash Equivalents, End of Period	$ 58,138	$ 55,847

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 the Company's warehouse is located at 4664 Lougheed Hwy, Unit W030, Burnaby, BC V5C 5T5. The Company's 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 a net loss and comprehensive loss of $157,277 during the three months ended March 31, 2016 (March 31, 2015: $520,900) and has incurred significant operating losses over the past two fiscal years (2015 - $3,768,817; 2014 - $2,685,789). Though the Company recognized revenue of $1,142,178 during the year ended December 31, 2015 (December 31, 2014 - $33,871), the Company 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 condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

These condensed consolidated interim financial statements were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements.

3. BASIS OF PRESENTATION (Continued)

(b) Basis of measurement

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

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

(b) Approval of the consolidated condensed interim financial statements

The condensed consolidated interim financial statements of Jackpot for the three months ended March 31, 2016 were approved and authorized for issue by the Board of Directors on May 30, 2016.

(c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company’s and subsidiary’s functional currency.

(d) Significant accounting judgments, estimates and assumptions

The preparation of the condensed 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 March 31, 2016, 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 an average cost 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 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

The Company's electronic gaming tables are leased to various parties on either revenue sharing basis or on fixed fee basis or a combination of both.

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

(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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Income taxes (Continued)

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.

(k) Inventory

Inventories are stated at the lower of cost or market, where cost is determined on an average cost 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.

(l) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) 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.

(n) 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.

(o) 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) New accounting pronouncements (Continued)

- 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.

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.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(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.

(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 March 31, 2016, allowance for doubtful accounts is $nil (March 31, 2015 - $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 March 31, 2016, the Company has cash and cash equivalents of $58,138 (March 31, 2015 - $55,847) available to apply against short-term business requirements and current liabilities of $7,477,113 (March 31, 2015 - $345,389). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of March 31, 2016.

(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.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(e) Market risk (continued)

(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 March 31, 2016, 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)	
	March 31, 2016	**March 31, 2015**
Cash	$ 3,347	$ 1,638
Account receivable	207,955	-
Account payable	(6,850,708)	-
Non-convertible debenture	(2,413,531)	-
Net financial assets (liability)	$ (9,052,937)	$ 1,638

Based upon the above net exposure as at March 31, 2016 and assuming all other variables remain constant, a 13% depreciation or appreciation of the US dollar relative to the Canadian dollar would result approximately $1,176,882 (March 31, 2015 - $213) 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.

There are variable interest rates on loans payable. The interest rate on the non-convertible debenture balances as at March 31, 2016 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 June 30, 2015, the Company entered into an asset purchase agreement, as amended on July 31, 2015 and August 6, 2015 (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, on August 10, 2015 the Company closed the Transaction. The consideration payable to Everi is US$5,400,000 of which US$2,000,000 was paid on the closing of the Transaction, and the Company has issued 7,500,000 share purchase warrants exercisable at $0.20 per warrant share for a period of five years. The agreement has late fee penalties which may increase the consideration payable up to US$7,500,000. As at March 31, 2016, the Company has a balance payable to Everi of US4,803,617.

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

6. TRANSACTION WITH EVERI HOLDINGS INC. (Continued)

The following table summarizes the net cash flow adjusting for the required adjusted instalment payment related to the electronic table gaming project since acquisition (in CDN):

	August to December 2015	January to March 2016	Total
Revenue from Electronic gaming table project	$ 1,001,337	$ 643,786	$ 1,645,123
Deduct:			
Royalty expense to 87 Capital and 30 Rock	$ (253,439)	$ (160,060)	$ (413,499)
Licensing fee charged by Everi	$ (108,463)	$ (63,544)	$ (172,007)
Salary for development, warehouse and support teams	$ (459,440)	$ (321,388)	$ (780,828)
Adjusted cash flow from Electronic gaming table project	$ 179,995	$ 98,794	$ 278,789
Adjusted instalment payment made to Everi in April 2016			$ (627,400)
Net cash flow reflecting adjusted instalment payment to Everi			$ (348,611)
Payment required under adjusted instalment payment schedule for the period ended December 31, 2015			$ 683,957
Payment required under adjusted instalment payment schedule for the 3 months ended March 31, 2016			$ 321,375
Total adjusted instalment payment due as at March 31, 2016			$ 1,005,332
Adjusted instalment payment made in April 2016			$ (627,400)
Total adjusted instalment payment due			$ 377,932

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

There were no share transactions during the three months ended March 31, 2016.

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.

7. CAPITAL STOCK (Continued)

(b) Issued and outstanding (Continued)

- 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.

(c) Warrants

Warrants activity for the three months ended March 31, 2016 and 2015 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 1, 2015	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
Expired	(1,365,750)	$ 0.11
Balance, March 31, 2016	**130,871,314**	**$ 0.11**

Compound warrants activity for the three months ended March 31, 2016 and 2015 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 1, 2015	5,979,838	$ 0.06
Expired	(4,699,838)	$ 0.05
Balance, December 31, 2015	1,280,000	$ 0.08
Expired	(1,280,000)	$ 0.08
Balance, March 31, 2016	**-**	**$ 0.00**

7. CAPITAL STOCK (Continued)

(c) Warrants (continued)

At March 31, 2016 and 2015, the following warrants and compound warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants 2016	2015
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, 2018	$ 0.10******	14,375,000	14,375,000
January 30, 2016	$ 0.10	-	1,267,500
March 25, 2016	$ 0.08****	-	1,280,000
March 25, 2018	$ 0.10******	15,000,000	15,000,000
March 25, 2016	$ 0.10	-	98,250
May 6, 2017	$ 0.10	1,500,000	1,500,000
February 27, 2017	$ 0.10	8,500,000	8,500,000
March 3, 2017	$ 0.10	3,971,429	3,971,429
March 9, 2017	$ 0.10	2,715,000	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	-
	$ 0.11	130,871,314	112,282,582

* 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.

7. 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 March 31, 2016 is 2.97(March 31, 2015 - 0.89) years.

(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 March 31, 2016, there are 637,655 (March 31, 2015 - 222,262) 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 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, January 1, 2015	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
Expired	(133,750)	$0.11
Balance, March 31, 2016	14,962,000	$0.06

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 $46,386 (March 31, 2015 - $nil) were recognized as salaries expense and $16,942 (March 31, 2015 - $591) was recognized as consulting fees for options granted to consultants.

8. RELATED PARTY TRANSACTIONS

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

		March 31, 2016		**March 31, 2015**
Entities with common directors	$	293,701	$	104,030
Key management personnel		1,435		(9)
	$	295,136	$	104,021

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

		2016		**2015**
Rent recovered from entities with common directors	$	(14,786)	$	(14,626)
Office and other expenses recovered from entities with common directors	$	(36,464)	$	(36,568)
Interest charged on amounts due to related parties	$	2	$	135

During the three months ended March 31, 2016, the Company has paid management fees totalling $99,000 to a company owned by two directors (March 31, 2015: $99,000).

9. LOAN PAYABLE AND NON-CONVERTIBLE DEBENTURE

Loan payable

During the three month period ended March 31, 2016, the Company entered into two loan agreements totaling $76,000. As at March 31, 2016, the Company has repaid $50,000 together with the accrued interest.

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 bore interest at the rate of 10% per annum, which was payable on a quarterly basis and was due December 31, 2015. During the three month period ended March 31, 2016, the Company repaid the loan in the amount of $125,000 together with the accrued interest.

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 bore interest at the rate of 10% per annum, which was payable on a quarterly basis and was due December 31, 2015. The Company repaid $50,000 together with the accrued interest during the year ended December 31, 2015.

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 one arm's length party and one related party. 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 has a five year expiry term and is exercisable into one common share at $0.20.

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

Non-convertible debenture (Continued)

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.

10. DEFERRED REVENUE

As at March 31, 2016, the Company recorded $50,447 (March 31, 2015 - $73,638) in deferred revenue with respect to its license agreements. The Company is expected to recognize the balance by fiscal 2017.

In addition, as of March 31, 2016, the Company recorded $830,509 (2015 - $nil) in deferred revenue with respect to electronic gaming table regulated licenses.

11. 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.

(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, 2017. 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, 2017. The agreement can be terminated by either party upon giving three months' written notice.

(d) 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 which was extended until July 31, 2016. The Lease has been further extended for another one year period until July 31, 2017. 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.

11. COMMITMENTS (Continued)

(e) 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 Company pays basic rent of $3,968 plus the operational cost and the applicable tax totalling $9,420 per month. The Company has paid a deposit in the amount of $8,930.

12. 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 three months ended March 31, 2016. The Company is not subject to externally imposed capital requirements.

13. 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.

As at March 31, 2016, the Company's equipment is located in Canada, and the Company's gaming systems are located in Canada, in the United States, and internationally.

14. EVENTS AFTER THE REPORTING DATE

The following events occurred after March 31, 2016:

a) 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 closed the Financing on April 28, 2016 and received gross proceeds of $2,000,000. The Secured Debentures have a term of 12 months, bear simple interest at the rate of 12% per annum and are payable on a quarterly basis. The principal amount of the Secured Debentures may be convertible into common shares of the Company at a price of $0.05 per share. In connection with the Financing, the Company has paid a cash commission of $200,000 and will issue 4,000,000 broker warrants to Kingsdale. The broker warrants are exercisable into common shares of the Company exercisable at $0.05 per share during the first year and at the price of $0.10 per share during the second year. Jackpot will also issue to Kingsdale Advisory Broker warrants to purchase 2,000,000 common shares of the Company exercisable for a period of two years at the price of $0.05 per share during the first year and at the price of $0.10 per share during the second year and the Company has paid Kingsdale a corporate finance fee in the amount of $30,000 plus HST.

14. EVENTS AFTER THE REPORTING DATE (Continued)

b) On April 28, 2016 the Company entered into Secured Debenture Amending Agreements with 87 Capital Corp. ("87 Capital") and 30 Rock Management Inc. ("30 Rock") (collectively the "Debentureholders") pursuant to the non-convertible debentures issued during the year ended December 31, 2015 (the "Amending Agreements") the principal terms of which are as follows:

87 Capital

- In consideration for the payment by the Company to 87 Capital the sum of US$482,500 (paid), the Royalty payable to 87 Capital shall equal 1.8% of the Gross Revenues received from the Company's Electronic Table Business Unit for a period commencing on May 1, 2016 and ending on April 30, 2021;

AND,

- Until the Company either:
  a) achieves an annualized sales run rate for any fiscal year of at least Cdn $7,000,000 in any quarter of a fiscal year; or
  b) makes a one-time bulk sale of electronic tables in excess of Cdn$5,000,000;

the Company will pay to 87 Capital as a prepayment of the aggregate amount of principal and/or accrued interest owing 27% of the net proceeds received by the Company from the issuance of any equity securities of the Company from time to time.

30 Rock

- In consideration for the payment by the Company to 30 Rock the sum of US$51,000 (paid), the Royalty payable to 30 Rock shall equal 0.2% of the Gross Revenues received from the Company's Electronic Table Business Unit for a period commencing on May 1, 2016 and ending on April 30, 2021;

AND,

- Until the Company either:
  a) achieves an annualized sales run rate for any fiscal year of at least Cdn $7,000,000 in any quarter of a fiscal year; or
  b) makes a one-time bulk sale of electronic tables in excess of Cdn$5,000,000;

the Company will pay to 30 Rock as a prepayment of the aggregate amount of principal and/or accrued interest owing 3% of the net proceeds received by the Company from the issuance of any equity securities of the Company from time to time.