

JACKPOT DIGITAL INC.

**Consolidated Financial Statements
Six Months Ended June 30, 2025 and 2024
(Expressed in Canadian Dollars)
(Unaudited)**

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Notice of No Auditor Review of Condensed Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim financial statements as at June 30, 2025 and for the six months ended June 30, 2025 and 2024.

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

	June 30, 2025	December 31, 2024
Assets (note 15)		
Current		
Cash and cash equivalents (note 5)	\$ 1,443,471	\$ 1,558,257
Accounts receivable (note 5)	202,290	241,443
Due from related parties (notes 5 and 8)	378,271	363,190
Prepaid expenses and deposits (note 10)	444,742	543,728
Inventories	1,632,872	1,454,440
	4,101,646	4,161,058
Gaming Systems	2,432,267	1,941,596
Investment in 37 Capital Inc. ("37 Capital") (note 9)	-	-
Prepaid expenses and deposit	124,169	247,725
Equipment	71,239	87,832
Intangible Assets	334,865	372,062
Right-of- Use Assets (note 12)	410,276	564,606
Total Assets	\$ 7,474,462	\$ 7,374,879
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 2,349,746	\$ 2,263,418
Deferred royalty liability (note 6)	-	408,619
Lease liability (note 12)	226,854	302,436
Lines of Credit (note 11)	598,473	-
Interest payable (note 11)	728,001	564,438
Deferred revenue (note 13)	798,115	482,032
Convertible debentures (note 11)	373,850	1,334,615
Non-convertible secured debentures (note 11)	1,887,550	1,309,404
Obligation to issue debentures (note 16)	409,490	-
	7,372,079	6,664,962
Deferred Royalty Liability (note 6)	-	-
Lease Liability (note 12)	219,779	306,068
Deferred Revenue (note 13)	507,001	534,723
Convertible Debentures (note 11)	5,900,375	6,719,183
Total Liabilities	13,999,234	14,224,936
Shareholders' Deficiency		
Capital Stock (note 7)	69,891,990	66,236,075
Reserves (note 7)	1,106,135	1,151,363
Convertible Debentures - Equity Portion (note 11)	1,137,465	1,580,013
Deficit	(78,660,362)	(75,817,508)
Total Shareholders' Deficiency	(6,524,772)	(6,850,057)
Total Liabilities and Shareholders' Deficiency	\$ 7,474,462	\$ 7,374,879

On behalf of the Board:

"Jake H. Kalpakian" (signed)

.....
 Jake H. Kalpakian, Director

"Neil Spellman" (signed)

.....
 Neil Spellman, Director

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

	Three Months Ended June 30		Six Months Ended June 30	
	2025	2024	2025	2024
Revenues				
Electronic gaming tables	\$ 229,520	\$ 286,541	\$ 505,968	\$ 671,802
Table sales	-	472,788	107,723	892,559
	229,520	759,329	613,691	1,564,361
Cost of sales (recovery)	216,151	329,935	415,413	552,805
	216,151	329,935	415,413	552,805
Gross Profit / (Loss)	13,369	429,394	198,278	1,011,556
Expenses				
Advertising and promotion	70,584	52,802	86,052	69,692
Amortization	238,305	145,193	450,840	418,733
Consulting fees	378,566	163,732	748,066	232,766
Foreign exchange loss/(gain)	(205,036)	67,949	(200,293)	267,732
Gain on extinguishment of debt	(27,669)	(35,800)	(432,812)	(35,800)
Interest and other income	(7,759)	(2,282)	(16,608)	(4,544)
Interest and finance expense	401,834	581,236	853,574	925,993
Legal, accounting and audit (recovery)	143,612	5,747	184,748	(131,545)
Management fees	108,000	99,000	216,000	198,000
Regulatory and transfer agent fees	28,443	43,245	70,361	89,560
Rent, office and miscellaneous	60,242	44,143	110,946	87,518
Salaries and benefits	518,404	384,229	1,060,025	629,582
Share net of (income)/loss of 37 Capital	-	1,876	-	4,856
Travel, meals and entertainment	69,468	128,467	95,255	192,178
	1,776,994	1,679,537	3,226,154	2,944,721
Net Loss and Comprehensive Loss for the Period	\$ (1,763,625)	\$ (1,250,143)	\$ (3,027,876)	\$ (1,933,165)
Basic and Diluted Loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.01)
Weighted average number of common shares outstanding	199,239,245	133,745,353	193,899,204	133,569,040

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

	Capital Stock		Reserves		Equity Portion of		Shareholders'
	Common Shares	Amount	Warrants and Other	Options	Convertible Debentures	Deficit	
Balance, December 31, 2023	133,392,727	\$ 62,156,050	\$ 997,836	\$ 1,063,083	\$ 867,574	\$ (75,435,915)	\$ (10,351,372)
Net loss for the period	-	-	-	-	-	(1,933,165)	(1,933,165)
Convertible debentures issued	-	-	-	-	1,699,540	-	1,699,540
Convertible debenture conversion	1,057,000	65,370	-	-	(21,895)	-	43,475
Broker warrants issued	-	-	1,324	-	-	-	1,324
Share-based payment	-	-	-	23,623	-	-	23,623
Expiry of warrants	-	-	(52,323)	-	-	52,323	-
Expiry of options	-	-	-	(772,128)	-	772,128	-
Balance, June 30, 2024	134,449,727	62,221,420	946,837	314,578	2,545,219	(76,544,629)	(10,516,575)
Net income for the period	-	-	-	-	-	574,824	574,824
Convertible debenture issued	-	-	-	-	97,756	-	97,756
Convertible debenture conversion	51,683,436	4,014,655	-	-	(1,062,962)	-	2,951,693
Share-based payment	-	-	-	42,245	-	-	42,245
Expiry of warrants	-	-	(111,812)	-	-	111,812	-
Expiry of options	-	-	-	(40,485)	-	40,485	-
Balance, December 31, 2024	186,133,163	66,236,075	835,025	316,338	1,580,013	(75,817,508)	(6,850,057)
Net loss for the period	-	-	-	-	-	(3,027,876)	(3,027,876)
Convertible debenture issued	-	-	-	-	474,616	-	474,616
Convertible debenture conversion	44,616,179	3,442,401	-	-	(917,164)	-	2,525,237
Shares and warrants issued for debt settlement	3,000,000	180,000	83,075	-	-	-	263,075
Broker shares issued	500,000	33,514	-	-	-	-	33,514
Broker warrants issued	-	-	1,167	-	-	-	1,167
Share-based payment	-	-	-	55,552	-	-	55,552
Expiry of options	-	-	-	(181,903)	-	181,903	-
Expiry of warrants	-	-	(3,119)	-	-	3,119	-
Balance, June 30, 2025	234,249,342	\$ 69,891,990	\$ 916,148	\$ 189,987	\$ 1,137,465	\$ (78,660,362)	\$ (6,524,772)

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

	June 30, 2025	June 30, 2024
Operating Activities		
Net loss	\$ (3,027,876)	\$ (1,933,165)
Items not affecting cash		
Amortization	450,840	418,733
Interest expense and finance expense	853,266	964,799
Unrealized foreign exchange loss (gain)	(79,163)	178,084
Share-based payment	55,552	23,623
Repairs and maintenance	59,499	86,127
Gain on extinguishment of debt	(432,812)	(35,800)
Gain on sale of gaming system table	-	(218,238)
Share of net loss of 37 Capital Inc.	-	4,856
	(2,120,694)	(513,981)
Changes in non-cash working capital		
Accounts receivable	39,153	145,590
Due from related parties	(15,081)	(121,300)
Prepaid expenses and deposits	222,542	(84,627)
Inventory	(350,343)	12,537
Accounts payable and accrued liabilities	(595,833)	(653,146)
Deferred revenue	447,635	88,309
	(251,927)	(612,637)
Cash Used in Operating Activities	(2,372,621)	(1,126,618)
Financing Activities		
Funds from convertible debentures, net of issuance cost	1,987,175	6,156,893
Funds from non-convertible debenture	2,010,820	-
Funds from line of credits	629,177	-
Obligation to issue debentures	409,490	683,430
Repayment of line of credits	(34,378)	-
Repayment of non-convertible debentures and interest	(1,275,364)	(997,975)
Repayment of convertible debentures and interest	(1,179,565)	(751,864)
Payment of lease liability	(190,487)	(173,740)
Cash Provided by Financing Activities	2,356,868	4,916,744
Investing Activities		
Proceeds of sale of gaming system	-	314,828
Purchase of intangible assets	(18,872)	(41,321)
Cash Provided by (Used in) Investing Activities	(18,872)	273,507
Effect of Foreign Currency Translation on Cash	(80,161)	29,196
Net Change in Cash and Cash Equivalents	(114,786)	4,092,829
Cash and Cash Equivalents, Beginning of Period	1,558,257	99,948
Cash and Cash Equivalents, End of Period	\$ 1,443,471	\$ 4,192,777

1. NATURE OF OPERATIONS

The principal business of Jackpot Digital Inc. (the "Company" or "Jackpot") is the developing, marketing, selling, and leasing of electronic table games to casino operators. The Company's common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "JJ" and on the OTCQB under the trading symbol "JPOTF". A certain number of the Company's warrants trade on the TSX-V under the symbol "JJ.WT.C". The Company's common shares are also listed for trading on the Frankfurt Exchange under the symbol "LVH3".

The Company's office is located at Suite 575 – 510 Burrard Street, Vancouver, British Columbia, Canada, V6C 3A8, and the Company's warehouse is located at 4664 Lougheed Highway, Unit W030, Burnaby, British Columbia, Canada, V5C 5T5. The Company's registered office is located at Suite 3200 – 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4P7.

2. GOING CONCERN

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

Several adverse conditions may cast significant doubt on the validity of this assumption. The Company has incurred a net loss and comprehensive loss of \$3,027,876 during the six months ended June 30, 2025 (June 30, 2024: \$1,933,165), has incurred significant operating losses over the past two fiscal years (December 31, 2024 - \$1,358,341; December 31, 2023 - \$3,278,196), has a working capital deficiency of \$3,270,433 (December 31, 2024: working capital deficiency of \$2,503,904). 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 condensed interim financial statements are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting using the accounting policies consistent with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for full annual financial statements.

3. BASIS OF PRESENTATION (Continued)

(b) Basis of measurement

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

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

(c) Approval of the consolidated financial statements

The condensed interim financial statements of Jackpot for the six months ended June 30, 2025 were approved and authorized for issue by the Board of Directors on August 29, 2025.

(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 Accounting Standards require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

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

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

Critical accounting estimates

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

- 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 June 30, 2025, the Company recorded a write off of accounts of \$nil (June 30, 2024 - \$nil). If circumstances related to specific customers and related parties change, estimates of the recoverability of receivables could also change.

3. BASIS OF PRESENTATION (Continued)

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

Critical accounting estimates (continued)

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

- Recoverability of asset carrying values

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

- Right-of-use assets and lease liability

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

- Discount rates for convertible debentures

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

- Discount rate for deferred royalty liability

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

3. BASIS OF PRESENTATION (Continued)

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

Critical accounting judgments

- Valuation of inventories

Inventories are valued at the lower of cost and estimated net realizable value. Significant estimates and judgment are required in assessing the recoverability of inventories, including provisions for obsolescence, damage, or slow-moving items. Any changes in these estimates may affect the carrying value of inventories reported on the Consolidated Balance Sheets and result in a corresponding impact on operating income in the Consolidated Statements of Comprehensive Loss.

- 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 June 30, 2025, the Company had capitalized \$18,872 (June 30, 2024 - \$41,321) for the development of intellectual property and \$nil (June 30, 2024 - \$nil) for the related prototypes.

- Functional currency

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

3. BASIS OF PRESENTATION (Continued)

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

Critical accounting judgments (continued)

- Assessment of control and significant influence

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

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

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

- Going concern assumption

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

- Right-of-use assets and lease liability

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

- Impairment of long-lived assets

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

- Government tax credits

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

4. MATERIAL ACCOUNTING POLICIES

The material accounting policies of the Company include the following:

(a) Principles of consolidation

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

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

(b) Cash and cash equivalents

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

(c) Financial instruments

The Company's financial instruments are classified as follows:

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

Financial assets

(i) Recognition and measurement of financial assets

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

4. MATERIAL ACCOUNTING POLICIES (Continued)

(c) Financial instruments (continued)

Financial assets (continued)

(ii) Classification of financial assets

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

Financial assets measured at amortized cost

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

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

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

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

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

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

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

(ii) Derecognition of financial assets

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

4. MATERIAL ACCOUNTING POLICIES (Continued)

(c) Financial instruments (continued)

Financial liabilities

(i) Recognition and measurement of financial liabilities

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

(ii) Classification of financial liabilities

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

Financial liabilities measured at amortized cost

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

Financial liabilities measured at fair value through profit or loss

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

(iii) Derecognition of financial liabilities

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

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

Impairment of financial assets

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

4. MATERIAL ACCOUNTING POLICIES (Continued)

(d) Research and development

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

(e) Inventories

Inventories include gaming tables and parts for assembly of the tables purchased and held for resale and are valued at the lower of cost and net realizable value. The cost of inventories include purchase cost, assembly cost, if applicable, and the cost incurred in bringing inventories to its present location and condition. Assembly cost includes cost of parts used for assembly of tables, direct labour and attributable overhead. Net realizable value is the estimated selling price in the ordinary course of business, less applicable selling expenses.

A regular review is undertaken to determine the extent of any provision for obsolescence. When a circumstance that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The amount of the reversal is limited to the amount of the original write-down.

(f) Gaming systems and equipment

Gaming systems represent gaming tables and parts held for internal use or rental purposes. The majority of the gaming tables are rented and operated at customer sites pursuant to contractual license agreements.

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.

4. MATERIAL ACCOUNTING POLICIES (Continued)

(f) Gaming systems and equipment (continued)

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

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

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

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

(g) Intangible assets

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

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

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

Intellectual property	- 5 years
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(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

4. MATERIAL ACCOUNTING POLICIES (Continued)

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

the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

(i) Revenue recognition

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

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

(i) Sale of Electronic gaming tables

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

(ii) Leasing of Electronic gaming tables

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

4. MATERIAL ACCOUNTING POLICIES (Continued)

(i) Revenue recognition (continued)

- (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.

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

(k) Share-based payments

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

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

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

4. MATERIAL ACCOUNTING POLICIES (Continued)

(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.

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

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

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

4. MATERIAL ACCOUNTING POLICIES (Continued)

(o) Leases (continued)

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

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

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

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

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

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

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

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

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

4. MATERIAL ACCOUNTING POLICIES (Continued)

(p) Investment in 37 Capital Inc. ("37 Capital")

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

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

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

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

(q) Government tax recoveries

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

(r) Substantial modification of debentures

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

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

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

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

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Risk management overview

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

(b) Fair value of financial instruments

The fair values of cash and cash equivalents, accounts receivable, due from related parties, accounts payable and accrued liabilities, promissory note, loans payable and interest payable approximate their carrying values due to the short-term maturity of these instruments. The lease liability, deferred royalty liability, non-convertible secured debentures and convertible debentures are classified as Level 3 financial instruments.

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

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

(c) Credit risk

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

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and cash equivalents and accounts receivable. The Company mitigates its exposure to credit loss associated with cash by placing its cash and cash equivalents in a major financial institution. The Company's cash and cash equivalents as at June 30, 2025 and 2024 are as follows:

	2025	2024
Cash and Cash Equivalents consists of:		
Cash	\$ 1,426,221	\$ 4,175,527
Term deposit	17,250	17,250
	\$ 1,443,471	\$ 4,192,777

As at June 30, 2025, the Company had a cashable term deposit of \$17,250 (June 30, 2024 - \$17,250) readily convertible into cash, maturing August 6, 2025 with an annual interest rate of 2.70%.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(c) Credit risk (continued)

To mitigate credit risk on the Company's trade receivables, the Company regularly reviews the collectability of the accounts receivable to ensure there is no indication that these amounts will not be fully recoverable. During the six months ended June 30, 2025, the Company had one customer that represented 52% (June 30, 2024 - 54%) of total revenue. As at June 30, 2025, the Company had receivables from this customer representing 48% (June 30, 2024 - 90%) of total trade receivables. In addition, as at June 30, 2025, allowance for doubtful accounts is \$nil (June 30, 2024 - \$nil) and the Company's accounts receivable are due within 60 days of June 30, 2025.

As at June 30, 2025, due from related party (37 Capital) was \$123,036 (June 30, 2024 - \$95,090) which is non-interest bearing and has no fixed repayment terms.

As at June 30, 2025, due from related party (Yo Eleven) was \$174,138 (June 30, 2024 - \$117,700) which included the following components:

- (i) \$301 (June 30, 2024 - \$238) which is non-interest bearing and has no fixed payment terms;
- (ii) \$40,546 (June 30, 2024 - \$37,255) which bears interest at the rate of 10% and is due on December 31, 2025; and
- (iii) \$133,291 (June 30, 2024 - \$80,207) which bear interest at the rate of 10% and are due between April 9, 2025 and September 17, 2025.

As at June 30, 2025, due from related party (key management) was \$81,097 (June 30, 2024 - \$33,369) which is non-interest bearing and has no fixed repayment terms.

(d) Liquidity risk

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

At June 30, 2025, the Company has cash and cash equivalents of \$1,443,47 (June 30, 2024 - \$4,192,777) available to apply against short-term business requirements and current liabilities of \$7,372,079 (June 30, 2024 - \$8,633,262). All of the liabilities presented as accounts payable and accrued liabilities are due within 90 days of June 30, 2025. As at June 30, 2025, all of the Company's debentures have maturity dates within one year to five years. Undiscounted lease payments of \$495,447 are due within one year to three years. The Company will be required to raise additional capital in order to fund operations for the next twelve months.

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk for management is to manage and control market risk exposures within acceptable parameters while optimizing return on capital.

JACKPOT DIGITAL INC.
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5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(e) Market risk (continued)

(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 June 30, 2025, the Company is exposed to currency risk for its Canadian dollar equivalent of financial assets and liabilities denominated in US dollars:

	Held in US dollars (stated in Canadian dollars)	
	June 30, 2025	December 31, 2024
Cash	\$ 1,182,034	\$ 1,392,747
Accounts receivable	172,189	214,109
Accounts payable and accrued liabilities	(1,569,816)	(1,599,599)
Deferred royalty liability	-	(408,619)
Line of credits	(598,473)	-
Non-convertible secured debentures	(1,887,550)	(1,309,404)
Net financial liability	\$ (2,701,616)	\$ (1,710,766)

Based upon the above net exposure as at June 30, 2025 and assuming all other variables remain constant, a 10% (December 31, 2024 - 10%) depreciation or appreciation of the US dollar relative to the Canadian dollar would result in a change of approximately \$270,162 (December 31, 2024 - \$171,077) 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 June 30, 2025, the interest rate on the promissory note, 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.

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6. 52 GAMING, LLC – ACQUISITION OF ASSETS

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

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

The fair value of the deferred royalty liability was determined based on the discounted minimum royalty payments over a period of five years. The payments were discounted using a rate of 10% to determine a fair value of \$335,722 which is being accreted over time as follows:

Balance at December 31, 2023	\$	352,244
Accretion		24,181
Foreign exchange		32,194
Balance at December 31, 2024	\$	408,619
Shares and warrants issued		(263,075)
Gain on debt settlement		(145,544)
Balance at June 30, 2025	\$	-

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

On October 16, 2024, the parties entered into an agreement to extinguish royalty payments totalling US\$300,000 plus future royalty payments. On January 23, 2025, the Company issued 3,000,000 common shares of the Company at the price of \$0.14 per share, and 2,000,000 share purchase warrants, exercisable at the price of \$0.14 per share for a period of five (5) years which represents full and final settlement of all the Company’s royalty payment obligations to 52 Gaming. All securities issued in connection with the agreement include a hold period in accordance with applicable securities laws.

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7. CAPITAL STOCK

(a) Authorized

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

(b) Issued and outstanding

Preferred shares

No preferred shares have been issued.

Common shares

As of June 30, 2025, there are 234,249,342 common shares issued and outstanding.

During the six months period ended June 30, 2025, the following transactions occurred:

- (i) The Company issued an aggregate of 43,916,179 common shares at the price of \$0.075 per share upon the conversion of convertible debentures for the principal amount of \$3,293,714.
- (ii) The Company issued 700,000 common shares at the price of \$0.07 per share upon the conversion of convertible debentures for the principal amount of \$49,000.
- (iii) The Company issued 3,000,000 common shares at the price of \$0.14 per share in settlement of royalty payments along with 2,000,000 share purchase warrants exercisable at \$0.14 per share for 5 (five) years.
- (iv) The Company issued 500,000 common shares at the price of \$0.07 per share as bonus shares in relation to a loan.

During the year ended December 31, 2024, the following transactions occurred:

- (i) The Company issued an aggregate of 52,454,722 common shares at the price of \$0.075 per share upon the conversion of convertible debentures in the principal amount of \$3,934,104.
- (ii) The Company issued 285,714 common shares at the price of \$0.07 per share upon the conversion of convertible debentures in the principal amount of \$20,000.

(c) Warrants

Warrants activity for the six months ended June 30, 2025 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2023	164,565,705	\$0.16
Expired	(7,941,771)	\$0.10
Issued	119,161,377	\$0.10
Balance, December 31, 2024	275,785,311	\$0.11
Issued	28,562,332	\$0.10
Expired	(212,857)	\$0.29
Balance, June 30, 2025	304,134,786	\$0.11

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7. CAPITAL STOCK (Continued)

(b) Issued and outstanding (continued)

Warrants (continued)

At June 30, 2025 and 2024, the following warrants and compound warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants	
		2025	2024
September 2, 2024	\$ 0.10	-	300,000
September 26, 2024	\$ 1.00	-	6,439,656 ⁽¹⁾
September 26, 2024	\$ 1.00	-	333,333
October 20, 2024	\$ 0.10	-	16,000
February 19, 2025	\$ 0.50	-	100,000
March 7, 2025	\$ 0.10	-	35,000
April 4, 2025	\$ 0.10	-	55,714
April 18, 2025	\$ 0.10	-	17,143
May 17, 2025	\$ 0.10	-	5,000
August 14, 2025	\$ 0.10	86,750	86,750
November 20, 2025	\$ 0.10	80,992,192 ⁽²⁾	80,992,192 ⁽²⁾
November 20, 2025	\$ 0.10	500,000	500,000
January 2, 2026	\$ 0.195	102,564	102,564
January 29, 2026	\$ 0.10	450,000	450,000
February 1, 2026	\$ 0.235	85,106	85,106
February 10, 2026	\$ 0.105	2,000,000	2,000,000
March 1, 2026	\$ 0.28	71,429	71,429
March 3, 2026	\$ 0.25	2,730,555	2,730,555
March 10, 2026	\$ 0.25	7,211,668	7,211,668
April 1, 2026	\$ 0.26	76,923	76,923
April 7, 2026	\$ 0.27	3,692,000	3,692,000
May 4, 2026	\$ 0.27	100,000	100,000
May 25, 2026	\$ 0.27	4,290,500	4,290,500
May 29, 2026	\$ 0.10	66,667	66,667
June 2, 2027	\$ 0.10	33,333	-
May 17, 2028	\$ 0.10	4,565,023	4,565,023
May 25, 2028	\$ 0.10	1,333,667	1,333,667
June 12, 2028	\$ 0.10	390,000	390,000
July 28, 2028	\$ 0.10	17,582,100	17,582,100
August 2, 2028	\$ 0.10	21,961,667	21,961,667
August 14, 2028	\$ 0.10	8,188,933	8,188,933
May 29, 2029	\$ 0.10	42,323,133	42,323,133
June 2, 2029	\$ 0.10	26,528,999	-
June 17, 2029	\$ 0.10	39,835,440	39,835,440
July 30, 2029	\$ 0.10	36,936,137	-
January 23, 2030	\$ 0.14	2,000,000	-
	\$ 0.11	304,134,786	245,938,163

⁽¹⁾ Traded on the TSX-V under the trading symbol "JJ.WT.B" until September 26, 2024.

⁽²⁾ Trading on the TSX-V under the trading symbol "JJ.WT.C".

The weighted average remaining contractual life for warrants outstanding at June 30, 2025 is 2.88 (June 30, 2024 – 3.16) years.

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7. CAPITAL STOCK (Continued)

(c) Issued and outstanding (continued)

Warrants (continued)

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

(d) Stock options

On April 14, 2015, the TSX-V accepted the Company's new rolling stock option plan whereby a maximum of 10% of the issued shares of the Company will be reserved for issuance under the plan. As at June 30, 2025, there are 16,284,934 (June 30, 2024 – 5,789,973) 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 six-month period ended June 30, 2025 and 2024. The options vest 25% on grant and thereafter at 25% every three or six months.

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2023	12,029,161	\$0.13
Issued	3,500,000	\$0.10
Expired	(6,224,161)	\$0.10
Balance, December 31 2024	9,305,000	\$0.10
Issued	1,790,000	\$0.10
Expired	(3,955,000)	\$0.10
Balance, June 30, 2025	7,140,000	\$0.10

The weighted average remaining contractual life for options outstanding at June 30, 2025 is 1.89 years (June 30, 2024 - 1.30 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 \$2,277 (June 30, 2024 - \$15,996) were recognized as salaries and \$53,275 (June 30, 2024 - \$7,627) was recognized as consulting fees for options granted to consultants.

8. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the consolidated financial statements, related party transactions for the six months period ended June 30, 2025 and 2024 are as follows.

During the six months period ended June 30, 2025 and 2024, the Company incurred the following related party transactions:

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8. RELATED PARTY TRANSACTIONS (Continued)

	2025	2024
Rent and shared office expenditures charged	\$ 12,000	\$ 12,000

During the six months ended June 30, 2025, Jackpot has paid management fees totaling \$216,000 to a company owned by a director and officer of Jackpot (June 30, 2024 - \$198,000).

As at June 30, 2025, due from related parties consists of \$123,036 (June 30, 2024 - \$95,090) receivable from 37 Capital for rent and shared office expenditures (see Subsequent Events, item (h), debt settlement agreement).

As at June 30, 2025, due from related parties consists of \$301 (June 30, 2024 - \$238) receivable from Yo Eleven for certain office expenditures paid on behalf of Yo Eleven.

As at June 30, 2025, due from a related party consists of \$173,837 (June 30, 2024 - \$117,462) receivable from Yo Eleven for six promissory notes bearing interest at the rate of 10%.

As at June 30, 2025, there is \$81,097 due from (June 30, 2024 - \$33,369 due from) key management which is included in the due from related parties balance. The amounts are non-interest bearing and have no fixed repayment terms.

Directors and officers fee compensation

The Company has entered into compensation agreements with its directors and officers whereby each will receive \$6,750 per quarter for continued service and to retain and secure board members, as well as to fulfill the significant increasing and ongoing requirements from various gaming supplier and manufacturing licensing applications required from the directors and officers in various jurisdictions in Canada and the USA. In addition, audit committee members will also receive \$1,000 per audit committee meeting they attend.

9. INVESTMENT IN 37 CAPITAL INC.

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

Balance at December 31, 2023	\$	6,703
Share of net loss		(6,703)
Balance at December 31, 2024 and June 30, 2025	\$	-

During January 2021, pursuant to a debt settlement agreement dated December 11, 2020, the Company acquired 597,380 common shares of 37 Capital with a total fair value of \$328,559 in settlement of outstanding debt in the amount of \$149,345. As a result, the Company recorded a gain on debt settlement of \$179,214 during the year ended December 31, 2021. As at June 30, 2025, the Company holds approximately 3.99% (June 30, 2024 - 4.42%) of 37 Capital's issued and outstanding shares.

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9. INVESTMENT IN 37 CAPITAL INC. (Continued)

Summarized financial information for 37 Capital is as follows:

	June 30, 2025	December 31, 2024
Current assets	\$ 28,649	\$ 66,154
Non-current assets	\$ 104,502	\$ 104,502
Current liabilities	\$ 771,713	\$ 763,523
Non-current liabilities	\$ -	\$ -
Net loss	\$ 52,039	\$ 208,993

10. DEPOSIT

On July 5, 2024 ("Commencement Date"), the Company entered into a software agreement with an arm's length party to develop sports squares games software for the Company, under certain terms and conditions. The total consideration to the arm's length party is US\$96,000 and will be paid as follows: a) 50%, US\$48,000 (Forty Eight Thousand United States Dollars) within 10 (ten) Business days upon Commencement Date; b) 25%, US\$24,000 (Twenty Four Thousand United States Dollars) after 8 (eight) weeks following the Commencement Date, provided that the Company demonstrates significant project advancement to the Customer's satisfaction; c) 25%, US\$24,000 (Twenty Four Thousand United States Dollars) within 10 (ten) Business Days following the Acceptance Date of the transfer of the Licensed Software with the source code and all the related Licensed Materials by the Company to the Customer; and d) Annual Software Support Fees. During the year ended December 31, 2024, the Company paid the arm's length party US\$48,000 pursuant to the software agreement.

11. NOTES PAYABLE AND DEBENTURES

Notes payable

Lines of Credit

On March 25, 2025, the Company entered into secured non-revolving Lines of Credit agreements with two Lenders in the aggregate principal amount of up to US\$4,000,000 (the "Line of Credit"). Drawdowns on the Line of Credit will be available in multiples of USD\$24,000 and carry interest at a rate of 15% per annum on the drawdown amount. All amounts owing under the Line of Credit will be repayable by maturity, December 31, 2028. Under the terms of the agreements, there is a possible conversion feature which may be triggered if any principal or interest under the promissory notes remain outstanding. In such an event, the Lenders may elect to convert all or a portion of the outstanding principal and any accrued and unpaid interest into common shares of the Company, subject to the approval of the TSX-V.

During the six months ended June 30, 2025, the Company drew down \$629,177 (USD\$456,000) from the Lines of Credit and repaid \$23,709 towards the principal amount and paid \$10,669 in accrued interest.

11. NOTES PAYABLE AND DEBENTURES (Continued)

Non-convertible secured debentures

Non-convertible secured debentures (2025)

On March 7, 2025, the Company issued a debenture to an arm's length party, under certain terms and conditions, in the principal amount of US\$1,400,000. The debenture bears interest at the rate of 18% per annum, paid monthly, and will mature on March 7, 2026. In the Event of a Default, the arm's length party has the right and option to accept, as full and final payment of the entire principal amount and accrued and unpaid interest owing through the issuance of common shares of the Company, subject to the approval of the TSX-V. As consideration, the Company issued 500,000 common shares at the price of \$0.07 per share in the capital of the Company as Bonus Shares to the arm's length party. The Bonus Shares had a fair value of \$33,514. During the six months period ended June 30, 2025, the Company paid \$nil towards the principal amount and \$110,751 in accrued interest.

Non-convertible secured debentures (2015)

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

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

On March 23, 2023, the Company entered into a subsequent amendment agreement, under certain terms and conditions, whereby the maturity date of the debentures was extended from July 1, 2023 to July 1, 2025.

During the year ended December 31, 2024, the Company repaid the principal of \$1,691,118 (US\$1,243,103) and the accrued interest of \$nil. Pursuant to the Fifth Amendment Agreement, the Company recorded a gain on extinguishment of debenture of \$2,526,774 towards the interest payable when the principal repayment was made on September 18, 2024. Furthermore, pursuant to the Fifth Amendment Agreement, there was an extinguishment between the carrying value plus accrued interest and the final payment. Upon the extinguishment, the Company recorded a gain on extinguishment of debenture of \$708,545 towards the interest payable, and recorded a loss on extinguishment of debenture of \$373,695 on the difference between the carrying value and the fair value of the final payment. During the six months ended June 30, 2025, the Company repaid the remaining principal of \$1,164,613 (US\$810,842) which represents full and final settlement of the debentures. Please refer to the "Additional Notes to Non-convertible secured debentures, Convertible debentures (2016) and Convertible debenture (August 2018)" below.

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11. NOTES PAYABLE AND DEBENTURES (Continued)

Non-convertible secured debentures (continued)

As at June 30, 2025, the amount of \$1,887,550 (December 31, 2024 - \$1,309,404) 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 June 30, 2025.

Balance at December 31, 2023	\$	2,199,384
Finance expense		578,003
Interest reclassified to interest payable		(284,524)
Principal repayment		(1,691,118)
Loss on extinguishment		373,696
Foreign exchange		133,963
Balance, December 31, 2024	\$	1,309,404
Addition		2,010,820
Commission cost (bonus shares)		(33,514)
Finance expense		167,412
Interest reclassified to interest payable		(109,735)
Principal repayment		(1,164,613)
Gain on extinguishment		(190,429)
Foreign exchange		(101,795)
Balance, June 30, 2025	\$	1,887,550

Convertible debentures

Convertible debentures (April 2016)

During the year ended December 31, 2016, the Company issued convertible secured debentures for gross proceeds of \$2,000,000 (net proceeds of \$1,753,111). The convertible secured debentures had a term of 12 months, bore simple interest at the rate of 12% per annum, and were payable on a quarterly basis.

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

On September 23, 2020, an amendment agreement was entered into whereby the maturity date was further extended to July 1, 2023 and the interest rate was reduced from 12% to 7.5% per annum. As consideration the Company issued 836,173 bonus warrants. Each warrant was exercisable into one common share at the price of \$0.10 until July 21, 2023. The warrants expired unexercised.

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

On March 23, 2023, the Company entered into a subsequent amendment agreement, under certain terms and conditions, whereby the maturity date of the debentures was further extended from July 1, 2023 to July 1, 2025. During the year ended December 31, 2023, the Company paid \$nil in

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11. accrued interest and repaid \$347,190 towards the principal amount.
NOTES PAYABLE AND DEBENTURES (Continued)

Convertible debentures (continued)

During the year ended December 31, 2024, the Company paid \$nil in accrued interest and repaid \$1,091,169 towards the principal amount. Pursuant to the Fifth Amendment Agreement, the Company recorded a gain on extinguishment of debenture of \$1,088,990 towards the interest payable when the principal repayment was made on September 18, 2024. Furthermore, pursuant to the Fifth Amendment Agreement, there was an extinguishment between the carrying value plus accrued interest and the final payment. Upon extinguishment, the Company recorded a gain on extinguishment of debenture of \$288,407 towards the interest payable and recorded a loss on extinguishment of debenture of \$242,207 on the difference between the carrying value and the fair value of the final payment. During the six months ended June 30, 2025, the Company repaid \$768,799 towards the remaining principal amount which represents the full and final settlement of the debentures. Please refer to the “*Additional Notes to Non-convertible secured debentures, Convertible debentures (2016) and Convertible debenture (August 2018)*” below.

Convertible debenture (August 2018)

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

During the year ended December 21, 2023, the Company paid \$nil (2022 - \$nil) in accrued interest and repaid \$57,660 (2022 - \$nil) towards the principal amount.

During the year ended December 31, 2024, the Company paid \$nil in accrued interest and repaid \$181,216 towards the principal amount. Pursuant to the Fifth Amendment Agreement, the Company recorded a gain on extinguishment of debenture of \$119,197 towards the interest payable upon the principal repayment made on September 18, 2024. Furthermore, pursuant to the Fifth Amendment Agreement, there was an extinguishment between the carrying value plus accrued interest and the final payment. Upon the extinguishment, the Company recorded a gain on extinguishment of debenture of \$32,662 towards the interest payable and recorded a loss on extinguishment of debenture of \$35,361 on the difference between the carrying value and the fair value of the final payment. During the six months ended June 30, 2025, the Company repaid \$127,679 towards the remaining principal amount which represents the full and final settlement of the debentures. Please refer to the “*Additional Notes to Non-convertible secured debentures, Convertible debentures (2016) and Convertible debenture (August 2018)*” below.

Additional Notes to Non-convertible secured debentures, Convertible debentures (2016) and Convertible debenture (August 2018)

In connection with the *Non-convertible secured debentures, Convertible debentures (2016) and Convertible debenture (August 2018)*, the Company entered into Third and Fourth Amendment Agreements with the lenders in June and August 2023. Under these agreements, the lenders agreed to a new payment schedule, effective from July 31, 2023 and terminating on July 1, 2025, subject to certain terms and conditions. The aggregate new payment schedule was as follows: 1) US\$700,000 by August 15, 2023; 2) US\$1,300,000 by July 1, 2024; and 3) the remaining outstanding principal plus 20% of all accrued and unpaid interest by July 1, 2025.

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11. NOTES PAYABLE AND DEBENTURES (Continued)

Convertible debentures (continued)

On September 13, 2024, a Fifth Amendment Agreement was entered into with the lenders. Under the terms of the Agreement, the Company made a payment of US\$900,000 to the debenture holders on September 18, 2024 whereby US\$2,774,358 in accrued interest was forgiven, leaving a principal and interest balance owing of approximately US\$1,800,000. The Company had the option to make a payment of US\$1,300,000 by November 1, 2024. The Company was unable to make the payment of US\$1,300,000 by November 1, 2024 and a final payment of US\$1,800,000 was required by July 1, 2025.

On February 27, 2025, a Sixth Amendment Agreement was entered into with the lenders. Under the terms of the Agreement, the Company made a payment of US\$1,435,000 to the debenture holders on March 7, 2025 which represented the full and final settlement of the debentures.

Convertible debentures (2023)

During February, March, and April 2023, pursuant to the private placement announced on February 7, 2023, the Company closed four tranches and issued convertible debentures totalling \$456,050. The debentures bear interest at the rate of 10% per annum and will mature on November 20, 2025. The convertible debentures are convertible into 6,515,000 common shares at \$0.07 per common share until November 20, 2025. In addition, the Company issued an aggregate of 6,515,000 share purchase warrants exercisable at \$0.10 per share until November 20, 2025. The Company paid finder's fee of \$7,550 in cash and issued 107,857 broker warrants exercisable at \$0.10 per common share for two years. The broker warrants had a fair value of \$2,956. During the year ended December 31, 2024, the principal amount of \$20,000 was converted into 285,714 common shares of the Company. During the six months ended June 30, 2025, the principal amount of \$49,000 was converted into 700,000 common shares of the Company and the Company paid a total of \$10,605 in accrued interest.

During May and June 2023, pursuant to the private placement announced on March 29, 2023, Jackpot closed three tranches and issued convertible debentures totaling \$471,652. The debentures bear interest at the rate of 10% per annum and have a term of five years from the date of issuances. The convertible debentures are convertible at \$0.075 per common share in the first year and at \$0.10 in subsequent years. In addition, the Company has issued an aggregate of 6,288,690 share purchase warrants exercisable at \$0.10 per share for a period of five years. The Company paid finder's fee of \$375 in cash and issued 5,000 broker warrants exercisable at \$0.10 per common share for two years. All securities that have been issued in respect to this debenture financing were subject to applicable hold periods. The broker warrants had a fair value of \$163. During the year ended December 31, 2024, the principal amount of \$414,152 was converted into 5,522,023 common shares of the Company and the Company paid a total of \$46,645 in accrued interest.

During July and August 2023, pursuant to a private placement of convertible debentures announced on July 10, 2023, Jackpot closed three tranches and issued convertible debentures totaling \$3,579,953 (the "Debentures"). The Debentures bear interest at the rate of 10% per annum and they have a term of five years from the issuance date. The convertible debentures are convertible at \$0.075 per common share in the first year and at \$0.10 in the subsequent four years. In addition, the Company issued an aggregate of 47,732,700 share purchase warrants exercisable at \$0.10 per share for a period of five years. The Company paid finder's fees of \$6,506 in cash and issued 86,750 broker warrants exercisable at \$0.10 per common share for two years. During the year ended December 31, 2024, the principal amount of \$3,519,952 was converted into 46,932,699 common shares of the Company and the Company paid a total of \$352,718 in accrued interest.

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11. NOTES PAYABLE AND DEBENTURES (Continued)

Convertible debentures (continued)

Convertible debentures (2024)

During May, June, and July 2024, pursuant to the private placement announced on May 3, May 21, and June 18, 2024, the Company closed three tranches and issued convertible debentures for the principal amount of \$8,932,103. The debentures bear interest at the rate of 10% per annum and they have a term of five years from the issuance date. The convertible debentures are convertible at \$0.075 per common share in the first year and at \$0.10 in the subsequent four years.

In addition, the Company issued an aggregate of 119,094,710 share purchase warrants exercisable at \$0.10 per for a period of five years. The Company paid finder's fees of \$5,000 in cash and issued 66,667 broker warrants exercisable at \$0.10 per common share for two years. The broker warrants had a fair value of \$1,324.

During the six months ended June 30, 2025, the principal amount of \$3,293,713 was converted into 43,916,179 common shares of the Company and the Company paid a total of \$40,888 in accrued interest. In addition, the Company paid \$231,594 in accrued interest during the six months period ended June 30, 2025.

Convertible debentures (2025)

During June 2025, pursuant to the private placement announced on April 14, 2025, the Company closed the first tranche and issued convertible debentures for the principal amount of \$1,989,675. The debentures bear interest at the rate of 10% per annum and they have a term of four years from the issuance date. The convertible debentures are convertible at \$0.075 per common share in the first year and at \$0.10 in the subsequent three years.

In addition, the Company issued an aggregate of 26,528,999 share purchase warrants exercisable at \$0.10 per for a period of four years. The Company paid finder's fees of \$2,500 in cash and issued 33,333 broker warrants exercisable at \$0.10 per common share for two years. The broker warrants had a fair value of \$1,167.

As at June 30, 2025, the amount of \$6,274,225 (December 31, 2024 - \$8,053,798) has been recorded as the convertible debentures. The following table reconciles the fair value of the liability and equity components of convertible debentures on initial recognition to the carrying amount at June 30, 2025:

	Liability Component	Equity Component	Total
Balance at December 31, 2023	\$ 5,107,521	\$ 867,574	\$ 5,975,095
Additions	6,462,714	2,464,389	8,927,103
Commission cost (broker warrants)	(1,324)	-	(1,324)
Finance expense	1,316,179	-	1,316,179
Interest reclassified to interest payable	(841,307)	-	(841,307)
Principal repayment	(1,272,385)	-	(1,272,385)
Loss on extinguishment	277,568	-	277,568
Deferred income tax recovery	-	(667,093)	(667,093)
Debenture conversion	(2,995,168)	(1,084,857)	(4,080,025)
Balance, December 31, 2024	\$ 8,053,798	\$ 1,580,013	\$ 9,633,811
Additions	1,512,559	474,616	1,987,175
Commission cost (broker warrants)	(1,167)	-	(1,167)
Finance expense	646,569	-	646,569
Interest reclassified to interest payable	(446,649)	-	(446,649)
Principal repayment	(896,478)	-	(896,478)
Gain on extinguishment	(69,170)	-	(69,170)
Debenture conversion	(2,525,237)	(917,164)	(3,442,401)
Balance, June 30, 2025	\$ 6,274,225	\$ 1,137,465	\$ 7,411,690

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12. LEASE LIABILITY

The Company had a lease agreement for its warehouse in Burnaby, BC from May 1, 2021 until October 31, 2023. Upon entering into this lease, the Company recognized \$396,706 for an ROU asset and \$396,706 for a lease liability. The Company renewed the lease agreement commencing November 2023 to October 2025. Upon renewal, the Company recognized \$281,968 for an ROU asset and \$281,968 for a lease liability.

The Company entered into an Extension and Amendment of Lease Agreement in relation to the warehouse in Burnaby which provides for a lease extension from November 1, 2025 until October 31, 2028. The agreement includes an early surrender provision effective after November 1, 2026 with (3) three months' written notice. Effective November 1, 2025, the new monthly lease rate is \$11,250.

The Company entered a sublease agreement for its current office in Vancouver, BC commencing January 2024 until August 2027, with an early occupancy in November 2023. Upon entering into this lease, the Company recognized \$614,795 for an ROU asset and \$614,795 for a lease liability.

The continuity of the ROU asset and lease liability for the periods ended June 30, 2025 and 2024 is as follows:

Right-of-use asset		
Balance at December 31, 2023	\$	873,266
Amortization expense		(308,660)
Balance at December 31, 2024	\$	564,606
Amortization expense		(154,330)
Balance, June 30, 2025	\$	410,276
Lease liability		
Balance at December 31, 2023	\$	899,307
Lease payments*		(349,228)
Lease deposit applied towards lease payment		(16,748)
Lease interest		75,173
Balance at December 31, 2024	\$	608,504
Lease payments*		(190,487)
Lease interest		28,616
Balance at June 30, 2025	\$	446,633

* Lease payments of \$nil (December 31, 2024 - \$nil) are included in accounts payable and accrued liabilities at June 30, 2025.

13. DEFERRED REVENUE

During the six months period ended June 30, 2025, the Company recorded \$507,001 (December 31, 2024 - \$534,723) in deferred revenue under non-current liabilities with respect to electronic gaming table regulated licenses. The deferred revenue will be recognized as revenue upon the Company receiving the necessary gaming licenses.

During the six months period ended June 30, 2025, the Company recorded \$798,115 (December 31, 2024 - \$482,032) in deferred revenue under current liabilities with respect to the sale of electronic gaming tables. The deferred revenue will be recognized as revenue when the electronic gaming tables are delivered, and the installation and training services are performed as per the selling agreements.

14. COMMITMENTS

The Company's commitments relate to the following:

- (a) In order to carry out the production and shipping of the Company's Jackpot Blitz® ETGs, the Company has leased a warehouse in Burnaby, BC which has an area of 9,792 square feet. The term of the lease was from May 1, 2021 up to October 31, 2023 and has been further extended from November 1, 2023 until October 31, 2025 for a monthly rent of \$15,000 and the applicable tax.

The Company entered into an Extension and Amendment of Lease Agreement in relation to the warehouse in Burnaby which provides for a lease extension from November 1, 2025 until October 31, 2028. The agreement includes an early surrender provision effective after November 1, 2026 with (3) three months' written notice. Effective November 1, 2025, the new monthly lease rate will be \$11,250.

- (b) On July 1, 2020, the Company entered into a management services agreement with Kalpakian Bros. of B.C. Ltd. ("Kalpakian Bros.") with a term of five years at a monthly rate of \$33,000 plus applicable taxes. Kalpakian Bros. is a private company controlled by a director and officer of the Company. On December 18, 2024, an addendum was entered into whereby the new monthly rate payable under the addendum is \$36,000 plus applicable taxes.
- (c) On August 18, 2023, the Company entered into a Sublease Agreement with a third party for certain premises in Vancouver, BC comprising a total of area of approximately 5,314 sq. ft. commencing on January 1, 2024 and shall expire on August 30, 2027. The Company has paid a deposit of \$35,171.
- (d) The Company entered into directors and officers' fee compensation agreements whereby each individual will receive \$6,750 paid quarterly. In addition, each audit committee member will also receive \$1,000 for each attendance at audit meetings.
- (e) The Company is involved in a litigation initiated by a third party in connection with an alleged patent infringement. The claim specifically relates to two secondary software features and does not include and will not affect the Company's primary source of revenue generated from its Jackpot Blitz® tables. The revenues related to the alleged claim are not material and are expected to remain inconsequential going forward. The Company has filed a Statement of Defence. As of the date of this filing, the litigation remains pending.

15. CAPITAL MANAGEMENT

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

The Company's objective when managing capital is to maintain adequate levels of funding support for the development and marketing of the Company's electronic gaming tables while maintaining the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds on acceptable terms in the future. There were no changes to the Company's approach to capital management during the six months period ended June 30, 2025. The Company is not subject to externally imposed capital requirements.

16. EVENTS AFTER THE REPORTING DATE

The following events occurred after June 30, 2025:

- (a) Pursuant to the Convertible debentures (2025) under Note 11, the Company closed the second and final tranche the convertible debenture financing on July 8, 2025, and issued convertible debentures for the principal amount of \$409,490. The debentures bear interest at the rate of 10% per annum and they have a term of four years from the issuance date. The convertible debentures are convertible at \$0.075 per common share in the first year and at \$0.10 in the subsequent three years. In addition, the Company issued an aggregate of 5,459,867 share purchase warrants exercisable at \$0.10 per for a period of four years.
- (b) A total of 77,857 share purchase warrants exercisable at \$0.10 have expired unexercised.
- (c) The Company issued 413,500 common shares at the price of \$0.10 per share pursuant to the exercise of trading warrants for proceeds of \$41,350.
- (d) The Company issued 66,750 common shares at the price of \$0.10 per share pursuant to the exercise of broker warrants for proceeds of \$6,675.
- (e) The Company issued 28,571 common shares at the price of \$0.07 per share pursuant to a certain convertible debenture conversion for the principal amount of \$2,000.
- (f) The Company issued an aggregate of 21,907,093 common shares at the price of \$0.075 per share upon the conversion of convertible debentures for the principal amount of \$1,643,032.
- (g) The Company announced a private placement financing for up to \$1,350,000 by the issuance of 5,000,000 units at \$0.09 per unit. Each unit will consist of one common share and one share purchase warrant exercisable at the price of \$0.14 per share for five years. The Company has closed the first tranche for gross proceeds of \$183,540 and issued 2,039,333 units at \$0.09 per unit.
- (h) The Company entered into a debt settlement agreement dated July 24, 2025 with 37 Capital in settlement of debt totaling \$119,700, through the issuance of 1,330,000 common shares of 37 Capital at a deemed price of \$0.09 per share.