JACKPOT DIGITAL INC.

Consolidated Financial Statements
December 31, 2018 and 2017
(Expressed in Canadian Dollars)

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Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF JACKPOT DIGITAL INC.

Opinion

We have audited the consolidated financial statements of Jackpot Digital Inc. (the "Company"), which comprise the consolidated balance sheets as at December 31, 2018 and 2017, and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of $3,574,325 during the year ended December 31, 2018 and, as of that date, the Company has a working capital deficiency of $11,434,283. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises of Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditors' report is Sukhjit Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 29, 2019

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JACKPOT DIGITAL INC.
Consolidated Balance Sheets
As at December 31
(Expressed in Canadian Dollars)

		2018		2017
Assets (note 15)				
Current				
Cash and cash equivalents (note 5)	$	25,391	$	162,239
Accounts receivable (note 5)		378,585		269,537
Prepaid expenses and deposits (note 19)		46,904		46,904
		450,880		478,680
Deposits (note 8)		20,265		571,683
Gaming Systems (note 8)		3,055,612		1,908,154
Equipment (note 7)		80,121		51,078
Intangible Assets (note 9)		1,315,700		1,769,447
Mineral Property Interest (note 13)		1		1
Investment (note 13)		1		1
Total Assets	$	4,922,580	$	4,779,044
Liabilities				
Current				
Accounts payable and accrued liabilities (note 15)	$	1,666,817	$	1,325,852
Lease liability (note 16)		28,127		-
Loan payable with Everi Holdings Inc. (note 6)		1,862,484		4,818,980
Interest payable		1,617,636		848,021
Loans payable (note 15)		554,341		342,465
Due to related parties (note 12)		105,755		166,769
Convertible debentures (note 15)		2,661,000		2,333,000
Non-convertible secured debentures (note 15)		3,379,003		2,854,790
Refundable subscription (note 13)		10,000		10,000
		11,885,163		12,699,877
Deferred Revenue (note 17)		445,574		334,474
Total Liabilities		12,330,737		13,034,351
Shareholders' Deficiency				
Capital Stock (note 11)		49,543,650		45,826,266
Reserves (note 11)		1,988,435		1,777,478
Convertible Debentures - Equity Portion (note 15)		115,620		114,101
Obligation to Issue Shares (note 11)		-		229,400
Non-Controlling Interest (note 13)		(575,031)		(324,295)
Deficit		(58,480,831)		(55,878,257)
Total Shareholders' Deficiency		(7,408,157)		(8,255,307)
Total Liabilities and Shareholders' Deficiency	$	4,922,580	$	4,779,044

On behalf of the Board:

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

"Neil Spellman" (signed) ……………………………………………
Neil Spellman, Director

JACKPOT DIGITAL INC.
Consolidated Statements of Comprehensive Loss
Years Ended December 31
(Expressed in Canadian Dollars)

		2018		2017
Revenues (note 22)				
Electronic gaming tables	$	2,114,575	$	3,564,798
Other		-		19
Licensing		-		(14,097)
		2,114,575		3,550,720
Royalty expense		39,689		51,535
Licensing fee		21,109		78,883
Cost of sales (note 22)		837,205		525,075
Gross Profit		1,216,572		2,895,227
Expenses				
Salaries and benefits (notes 11(d), 12 and 14)		2,067,276		1,343,297
Interest expense and finance expense (notes 12, 15 and 16)		1,134,781		993,043
Consulting fees (notes 11(d) and 12)		255,553		640,049
Rent, office and miscellaneous (notes 12 and 19)		531,050		418,787
Management fees (note 12)		396,000		396,000
Travel, meals and entertainment		301,273		206,453
Advertising and promotion		225,927		198,288
Legal, accounting and audit		227,162		162,137
Regulatory and transfer agent fees		149,815		98,162
Shareholder communications		5,333		1,915
Bad debt expense (recovery) (notes 5 and 12)		-		(10,629)
Foreign exchange loss (gain)		654,037		(568,493)
Amortization (notes 7, 8 and 9)		931,690		929,520
		6,879,897		4,808,529
Impairment loss on goodwill (note 10)		-		1,269,700
Loss (gain) on debt settlement (notes 6, 12 and 13)		(2,678,332)		702,724
Impairment loss on intangible assets (note 9)		-		387,328
Impairment loss on gaming systems (note 8)		598,252		73,308
Gain on sale of shares (note 12)		-		(20,000)
Gain on modification of debt (note 15)		(8,798)		-
Interest and other income		(122)		(37,047)
		(2,089,000)		2,376,013
Net Loss and Comprehensive Loss for the Year	$	(3,574,325)	$	(4,289,315)
Attributed to:				
Equity holders of the Company	$	(3,508,666)	$	(4,282,785)
Non-controlling interest (note 13)	$	(65,659)	$	(6,530)
Basic and Diluted Loss Per Share	$	(0.08)	$	(0.13)
Weighted Average Number of Common Shares Outstanding		44,509,035		31,842,424

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

	Capital Stock		Reserves						
	Common Shares	**Amount**	**Warrants**	**Options**	**Equity Portion of Convertible Debentures**	**Obligation to Issue Shares**	**Deficit**	**Non-Controlling Interest**	**Shareholders' Deficiency**
Balance, December 31, 2016	15,599,655	$ 42,689,759	$ 1,219,068	$ 550,604	$ 101,601	$ -	$ (51,768,866)	$ -	$ (7,207,834)
Net loss for the year	-	-	-	-	-	-	(4,282,785)	(6,530)	(4,289,315)
Convertible debentures	-	-	-	-	12,500	-	-	-	12,500
Rights offering, net of issuance costs	15,599,655	1,429,179	-	-	-	-	-	-	1,429,179
Private placement, net of issuance costs	4,047,000	1,707,119	160,996	-	-	-	-	-	1,868,115
Proceeds from common shares to be issued, net of issuance costs	-	-	-	-	-	229,400	-	-	229,400
Exercise of warrants	419	209	-	-	-	-	-	-	209
Expiry of warrants	-	-	(150,482)	-	-	-	150,482	-	-
Expiry of options	-	-	-	(22,912)	-	-	22,912	-	-
Share-based payment	-	-	-	20,204	-	-	-	-	20,204
Net liabilities acquired in transaction	-	-	-	-	-	-	-	(317,765)	(317,765)
Balance, December 31, 2017	35,246,729	$ 45,826,266	$ 1,229,582	$ 547,896	$ 114,101	$ 229,400	$ (55,878,257)	$ (324,295)	$ (8,255,307)
Net loss for the year	-	-	-	-	-	-	(3,508,666)	(65,659)	(3,574,325)
Convertible debentures	-	-	-	-	14,019	-	-	-	14,019
Rights offering, net of issuance costs	12,266,108	1,605,071	162,861	-	-	-	-	-	1,767,932
Private placement, net of issuance costs	6,965,721	1,642,663	30,672	-	-	(229,400)	-	-	1,443,935
Issuance of bonus shares	60,000	12,500	-	-	(12,500)	-	-	-	-
Shares and warrants issued for debt settlement	2,276,225	455,245	96,013	-	-	-	-	-	551,258
Exercise of warrants	3,810	1,905	-	-	-	-	-	-	1,905
Expiry of warrants	-	-	(31,128)	-	-	-	31,128	-	-
Expiry of options	-	-	-	(538,386)	-	-	538,386	-	-
Share-based payment	-	-	-	490,925	-	-	-	-	490,925
Fractional share adjustment	1	-	-	-	-	-	-	-	-
Dilution of interest	-	-	-	-	-	-	336,578	(185,077)	151,501
Balance, December 31, 2018	**56,818,594**	**$ 49,543,650**	**$ 1,488,000**	**$ 500,435**	**$ 115,620**	**$ -**	**$ (58,480,831)**	**$ (575,031)**	**$ (7,408,157)**

See notes to consolidated financial statements.

JACKPOT DIGITAL INC.
Consolidated Statements of Cash Flows
Years Ended December 31
(Expressed in Canadian Dollars)

	2018	2017
Operating Activities		
Net loss	$ (3,574,325)	$ (4,289,315)
Items not affecting cash		
Amortization	931,690	929,520
Interest expense and finance expense	1,069,714	752,934
Unrealized foreign exchange gain (loss)	311,998	(212,065)
Share-based payment	490,925	20,204
Bad debt expense (recovery)	-	(10,629)
Repairs and maintenance (note 8)	174,580	126,817
Loss (gain) on debt settlement	(2,678,332)	702,724
Gain on sale of shares	-	(20,000)
Gain on modification of debt	(8,798)	-
Impairment loss on goodwill	-	1,269,700
Impairment loss on intangible assets	-	387,328
Impairment loss on gaming systems	598,252	73,308
	(2,684,296)	(269,474)
Changes in non-cash working capital (note 21)	437,129	(1,381,001)
Cash Used in Operating Activities	(2,247,167)	(1,650,475)
Financing Activities		
Funds from loan payable	1,420,000	325,000
Repayment of loan payable	(1,240,000)	(100,000)
Funds from related parties	135,650	437,500
Repayment of due to related party	(210,950)	(897,500)
Funds from rights offering	1,767,932	-
Funds from convertible debenture	328,000	-
Issuance of common shares and warrants, net of share issuance costs	1,445,840	3,297,503
Exercise of 37 Capital warrants (note 13)	79,501	-
Proceeds from common shares to be issued	-	229,400
Payment of lease liability (note 16)	(14,880)	-
Repayment of convertible debentures	-	(17,000)
Cash Provided by Financing Activities	3,711,093	3,274,903
Investing Activities		
Purchase of equipment	(5,370)	(5,805)
Purchase of gaming systems	(1,666,013)	(1,245,985)
Proceeds from sale of shares (notes 12 and 13)	72,000	100,000
Cash from acquisition of 37 Capital Inc.	-	1,122
Consideration paid on the transaction with Everi	-	(325,300)
Cash Used in Investing Activities	(1,599,383)	(1,475,968)
Effect of Foreign Currency Translation on Cash	(1,391)	(1,394)
Net Change in Cash and Cash Equivalents	(136,848)	147,066
Cash and Cash Equivalents, Beginning of Year	162,239	15,173
Cash and Cash Equivalents, End of Year	$ 25,391	$ 162,239

Supplemental Cash Flow Information (note 21)

See notes to consolidated financial statements.

1. NATURE OF OPERATIONS

The principal business of Jackpot Digital Inc. (the "Company" or "Jackpot") is the developing, marketing, and leasing of electronic table games to casino operators. The Company's common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "JP" and on the OTCQB under the trading symbol "JPOTF". A certain number of the Company's warrants trade on the TSX-V under the symbol "JP.WT". The Company's common shares are also listed for trading on the Frankfurt and Berlin Exchanges under the symbol "LVH2".

The Company's office is located at Suite 400 – 570 Granville Street, Vancouver, British Columbia, Canada, V6C 3P1, and the Company's warehouse is located at 4664 Lougheed Highway, Unit W030, Burnaby, British Columbia, Canada, V5C 5T5. The Company's registered office is located at Suite 3200-650 West Georgia Street, Vancouver BC V6B 4P7.

Effective April 20, 2018, the Company consolidated its common shares on the basis of 10 pre-consolidation common shares to 1 post-consolidation common share. All the figures as to the number of common shares, stock options, warrants, prices of issued shares, exercise prices of stock options and warrants, as well as loss per share, in the consolidated financial statements are post-consolidation amounts and the prior year comparatives have been retroactively restated to present the post-consolidation amounts.

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 several years (2018 - $3,574,325; 2017 - $4,289,315), as at December 31, 2018 has a deficit of $58,480,831 (2017 - $55,878,257) and a working capital deficiency of $11,434,283 (2017 - $12,221,197). Although the Company recognized revenue of $2,114,575 during the year ended December 31, 2018 (2017 - $3,550,720), it has not recognized net income and there are no assurances that sufficient funding will be available to the Company to continue operations for an extended period of time.

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

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

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").

Effective January 1, 2018, the Company adopted IFRS 9 *Financial Instruments* ("IFRS 9") and IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 9 and 15 were adopted retrospectively with no restatement of comparative periods, as permitted by the transition provisions of each standard.

As a result of the application of IFRS 9, the Company changed its accounting policies for financial assets and impairment thereon, as described in note 4.

As a result of the application of IFRS 15, the Company changed its accounting policies for the recognition of revenue as described in note 4.

(b) Basis of measurement

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

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

(c) Approval of the consolidated financial statements

The consolidated financial statements of Jackpot for the year ended December 31, 2018 were approved and authorized for issue by the Board of Directors on April 29, 2019.

(d) Functional and presentation currency

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

(e) Significant accounting judgments, estimates and assumptions

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

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

3. BASIS OF PRESENTATION (Continued)

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

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

Critical accounting estimates

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

- Recoverability of accounts receivable and allowance for doubtful accounts

  The Company monitors its exposure for credit losses on its customer and related parties receivable balances and the credit-worthiness of the customers and related parties on an ongoing basis and records related allowances for doubtful accounts. Allowances are estimated based upon specific customer and related parties balances, where a risk of default has been identified, and also include a provision for non-customer specific defaults based upon historical experience and aging of accounts. As of December 31, 2018, the Company recorded an allowance for doubtful accounts of $nil (2017 - $nil). If circumstances related to specific customers and related parties change, estimates of the recoverability of receivables could also change.

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

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

- Fair value of equity instruments

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

- Recoverability of asset carrying values

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

3. BASIS OF PRESENTATION (Continued)

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

Critical accounting judgments

- Recovery of deferred tax assets

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

- Debentures

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

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

- Modification verses extinguishment of financial liability

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

- Development expenditures

  The application of the Company's accounting policy for development expenditures requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If new information suggests future economic benefits are unlikely, the amount capitalized in excess over the recoverable value is written off to profit or loss in the period the new information becomes available. As at December 31, 2018 and 2017, no development expenditures have been capitalized.

- Functional currency

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

3. BASIS OF PRESENTATION (Continued)

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

- Business combination or asset acquisition

  Management has had to apply judgments relating to the asset purchase transaction with the acquisition of 37 Capital Inc. (“37 Capital”) (note 13) with respect to whether the acquisitions 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 the acquisition in order to reach a conclusion.

- Fair value of assets acquired in a business combination

  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 judgment and include estimates of future cash flows.

- Assessment of control

  In determining whether the Company controls 37 Capital, management is required to consider and assess the definition of control in accordance with IFRS 10 *Consolidated Financial Statements*. There is judgment required to determine when and whether the rights of the Company result in control of 37 Capital.

- Determination of cash-generating units (“CGU”)

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

- Going concern assumption

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

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company include the following:

(a) Principles of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are taken into account. The financial statements of the Company's wholly owned subsidiaries, Jackpot Digital (NV), Inc. (incorporated in the USA), Touche Capital Inc. (incorporated in British Columbia) and partially owned subsidiary, 37 Capital, 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.

On November 2, 2017, the Company obtained control of 37 Capital (note 13). Non-controlling interests in the net assets of consolidated partially owned 37 Capital are identified separately from the Company's deficiency. The non-controlling interest consists of the non-controlling interest as at the date of the original acquisition plus the non-controlling interest's share of changes in deficiency since the date of acquisition.

(b) Cash and cash equivalents

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

(c) Financial instruments

Change in accounting policy

The Company adopted the new accounting standard IFRS 9 *Financial Instruments* effective January 1, 2018 using the modified retrospective approach. The Company has not restated comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9 and accordingly, the comparative information for the year ended December 31, 2017 is presented under IAS 39 *Financial Instruments: recognition and measurement*. There were no changes to the carrying value of any of the Company's financial assets or liabilities as a result of this new accounting standard.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (continued)

The Company did a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	January 1, 2018	
	IAS 39	**IFRS 9**
Financial Asset		
Cash and cash equivalents	Fair value through profit and loss (“FVTPL”)	FVTPL
Accounts receivable	Amortized cost	Amortized cost
Financial Liability		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Loans payable	Amortized cost	Amortized cost
Due to related parties	Amortized cost	Amortized cost
Loan payable with Everi	Amortized cost	Amortized cost
Interest payable	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost
Non-convertible secured debentures	Amortized cost	Amortized cost
Refundable subscription	Amortized cost	Amortized cost

Financial assets

(i) Recognition and measurement of financial assets

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

(ii) Classification of financial assets

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

Financial assets measured at amortized cost

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (continued)

(ii) Classification of financial assets (continued)

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

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

A financial asset measured at fair value through other comprehensive income is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included as "financial asset at fair value through other comprehensive income" in other comprehensive income. Accumulated gains or losses recognized through other comprehensive income are directly transferred to deficit when the financial instrument is derecognized or its fair value substantially decreases.

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

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

(iii) Derecognition of financial assets

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

Financial liabilities

(i) Recognition and measurement of financial liabilities

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

(ii) Classification of financial liabilities

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (continued)

(ii) Classification of financial liabilities (continued)

Financial liabilities measured at amortized cost

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

Financial liabilities measured at fair value through profit or loss

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

(iii) Derecognition of financial liabilities

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

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

Impairment of financial assets

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

(d) Research and development

Research costs are expensed as incurred. Costs related to the development of software and gaming systems are expensed as incurred unless such costs meet the criteria for deferral and amortization under IFRS. The criteria include 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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Gaming systems and equipment

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

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

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

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

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

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

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

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

(f) Intangible assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets (continued)

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

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

Intellectual property	- 5 years
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 requires judgment in the determination of the fair value of assets and liabilities. Goodwill is allocated to the Company's CGUs or group of CGUs 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 on December 31.

(h) Impairment of non-financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment of non-financial assets (continued)

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

(i) Revenue recognition

Change in accounting policy

The Company adopted the requirements of IFRS 15 *Revenue from Contracts with Customers* effective January 1, 2018, which replaces IAS 18 *Revenue* using the modified retrospective approach. The Company reviewed its revenue streams and major contracts with customers using the IFRS 15 five step model as follows:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price, which is the total consideration provided by the customer;
- allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- recognize revenue when the relevant criteria are met for each performance obligation.

The adoption of IFRS 15 did not result in any changes to the Company's accounting policies for revenue recognition and therefore, did not result in any transitional adjustments to the Company's consolidated financial statements.

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

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 performance obligations identified in the license agreement are satisfied.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (continued)

(ii) 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, as the performance obligations are satisfied, over the contract term. For leases with participation features, where consideration varies based on the monthly amount of revenue earned by the customer, revenue is generally recognized on a monthly basis as the lease price for each period becomes fixed and determinable. To the extent that installation and training services are provided in a lease arrangement, those professional services are treated as separate units of accounting and the allocated amounts are recognized as those services are delivered, limited to the amount that is not contingent upon the delivery of future services.

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

(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.

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.

(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.

(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.

(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 consideration other than cash are valued at the fair value of assets received or services rendered. If the fair value of assets received or services rendered cannot be reliably measured, shares issued for consideration will be valued at the quoted market price at the date of issuance.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Capital stock (continued)

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 profit or loss for the year.

(o) Leases

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value and present value of the minimum lease payments at inception of the lease, less accumulated amortization and impairment losses. The corresponding liability is recognized as a lease liability. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining liability. Finance charges are recorded as a finance expense within profit and loss, unless they are attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefit from the leased asset are consumed, in which case that systematic basis is used. Operating lease payments are recorded within profit and loss unless they are attributable to qualifying assets, in which case they are capitalized.

(p) New accounting pronouncements

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published, but are not yet effective, and have not been early-adopted by the Company. The Company has assessed the impact of this new pronouncement on its consolidated financial statements below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) New accounting pronouncements (continued)

IFRS 16 *Leases*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The main features of the new standard are as follows:

- An entity identifies as a lease a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- A lessee recognizes an asset representing the right to use the leased asset, and a liability for its obligation to make lease payments. Exceptions are permitted for short-term leases and leases of low-value assets.
- A lease asset is initially measured at cost, and is then depreciated similarly to property, plant and equipment. A lease liability is initially measured at the present value of the unpaid lease payments.
- A lessee presents interest expense on a lease liability separately from depreciation of a lease asset in the statement of profit or loss and other comprehensive income.
- A lessor continues to classify its leases as operating leases or finance leases, and to account for them accordingly.
- A lessor provides enhanced disclosures about its risk exposure, particularly exposure to residual-value risk.

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

The impact of this new standard will result in an additional right of use asset of $255,558 and a corresponding lease liability of $255,558 included in the consolidated balance sheet. The asset will be amortized over the term of the remaining lease period and the liability will be discounted at a rate of 10%.

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, accounts receivable, payable to Everi, loans payable, due to related parties, interest payable, and refundable subscription approximate their carrying values due to the short-term maturity of these instruments. The non-convertible secured debentures and convertible debentures are classified as Level 3 financial instruments.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(b) Fair value of financial instruments (continued)

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

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

(c) Credit risk

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

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and cash equivalents, and accounts receivable. The Company mitigates its exposure to credit loss associated with cash by placing its cash and cash equivalents in a major financial institution. The Company's cash and cash equivalents as at December 31, 2018 and 2017 are as follows:

		2018		2017
Cash and Cash Equivalents consists of:				
Cash	$	8,141	$	144,989
Term deposit		17,250		17,250
	$	25,391	$	162,239

As at December 31, 2018, the Company had cashable term deposits of $17,250 (2017 - $17,250) readily convertible into cash, maturing July 31, 2019 with an annual interest rate of 0.60%.

To mitigate credit risk on the Company's trade receivables, the Company regularly reviews the collectability of the accounts receivable to ensure there is no indication that these amounts will not be fully recoverable. As at December 31, 2018, the Company had receivables from one customer representing 90% (2017 - 67%) of total trade receivables. In addition, as at December 31, 2018, allowance for doubtful accounts is $nil (2017 - $nil) and 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, 2018, the Company has cash and cash equivalents of $25,391 (2017 - $162,239) available to apply against short-term business requirements and current liabilities of $11,885,163 (2017 - $12,699,877). All of the liabilities presented as accounts payable and accrued liabilities and due to related parties are due within 90 days of December 31, 2018. As at December 31, 2018, all of the Company's debentures and loans have reached maturity. The Company will be required to raise additional capital in order to fund operations for the next twelve months.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(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 and has significant financial assets and liabilities denominated in US dollars. The Company has not entered into any foreign currency contracts to mitigate this risk. As at December 31, 2018 and 2017, 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)	
	2018	**2017**
Cash (cheques issued in excess of funds on deposit)	$ (35)	$ 42,434
Accounts receivable	343,847	237,906
Prepaid expenses	20,265	541,124
Accounts payable and accrued liabilities	(331,788)	(189,882)
Interest payable	(992,142)	(514,544)
Loan payable with Everi	(1,862,484)	(4,818,980)
Non-convertible secured debentures	(3,379,003)	(2,854,790)
Net financial liability	$ (6,201,340)	$ (7,556,732)

Based upon the above net exposure as at December 31, 2018 and assuming all other variables remain constant, a 4% depreciation or appreciation of the US dollar relative to the Canadian dollar would result in a change of approximately $248,054 (2017 - $302,269) in the Company's consolidated net loss and comprehensive loss.

(ii) Interest rate risk

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

As at December 31, 2018, the interest rate on the non-convertible secured debentures, loans payable, and convertible debenture balances have fixed interest rates. As such, the Company is exposed to interest rate price risk to the extent of these financial liabilities.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(e) Market risk (continued)

(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. LOAN PAYABLE 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 (formerly Multimedia Games, Inc.), whereby the Company purchased the assets of the PokerTek business unit of Everi, including gaming systems (parts and tables), software, patents and all the licensing contracts with third parties related to the PokerTek business unit (the “Transaction”).

Pursuant to the Agreement, the consideration includes 750,000 warrants. Each warrant entitles the holder to purchase 1 common share of the Company for $2.00 over a period of five years starting on August 10, 2015 being the “Closing Date” of the Transaction. The consideration includes “Cash Consideration” of which the amount is contingent on when it is paid:

- US$5,400,000 if paid by September 30, 2015;
- US$6,000,000 if paid by December 31, 2015;
- US$7,500,000 if paid after December 31, 2015.

The Company paid $2,669,000, or US$2,000,000, cash consideration and issued 750,000 warrants on the Closing Date. In 2016, the Company increased the payable to Everi by $437,085 with a charge against profit or loss to recognize the change in total Cash Consideration payable to US$7,500,000. In addition, during 2016, the Company paid Everi $738,485, or US$550,000, and during 2017, the Company paid Everi $325,300, or US$250,000.

On December 22, 2017, the Company entered into a debt settlement agreement with Everi whereby the Company and Everi agreed to settle the Company’s outstanding debt of US $3,862,105 by making a payment to Everi of US$1,762,105 on or before March 15, 2018, and by reducing the exercise price of the 750,000 warrants from $2.00 per share purchase warrant to $0.50 per share purchase warrant on or before January 22, 2018. The Company obtained the approval of the TSX-V for the reduction of the price of the share purchase warrants to $0.50 per share purchase warrant on January 19, 2018, however, the Company did not make the required payment to settle the outstanding debt by March 15, 2018.

6. LOAN PAYABLE WITH EVERI HOLDINGS INC. (Continued)

On October 18, 2018, the Company entered into an amendment to the previously executed debt settlement agreement (the "New Debt Settlement Agreement") with Everi. The New Debt Settlement Agreement has been accepted by the TSX-V. Pursuant to the New Debt Settlement Agreement, the Company's outstanding debt to Everi in the amount of US $3,805,355 has been reduced to US$1,355,355 which shall bear simple interest at the rate of 8% per annum and which shall be payable eighteen months after the effective date of the New Debt Settlement Agreement. In consideration for the elimination and reduction of the debt by a total amount of US$2,450,000 ($3,229,590) the Company has granted to Everi 1,000,000 common share purchase warrants in the capital of the Company which are exercisable at the price of $0.35 per common share for a period of two years, and the Company has issued to Everi as fully paid and non-assessable 2,276,225 common shares in the capital of the Company at a deemed price of $0.20 per share. The Company recorded the settlement using the fair value of the equity instruments issued of $551,258, and accordingly recognized a gain on debt settlement of $2,678,332 during the year ended December 31, 2018. The securities that have been issued to Everi are subject to a hold period in accordance with the applicable securities laws.

As at December 31, 2018, the Company has a payable to Everi of $1,862,484, (US$1,365,257) (2017 - $4,818,980; US$3,841,355).

7. EQUIPMENT

	Warehouse Equipment	Computer Equipment	Office Furniture	Total
Cost				
Balance at December 31, 2016	$ -	$ 133,887	$ 21,400	$ 155,287
Additions	-	2,125	3,680	5,805
Balance at December 31, 2017	-	136,012	25,080	161,092
Additions	43,007	5,370	-	48,377
Balance at December 31, 2018	$ 43,007	$ 141,382	$ 25,080	$ 209,469
Accumulated Amortization				
Balance at December 31, 2016	$ -	$ 75,011	$ 17,917	$ 92,928
Amortization expense	-	15,941	1,145	17,086
Balance at December 31, 2017	-	90,952	19,062	110,014
Amortization expense	6,037	12,198	1,099	19,334
Balance at December 31, 2018	$ 6,037	$ 103,150	$ 20,161	$ 129,348
Carrying Amounts				
December 31, 2017	$ -	$ 45,060	$ 6,018	$ 51,078
December 31, 2018	$ 36,970	$ 38,232	$ 4,919	$ 80,121

Amortization expense for assets held under lease as at December 31, 2018 was $6,037 (2017 - $nil). The net carrying amount of assets held under lease was $36,970 (2017 - $nil).

8. GAMING SYSTEMS

Parts as at December 31, 2018 and 2017 consist of the following:

Balance at December 31, 2016	$	387,504
Additions		644,390
Transfer to gaming tables		(444,448)
Parts used for repairs and maintenance		(126,817)
Impairment loss		(58,302)
Balance at December 31, 2017		402,327
Additions		2,313,877
Transfer to gaming tables		(1,699,366)
Parts used for repairs and maintenance		(174,580)
Impairment loss		(46,596)
Balance at December 31, 2018	$	795,662

Gaming tables at December 31, 2018 and 2017 consist of the following:

Cost		
Balance at December 31, 2016	$	1,665,296
Transfer from parts		444,448
Impairment loss		(22,787)
Salaries		61,271
Balance at December 31, 2017		2,148,228
Transfer from parts		1,699,366
Impairment loss		(1,165,521)
Salaries		65,022
Balance at December 31, 2018	$	2,747,095
Accumulated Amortization		
Balance at December 31, 2016	$	396,828
Amortization expense		253,354
Impairment loss		(7,781)
Balance at December 31, 2017		642,401
Amortization expense		458,609
Impairment loss		(613,865)
Balance at December 31, 2018	$	487,145
Carrying Amounts		
December 31, 2017	$	1,505,827
December 31, 2018	$	2,259,950

As at December 31, 2018, the Company had paid a deposit of $20,265 for Parts (2017 - $571,683), which were received in 2019.

9. INTANGIBLE ASSETS

	Intellectual Property	Customer Relationships	Acquired Software	Patents	Total
Cost					
Balance at December 31, 2016	$ 752,194	$ 2,633,777	253,555	$ 173,485	$ 3,813,011
Impairment loss	(387,328)	-	-	-	(387,328)
Balance at December 31, 2017	364,866	2,633,777	$ 253,555	173,485	3,425,683
Balance at December 31, 2018	$ 364,866	$ 2,633,777	$ 253,555	$ 173,485	$ 3,425,683
Accumulated Amortization					
Balance at December 31, 2016	$ 215,306	$ 583,733	$ 117,632	$ 80,485	$ 997,156
Amortization expense	149,560	367,172	84,520	57,828	659,080
Balance at December 31, 2017	364,866	950,905	202,152	138,313	1,656,236
Amortization expense	-	367,172	51,403	35,172	453,747
Balance at December 31, 2018	$ 364,866	$ 1,318,077	$ 253,555	$ 173,485	$ 2,109,983
Carrying Amounts					
December 31, 2017	$ -	$ 1,682,872	$ 51,403	$ 35,172	$ 1,769,447
December 31, 2018	$ -	$ 1,315,700	$ -	$ -	$ 1,315,700

As at December 31, 2018, the Company determined there were indicators of impairment given the actual revenue from the electronic gaming tables CGU was lower than budgeted and a forecast decline in cash flow projections. The Company performed impairment tests on its electronic gaming tables CGU and determined that the recoverable amount exceeded the carrying amount. As such, there was no impairment loss recorded during the year ended December 31, 2018.

As at December 31, 2017, the Company determined there were indicators of impairment given the actual revenue from the electronic gaming tables CGU was lower than budgeted and a forecast decline in cash flow projections. The Company performed impairment tests on its electronic gaming tables CGU and determined that the carrying amounts exceeded the recoverable amounts. Accordingly, an impairment loss of $387,328 was recognized. The recoverable amounts have been determined using Level 3 inputs, based on value-in-use calculation using pre-tax cash flow projections from financial budgets approved by senior management for 2018, forecasts over a three-year period based on management's best estimates, a 2% growth rate during 2017, and a pre-tax discount rate of 23% during 2017.

10. GOODWILL

Goodwill as at December 31, 2018 and 2017 is as follows:

Balance at December 31, 2016	$	1,269,700
Impairment loss		(1,269,700)
Balance at December 31, 2017 and 2018	$	-

The Company performs an annual impairment test of goodwill at December 31. The Company determined there were indicators of impairment given the actual revenue from the electronic gaming tables CGU was lower than budgeted and a forecast decline in cash flow projections. The recoverable amount has been determined using Level 3 inputs, based on value-in-use calculation using pre-tax cash flow projections from financial budgets approved by senior management for 2018, forecasts over a three-year period based on management's best estimates, a 2% growth rate during 2017, and a pre-tax discount rate of 23% during 2017.

The most significant assumptions used in the impairment calculation are the discount rate and the estimates used in determining future expected cash flows. Following the impairment test, it was determined that the carrying value of the Company's goodwill exceeded the recoverable amount. Accordingly, the Company recorded an impairment loss of $1,269,700 during 2017.

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

Effective April 20, 2018, the Company consolidated its common shares on the basis of 10 pre-consolidation common shares to 1 post-consolidation common share. All the figures as to the number of common shares, stock options, warrants, prices of issued shares, exercise prices of stock options and warrants, are post-consolidation amounts.

As of December 31, 2018, there are 56,818,594 common shares issued and outstanding.

11. CAPITAL STOCK (Continued)

(b) Issued and outstanding (continued)

Common shares (continued)

During the year ended December 31, 2018, the following transactions occurred:

i) On November 8, 2018, the Company closed the second tranche of the non-brokered private placement which was announced on September 28, 2018 and which consists of 1,712,500 units of the Company at a price of $0.20 per unit for total gross proceeds to the Company of $342,500. Of the gross proceeds, $342,500 has been allocated to capital stock and $nil has been allocated to warrant reserve. Each unit consists of one common share of the Company and one non-transferable share purchase warrant to acquire an additional common share of the Company at the price of $0.25 for a period of 3 years. The Company issued in aggregate 195,312 common shares fair valued at $39,062 as finder's fees to arm's length parties. A company controlled by two directors and officers of the Company subscribed for 150,000 units in the private placement. All the securities that have been issued in connection with this private placement are subject to a hold period which expires on March 9, 2019.

ii) On October 29, 2018, the Company closed the first tranche of the non-brokered private placement which was announced on September 28, 2018 and which consists of 3,185,800 units of the Company at a price of $0.20 per unit for total gross proceeds to the Company of $637,160. Of the gross proceeds, $637,160 has been allocated to capital stock and $nil has been allocated to warrant reserve. Each unit consists of one common share of the Company and one non-transferable share purchase warrant to acquire an additional common share of the Company at the price of $0.25 for a period of 3 years. The Company issued in aggregate 384,475 common shares fair valued at $76,895 as finder's fees to arm's length parties. A director and officer of the Company subscribed for 110,000 units in the private placement. All the securities that have been issued in connection with this private placement are subject to a hold period which expires on March 1, 2019.

iii) On June 18, 2018, the Company completed its rights offering and issued 12,266,108 units of the Company's securities for gross proceeds of $1,839,916. Each unit consists of one common share and one Rights Offering Warrant. Each Rights Offering Warrant entitles the holder to purchase one additional common share at a price of $0.50 until January 20, 2022. The Rights Offering Warrants trade on the TSX-V. Additionally, in respect to the rights offering, the Company incurred share issuance costs of $71,984 and the stand-by guarantors received bonus warrants entitling them to purchase a total of 1,478,601 common shares of the Company exercisable at a price of $0.50 per share until June 22, 2023. The bonus warrants were fair valued at $162,861.

iv) On January 24, 2018, the Company closed a non-brokered private placement, which consists of 389,000 units of the Company at a price of $0.50 per unit for gross proceeds of $194,500. Of the gross proceeds, $194,500 has been allocated to capital stock and $nil has been allocated to warrant reserve. Each unit consists of one common share of the Company and one non-transferable share purchase warrant to acquire an additional common share of the Company at the price of $0.60 for a period of five years. The Company incurred share issuances costs of $12,000 and issued 24,000 broker options fair valued at $13,209. The broker options are exercisable at $0.50 per broker option for two years. Each broker option consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable at $0.60 per share for two years.

11. CAPITAL STOCK (Continued)

(b) Issued and outstanding (continued)

Common shares (continued)

(v) On January 3, 2018, the Company closed the non-brokered private placement financing, which was announced on December 21, 2017 and consists of 1,053,550 units of the Company at $0.50 per unit for gross proceeds of $526,775. Of the gross proceeds, $526,775 has been allocated to capital stock and $nil has been allocated to warrant reserve. Each unit consists of one common share of the Company and one non-transferable share purchase warrant to acquire an additional common share of the Company at the price of $0.60 for a period of five years. The Company incurred share issuance costs of $15,600 and issued 45,084 finder's units fair valued at $22,542, 45,084 broker warrants fair valued at $nil and 31,200 broker options fair valued at $17,463. The broker warrants are exercisable at $0.60 per share for a period of two years. The broker options are exercisable at $0.50 per broker option for two years. Each broker option consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable at $0.60 per share for two years.

During the year ended December 31, 2017, the following transactions occurred:

(i) In December 2017, the Company received $245,000 in subscription funds in advance of a private placement financing. Share issuance costs of $15,600 were incurred on this placement. In January 2018, the Company closed the private placement.

(ii) On November 28, 2017 and December 1, 2017, the Company closed a non-brokered private placement financing in two tranches which consists of 1,150,000 units of the Company at a price of $0.50 per unit for gross proceeds of $575,000. Of the gross proceeds, $517,500 has been allocated to capital stock and $57,500 has been allocated to warrant reserve. Each unit consists of one common share of the Company and one non-transferable share purchase warrant to acquire an additional common share of the Company at the price of $0.60 for a period of five years. The Company issued 98,000 finder's shares fair valued at $49,000 and 22,000 brokers warrants fair valued at $4,764. The broker warrants are exercisable at $0.60 per share for a period of two years.

(iii) On September 13, 2017, the Company closed the second and final tranche of the non-brokered private placement financing which was announced on August 10, 2017 which consists of 346,000 units of the Company at $0.50 per unit for gross proceeds of $173,000. Of the gross proceeds, $173,000 has been allocated to capital stock and $nil has been allocated to warrant reserve. Each unit consists of one common share of the Company and one non-transferable share purchase warrant to acquire an additional common share of the Company at the price of $0.60 per share for a period of five years. The Company issued 23,000 finder's shares fair valued at $11,500 and 3,750 broker warrants fair valued at $1,152. The broker warrants are exercisable at $0.60 per share for two years. Additional share issuance costs of $876 were incurred on this placement.

11. CAPITAL STOCK (Continued)

(b) Issued and outstanding (continued)

Common shares (continued)

(iv) On August 21, 2017, the Company closed the first tranche of the non-brokered private placement financing, which was announced on August 10, 2017 and consists of 700,000 units of the Company at a price of $0.50 per unit for gross proceeds of $350,000. Of the gross proceeds, $350,000 has been allocated to capital stock and $nil has been allocated to warrant reserve. Each unit consists of one common share of the Company and one non-transferable share purchase warrant to acquire an additional common share of the Company at the price of $0.60 per share for a period of five years. The Company issued 70,000 finder's shares fair valued at $35,000 and 17,500 brokers warrants fair valued at $6,713. The broker warrants are exercisable at $0.60 per share for two years. Additional share issuance costs of $9,009 were incurred on this placement.

(v) On July 27, 2017, the Company closed a non-brokered private placement financing, which was announced in June 2017 and consists of 1,560,000 units of the Company at a price of $0.50 per unit for gross proceeds of $780,000. Of the gross proceeds, $702,000 has been allocated to capital stock and $78,000 has been allocated to warrant reserve. Each unit consists of one common share of the Company and one transferable share purchase warrant to acquire an additional common share of the Company at the price of $0.50 ("Warrants"). The Warrants have the same terms and conditions as the warrants that were issued by the Company pursuant to the rights offering, which completed on January 20, 2017 (the "Rights Offering Warrants").

The Warrants trade on the TSX-V under the trading symbol "JP.WT". The Company issued 100,000 finder's shares fair valued at $50,000 and 40,000 brokers warrants fair valued at $12,867. The broker warrants are exercisable at $0.50 per share for two years.

(vi) On January 20, 2017, the Company completed its rights offering and issued 15,599,655 units comprised of 15,599,655 common shares and Rights Offering Warrants to purchase up to an additional 15,599,655 common shares for gross proceeds of $1,559,966. Each Rights Offering Warrant entitles the holder to purchase one additional common share at a price of $0.50 for a period of five years. The Rights Offering Warrants trade on the TSX-V. Additionally, the stand-by guarantors received bonus warrants entitling them to purchase a total of 3,237,500 common shares of the Company equal to 25% of the total number of units the stand-by guarantors had agreed to purchase under the stand-by commitments, exercisable at a price of $0.50 per share for a period of five years. Share issuance costs of $130,787 were incurred on the rights offering.

11. CAPITAL STOCK (Continued)

(c) Warrants

Warrants activity for the years ended December 31, 2018 and 2017 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2016	13,687,131	$ 1.10
Issued	22,676,406	$ 0.50
Exercised	(419)	$ 0.50
Expired	(5,980,988)	$ 1.00
Balance, December 31, 2017	30,382,130	$ 0.70
Issued	21,175,727	$ 0.44
Exercised	(3,810)	$ 0.50
Expired	(3,537,500)	$ 1.00
Balance, December 31, 2018	48,016,547	$ 0.55

Compound warrants activity for the years ended December 31, 2018 and 2017 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2017	-	$ -
Issued	55,200	$ 0.50
Balance, December 31, 2018	55,200	$ 0.50

11. CAPITAL STOCK (Continued)

(c) Warrants (continued)

At December 31, 2018 and 2017, the following warrants and compound warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants 2018	2017
January 30, 2018	$ 1.00	-	1,437,500
March 25, 2018	$ 1.00	-	1,500,000
April 28, 2018	$ 1.00	-	600,000
February 27, 2019	$ 1.00*	850,000	850,000
March 3, 2019	$ 1.00*	397,143	397,143
March 9, 2019	$ 1.00*	271,500	271,500
April 17, 2019	$ 1.00*	1,150,000	1,150,000
July 27, 2019	$ 0.50	40,000	40,000
August 21, 2019	$ 0.60	17,500	17,500
September 13, 2019	$ 0.60	3,750	3,750
November 28, 2019	$ 0.60	14,500	14,500
December 1, 2019	$ 0.60	7,500	7,500
January 3, 2020	$ 0.60	90,168	-
January 3, 2020	$ 0.50**	31,200	-
January 24, 2020	$ 0.50**	24,000	-
August 4, 2020	$ 2.00	750,000	750,000
August 10, 2020	$ 0.50***	750,000	750,000
November 19, 2020	$ 0.35	1,000,000	-
October 29, 2021	$ 0.25	3,185,800	-
November 8, 2021	$ 0.25	1,712,500	-
January 20, 2022	$ 0.50	17,155,427	17,159,237
January 20, 2022	$ 0.50	3,237,500	3,237,500
January 20, 2022	$ 0.50	12,266,108	-
August 21, 2022	$ 0.60	700,000	700,000
September 13, 2022	$ 0.60	346,000	346,000
November 28, 2022	$ 0.60	850,000	850,000
December 1, 2022	$ 0.60	300,000	300,000
January 3, 2023	$ 0.60	1,053,550	-
January 24, 2023	$ 0.60	389,000	-
June 22, 2023	$ 0.50	1,478,601	-
	$ 0.55	48,071,747	30,382,130

* The expiry of these warrants has been extended for a further two-year period from 2017 to 2019.

** Entitle the Holder to purchase one unit at $0.50 per unit. Each Unit shall consist of one common share and one share purchase warrant. Each warrant is exercisable at $0.60 per share for two years.

*** The exercise price has been reduced from $2.00 to $0.50 per share.

11. CAPITAL STOCK (Continued)

(c) Warrants (continued)

The weighted average remaining contractual life for warrants outstanding at December 31, 2018 is 2.92 (2017 – 3.33) years.

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

The fair value of each warrant issued during the years ended December 31, 2018 and 2017 was calculated using the following weighted average assumptions:

	2018	2017
Expected life (years)	3	2
Grant date fair value per share	$0.11	$0.30
Interest rate	1.95%	1.32%
Volatility	114%	124%
Dividend yield	0.00%	0.00%

(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, 2018, there are 781,859 (2017 – 2,158,673) 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, 2018 and 2017. 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, 2016	1,447,000	$ 0.60
Issued	129,000	$ 0.50
Expired	(210,000)	$ 0.60
Balance, December 31, 2017	1,366,000	$ 0.60
Issued	4,800,000	$ 0.18
Expired	(1,266,000)	$ 0.60
Balance, December 31, 2018	4,900,000	$ 0.19

11. CAPITAL STOCK (Continued)

(d) Stock options (continued)

At December 31, 2018 and 2017, the following stock options were outstanding and exercisable:

Exercise Price	Expiry Date	Outstanding 2018	Exercisable 2018	Outstanding 2017	Exercisable 2017
$ 0.60	May 14, 2018	-	-	1,237,000	1,237,000
$ 0.50	February 7, 2020	-	-	3,000	750
$ 0.55	September 11, 2020	-	-	20,000	5,000
$ 0.60	September 19, 2020	-	-	3,000	750
$ 0.50	November 1, 2020	100,000	75,000	100,000	25,000
$ 0.50	December 1, 2020	3,000	2,250	3,000	750
$ 0.18	August 28, 2021	4,747,000	1,186,750	-	-
$ 0.18	August 28, 2020	50,000	12,500	-	-
		4,900,000	1,276,500	1,366,000	1,269,250

The weighted average remaining contractual life for options outstanding at December 31, 2018 is 2.63 (2017 – 0.6) 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 $485,099 (2017 - $16,862) were recognized as salaries expense and $5,826 (2017 - $3,342) was recognized as consulting fees for options granted to consultants.

The fair value of each option grant during the years ended December 31, 2018 and 2017 was calculated using the following weighted average assumptions:

	2018	**2017**
Expected life (years)	3	3
Grant date fair value per share	$0.18	$0.40
Interest rate	2.11%	1.40%
Volatility	118%	121%
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% (2017 – 0%) in determining the expense recorded in the accompanying consolidated statements of comprehensive loss.

12. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the consolidated financial statements, related party transactions for the years ended December 31, 2018 and 2017 are as follows.

During the years ended December 31, 2018 and 2017, the Company incurred the following related party transactions:

	2018	2017
Rent recovered from entities with common directors	$ -	$ (28,627)
Office and other expenses recovered from entities with common directors	$ -	$ (85,661)
Interest charged on amounts due to related parties	$ 4,044	$ 9,420

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management personnel include the CEO, CFO and COO of the Company. The remuneration of key management personnel during the years ended December 31, 2018 and 2017 is as follows:

	2018	2017
Management fees (note 19)	$ 396,000	$ 396,000
Salaries and benefits	302,011	272,126
Share-based payments	250,507	-
Total key management personnel compensation	$ 948,518	$ 668,126

Due to related parties

During the year ended months ended December 31, 2018, the Company:

(a) Entered into three unsecured promissory notes with a director of the Company for an aggregate amount of $43,000, bearing interest rate of 10% per annum and due on demand. As at December 31, 2018, the Company fully repaid the promissory notes and accrued interest totaling $43,086.

(b) Entered into an unsecured promissory note with a family member of two directors of the Company for the amount of $75,000, bearing interest rate of 10% per annum and due on demand. As at December 31, 2018, the Company fully repaid the promissory note and accrued interest totaling $76,397.

12. RELATED PARTY TRANSACTIONS (Continued)

During the year ended December 31, 2017, the Company:

(a) Entered into two unsecured loans with a director for the amount $2,500, bearing interest rate of prime plus 1% per annum and due on demand. As at December 31, 2017, the Company fully repaid the loan and accrued interest totaling $2,513.

(b) Entered into seven unsecured promissory notes with a company owned by a director of the Company for an aggregate amount of $255,500, bearing interest rate of 10% per annum and due on demand. As at December 31, 2017, the Company repaid certain promissory notes and accrued interest totaling $199,555. During the year ended December 31, 2018, the Company fully repaid the promissory notes and accrued interest totaling $65,129.

(c) Entered into an unsecured promissory note with a company owned by two directors of the Company for the amount of $9,500, bearing interest rate of 10% per annum and due on demand. As at December 31, 2017, the Company fully repaid the promissory note and accrued interest totaling $9,575.

(d) Entered into two unsecured promissory notes with a family member of two directors of the Company for the amount of $170,000, bearing interest rate of 10% per annum and due on demand. As at December 31, 2017, the Company fully repaid the promissory notes and accrued interest totaling $170,441.

Transaction with Green Arrow Resources Inc.

During the year ended December 31, 2017, the Company and two third parties (the “Assignees”) entered into assignment of debt agreements whereby $53,147 of the $153,147 outstanding receivable owed from Green Arrow Resources Inc. (“Green Arrow”) be paid in cash by the Assignees (received). Subsequently, the Company received 2,000,000 common shares of Green Arrow fair valued at $80,000 to settle the remaining $100,000 receivable, $30,629 of which was recorded as a bad debt expense during fiscal year 2016. The Company recorded a $10,629 recovery of bad debt expense during the year ended December 31, 2017. The Company disposed of the Green Arrow shares for proceeds of $100,000 and recorded a gain on sale of $20,000. Green Arrow and the Company ceased to be related parties in November 2017.

13. TRANSACTION WITH 37 CAPITAL INC.

On October 23, 2017, the Company and 37 Capital entered into a debt settlement agreement whereby on November 2, 2017, 37 Capital issued 4,249,985 units of 37 Capital to the Company as full settlement of the $382,498 balance owed (the “Transaction”). Each 37 Capital unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable at $0.12 per share until November 2, 2022.

As a result of the Transaction, the Company acquired a controlling interest of 65% of 37 Capital’s then issued and outstanding shares and began to consolidate the results of 37 Capital from November 2, 2017. The Company recorded the Transaction using the fair value of the receivable, as well as the units received and the net liabilities acquired, and accordingly recognized loss of debt settlement $702,724 during the year ended December 31, 2017.

13. TRANSACTION WITH 37 CAPITAL INC. (Continued)

The fair value of 37 Capital's net liabilities at the date of acquisition were as follows:

Cash	$	1,122
GST receivable		2,964
Mineral property		1
Investment		1
Accounts payable and accrued liabilities		(228,684)
Interest payable		(142,941)
Loan payable		(103,924)
Due to related parties		(104,150)
Convertible debt		(361,024)
Net liabilities	$	(936,635)

The carrying value of the non-controlling interest is determined as follows:

Proportionate share of identifiable net liabilities of 37 Capital on acquisition	$	(317,765)
Share of post-acquisition loss for the period		(6,530)
Balance at December 31, 2017		(324,295)
Share of post-acquisition loss for the year		(65,659)
Increase in interest		(185,077)
Balance at December 31, 2018	$	(575,031)

During the year ended December 31, 2018, the Company entered into a Purchase & Sale Agreement with an arm's length party whereby the Company sold to the arm's length party 800,000 units in the capital of 37 Capital for a cash payment of $72,000. As at December 31, 2018, the Company has a controlling interest of approximately 49% of 37 Capital's issued and outstanding shares and recorded $185,077 in non-controlling interest as a result of the decrease in interests of 37 Capital.

37 Capital holds a 33% interest in the Extra High Claims located in British Columbia with a carrying value of $1. The Extra High Claims expire on December 25, 2019.

In April 2013, 37 Capital entered into an agreement with a Mexican gaming company whereby as at December 31, 2013, 37 Capital invested $800,000 in the Mexican gaming company. As at December 31, 2014, 37 Capital assessed the fair value of its investment in the Mexican gaming company to be $1. Management has determined there has been no change in fair value of this investment as at December 31, 2018.

During the year ended December 31, 2016, 37 Capital cancelled subscription agreements of non-brokered private placement totaling $45,000 and refunded $35,000. As at December 31, 2018, $10,000 remains outstanding to be repaid (2017 - $10,000).

14. SALARIES AND BENEFITS

The Company included research and development costs in salaries and benefits in the consolidated statements of comprehensive loss for the years ended December 31, 2018 and 2017 as follows:

	2018	2017
Administrative salaries and benefits	$ 888,805	$ 378,455
Operational salaries	542,097	292,165
Research and development salaries	636,374	672,677
	$ 2,067,276	$ 1,343,297

15. LOANS PAYABLE AND DEBENTURES

Loans payable

During the year ended December 31, 2018, the Company:

(a) Entered into a loan agreement with an arm's length party for the amount of $100,000, with a term of 12 months, bears interest at the rate of 10% per annum payable on a quarterly basis. As at December 31, 2018, the Company fully repaid the outstanding loan and accrued interest totaling $103,479.

(b) Entered into four promissory notes with an arm's length party for the amount of $265,000, bearing interest rate of 10% per annum and due on demand. As at December 31, 2018, the Company fully repaid the promissory notes and accrued interest totaling $267,442.

(c) Entered into a loan agreement with an arm's length party, as amended on June 28, 2018, for the amount of $500,000, with a term of twelve months and bears interest at the rate of 15% per annum payable on a quarterly basis. Pursuant to the agreement, the Company is required to issue 400,000 bonus shares. The amount of $491,639 was recorded as the liability portion of the compound instruments and the amount of $8,361 has been recorded as the equity portion. As at December 31, 2018, the Company fully repaid the outstanding loan and accrued interest totaling $518,288 but had not yet issued the bonus shares. $8,798 was recorded as a gain on modification of debt due to the amendment of the term on June 28, 2018.

(d) Entered into a promissory note with an arm's length party for the amount of $75,000, bearing interest rate of 10% per annum and due on demand. As at December 31, 2018, the Company fully repaid the promissory notes and accrued interest totaling $75,288.

(e) Entered into a promissory note with an arm's length party for the amount of $40,000, bearing interest rate of 10% per annum and due on demand. As at December 31, 2018, the total balance of the outstanding loan and accrued interest is $40,197.

(f) Entered into two promissory notes with an arm's length party for the amount of $290,000, bearing interest rate of 10% per annum and due on demand. As at December 31, 2018, the Company repaid $204,822, and the total balance of the outstanding loan and accrued interest is $90,247.

(g) An arm's length party has advanced to the Company the amount of $150,000, which bears interest at the rate of 10% per annum and which is due on demand. As at December 31, 2018, the total balance of the outstanding loan and accrued interest is $154,521.

15. LOANS PAYABLE AND DEBENTURES (Continued)

Loans payable (continued)

During the year ended December 31, 2017, the Company:

(a) Entered into short-term one-month loan agreements with two arm's length parties totaling $175,000. As at December 31, 2017, the Company repaid a portion of the loans and accrued interest totaling $75,350. As at December 31, 2018, the Company fully repaid the remaining loans and accrued interest totaling $100,575.

(b) Entered into a loan agreement with an arm's length party totaling $150,000, with a term of 12 months, bears interest at the rate of 10% per annum payable on a quarterly basis. Pursuant to the agreement, the Company issued 60,000 bonus shares and the amount of $12,500 has been recorded for the shares issued. The amount of $137,500 was recorded as the liability portion of the compound instrument. As at December 31, 2018, $165,452 (2017 - $138,239) has been recorded as the liability portion of the compound instrument including accrued interest.

During the year ended December 31, 2016, the Company entered into short-term loan agreements with several arm's length parties totaling $311,000. During the year ended December 31, 2016, the Company repaid $293,892 of the loans together with accrued interest $7,892 and as at December 31, 2016, $25,726 remained outstanding. During the year ended December 31, 2017, the Company fully repaid the outstanding loan and accrued interest totaling $25,849.

Non-convertible secured debentures

During the year ended December 31, 2015, the Company entered into two non-convertible secured debenture agreements for an aggregate US$2,500,000 with one arm's length party and one related party. The non-convertible secured debentures are secured against the Company's assets. The non-convertible debenture agreements provide for a term of three years, maturing on August 4, 2018, and bear interest at 10% per annum, with interest compounding and payable quarterly. As additional consideration of the risk associated with the debenture, the Company issued 750,000 warrants to the lenders. Each warrant has a five-year expiry term and is exercisable into one common share at $2.00.

In addition, the Company is required to pay the lenders certain royalty percentages of net revenues during the three-year period. The terms of the royalty percentages were amended on April 28, 2016.

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

15. LOAN PAYABLE AND DEBENTURES (Continued)

Non-convertible secured debentures (continued)

As at December 31, 2018, the amount of $3,379,003 (2017 - $2,854,790) has been recorded as the non-convertible secured debentures. The following table reconciles the fair value of the liability component of non-convertible debentures on initial recognition to the carrying amount at December 31, 2018.

Balance at December 31, 2016	$	2,711,549
Finance expense		650,092
Interest reclassified to interest payable		(317,597)
Foreign exchange		(189,254)
Balance at December 31, 2017		2,854,790
Finance expense		700,123
Interest reclassified to interest payable		(439,355)
Foreign exchange		263,445
Balance at December 31, 2018	$	3,379,003

Convertible secured debentures

During the year ended December 31, 2016, the Company issued convertible secured debentures for gross proceeds of $2,000,000 (net proceeds of $1,753,111). The convertible secured debentures have a term of 12 months, bear simple interest at the rate of 12% per annum and payable on a quarterly basis. The principal amount of the convertible secured debentures may be convertible into common shares of the Company at a price of $0.50 per share. In connection with the convertible secured debentures, the Company has paid a cash commission of $200,000 and a corporate finance fee of $30,000 plus HST and other expenses of $11,495 plus HST and has issued 600,000 broker warrants to Kingsdale Capital Markets Inc. (fair valued at $31,128). The broker warrants were exercisable into common shares of the Company at the price of $0.50 per share during the first year and at the price of $1.00 per share during the second year and expired unexercised. The convertible secured debentures are secured against the Company's assets.

During the year ended December 31, 2018, the Company paid $nil (2017 - $222,098) of accrued interest and repaid principal amounts totaling $nil (2017 - $17,000).

As at December 31, 2018, the amount of $1,983,000 (2017 - $1,983,000) has been recorded as the liability portion of convertible secured debentures and the amount of $101,601 (2017 - $101,601) has been recorded as the equity portion of convertible secured debentures reserve. The effective interest rate was 20%.

The following table reconciles the fair value of the convertible debentures on initial recognition to the carrying amount at December 31, 2018.

	Liability Component	Equity Component	Total
Balance at December 31, 2016	$ 1,916,224	$ 101,601	$ 2,017,825
Finance expense	160,707	-	160,707
Interest reclassed to interest payable	(76,931)	-	(76,931)
Principal repayment	(17,000)	-	(17,000)
Balance at December 31, 2017 and 2018	$ 1,983,000	$ 101,601	$ 2,084,601

15. LOAN PAYABLE AND DEBENTURES (Continued)

Convertible debenture

During August 2018, the Company has entered into a convertible debenture with an arm's length party for the principal amount of $328,000 which bears interest at the rate of 8% per annum and which was due and payable on October 30, 2018 (the "Term"). Subsequent to December 31, 2018, the Term has been extended to July 15, 2019. At any time prior to the expiry of the Term, at the sole discretion of the Company, all or part of the principal amount together with all accrued interest may be converted into common shares of the Company at the price of $0.18 per share. The securities that may be issued pursuant to the convertible debenture shall be subject to four months and a day hold period in accordance with applicable Canadian securities laws.

As at December 31, 2018, the amount of $328,000 has been recorded as the liability portion of convertible secured debentures and the amount of $5,658 has been recorded as the equity portion of convertible secured debentures reserve. The effective interest rate was 20%.

37 Capital Loan Payable and Debentures

Loan payable

During the year ended December 31, 2016, 37 Capital entered into an agreement with an arm's length party whereby the party would pay certain debts owed by 37 Capital. The loan is non-interest-bearing, unsecured and due on demand. As at December 31, 2018, the balance payable is $103,924 (2017 - $103,924).

Convertible debentures

During the year ended December 31, 2013, 37 Capital issued several convertible debentures for a total amount of $975,000. The convertible debentures have a maturity date of 18 months from the date of closing, and bear interest at the rate of 15% per annum payable on a quarterly basis. The convertible debentures are convertible into common shares of 37 Capital at a conversion price of $1.50 per share. As at December 31, 2018, one convertible debenture is in default and another convertible debenture has been extended indefinitely.

On January 6, 2015, 37 Capital closed a convertible debenture financing with two directors of 37 Capital for the amount of $250,000. The convertible debentures matured on January 6, 2016, and bear interest at the rate of 12% per annum payable on a quarterly basis. The convertible debentures are convertible into common shares of 37 Capital at a conversion price of $0.30 per share. As at December 31, 2018, the two convertible debentures are in default.

As at December 31, 2018, 37 Capital has recorded $199,191 in accrued interest related to the convertible debentures.

16. LEASE LIABILITY

Effective April 1, 2018, the Company entered into an agreement with an arm's length party to lease a forklift (the "Forklift Lease Agreement") for a term ending September 30, 2019. For the first five months of the term, the Company shall pay a net leasing fee of $1,000 plus the applicable tax per month. For the remaining 13 months, the Company shall pay a net leasing fee of $3,268 plus the applicable tax per month. The Forklift Lease Agreement allows for an option to purchase the forklift at the end of the term for $10 plus applicable taxes. The Forklift Lease Agreement has been personally guaranteed by the President & CEO of the Company.

The Company has recorded the Forklift Lease Agreement as equipment and a lease liability in the consolidated balance sheet. At the commencement of the date of the lease, the lease liability was measured at the present value of the lease payments. During the year ended December 31, 2018, the Company recorded a finance expense of $3,192 (2017 - $nil) on the lease. The effective interest rate was 11%.

17. DEFERRED REVENUE

The Company recorded $445,574 (2017 - $334,474) in deferred revenue with respect to electronic gaming table regulated licenses. Everi receives funds from regulated licenses from customers and accordingly, the amount has been classified as deferred revenue until earned. The deferred revenue will be recognized as revenue upon the Company receiving the necessary gaming licenses. During the year ended December 31, 2017, the Company received certain gaming licenses and recognized $1,082,098 as e-table gaming revenue. In accordance with the Agreement (note 6), this amount was netted against the payable balance to Everi. The Company recognized $nil in the year ended December 31, 2018 as the gaming licenses received in fiscal 2018 were not related to the deferred revenue previously recorded.

18. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27.00% (2017 - 26.00%) to loss before income taxes.

	2018	2017
Loss before income taxes	$ (3,574,325)	$ (4,289,315)
Statutory income tax rate	27.00%	26.00%
Income tax benefit computed at statutory tax rate	(965,068)	(1,115,222)
Items not deductible for income tax purposes	(330,841)	183,650
Change in timing differences	-	86,565
Effect of change in tax rates	-	(361,406)
Overprovided in prior years	(276,190)	(207,808)
Unrecognized benefit of deferred income tax assets	1,572,099	1,414,221
Income tax benefit	$ -	$ -

18. 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:

	2018	2017
Excess of unused exploration expenditures for Canadian tax purposes over carrying value of mineral property interests	$ 2,926,000	$ 2,926,000
Excess of undepreciated capital cost over carrying value of equipment	4,651,000	3,966,000
Excess of tax cost over carrying value of investment deposit	1,400,000	1,400,000
Share issuance costs	279,000	323,000
Cumulative eligible capital	3,954,000	4,648,000
Non-capital losses carried forward	33,635,000	30,109,000
Net capital losses carried forward	1,409,000	1,186,000
Unrecognized deductible temporary differences	$ 48,254,000	$ 44,558,000

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

2026	$ 687,000
2027	4,465,000
2028	3,822,000
2029	3,422,000
2030	2,974,000
2031	2,741,000
2032	2,163,000
2033	213,000
2034	2,743,000
2035	2,564,000
2036	3,636,000
2037	804,000
2038	3,401,000
	$ 33,635,000

The Company has available approximate net capital losses of $1,409,000 that may be carried forward indefinitely.

19. COMMITMENTS

The Company has commitments over the next two years as follows:

2019	$	617,414
2020		301,454
	$	918,868

(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 controlled by two directors and officers 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 upon giving four months' notice.

(b) In order to carry out the production and shipping of the Company's Jackpot Blitz™ ETGs, the Company has leased a warehouse in Burnaby, BC which has an area of 9,792 square feet for a term ending May 31, 2019 (the "Term"), and upon expiry of the Term, the Term may be extended by the Company up to May 31, 2020. The Company pays basic rent of $4,982 plus the operational cost and the applicable tax per month. The Company has paid a deposit in the amount of $8,930.

Upon the extension of the Term, the Company shall pay a basic rent of $6,528 plus the operational cost and the applicable tax per month. Subsequent to December 31, 2018, the Company extended the Term to May 31, 2020.

(c) During April 2017, the Company together with 37 Capital entered into an office lease agreement with an arm's length party (the "Office Lease Agreement"). The Office Lease Agreement has a three-year term with a commencement date of August 1, 2017. The annual basic rent shall be $121,396 plus estimated annual operating costs of approximately $88,000. 37 Capital's share of the office basic rent and operating costs shall be $28,800 plus applicable taxes per annum.

In respect to the Office Lease Agreement effective as of May 1, 2018, the Company and 37 Capital have agreed that 37 Capital shall pay a monthly rent of $1,000 plus applicable taxes to the Company, and either the Company or 37 Capital may terminate this agreement by giving each other a three months' notice in writing.

20. CAPITAL MANAGEMENT

The Company considers its capital to be comprised of shareholders' deficiency and loans (note 15).

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, 2018. The Company is not subject to externally imposed capital requirements.

21. SUPPLEMENTAL CASH FLOW INFORMATION

		2018		2017
Changes in non-cash working capital				
Accounts receivable	$	(109,048)	$	97,483
Due from/to related parties		12,364		(36,456)
Prepaid expenses and deposits		-		9,273
Accounts payable and accrued liabilities		179,497		3,597
Deferred revenue		33,358		(1,097,455)
Loan payable with Everi Holdings Inc.		320,958		(367,443)
Refundable subscription		-		10,000
	$	437,129	$	(1,381,001)

		2018		2017
Supplemental information				
Non-cash items				
Loan payable with Everi recorded in intangible assets	$	1,315,700	$	1,769,447
Loan payable with Everi recorded in gaming systems	$	-	$	1,745,092
Deferred revenue reducing loan payable with Everi	$	77,742	$	81,542
Gaming systems in accounts payable and accrued liabilities	$	161,468	$	-
Equipment included in lease liability	$	28,127	$	-
Interest paid	$	65,067	$	240,109
Income taxes paid	$	-	$	-

22. SEGMENTED 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 years ended December 31, 2018 and 2017 are as follows:

	2018		
	Electronic Gaming Tables	Licensing Gaming Software	Total
Revenue	$ 2,114,575	$ -	$ 2,114,575
Royalty expense	(39,689)	-	(39,689)
Licensing fee	(21,109)	-	(21,109)
Cost of sales	(837,205)	-	(837,205)
	$ 1,216,572	$ -	$ 1,216,572

	2017		
	Electronic Gaming Tables	Licensing Gaming Software	Total
Revenue	$ 3,564,798	$ (14,078)	$ 3,550,720
Royalty expense	(51,535)	-	(51,535)
Licensing fee	(78,883)	-	(78,883)
Cost of sales	(525,075)	-	(525,075)
	$ 2,909,305	$ (14,078)	$ 2,895,227

As at December 31, 2018, the Company's intangible assets, equipment and parts are located in Canada and the gaming tables are in the United States, Canada, and internationally. Majority of the operating costs pertain to the electronic gaming tables. Of the $837,205 (2017 - $525,075) cost of sales recorded during the year ended December 31, 2018, $368,563 (2017 - $235,619) relates to salaries and benefits.

As at December 31, 2018, the Company had receivables from one customer representing 90% (2017 - 67%) of total trade receivables. Revenue for the year ended December 31, 2018 from this customer represents 97% (2017 - 75%) of total revenue. A failure of this customer would have a significant effect on the Company's results of operations.

37 Capital operates a single reportable operating segment, being the exploration and development of mineral properties. 37 Capital's mineral property interests are at the exploration stage and located in Canada. In addition, 37 Capital has a minority interest in a non-mining related project in Mexico (note 13). All of 37 Capital's expenditures for the year ended December 31, 2018 were incurred in Canada.

23. EVENTS AFTER THE REPORTING DATE

The following events occurred after December 31, 2018:

(a) A total of 2,668,643 warrants exercisable at $1.00 per share expired unexercised.

(b) The Company closed the non-brokered private placement financing which was announced on January 24, 2019 and February 25, 2019, whereby the Company issued a total of 7,149,593 units of the Company at a price of $0.135 per unit for gross proceeds of $965,195. Each unit consists of one common share of the Company and one share purchase warrant to acquire an additional common share of the Company at the price of $0.18 per share for a period of two years. The Company paid a cash commission of $24,000, issued in aggregate 428,375 common shares at a deemed price of $0.135 per share and 177,778 warrants as finder's fees to arm's length parties.

(c) A total of 160,000 stock options exercisable at $0.18 per share have expired unexercised.

(d) The Company entered into three loan agreements with various parties totaling $245,000, of which $170,000 has been repaid. The loans carry an interest rate of 10% per annum and have maturity dates from February to May 2019.