Form 51-102F1

JACKPOT DIGITAL INC.

Management's Discussion & Analysis
Annual Audited Consolidated Financial Statements for the Year ended December 31, 2019

The following discussion and analysis of the financial condition and financial position and results of operations of Jackpot Digital Inc. (the "Company" or "Jackpot") should be read in conjunction with the annual audited consolidated financial statements for the years ended December 31, 2019 and 2018 and the notes thereto.

The consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's consolidated financial statements are expressed in Canadian (CDN) Dollars which is the Company's functional currency. All amounts in this MD&A are in CDN dollars unless otherwise stated.

The following information is prepared as at June 15, 2020.

Forward-Looking Statements

Certain statements contained herein are "forward-looking" and are based on the opinions and estimates of management, or on opinions and estimates provided to and accepted by management. Forward-looking statements may include, among others, statements regarding future plans, costs, projections, objectives, economic performance, or the assumptions underlying any of the foregoing. In this MD&A, words such as "may", "would", "could", "will", "likely", "enable", "feel", "seek", "project", "predict", "potential", "should", "might", "hopeful", "objective", "believe", "expect", "propose", "anticipate", "intend", "plan", "estimate", "optimistic" and similar words are used to identify forward-looking statements. Forward-looking statements are subject to a variety of significant risks and uncertainties and other factors that could cause actual events or results to differ materially from those expressed or implied. Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, projections and estimations, there can be no assurance that these assumptions, projections or estimations are accurate. Readers, shareholders and investors are therefore cautioned not to place reliance on any forward-looking statements in this MD&A as the plans, assumptions, intentions, estimations, projections, expectations or factors upon which they are based might vary or might not occur. The forward-looking statements contained in this MD&A are made as of the date of this MD&A, and are subject to change after such date. The Company undertakes no obligation to update or revise any forward-looking statements, except in accordance with applicable securities laws.

Overview

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

Effective on May 1, 2020, 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. The CUSIP number of the Company's common shares is 466391307 and the CUSIP numbers of the Company's listed for trading warrants are 466391174 and 466391182.

The financial statements of the Company's wholly-owned subsidiaries, Jackpot Digital (NV), Inc. (incorporated in the USA), and Touche Capital Inc. (incorporated in British Columbia), and the Company's former partially-owned subsidiary 37 Capital Inc. ("37 Capital"), are included in the consolidated financial statements from the date that control commenced to the date of disposal or dissolution. The Company determined that control of 37 Capital ceased effective September 30, 2019 and, as such, the assets, liabilities and non-controlling interest of 37 Capital were derecognized.

December 19, 2017, as part of a contemplated transaction, Jackpot caused to incorporate a federally incorporated company "10545856 Canada Inc.", which subsequently changed its name to "Electrium Mining Inc." and "Electrium Blockchain Inc." (collectively referred to as "Electrium"). As of September 2018, Electrium cancelled all the previously issued Electrium shares to the Company, and as such, the Company is no longer related to Electrium.

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 Hwy, Unit W030, Burnaby, British Columbia, Canada, V5C 5T5.

The Company's registered office is at Suite 3200 - 650 West Georgia Street, Vancouver, BC V6B 4P7.

The Company's audit committee consists of Messrs. Neil Spellman (Chairman), Gregory McFarlane and Alan Artunian.

On May 1, 2019, Mr. Howard Blank joined the Company's Board of Directors and resigned from the Board of Directors on May 5, 2020.

Effective as of July 15, 2019, Mr. Bedo H. Kalpakian stepped down as the Chairman and Chief Financial Officer of the Company and stepped down as a director of the Company as of December 18, 2019.

Effective as of July 15, 2019, Mr. Jake H. Kalpakian has been appointed as the Chairman of the Company in addition to being the President and the Chief Executive Officer of the Company, and, Mr. Neil Spellman has been appointed as the Chief Financial Officer of the Company.

The Company's Registrar and Transfer Agent is Computershare Investor Services Inc. located at 510 Burrard Street, Vancouver, BC, Canada, V6C 3B9.

The Company is a reporting issuer in the Provinces of British Columbia and Alberta and files all public documents on *www.sedar.com*.

Selected Annual Information

Selected annual information from the audited consolidated financial statements for the three years ended December 31, 2019, 2018 and 2017 is shown in the following table:

	2019	2018	2017
Revenues	$2,177,644	$ 2,114,575	$ 3,550,720
Expenses	3,054,726	4,790,897	7,184,542
Net loss and Comprehensive Loss	(1,670,588)	(3,574,325)	(4,289,315)
Basic and Diluted Loss per common share	(0.20)	(0.80)	(1.35)
Total Assets	4,610,282	4,922,580	4,779,044
Long term financial obligations	482,659	445,574	334,474
Cash dividends	Nil	Nil	Nil

For the year ended December 31, 2019, the Company has recorded revenues of $2,177,644 (2018: $2,114,575) (2017: $3,550,720) which includes Electronic gaming tables of $1,929,977 (2018: $2,114,575) (2017: $3,564,798), Licensing revenue of $nil (2018: $nil) (2017: $(14,097) and Table sales of $247,667 (2018: $nil) (2017: $19).

The expenses decreased significantly during 2019 and 2018 as compared to 2017.

The net loss and comprehensive loss for 2019 was $1,670,588 as compared to $3,574,325 in 2018 and as compared to $4,289,315 in 2017.

The Company has never paid any dividends and has no plans to pay any dividends in the future. For the year ended December 31, 2019, the Company's weighted average number of common shares was 8,042,523 as compared to 4,450,904 in 2018 and as compared to 3,184,242 in 2017.

Results of Operations

During May 2020, the Company signed a Software License and Equipment Lease Agreement with a tribal casino in California formalizing an order for one (1) of the Company's Jackpot Blitz ™ Electronic Table Game ("ETG") platforms. The Company already holds a valid gaming supplier license in the applicable regulatory jurisdiction.

During May 2020, the Company signed a Software License and Equipment Lease Agreement with Treasure Bay VI Corp. formalizing an order for one (1) of the Company's Jackpot Blitz™_ETG platforms to be installed at Divi Carina Bay Beach Resort & Casino in Christiansted, US Virgin Islands. The Company is currently pursuing a Casino Servicing Entity License with the Casino Control Commission of the US Virgin Islands.

During May 2020, the Company signed a Software License and Equipment Lease Agreement with Soboba Casino Resort in San Jacinto, California formalizing an order for two (2) of the Company's

Jackpot Blitz™_ETG platforms. The Company has also been approved for a temporary Gaming Vendor License with the Soboba Tribal Gaming Commission while the Company's license application is being evaluated.

Between December 2019 and March 2020, the Company completed six (6) new Jackpot Blitz™ ETG installations aboard cruise ships in the Carnival Corporation fleet, one (1) new Jackpot Blitz™ ETG installation aboard a cruise ship in the Virgin Voyages fleet, and one (1) new Jackpot Blitz™ ETG installation at *Il Palazzo* casino in San Lorenzo, Paraguay. As of the date of this MD&A, the Company currently has fifty-four (54) Jackpot Blitz™ ETG platforms on lease with cruise ship clients and land-based casinos in Canada and and Paraguay. The Company has also completed the sale of two (2) Jackpot Blitz™ ETGs to land-based casinos in France, with one more sale pending the resumption of casino operations after the COVID-19 pandemic.

During December 2019, the Company signed a Software License and Equipment Lease Agreement (the "Agreement") with Rosebud Casino in South Dakota formalizing an order (the "Order") for two (2) of the Company's Jackpot Blitz™ETG platforms. The Company also received an approved Gaming Vendor License from the Rosebud Sioux Tribal Gaming Regulatory Authority Commission.

During October and November 2019, the Company completed three (3) new Jackpot Blitz™ ETG installations aboard cruise ships in the Carnival Corporation fleet.

During August 2019, the Company signed a Master Agreement with one of the world's premiere land-based casino operators. The Master Agreement outlines pricing and terms for potential future orders of the Company's Jackpot Blitz™ ETG platform by their casino properties.

During May 2019, the Company signed a Software License and Equipment Lease Agreement with Virgin Voyages. The Agreement outlines an order for one (1) of the Company's Jackpot Blitz™ ETG platforms on Scarlet Lady, the first ship in the Virgin Voyages fleet. The Agreement also outlines financial terms for additional product installations contingent on the success of the first ETG after it is installed aboard Scarlet Lady.

During November 2018, the Company received the official notification and the Certification Document from Gaming Laboratories International ("GLI®") that the Jackpot Blitz™ ETG platform is compliant with the requirements of GLI-24 and the National Indian Gaming Commission's Class 2 Gaming Systems standard. Jackpot Blitz is also compliant with the applicable requirements from GLI-12, GLI-13, GLI-16 and GLI-21. This GLI certification verifies that Jackpot Blitz™ complies with regulatory standards for numerous gaming jurisdictions in North America and worldwide. This GLI approval also allows Jackpot Digital to pursue second phase product approvals with regulatory licensing jurisdictions which require their own proprietary product certification standards or internal lab testing.

During January 2019, the Company began the development of a second new electronic gaming product for a casino operator client. The agreement covering the development of this product includes an initial order of twenty-five (25) units to be installed in the client's casinos once this new product has cleared the client's internal testing process. As of the date of this MD&A, the product is nearing submission to the client for user acceptance testing.

As of December 31, 2019, the Company's operations employed 18 people (December 31, 2018: 22 people) consisting of staff and management. As of the date of this MD&A, the Company's operations employ 13 people consisting of staff and management.

At the Company's Annual General Meeting which was held on December 18, 2019 Mr. Bedo Kalpakian did not stand for re-election. At this Annual General Meeting which was held on December 18, 2019 in Vancouver, BC, the shareholders received the Audited Consolidated Financial Statements for the fiscal year ended December 31, 2018 and the Independent Auditor's report thereon; fixed the number of Directors for the ensuing year at five; re-elected Jake H. Kalpakian, Neil Spellman, Gregory T. McFarlane, Alan Artunian and Howard Blank as Directors of the Company; re-appointed the Company's Independent Auditor, Smythe LLP, Chartered Professional Accountants, for the ensuing year and authorized the Directors to fix the remuneration to be paid to the Auditor and re-approved the Company's 10% Rolling Stock Option Plan.

The Company is presently not a party to any legal proceedings whatsoever.

Electronic Table Games

The Company is focused on developing and expanding its ETG business.

The Company's warehouse is used for the purpose of storing, cleaning, assembling, refurbishing, manufacturing, testing, configuring, packing and shipping the Company's ETGs. The Company has paid a security deposit of $8,930 in respect to this Lease Agreement. Effective September 1, 2018, the Company expanded its existing warehouse facility by approximately 1,521 sq. feet until May 31, 2019 (the "Expanded Premises). The Company entered into an Extension of Lease Agreements on January 24, 2019. Furthermore, the Company entered into a Modification of Lease Agreement on May 21, 2020 whereby the Company pays gross rent of $5,000 plus applicable taxes per month for April, May and June 2020.

The Company categorizes its ETG customers in three markets: cruise ships, North American casinos and other markets.
Cruise Ships

- The cruise ship industry operates their casinos while they are in international waters, and therefore, they do not require their gaming equipment vendors to attain any form of gaming license or product approval.
- The Company typically leases ETGs on a monthly recurring basis to cruise ship companies.
- Carnival Corporation ("Carnival") is the largest operator of the Company's ETGs.
- During Q2, 2019 the Company signed a Software License and Equipment Lease Agreement with Virgin Voyages to be the second cruise line to offer the Jackpot Blitz™ ETG in their casino. The first Jackpot Blitz™ ETG was installed on the Virgin Voyages' vessel Scarlet Lady in February 2020.
- During October 2019, the Company signed a Software License and Equipment Lease Agreement (the "Agreement") with Royal Caribbean Cruises Ltd. ("RCL") to be the third cruise line to offer the Jackpot Blitz™ ETG in their casinos. The Company is in development for the required features for launch of the Jackpot Blitz™ ETG on an RCL ship and the installation date of the ETGs is dependent on RCL's resumption of operations after the COVID-19 Pandemic.

North American Casinos

- The North American casino industry is predominantly regulated at the state/provincial level as individual jurisdictions. Additionally, some states have native American tribal jurisdictions. Every jurisdiction approves the gaming equipment used in their casinos, usually in the form of a gaming license. Therefore, the Company must attain gaming licenses directly or through a distributor to expand its ETG business in North America.
- The Company currently holds approved gaming licenses and registrations in North America with the California Gambling Control Commission, , the Seminole Tribe of Florida, Rincon Tribal Gaming Commission of California, the Department of Justice and Public Safety, Gaming, Liquor and Security Licensing in the Province of New Brunswick, the Rosebud Sioux Tribe of Nebraska, and the Soboba Tribal Gaming Commission of California. The Company currently has license applications underway with a number of State, Provincial, and Tribal gaming regulators across North America.

- The Company has signed Agreements and/or Letters of Intent with numerous entities in Canada and the United States which may be contingent on the Company receiving license approvals by the relevant regulatory bodies.
- The Company currently has one (1) ETG active with one (1) casino in Canada.
- The Company typically leases ETGs on a monthly recurring basis to North American casino customers.

Other Markets

- Markets outside cruise ships and North American casinos are considered on a case-by-case basis, depending on the revenue potential, practicality of deploying and supporting the Company's ETGs in other continents, and other considerations.
- The Company may opt to lease or sell ETGs in other markets.
- The Company has signed Sales/Service and/or Distribution agreements with several entities, covering sales territories including France (exclusive), Europe (non-exclusive), and Asia (non-exclusive).
- The Company has received purchase orders for three (3) Jackpot Blitz™ ETGs from casino operators in France. The Company has delivered and received payment for two (2) of these purchase orders and the Company anticipates that it will be delivering the third purchased Jackpot Blitz™ ETG to a French casino operator as soon as the casino operator resumes operations following the COVID-19 Pandemic.

Research and Development

The Company is continuously developing new hardware and software components for the Jackpot Blitz™ ETG and other products in the development pipeline. During 2019, the Company incurred $372,891 on salaries and benefits in respect to Research and Development. This cost was incurred primarily for the software development to develop new software features and improve the hardware (reduce cost and improve efficiency) on the Jackpot Blitz™ ETG.

During 2019, the Company's R&D primarily focused on the hardware and software features requested by new and potential clients for the Jackpot Blitz™ ETG. The Company also focussed on the development of its new electronic gaming product for a casino operator client, including development of the gaming platform software and hardware.

Loan Payable with Everi Holdings Inc. (formerly MultiMedia Games, Inc.) ("Everi")

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 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").

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.

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 was 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 was reduced to US$1,355,355 which bore simple interest at the rate of 8% per annum and which was 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 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 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.

Effective on July 24, 2019, the Company entered into a Debt Settlement Agreement (the "Final Debt Settlement Agreement") with Everi. The Company made aggregate payments of US$275,000 ($365,530) to Everi during the year ended December 31, 2019 to settle the remaining US$1,355,355 plus all accrued interest which was owed by the Company to Everi pursuant to previous Debt Settlement and Amendment Agreements. As a result, the Company recorded a gain on debt settlement of US$1,114,092 ($1,475,169)

During the year ended December 31, 2019, the Company recognized a gain on debt settlement of $1,475,169 (US$1,114,092). As at December 31, 2019, the Company has a payable to Everi of $nil (December 31, 2018 - $1,862,484; US$1,365,257).

<u>Lease Liabilities</u>

Effective January 1, 2019, the Company adopted IFRS 16 *Leases.* Upon the transition to IFRS 16, the Company has recorded the ROU assets and the lease liabilities in respect to office and warehouse leases as described in Note 15 of the consolidated audited financial statements.

On 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 which was personally guaranteed by Jake Kalpakian, the President & CEO of the Company. The Company initially 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. At the end of the term, the Company exercised its option to purchase the forklift for $10. During the year ended December 31, 2019, the Company recorded a finance expense of $1,294 (2018 - $3,192) on the lease.

<u>Revenues</u>

For the year ended December 31, 2019, the Company has recorded table sales revenue of $247,667 (December 31, 2018: $nil), Electronic gaming tables of $1,929,977 (December 31, 2018: $2,114,575).

<u>Royalty expense</u>

For the year ended December 31, 2019, the Company had royalty expense of $36,521 as compared to royalty expense of $39,689 (December 31, 2018).

Licensing fee

For the year ended December 31, 20198, the Company had licensing fee of $74,417 as compared to licensing fee of $21,109 (December 31, 2018).

Cost of Sales

For the year ended December 31, 2019, the cost of sales was $682,568 as compared to $837,205 (December 31, 2018).

Gross Profits

For the year ended December 31, 2019, the Company has recorded gross profits of $1,384,138 as compared to $1,216,572 during the corresponding period in 2018.

Expenses

For the year ended December 31, 2019, operating and other expenses were $3,054,726 as compared to $4,790,897 during the year ended December 31, 2018.

Net Income (Loss) and Comprehensive Income (Loss)

During the year ended December 31, 2019, the Company had a net loss and comprehensive loss of $1,670,588 or $0.20 per share (weighted average) as compared to a net loss and comprehensive loss of $3,574,325 or $0.80 per share (weighted average) during the year ended December 31, 2018. During the year ended December 31, 2019, the Company's weighted average number of common shares was 8,042,523 as compared to 4,450,904 during the year ended December 31, 2018.

Liquidity and Capital Resources

Presently, the Company does not have sufficient funds to continue its operations uninterruptedly. In order for the Company to be efficient, the Company requires new funding so as to be able to meet the Company's operational expenses, pay its liabilities promptly, and expand its operations to increase its revenues. New funding for the Company may or may not be available to the Company. Should the Company's revenues decline or should the Company lose its major customer, then it will be difficult for the Company to raise additional funds.

The Company intends to seek equity and/or debt financing through private placements and/or public offerings and/or loans. In the past, the Company has been successful in securing equity and debt financings in order to conduct its operations uninterruptedly. While the Company does not give any assurances whatsoever that in the future it will continue being successful in securing equity and/or debt financings in order to conduct its operations uninterruptedly, it is the Company's intention to pursue these methods for future funding of the Company.

As at December 31, 2019, the Company's total assets were $4,610,282 as compared to $4,922,580 for the corresponding period in 2018. The Company's total liabilities were $9,378,223 as compared to $12,330,737 for the corresponding period in 2018. The Company has not paid any dividends and does not plan to pay any dividends in the future.

As the Company has been significantly impacted by the COVID-19 Pandemic, the Company applied for and has received $55,191.59 Canada Emergency Wage Subsidy for the period March 15 to April 11, 2020, and $49,351.68 for the period April 12 to May 9, 2020.

As at December 31, 2019, the Company had:

- Cash and cash equivalents of $37,545 as compared to $25,391 at December 31, 2018.
- Accounts receivable of $337,058 as compared to $378,585 at December 31, 2018.
- Due from related parties of $130,445 as compared to $nil at December 31, 2018.
- Prepaid expenses and deposits of $53,688 as compared $46,904 at December 31, 2018.
- Deposits for Gaming systems of $29,107 as compared to $20,265 at December 31, 2018.
- Gaming systems of $2,827,910 as compared to $3,055,612 at December 31, 2018.
- Equipment of $62,452 as compared to $80,121 at December 31, 2018.
- Intangible assets of $948,528 as compared to $1,315,700 at December 31, 2018.
- Rights-of-Use Assets of $178,876 as compared to $nil at December 31, 2018.
- Mineral property interest of $nil as compared to $1 at December 31, 2018.
- Investment of $nil as compared to $1 at December 31, 2018.

Operating Activities

During the year ended December 31, 2019, the Company used $1,484,628 of cash for operating activities as compared to $2,247,167 of cash for operating activities in the corresponding period of 2018.

Financing Activities

During the year ended December 31, 2019, the Company received $2,535,428 cash from financing activities as compared to $3,711,093 cash from financing activities in the corresponding period of 2018.

Investing Activities

During the year ended December 31, 2019, the Company used cash in investing activities of $1,038,648 as compared to $1,599,383 of cash used in investing activities during the corresponding period of 2018.

Capitalization

In order for the Company to increase its revenues, the Company must reduce or preferably eliminate its outstanding debts as soon as possible, must increase its workforce and the production of its ETGs, and must dedicate more resources to marketing and promotion of the Company's products and services.

During the year ended December 31, 2019, the Company has incurred a net loss and comprehensive loss of $1,863,708 (December 31, 2018: $3,574,325), has limited revenues, has outstanding liabilities and has no assurances that sufficient funding will be available to continue operations for an extended period of time.

During the year ended December 31, 2019 and up to the date of this MD&A, the following transactions have occurred:

(i) On June 10, 2020, the Company closed the first tranche of the convertible debenture financing announced in March 2020 in the amount of $446,000 (the "Debentures"). The Debentures bear interest at the rate of 10% per annum, and have a maturity date of thirty six months from closing. The Debentures are convertible at a conversion price of $0.06 per unit in Year 1 and at a conversion price of $0.10 per unit in Year 2 & Year 3. Each unit consists of one common share and one share purchase warrant exercisable at the price of $0.10 per share for a period of three years from closing. In connection with the first closing, the Company issued an aggregate of 500,000 compensation warrants exercisable into units.

(ii) On February 19, 2020, the Company closed $100,000 of loan debenture with 100,000 bonus warrants attached which was announced in December 2019. The loan debenture bears interest at the rate of 10% per annum, and has a maturity date of February 19, 2025. The warrants issued are exercisable at the price of $0.50 per share until February 19, 2025 and are subject to a hold period. In connection with the closing, the Company paid Regent Capital Partners Inc. $10,000 in commission.

(iii) During September 2019, the Company completed its rights offering and issued 6,439,656 units of the Company's securities at a price of $0.30 per unit for gross proceeds of $1,931,897 ($3,150 was received in October 2019). 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 of the Company at a price of $1.00 until September 26, 2024. In respect to the rights offering, the Company incurred share issuance costs of $83,439 and the stand-by guarantors received bonus warrants entitling them to purchase a total of 333,333 common shares of the Company exercisable at a price of $1.00 per share until September 26, 2024. The bonus warrants were fair valued at $90,294.

(iv) During March 2019, 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 714,960 units of the Company at a price of $1.35 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 $1.80 per share for a period of two years. The Company incurred share issuance costs of $35,516, issued in aggregate 42,837 common shares fair valued at $57,830 and 17,778 warrants with a fair value of $15,264 as finder's fees to arm's length parties. Each warrant entitles the holder to purchase one common share at a price of $1.80 for two year. All the securities that have been issued in connection with this private placement were subject to a hold period which have expired.

Warrants

As at December 31, 2019, there were 12,037,712 warrants outstanding with weighted average price of $2.60 per warrant (December 31, 2018: 4,801.655 warrants outstanding with weighted average price ranging from $5.00 to $5.50 per warrant outstanding). Subsequent to the year ended December 31, 2019, a total of 9,017 warrants exercisable at $6.00 per share and a total of 5,520 compensation broker options exercisable at $5.00 per share have expired unexercised, and the Company issued 100,000 warrants exercisable at the price of $0.50 per share as bonus warrants.

Should any warrants be exercised by any party, then any funds received by the Company shall be used for general working capital purposes. However, there are no assurances whatsoever that any warrants will be exercised.

Stock Options

As at December 31, 2019, there were 748,930 stock options available for granting under the New 10% Rolling Stock Option Plan (December 31, 2018: 781,859). As at December 31, 2019, there were 561,000 stock options outstanding with a weighted average exercise price of $1.50 per share (December 31, 2018: there were 490,000 stock options outstanding with a weighted average exercise price of $1.90 per share). Subsequent to the year end, a total of 18,000 options exercisable at $1.80 per share expired unexercised. As of the date of this MD&A, a total of 561,000 stock options are outstanding.

There were no stock options exercised during the year ended December 31, 2019.

Should any outstanding stock options be exercised by any party, then any funds received by the Company shall be used for general working capital purposes. However, there are no assurances whatsoever that any stock options will be exercised.

LOANS PAYABLE AND DEBENTURES

Loans payable

During the year ended December 31, 2019 and up to the date of this MD&A, the following transactions occurred:

(a) Entered into two promissory notes with an arm's length party for the amount of $300,000, bearing interest at the rate of 10% per annum which is due on demand. As at December 31, 2019, the total balance of the outstanding loan and accrued interest is $316,315.

(b) Entered into a promissory note with an arm's length party for the amount of $50,000, bearing interest rate of 15% per annum. As at December 31, 2019, the total balance of the outstanding loan and accrued interest is $50,308.

(c) Entered into a promissory note with an arm's length party for the amount of $200,000, plus interest of $40,000. On June 11, 2020, the Company repaid the amount of amount of $200,000, plus interest of $40,000.

(d) Entered into a promissory note with an arm's length party for the amount of $20,000; the Company repaid the promissory note and interest totaling $20,250 during the year ended December 31, 2019.

(e) Entered into a promissory note with an arm's length party for the amount of $50,000; the Company repaid the principal of $50,000 and recorded an accrued interest of $27 during the year ended December 31, 2019.

(f) Entered into two promissory notes with an arm's length party for the amount of $60,000, bearing interest at the rate of 10% per annum which is due on demand; the Company repaid the promissory notes and interest totaling $61,715 during the year ended December 31, 2019.

(g) Entered into a promissory note with an arm's length party for the amount of $20,000, bearing interest at the rate of 10% per annum which is due on demand; the Company repaid the promissory note and interest totaling $20,449 during the year ended December 31, 2019.

(h) Entered into two promissory notes with an arm's length party for the amount of $253,817 (US$190,000); the Company repaid the promissory note and interest totaling $255,116 (US$190,978) during the year ended December 31, 2019.

(i) Entered into a promissory note with an arm's length party for the amount of $50,000; the Company repaid the principal and interest totaling $50,247 and recorded an accrued interest of $356 during the year ended December 31, 2019.

(i) Entered into a promissory note with an arm's length party for the amount of $70,000; the Company repaid the non-interest bearing promissory note totaling $70,000 during the year ended December 31, 2019.

(k) Entered into a promissory note with an arm's length party for the amount of $50,000, bearing interest at the rate of 10% per annum which is due on demand; the Company repaid the promissory note and interest totaling $50,247 during the year ended December 31 ,2019.

(l) Entered into a short-term loan agreement with an arm's length party for the amount of $379,140, bearing interest at the rate of 5% per annum; the Company repaid the principal $379,140 and the interest accrued of $2,597 during the year ended December 31, 2019.

(m) Entered into a short-term loan agreement with an arm's length party for the amount of $189,542 bearing interest at the rate of 5% per annum; the Company repaid the principal and interest totaling $191,178 during the year ended December 31, 2019.

(n) Entered into a short-term loan agreement with an arm's length party for the amount of $31,318 bearing interest at the rate of 5% per annum. As at December 31, 2019, the Company repaid the principal and interest totaling $31,588.

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

(a) 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, 2019, the total balance of the outstanding loan and accrued interest is $169,521.

(b) During the year ended December 31, 2017, the Company 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, 2019, $180,452 (2018 - $165,452) has been recorded as the liability portion of the compound instrument including accrued interest.

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 payable quarterly. As additional consideration of the risk associated with the debenture, the Company issued 75,000 warrants to the lenders. Each warrant has a five-year expiry term and is exercisable into one common share at $20.00. On August 9, 2019, the maturity date of the convertible debenture with the arm's length party has been extended to July 1, 2021. The modification of maturity date was considered an extinguishment of the existing non-convertible debenture and a new non-convertible debenture was recognized as the modified terms were substantially different from the original terms. The difference between the fair value and carrying value on the extinguishment date was determined to be $656,727.

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.

As at December 31, 2019, the amount of $2,572,789 (2018 - $3,379,003) has been recorded as the non-convertible secured debentures.

Convertible secured debentures

During the year ended December 31, 2016, the Company issued convertible secured debentures financing that was announced on April 22, 2016 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 $5.00 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 $5.00 per share during the first year and at the price of $10.00 per share during the second year and expired unexercised. The convertible secured debentures are secured against the Company's assets. The maturity date of the convertible secured debentures has been extended to July 1, 2021. The modification of maturity date was considered an extinguishment of the existing convertible debentures and a new convertible debenture balance was recognized as the modified terms were substantially different from the original terms. The difference between the fair value and carrying value on the extinguishment date was determined to be $260,228.

During the year ended December 31, 2019, the Company paid $nil (2018 - $nil) of accrued interest and repaid principal amounts totaling $nil (2018 - $nil).

As at December 31, 2019, the amount of $1,983,000 (2018 - $1,983,000) has been recorded as the liability portion of convertible secured debentures and the amount of $101,601 (2018 - $101,601) has been recorded as the equity portion of convertible secured debentures reserve.

Convertible debenture

During August 2018, the Company has entered into a convertible debenture with an arm's length party for the principal amount of Cdn $328,000 which bears interest at the rate of 8% per annum and which was due and payable on October 30, 2018 (the "Term"). Subsequent to December 31, 2018, the Term was extended to July 15, 2019. As at December 31, 2019 the convertible debenture is owing and is due on demand.

As at December 31, 2019, 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%.

During June 2019, the Company entered into a convertible debenture with an arm's length party for the principal amount of $100,000 which bears interest at the rate of 10% per annum and which is due and payable on June 21, 2021 (the "Term"). At any time prior to the expiry of the Term, all or part of the principal amount may be converted into units of the Company at the price of $1.00 per unit. Each Unit consists of one common share and one share purchase warrant. Each share purchase warrant shall be exercisable at the price of $2.50 per share for a period of two years. 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.

On initial recognition, the amount of $13,344 was recorded as the equity portion of convertible debenture reserve and remains outstanding at December 31, 2019. The effective interest rate was 20%. As at December 31, 2019, the amount of $89,734 has been recorded as the liability portion of convertible debentures including accrued interest.

37 Capital Loan Payable and Debentures

As a result of the deconsolidation effective September 30, 2019, the following balances are not included on the consolidated balance sheet at December 31, 2019. The disclosures below are for the purposes of reconciling the balances of 37 Capital which are included on the consolidated balance sheet of the Company at December 31, 2018.

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. 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, 2019, 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, 2019, 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.

Summary of Quarterly Results

The following are the results for the eight most recent quarterly periods, starting with the three-month quarterly period ended December 31, 2019:

For the Quarterly Periods ended		**December 31, 2019**	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**
Total Revenues	$	462,057	478,945	617,913	618,729
Net income (loss) and comprehensive income (loss) for the period	$	(356,168)	586,070	(816,483)	(1,084,007)
Basic and diluted income (loss) per common share	$	(0.04)	0.09	(0.13)	(0.18)

For the Quarterly Periods ended		December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Total Revenues	$	512,569	507,311	535,320	559,375
Net income (loss) and comprehensive income (loss) for the period	$	208,556	(1,227,303)	(1,266,273)	(1,289,305)
Basic and diluted income (loss) per common share	$	0.04	(0.25)	(0.33)	(0.35)

Fourth Quarterly Results (December 31, 2019)

During the three months [fourth quarter] period ended December 31, 2019:

- The Company had a net loss and comprehensive loss of $356,168 or $0.04 per share as compared to a net income and comprehensive income of $208,556 or $0.04 per share in the same three months [fourth quarter] period of 2018.

- The Company's total revenues were $462,057 as compared to total revenues of $512,569 in the same three months [fourth quarter] period of 2018.

- The Company's total operating and other expenses were $638,723 as compared to total operating and other expenses of $85,793 in the same three months [fourth quarter] period of 2018.

Risks related to our Business

The Company, and the Securities of the Company, should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's Securities:

- ***General legislative risk***

  The Company's business is heavily regulated.

  Although management believes that the revenues generated from the Company's gaming products represent lawful business, there is the risk that the legality may be challenged by Canadian or other legal authorities. If the legality is challenged by any legal authority and the challenge is sustained, it may have a material adverse impact on the financial affairs of the Company.

  Changes in gaming legislations in any jurisdiction, or the Company's inability to obtain, maintain and comply with all applicable and required licenses, permits, and certifications can adversely affect the financial affairs of the Company.

- ***Competition***

  The marketplace for the Company's gaming products is constantly undergoing changes, is intensely competitive and is subject to changes in customer preferences. The Company's products and services compete against those of other companies that have greater financial, marketing, technical and other resources than those of the Company.

- ***Internet and system infrastructure viability***

  Any changes in the internet's role as the premier computer network information service or any shutdown of internet services by significant internet service providers may have an adverse material impact on the Company's ability to generate revenues. Furthermore, the Company can be severely and adversely affected from power failures, internet slowdowns or failures, software slowdowns or failures or hackings.

- ***Reliance on key personnel***

  The Company relies heavily on its employees, the loss of any of whom could have an adverse effect on the Company.

- ***Customer loyalty***

  The Company also relies on its licensees for the operation of the Company's gaming products, the loss of any of which could have an adverse effect on the affairs of the Company.

- ***Payment processing***

  Changes in policies of companies, financial institutions or banks, that handle credit card transactions and/or other types of financial transactions for online gaming, can have an adverse impact on the business and financial affairs of the Company.

- ***Foreign exchange rates***

  The profitability of the Company can be affected by fluctuations in the exchange rate of the US Dollar in relation to the Canadian Dollar.

- ***Reliance on Major Customer***

  The Company relies heavily on its major customer. In the event that the Company loses its major customer, then it will have an adverse effect on the Company.

- ***Price volatility and liquidity of the Company's securities***

  The market price of the Company's common shares and warrants have experienced considerable volatility and may continue to fluctuate in the future. Factors such as the Company's quarterly and annual results, changes in existing legislation, new legislation, technological changes and general market conditions may adversely affect the market price of the Company's common shares and warrants. There is a limited trading market for the Company's common shares and warrants, and the ability of investors to sell their shares and/or warrants or the price at which those shares and/or warrants may be sold cannot be assured.

- ***Growth management***

  If the Company's gaming products gain traction in the market, rapid growth may occur which can result in certain strains on the Company.

- ***Dilution***

  There are a number of outstanding securities and agreements pursuant to which common shares of the Company may be issued in the future. This would result in further dilution to the Company's shareholders.

- ***Revenues and Dividends***

  While the Company generates some nominal revenues, the Company has not yet established a long-term pattern of consistently generating meaningful revenues. The Company intends to retain its earnings in order to finance growth. Furthermore, the Company has not paid any dividends in the past and does not expect to pay any dividends in the future.

- ***Under Capitalized***

  The Company has outstanding debts, has working capital deficiency, has limited revenues, and has no assurances that sufficient funding will be available to the Company to continue its operations for an extended period of time.

- ***Disruption in Trading***

  Trading in the common shares and warrants of the Company may be halted or suspended or may be subject to cease trade orders at any time and for any reason, including, but not limited to, the failure by the Company to submit documents to the Regulatory Authorities within the required time periods.

- ***Coronavirus (COVID-19)***

  On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The current COVID-19 pandemic is significantly impacting the global economy and commodity and financial markets. The full extent and impact of the COVID-19 pandemic is unknown and to date has included extreme volatility in financial markets, a slowdown in economic activity, extreme volatility in commodity prices and has raised the prospect of an extended global recession. As well, as efforts are undertaken to slow the spread of the COVID-19 pandemic, the operation and development of projects may be impacted as governments have declared a state of emergency or taken other actions. If the operation or development of one or more of the operations or projects of the Company is suspended, it may have a material adverse impact on the Company's results of operations, and financial condition. The broader impact of the COVID-19 pandemic on investors, businesses, the global economy or financial and commodity markets may also have a material adverse impact on the Company's results of operations and financial condition.

  Presently, the majority of the Company's revenues are generated from licensing the Jackpot Blitz™ ETG platform to the cruise ship industry. As a result of the cruise ship industry's suspension of operations due to the COVID-19 pandemic, the Company's revenues will be negatively impacted for the duration of the cruise ship industry's suspension of operations. Furthermore, even when the operations of the cruise ship industry resume, the Company expects future revenues generated from the cruise ship segment of its business to decline from previous levels for an unpredictable period of time.

In regards to the land-based casino industry, into which the Company had been embarking an aggressive expansion, the Company's expansion plans will now be negatively impacted due to the temporary closures of most land-based casinos in North America and elsewhere due to the COVID-19 pandemic. The Company expects the resulting negative fallout and uncertainty in the land-based casino industry to severely impact its current business development pipeline and anticipated cashflows for the near to mid-term.

- ***Research and development risk***

Research and development carries an element of risk because it involves trying new and untested ideas. New or modified products or services may prove to be more difficult or costly to develop than anticipated due to engineering challenges encountered internally or with external vendors. Additionally, delays in commercializing new products and services may lead to a decrease in projected revenue.

The primary research and development risks for the Company include the following:

a. **Custom large high-performance touchscreen.** The custom touchscreen used in the Company's new product uses a combination of cutting-edge hardware and proprietary software techniques that are geared specifically for gesture-based game play. Due to the unique and new nature of this technology, the Company cannot realistically estimate the longevity and reliability of the touchscreen in a 24/7 casino environment. The Company expects to mitigate this risk as it gains more operational experience with the touchscreen and newer technologies become available in the global touchscreen industry.

b. **Product safety testing and certification.** New products must meet Canadian Standards Association (CSA) and/or Underwriters Laboratories (UL) standards to be used in the USA and Canada. Any scheduling issues or abnormal delays experienced by the 3rd party testing company will result in delays for launching the regulated version of the product. The Company has received its safety testing and certification reports for the Jackpot Blitz™ ETG Platform under the applicable CSA, UL, and CE standards.

c. **Electromagnetic compatibility (EMC) testing and certification.** New products must have a Federal Communications Commission (FCC) "Declaration of Conformity" label for it to be used in the USA and Canada. Any scheduling issues or abnormal delays experienced by the 3rd party testing company will result in delays for launching the regulated version of the product. The Company has received its certification reports and Declaration of Conformity label for the Jackpot Blitz™ ETG platform under the applicable FCC and CE EMC standards.

d. **Gaming device testing and certification.** New products must undergo both hardware and software testing to be permitted for use in a regulated casino environment. Gaming products must comply with Gaming Labs International (GLI) standards in most gaming jurisdictions in the USA and Canada. Some jurisdictions, such as Ontario, have their own testing standards. Any scheduling issues or abnormal delays experienced by the 3rd party testing company will result in delays for launching the regulated version of the product. The Company has received its Certification Document from Gaming Laboratories International ("GLI®") that the Jackpot Blitz™ ETG platform is compliant with the requirements of GLI-24 and the National Indian Gaming Commission's Class 2 Gaming Systems standard. Jackpot Blitz is also compliant with the applicable requirements from GLI-12, GLI-13, GLI-16 and GLI-21.

Related Party Transactions

The Company shares office space and certain expenses with 37 Capital, a company related by certain common officers and directors.

37 Capital is related to the Company by virtue of the fact that 37 Capital's CEO, namely Jake H. Kalpakian, is the Chairman, President and CEO of the Company, and a former director and officer of 37 Capital namely Bedo H. Kalpakian, is the former Chairman and CFO of the Company. Furthermore, Gregory T. McFarlane and Neil Spellman are directors of both the Company and 37 Capital, and Neil Spellman is the CFO of both the Company and 37 Capital.

Amounts payable to directors are for expenses incurred on behalf of the Company and/or for funds that have been lent to the Company and are payable on demand.

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 a director of the Company. The Company is entitled to receive management services from Kalpakian Bros. at a monthly rate of $33,000 plus applicable taxes. As of July 1, 2015, the Agreement has been renewed for a term of five years. Kalpakian Bros. is also entitled to reimbursement for all traveling and other expenses incurred by it in connection with performing its services. If the Agreement is terminated by the Company other than for just cause, or is terminated by Kalpakian Bros. for good reason, then Kalpakian Bros. is entitled to be paid the annual remuneration for the unexpired term of the Agreement and is also entitled to immediate vesting of all unvested stock options. Kalpakian Bros. may terminate the Agreement on giving four months' notice.

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

	2019	2018
Interest charged on amounts due to related parties	$ -	$ 4,044
Rent and shared office expenditures charged	12,000	-

As at December 31, 2019, due from related parties consists of $130,445 receivable from 37 Capital for rent and shared office expenditures. As at December 31, 2018, due from related parties is $nil as it was eliminated on consolidation with 37 Capital.

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:

	2019	2018
Management fees	$ 396,000	$ 396,000
Salaries and benefits	288,320	302,011
Share-based payments	183,759	250,507
Total key management personnel compensation	$ 868,079	$ 948,518

Due to related parties

During the year ended December 31, 2019:

(a) A director of the Company advanced the principal amount of $12,944, bearing interest rate of prime plus 1%. As at December 31, 2019, the Company fully repaid the advance and accrued interest totaling $12,945.

Office Support Services

Effective as of May 1, 2018, 37 Capital entered into an agreement for office support services with the Company. Under the office support services agreement, 37 Capital is entitled to receive office support services from the Company at a monthly rate of $1,000 plus applicable taxes. The agreement expired on April 30, 2019 and has been further renewed which expires on April 30, 2021. Either Jackpot or 37 Capital may terminate this agreement by giving each other a three months' notice in writing.

Office Lease

During April 2017, the Company together with 37 Capital have entered into an office lease agreement with an arm's length party (the "Office Lease"). The Office Lease has a three-year term with a commencement date of August 1, 2017. Effective January 2018, the basic rent is $10,116 plus the operational costs and the applicable tax totaling $18,830 per month. On June 9, 2020 the Company entered into a lease amendment and extension agreement extending the term until September 30, 2020. In respect to the Office Lease, the Company has paid a deposit in the amount of $15,000. Effective as of May 1, 2018, the Company and 37 Capital have agreed that 37 Capital shall have no further responsibilities, obligations or commitments to any party in respect to the Office Lease Agreement and that 37 Capital shall pay a monthly rent of $1,000 plus applicable taxes to Jackpot. Either Jackpot or the Company may terminate this agreement by giving each other a three months' notice in writing.

Insider Participation

In respect to the Non-Convertible Secured Debentures issued to 30 Rock, for further particulars, please see Loans Payable and Debentures in this MD&A. The Company is related to 30 Rock by virtue of the fact that 30 Rock is owned by the President and CEO of the Company.

In respect to the non-brokered private placement financing which closed on October 29 and November 8, 2018, Jake Kalpakian and Kalpakian Bros. of BC Ltd. subscribed for 11,000 units and 15,000 units of the Company, respectively, at $2.00 per unit.

In respect to the non-brokered private placement financing which was announced on January 24, 2019 and February 25, 2019, Bedo Kalpakian, Jake Kalpakian and Kalpakian Bros of BC Ltd. subscribed an aggregate of 113,000 units of the Company at $1.35 per unit.

In respect to the Rights Offering which was completed during September 2019, Bedo Kalpakian, Jake Kalpakian and their private companies subscribed for an aggregate of 214,976 units of the Company at $0.30 per unit. As compensation for providing for the standby guarantee, Jake Kalpakian received 208,333 bonus warrants exercisable at $1.00 per share until September 26, 2024.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Risk management overview

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor these risks.

(b) Fair value of financial instruments

The fair values of cash and cash equivalents, accounts receivable, due from related parties, accounts payable and accrued liabilities, lease liability, 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.

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, 2019 and 2018 are as follows:

		2019		2018
Cash and Cash Equivalents consists of:				
Cash	$	20,295	$	8,141
Term deposit		17,250		17,250
	$	37,545	$	25,391

As at December 31, 2018, the Company had cashable term deposits of $17,250 (2018 - $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, 2019, the Company had receivables from one customer representing 91% (2018 - 90%) of total trade receivables. In addition, as at December 31, 2019, allowance for doubtful accounts is $nil (2018 - $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, 2019, the Company has cash and cash equivalents of $37,545 (2018 - $25,391) available to apply against short-term business requirements and current liabilities of $8,895,564 (2018 - $11,885,163). All of the liabilities presented as accounts payable and accrued liabilities and due to related parties are due within 90 days of December 31, 2019. As at December 31, 2019, 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.

(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, 2019 and 2018, 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)	
	2019	**2018**
Cash (cheques issued in excess of funds on deposit)	$ 85	$ (35)
Accounts receivable	305,786	343,847
Accounts payable and accrued liabilities	(303,512)	(331,788)
Interest payable	(1,286,746)	(992,142)
Loan payable with Everi	-	(1,862,484)
Non-convertible secured debentures	(2,392,799)	(3,379,003)
Net financial liability	$ (3,677,186)	$ (6,221,605)

Based upon the above net exposure as at December 31, 2019 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 $147,087 (2018 - $248,864) 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, 2019, the interest rate on the non-convertible secured debentures, loans payable, and convertible debenture balances have fixed interest rates. As such, the Company is exposed to interest rate price risk to the extent of these financial liabilities.

(iii) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

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.

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 had 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.

During the year ended December 31, 2019, the Company sold 3,400,000 common shares in the capital of 37 Capital through the facilities of the Canadian Securities Exchange (CSE) for gross proceeds to the Company of $170,580 thereby reducing its controlling interest to approximately 0.70% of 37 Capital's issued and outstanding shares and recorded $326,150 in non-controlling interest as a result of the decrease in interest in 37 Capital. As a result of the sale, the Company determined that control of 37 Capital ceased effective September 30, 2019 and, as such, the assets, liabilities and non-controlling interest of 37 Capital were derecognized. On deconsolidation, the Company recognized assets of $127,262 (including a derecognition of $400 in cash and cash equivalents) and derecognized liabilities of $1,009,241 and non-controlling interest of $1,000,834, resulting in a gain on deconsolidation of $135,669 (2018 - $nil) being recorded during the year ended December 31, 2019.

Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements.

Significant Accounting Policies

All of the Company's significant accounting policies and estimates are included in Note 4 of the Company's annual consolidated audited financial statements for the year ended December 31, 2019 and 2018.

Adoption of IFRS 16 Leases

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach. The comparative figures for the 2018 reporting period have not been restated and are accounted for under IAS 17 Leases, and IFRIC 4 Determining Whether an Arrangement Contains a Lease, as permitted under the specific transitional provisions in the standard.

The Company applied the exemption not to recognize ROU asset and lease liabilities for leases with less than 12 months of lease term and leases for low-value assets when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

The Company has an office lease for its headquarters in Vancouver, British Columbia and a warehouse lease for its warehouse in Burnaby, British Columbia, both of which were classified as operating leases under IAS 17. Upon transition to IFRS 16, these lease liabilities were measured at the present value of the remaining lease payments and discounted using an incremental borrowing rate of 10% as of January 1, 2019. As a result, the Company, as a lessee, has recognized $528,871 as a lease liability, representing its obligation to make lease payments. A ROU asset of the same amount was recognized as a Right-of-use Asset, representing its right to use the underlying asset.

Capital Stock

Authorized share capital: Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

Outstanding Share Data	Common shares	Number of Preferred Shares	Exercise ($) Price per common share	Expiry Dates
Issued and Outstanding as at June 15, 2020	12,919,304	Nil		N/A
Warrants as at June 15, 2020	67,500 7,500 75,000 100,000 155,037 247,700 330,000 318,580 171,250 2,942,153* 323,750 70,000 34,600	Nil	$20.00 $20.00 $5.00 $3.50 $1.80 $1.80 $1.80 $2.50 $2.50 $5.00 $5.00 $6.00 $6.00	August 4, 2020 August 4, 2020 August 10, 2020 November 19, 2020 February 15,2021 February 25, 2021 February 28, 2021 October 29, 2021 November 8, 2021 January 20, 2022 January 20, 2022 August 21, 2022 Sept 13, 2022

	85,000 30,000 105,355 38,900 147,860 6,439,656** 333,333 100,000 12,123,174		$6.00 $6.00 $6.00 $6.00 $5.00 $1.00 $1.00 $0.50	Nov 28, 2022 Dec 1, 2022 Jan 3, 2023 Jan 24, 2023 June 22, 2023 Sept 26, 2024 Sept 26, 2024 Feb 19,2025
Stock Options as at June 15, 2020	120,000 423,000	Nil	$0.50 $1.80	Dec 1,2020 – Dec 16, 2022 August 28, 2021
Fully Diluted as at June 15, 2020	25,585,478	Nil		

***trading on the TSX.V under the symbol "JJ.WT.A"**
****trading on the TSX.V under the symbol "JJ.WT.B"**

Director Approval

The contents of this MD&A and the sending thereof to the Shareholders of the Company have been approved by the Company's Board of Directors.

Outlook

The Company's new ETG platform, Jackpot Blitz™, is generating considerable interest from numerous parties.

Furthermore, the Company is working on a new project for a client to incorporate table games and other casino entertainment experiences into a new gaming machine. While this project is still in the development stage, Management is optimistic that once this new project is completed, it should increase the Company's revenues.