Integrity Gaming Corp.
(formerly Poydras Gaming Finance Corp.)

Consolidated Financial Statements

For the Years Ended December 31, 2017 and 2016

(Expressed in US Dollars Unless Otherwise Stated)

KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Integrity Gaming Corp.

We have audited the accompanying consolidated financial statements of Integrity Gaming Corp. (formerly Poydras Gaming Finance Corp.), which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Integrity Gaming Corp. (formerly Poydras Gaming Finance Corp.) as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 24, 2018

Integrity Gaming Corp.
(formerly Poydras Gaming Finance Corp.)
Consolidated Statements of Financial Position
(Expressed in US Dollars)

ASSETS		December 31, 2017		December 31, 2016
Current				
Cash	**$**	**2,896,080**	$	3,371,341
Accounts receivable *(Note 5)*		**1,772,135**		1,980,929
Inventory *(Note 6)*		**19,438**		255,322
Prepaid expenses *(Note 7)*		**72,086**		85,696
Finance leases receivable *(Note 10)*		**2,502,572**		2,114,009
		7,262,311		7,807,297
Placement Fees *(Note 8)*		**4,717,149**		6,482,721
Property and Equipment *(Note 9)*		**10,519,928**		10,521,082
Finance Leases Receivable *(Note 10)*		**2,085,731**		6,572,193
Intangible Assets *(Note 11)*		**4,322,911**		5,156,889
Goodwill *(Note 11)*		**4,009,887**		4,009,887
	$	**32,917,917**	$	40,550,069

LIABILITIES				
Current				
Accounts payable and accrued liabilities *(Note 19)*	**$**	**2,701,701**	$	3,368,684
Earn-out payable		**240,000**		240,000
Loans payable *(Note 12)*		**721,498**		3,357,810
Deferred revenue *(Note 13)*		**228,780**		268,656
Promissory note payable *(Note 14)*		**-**		87,383
		3,891,979		7,322,533
Deferred Revenue *(Note 13)*		**266,897**		455,801
Earn-out Payable		**-**		240,000
Exit Fee liability *(Note 12)*		**899,307**		-
Loans Payable *(Note 12)*		**29,129,666**		25,490,755
Promissory Note Payable *(Note 14)*		**-**		224,435
		34,187,849		33,733,524
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share Capital *(Note 16)*		**28,163,810**		27,978,707
Reserves *(Note 16)*		**871,207**		665,260
Accumulated Other Comprehensive Income		**1,284,468**		1,294,413
Deficit		**(31,589,417)**		(23,121,835)
		(1,269,932)		6,816,545
	$	**32,917,917**	$	40,550,069

Approved on behalf of the Board of Directors:

"Peter Macy", Director

"David Danziger", Director

– The accompanying notes are an integral part of these consolidated financial statements –

Integrity Gaming Corp.
(formerly Poydras Gaming Finance Corp.)
Consolidated Statements of Comprehensive Loss
For the Years Ended December 31, 2017 and 2016
(Expressed in US Dollars)

		2017		2016
Revenue				
Leasing revenue *(Note 17)*	$	**14,077,217**	$	12,456,193
Casino supplies and equipment sales		**2,291,441**		2,546,125
		16,368,658		15,002,318
Income from equity-accounted investees *(Note 4a)*		**-**		580,014
Casino supplies and equipment		**(1,532,583)**		(1,638,014)
Operating expenses *(Note 25)*		**(9,396,352)**		(7,943,926)
General and administrative expenses *(Note 25)*		**(5,964,580)**		(5,861,159)
Amortization of intangible assets (*Note 11*)		**(799,368)**		(875,565)
Gain (loss) on disposal of assets		**132,402**		(117,555)
Impairment of placement fees (*Note 8*)		**-**		(1,732,152)
Recovery of loan receivable		**-**		56,495
Loss from operations		**(1,191,823)**		(2,529,544)
Financing costs (*Note 25)*		**(7,331,698)**		(4,970,731)
Foreign exchange gain (loss)		**(10,517)**		556,091
Gain on sale of Bingo (*Note 4c)*		**139,032**		-
Gain on settlement of debt (*Note 12(a)(vi) and Note 25)*		**28,930**		110,487
Revaluation of earn-out liability (*Note 4b)*		**-**		119,000
Revaluation loss on investment in A&W JV (*Note 4a)*		**-**		(588,317)
Net loss before tax		**(8,366,076)**		(7,303,014)
Current income tax expense (*Note 26*)		**(101,506)**		-
Deferred income tax recovery (*Note 26*)		**-**		844,254
Net loss for the year		**(8,467,582)**		(6,458,760)
Other comprehensive income (loss):				
Items that may be reclassified to net income or loss				
Foreign currency translation differences		**(9,945)**		(581,154)
Comprehensive Loss for the Year	$	**(8,477,527)**	$	(7,039,914)
Loss per share - basic and diluted	$	**(0.24)**	$	(0.19)
Weighted average number of common shares outstanding – basic and diluted *(Note 18)*		**34,896,873**		34,548,928

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Integrity Gaming Corp.
(formerly Poydras Gaming Finance Corp.)
Consolidated Statement of Cash Flows
For the Years Ended December 31, 2017 and 2016
(Expressed in US Dollars)

	2017	2016
Operations:		
Net loss for the period	$ **(8,467,582)**	$ (6,458,760)
Items not affecting cash:		
Accretion in excess of interest expensepaid	**2,084,581**	1,412,615
Amortization and depreciation	**8,401,985**	6,761,972
Bad debt expense	**42,122**	614,178
Current income tax expense	**41,437**	-
Deferred income tax recovery	**-**	(844,254)
Financing costs	**1,620,417**	-
Deferred revenue	**(228,780)**	(268,656)
Foreign exchange (gain) loss	**10,517**	(556,091)
Impairment of placement fees	**-**	1,732,152
Impairment (recovery) of loan receivable	**-**	(56,495)
Income from equity-accounted investee	**-**	(580,014)
Gain on sale of Bingo	**(139,032)**	-
Loss (gain) on disposal of equipment	**(132,402)**	117,555
Gain on settlement of debt	**(28,930)**	(110,487)
Revaluation of earn-out liability	**-**	(119,000)
Revaluation loss on investment in A&W JV	**-**	588,317
Stock-based compensation on options and RSUs	**391,050**	620,379
	3,595,383	2,853,411
Change in non-cash working capital:		
Accounts receivable	**166,672**	62,802
Prepaid expenses	**13,610**	29,324
Inventory	**(13,738)**	21,023
Accounts payable and accrued liabilities	**(1,873,010)**	(804,015)
	1,888,917	2,162,545
Investing:		
Placement fees	**-**	(1,872,000)
Gaming equipment	**(2,006,218)**	(453,094)
Loans receivable	**-**	122,695
Finance leases receivable	**1,518,628**	554,202
Investment in A&W JV	**-**	580,883
Sale (acquisition) of BitBoss IP license	**20,000**	(50,000)
Earn-out payable	**(240,000)**	-
Payment for acquisition of A&W JV, net *(Note 4a)*	**-**	(1,760,836)
Proceeds from sale of Bingo *(Note 4c)*	**400,000**	-
	(307,590)	(2,878,150)
Financing:		
Promissory notes payable	**(291,637)**	(589,715)
Convertible debentures	**-**	(7,732,000)
Proceeds from loans	**1,592,858**	15,393,031
Payments on loans	**(3,357,809)**	(5,234,482)
	(2,056,588)	1,836,834
Net increase (decrease) in cash	**(475,261)**	1,121,229
Exchange impact on cash held in foreign currency	**-**	(25,062)
Cash - beginning of year	**3,371,341**	2,275,174
Cash - end of year	$ **2,896,080**	$ 3,371,341

Supplementary Cash Flows Information *(Note 21)*

- The accompanying notes are an integral part of these consolidated financial statements –

Integrity Gaming Corp.
(formerly Poydras Gaming Finance Corp.)
Consolidated Statement of Changes in Equity
(Expressed in US Dollars)

	Share Capital *(Note 16)*			Accumulated Other		
	Shares*	Amount $	Reserves *(Note 16)* $	Comprehensive Income $	Deficit $	Total Equity $
Balance - January 1, 2016	34,548,928	27,978,707	44,881	1,875,567	(16,663,075)	13,236,080
Total comprehensive loss						
Net income for the period	-	-	-	-	(6,458,760)	(6,458,760)
Foreign currency translation	-	-	-	(581,154)	-	(581,154)
	-	-	-	(581,154)	(6,458,760)	(7,039,914)
Transactions with owners of the Company:						
Stock based compensation on options *(Note 16)*	-	-	269,875	-	-	269,875
Stock based compensation on RSUs *(Note 16)*	-	-	350,504	-	-	350,504
	-	-	620,379	-	-	620,379
Balance – December 31, 2016	**34,548,928**	**27,978,707**	**665,260**	**1,294,413**	**(23,121,835)**	**6,816,545**

*On May 2, 2016, the Company consolidated its issued and outstanding common shares, stock options, share purchase warrants and restricted share units on the basis of one new share for every ten existing shares. Unless otherwise indicated, all references to share capital, stock options, share purchase warrants and restricted share units presented in these consolidated financial statements and notes thereto are on a post-consolidation basis.

- The accompanying notes are an integral part of these consolidated financial statements -

Integrity Gaming Corp.
(formerly Poydras Gaming Finance Corp.)
Consolidated Statement of Changes in Equity
(Expressed in US Dollars)

	Share Capital *(Note 16)*			Accumulated Other		
	Shares*	Amount $	Reserves *(Note 16)* $	Comprehensive Income $	Deficit $	Total Equity $
Balance - January 1, 2017	34,548,928	27,978,707	665,260	1,294,413	(23,121,835)	6,816,545
Total comprehensive loss						
Net income for the period	-	-	-	-	(8,467,582)	(8,467,582)
Foreign currency translation	-	-	-	(9,945)	-	(9,945)
	-	-	-	(9,945)	(8,467,582)	(8,477,527)
Transactions with owners of the Company:						
Exercise of RSUs *(Note 16)*	500,000	185,103	(185,103)	-	-	-
Stock based compensation on options *(Note 16)*	-	-	110,074	-	-	110,074
Stock based compensation on RSUs *(Note 16)*	-	-	280,976	-	-	280,976
	500,000	185,103	205,947	-	-	391,050
Balance – December 31, 2017	**35,048,928**	**28,163,810**	**871,207**	**1,284,468**	**(31,589,417)**	**(1,269,932)**

*On May 2, 2016, the Company consolidated its issued and outstanding common shares, stock options, share purchase warrants and restricted share units on the basis of one new share for every ten existing shares. Unless otherwise indicated, all references to share capital, stock options, share purchase warrants and restricted share units presented in these consolidated financial statements and notes thereto are on a post-consolidation basis.

- The accompanying notes are an integral part of these consolidated financial statements –

1. Nature of Operations

Integrity Gaming Corp. (formerly Poydras Gaming Finance Corp.) (the **"Company**" or "**Integrity**") is a regional slot route operator, providing gaming machines, equipment and supplies to Tribal casino operators in the United States. The Company's head office address is at Suite 1430-800 West Pender Street, Vancouver, British Columbia, V6C 2V6. The registered and records office address is at Suite 1500-1055 West Georgia Street, P.O. Box 11117, Vancouver, British Columbia, V6E 4N7. The Company is listed on the TSX Venture Exchange (**"TSX.V"**) under the symbol "IGAM" and on OTCQX over-the-counter market under the symbol "IGAMF".

Integrity Gaming Corp. (as a stand-alone entity "**IGC**") was incorporated under the Business Corporations Act (B.C.) on July 27, 2009 under the name Doca Capital Corp, changed its name to Great Northern Gold Exploration Corporation on October 10, 2012, to Poydras Gaming Finance Corp. on May 2, 2014, and to Integrity Gaming Corp. on January 1, 2018. On May 9, 2014, IGC completed a reverse takeover ("**RTO**") acquisition of Poydras Specialty Finance Corp. ("**PSFC**") with its wholly-owned U.S. subsidiaries.

On July 20, 2015, the Company completed the acquisition of the Integrity Companies, which are engaged in leasing slot machines to Native American-owned casinos in Oklahoma and Texas and selling bingo supplies in Oklahoma, Arkansas and Kansas. The Integrity Companies are Aurora Gaming Inc. ("**Aurora Gaming**"), Integrity Gaming Inc. ("**Integrity Gaming**") and Integrity Gaming of Kansas Inc. ("**Kansas**"), (together the "**Integrity Companies**").

On August 11, 2016, the Company completed the acquisition of the remaining 50% interest in Aurora A&W Enterprises, LLC ("**A&W JV**"), which was engaged in leasing slot machines to Native American-owned casinos in Oklahoma *(Note 4a)*. On August 12, 2016 A&W JV was merged with the Company's wholly owned subsidiary Aurora Gaming.

2. Basis of Presentation

a) Statement of Compliance

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

These consolidated financial statements were approved for issue by the Board of Directors effective April 24, 2018.

2. Basis of Presentation - *Continued*

b) Basis of Consolidation

These consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies set out in Note 3, except for the convertible debentures conversion feature *(Note 15)* which was measured at fair value through profit and loss and an exit fee liability, which is an embedded derivative that has been separated and measured at fair value through profit and loss.

All figures presented in these consolidated financial statements are in US dollars unless otherwise indicated.

These consolidated financial statements include the accounts of the Company and the following wholly-owned subsidiaries:

(i) Canadian subsidiary PSFC from its date of incorporation on January 25, 2013;
(ii) U.S. subsidiary Platform 9 Corporation from the date of its incorporation on February 27, 2013;
(iii) U.S. subsidiary Poydras Gaming LLC from the date of its formation on February 11, 2013;
(iv) U.S. subsidiary Poydras Street Finance II LLC from the date of acquisition on May 9, 2014 *;
(v) U.S. subsidiary Windy Hill Capital LLC from the date of acquisition on May 9, 2014 *;
(vi) U.S. subsidiary Aurora Gaming Inc. from the date of acquisition on July 20, 2015;
(vii) U.S. subsidiary Integrity Gaming Inc. from the date of acquisition on July 20, 2015; and
(viii) U.S. subsidiary Integrity Gaming of Kansas Inc. from the date of acquisition on July 20, 2015.

On July 15, 2014, the Company obtained a 49% ownership interest in Poydras Gaming Devices LLC and a 90% ownership interest in Poydras Gaming Finance (LA) LLC. Both companies are limited liability companies formed in Louisiana and both are currently inactive with no assets and no liabilities.

* On March 31, 2017, Poydras Street Finance II LLC and Windy Hill Capital LLC merged with the Company's wholly owned subsidiary Poydras Gaming LLC.

c) Functional and Presentation Currency

The functional currency of a company is the currency of the primary economic environment in which the company operates. The presentation currency for a company is the currency in which the company chooses to present its financial statements.

These consolidated financial statements are presented in US dollars. The functional currency of the Canadian legal parent company IGC and its legal Canadian subsidiary PSFC is the Canadian dollar. The functional currency of all U.S. subsidiaries is the US dollar. Canadian companies' financial statement amounts are translated into US dollars as follows: assets and liabilities – at the closing rate as at the financial reporting date, and income and expenses – at the average rate of the period. All resulting changes are recognized in other comprehensive income (loss) as cumulative translation differences.

Transactions in foreign currencies are translated into the functional currency at exchange rates at the dates of the transactions. Foreign currency differences arising on translation are recognized in profit or loss.

3. Significant Accounting Policies

a) Cash and Cash Equivalents

The Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with remaining maturities at date of purchase of 90 days or less and insignificant risk of change in value. The Company places its cash with major financial institutions in Canada and the U.S.

b) Inventory

Inventory represents casino supplies and is measured at the lower of cost and net realizable value. The cost of inventory is based on the average cost.

c) Prepaid Expenses

Prepaid expenses consist of (i) prepaid casino license fees and (ii) other prepaid expenses. Prepaid expenses are amortized to the consolidated statement of comprehensive loss over the period to which benefits of the prepaid expenses relate.

d) Placement Fees

Gaming equipment placement fees are occasionally paid by the Company to secure floor space in the casinos to which gaming equipment is being leased and are amortized over lease term periods ranging between five to seven years. Amortization of placement fees is expensed in the consolidated statement of comprehensive loss as amortization of equipment placement fees.

e) Property and Equipment

Property and equipment is stated at cost less accumulated amortization and accumulated impairment losses. The cost of equipment consists of the purchase price, and any costs directly attributable to bringing the equipment to the location and condition necessary for its intended use.

Cost less estimated residual values are amortized on a straight-line method over the estimated useful lives of the equipment. The estimated useful lives of the equipment are as follows:

Gaming equipment	5 years
Vehicles	5 years
Computer and electronic equipment	3 to 5 years
Leasehold improvements	terms of the lease
Software	3 years
Furniture and fixtures	5 years
Other assets	2 to 5 years

Equipment is derecognized upon disposal, or when no future economic benefits are expected to arise from the continued use of the equipment. Any gain or loss arising on disposal of the equipment, determined as the difference between the net disposal proceeds and the carrying amount of the equipment, is recognized in the consolidated statement of comprehensive loss.

The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for property and equipment and any changes arising from the assessment are applied by the Company prospectively.

3. Significant Accounting Policies - *Continued*

f) **Interests in Equity-Accounted Investees**

Interests in equity-accounted investees comprise of interests in joint ventures. A joint venture is an arrangement in which the Company has joint control, whereby the Company has the right to the net assets of the joint venture arrangement, rather than rights to its assets and obligations for its liabilities. Interests in the joint ventures are accounted for using the equity method. They are initially recognized at cost. Subsequent to initial recognition, the Company records its share of profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases. On August 11, 2016, the Company completed its acquisition of the remaining 50% interest in A&W JV and on August 12, 2016 A&W JV merged with the Company's wholly owned subsidiary Aurora Gaming.

g) **Goodwill and Intangible Assets**

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization is calculated over the cost of the asset less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the intangible assets range between three and 10 years.

h) **Impairment of Non-Financial Assets**

The carrying amounts of the Company's non-financial assets other than inventory are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested on annual basis, irrespective of whether indicators of impairment exist.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "**cash-generating unit"** or "**CGU**"). For the purposes of goodwill impairment testing, goodwill acquired in a business combination is allocated to the CGU, or the group of CGUs, that is expected to benefit from the synergies of the combination. This allocation is subject to an operating segment ceiling test and reflects the lowest level at which that goodwill is monitored for internal reporting purposes.

3. Significant Accounting Policies - *Continued*

h) Impairment of Non-Financial Assets - *Continued*

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

i) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the financial reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. The increase in the obligation due to the passage of time is recognized as a finance expense.

j) Income Taxes

Provision for income taxes consists of current and deferred tax expense or recovery. Income tax expense or recovery is recognized in net loss except to the extent that it relates to items recognized either in other comprehensive income (loss) or directly in equity. 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 regards to previous years.

3. Significant Accounting Policies - *Continued*

j) Income Taxes

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences associated with the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income or loss and temporary differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Share Capital

Share capital issued for non-monetary consideration is recorded at an amount based on the fair market value of the shares. All costs related to issuances of share capital are charged against the proceeds received from the related share capital.

l) Revenue Recognition

The Company's leasing revenue is derived from leasing of gaming equipment to gaming casinos.

Leases in which a significant portion of the risks and rewards of ownership are retained by the Company are classified as operating leases. Assets under operating leases are included in property and equipment. Leasing revenue from operating leases is earned at the end of each business day, and is determined as a fixed percentage of the actual net win (wagers less prizes) earned from operations of the gaming machines owned and leased by the Company. The percentage of net win varies between contracts.

Leases in which a significant portion of the risks and rewards of ownership are transferred by the Company to the lessee are classified as finance leases. Assets subject to finance leases are initially recognized at an amount equal to the net investment in the lease, which is the fair value of the asset, or if lower, the present value of the minimum lease payment. The interest component of the lease payments is recognized over the term of the lease based on the effective interest rate method and is included in leasing revenue.

Casino supplies and equipment revenue is derived from sale of casino supplies and equipment. Casino supplies and equipment revenue is recognized when the risks and rewards have been transferred to the customer, the amount can be reliably measured, and when it is probable that future economic benefits will flow to the Company. This usually occurs when the supplies and equipment are delivered to the customers under a sale. Revenue is measured at the fair value of the consideration received or receivable.

3. Significant Accounting Policies - *Continued*

m) Financial Instruments

Financial Assets

A financial asset is classified into one of the following categories based on the purpose for which the asset was acquired – Held to Maturity, Available-for-Sale, Loans and Receivable and Fair Value through Profit or Loss. A financial liability is classified into one of the following categories based on the purpose for which the liability was incurred – Fair Value through Profit of Loss and Other Financial Liabilities. Management determines the classification of its financial assets and liabilities at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

*Fair value through profit or loss ("**FVTPL**")*

A financial asset or liability is generally classified in this category if acquired principally for the purposes of selling or repurchasing in the short-term. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of comprehensive loss. Gains and losses arising from changes in fair value are presented in the statement of comprehensive loss in the period in which they arise. The convertible debentures conversion feature was recorded at fair value through profit or loss.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than 12 months after the end of the reporting period, which are classified as non-current assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in net loss when the loans and receivables are derecognized or impaired. The Company's loans and receivables consist of cash and cash equivalents, accounts receivable and loans receivable.

Other Financial Liabilities

Other financial liabilities are recognized initially at fair value and are subsequently stated at amortized cost using the effective interest rate method. These liabilities include accounts payable and accrued liabilities, earn-out payable, loans payable and promissory note payable.

Transaction Costs

Transaction costs on financial assets and liabilities other than those classified as fair value through profit and loss are deferred as part of the carrying value of the asset or liability and amortized into profit or loss using the effective interest rate method. Transaction costs for assets and liabilities at fair value through profit and loss are expensed as incurred.

3. Significant Accounting Policies - *Continued*

m) Financial Instruments – *Continued*

Derivatives

Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes are recognized in profit or loss.

Impairment

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

n) Critical Accounting Judgments and Estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reported years.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates.

Change in critical accounting estimates and assumptions made by management may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates include, among others, the useful life and recoverability of property and equipment, the valuation of deferred income tax assets, the classification of leases, amortization of placement fees, the valuation of intangible assets and goodwill and valuation of the exit fee liability.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting policies which involve judgments or assessments made by management include accounting for acquisitions and determination of the going concern assumption.

3. Significant Accounting Policies - *Continued*

n) Critical Accounting Judgments and Estimates – *Continued*

The recoverable amounts of CGUs and individual assets have been determined based on the higher of fair value less costs to sell or value-in-use calculations. The key assumptions the Company uses in estimating future cash flows for recoverable amounts are anticipated residual value of equipment, expected financing revenue from leasing of the equipment and future operating and financing costs. Changes to these assumptions will affect the recoverable amounts of CGUs and individual assets and may then require a material adjustment to their related carrying value.

o) Recent Accounting Pronouncements

(i) Changes in Accounting Policies Adopted

Effective January 1, 2017, the Company adopted amendments to IAS 7 Statement of Cash Flows and has provided disclosures on changes in liabilities arising from certain financing activities, including both changes arising from cash and non-cash flow changes.

(ii) New Accounting Pronouncements Not Yet Effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards.

<u>IFRS 2 Classification and Measurement of Share-based Payment Transactions ("IFRS 2")</u>

On June 20, 2016, the IASB issued amendments to IFRS 2 *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Company intends to adopt IFRS 2 amendments in its consolidated financial statements for the annual period beginning on January 1, 2018. Adoption of IFRS 2 amendments will be applied prospectively and is not expected to have a significant impact on the Company's financial statements because the Company doesn't have any cash-settled share-based payments or share-based payment transactions with a net settlement feature for withholding tax obligations.

3. Significant Accounting Policies - *Continued*

o) Recent Accounting Pronouncements – *Continued*

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 addresses classification and measurement of financial assets and liabilities, including impairment of financial assets, and hedge accounting. Under this standard, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The accounting model for financial liabilities is largely unchanged except for the presentation of the impact of own credit risk on financial liabilities designated at fair value through profit or loss. The new general hedge accounting principles under IFRS 9 are aimed to align hedge accounting more closely with risk management.

This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it is expected to provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

The Company will adopt the requirements of IFRS 9 with a date of initial application of January 1, 2018. Adoption of IFRS 9 is not expected to result in significant adjustments to the carrying value of the company's financial instruments. Based on the initial assessment of the credit risk related to the company's financial instruments, there has been no significant increase in the credit risk since initial recognition of the financial instruments and no additional credit loss is expected to be recorded on the date of the initial application of IFRS 9.

IFRS 15 Revenue From Contracts With Customers ("IFRS 15")

IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The new standard applies to contracts with customers. It does not apply to financial instruments or lease contracts, which call in the scope of other IFRSs.

The Company will adopt the requirements of IFRS 15 effective January 1, 2018. Adoption of IFRS 15 is not expected to result in any significant adjustments to the Company's financial statements. The Company has two major types of revenue: (1) leasing of gaming equipment to casinos and (2) sale of casino supplies and equipment.

Leasing of gaming equipment to casinos is out of scope of IFRS 15 as leases will continue to be accounted for under IAS 17 Leases until IFRS 16 Leases becomes effective for the annual period beginning on January 1, 2019. Impairment of finance leases receivable will also be evaluated under IFRS 9 effective January 1, 2018.

Currently, the Company recognizes casino supplies and equipment revenue when supplies and equipment are delivered to the customers and bingo revenue is measured at the fair value of the consideration received or receivable. IFRS 15 does not impact the Company's current recognition policy therefore no adjustments are expected to be made in the Company's financial statements upon adoption of this new accounting pronouncement effective January 1, 2018.

3. Significant Accounting Policies - *Continued*

o) Recent Accounting Pronouncements – *Continued*

IFRS 16 Leases (“IFRS 16”)

IFRS 16 replaces IAS 17 Leases. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is that lessees and lessors provide relevant information in a manner that faithfully represents lease transactions and gives a basis for users of financial statements to assess its effect on the financial position, financial performance and cash flows of an entity. The Company intends to adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The Company is in the process of evaluating the impact of IFRS 16 on the Company’s consolidated financial statements.

4. Business Acquisitions and Disposals

a) Acquisition of A&W JV

Prior to August 11, 2016, the Company had a 50% interest in a joint venture, A&W JV. A&W JV was in the business of leasing slot machines to Native American-owned casinos in Oklahoma. The Company accounted for its investment in A&W JV using the equity basis of accounting as the Company had joint control over operations of this joint venture.

On August 11, 2016, the Company completed its acquisition of the remaining 50% interest in A&W JV for cash consideration of $1,804,250. On August 12, 2016, A&W JV merged with the Company’s wholly owned subsidiary Aurora Gaming. Subsequent to the acquisition, A&W JV’s assets, liabilities, revenue, expenses, gains and losses are included in the consolidated operations of the Company. Concurrently with closing of the acquisition, the Company recognized a $588,317 revaluation loss on its investment in A&W JV.

The identifiable assets acquired and liabilities assumed of A&W JV by the Company were measured at their fair values at the acquisition date.

(Expressed in US Dollars unless otherwise stated)

4. Business Acquisitions and Disposals – *Continued*

a) Acquisition of A&W JV – *Continued*

The following were the fair values of the assets acquired and liabilities assumed and consideration paid by the Company:

Net assets acquired		
Cash and cash equivalents	$	43,414
Accounts receivable		635,609
Prepaid expenses		17,575
Placement fees		261,387
Property and equipment		3,227,897
Finance lease receivable		593,840
Intangible assets		1,452,610
Accounts payable and accrued liabilities		(84,792)
Loans payable		(1,528,505)
Deferred income tax liability		(297,621)
Net identifiable assets acquired		4,321,414
Bargain purchase gain recognized as reduction of revaluation loss on investment in A&W JV (i)		(712,913)
Fair value of A&W JV	$	3,608,501
Cost of Acquisition		
Cash consideration (ii)	$	1,804,250
Fair value of the first 50% investment in A&W JV (i)		1,804,251
	$	3,608,501

(i) 2016 Revaluation Loss on Investment in A&W JV

The fair value of A&W JV on August 11, 2016 was $3,608,501, which implied that the fair value of the initial 50% investment in A&W JV was $1,804,251. The carrying value of the initial 50% investment in A&W JV immediately prior to the acquisition of the remaining 50% interest was $3,105,481, which resulted in the recognition of a $1,301,230 revaluation loss on investment in A&W JV to adjust the carrying value of the investment to its fair value.

The fair value of identifiable net assets exceeded the cost of acquisition by $712,913, which represented a bargain purchase. The $712,913 bargain purchase gain was recorded as a reduction to the revaluation loss on investment in A&W JV, resulting in a net revaluation loss on investment in A&W JV of $588,317 recognized in the consolidated statement of comprehensive loss.

(ii) Cash consideration of $1,804,250 consisted of $1,797,491 cash payment made on August 11, 2016 and a $6,759 post-closing purchase price adjustment.

(iii) The Company incurred $31,868 acquisition related costs such as legal and consulting, which was expensed and included within general and administrative expenses.

(Expressed in US Dollars unless otherwise stated)

4. Business Acquisitions and Disposals – *Continued*

a) Acquisition of A&W JV – *Continued*

(iv) The following is a summary of financial information for the joint venture (at 100%) and the Company's investment in A&W JV until August 11, 2016:

		January 1 to August 11, 2016
Revenue	$	2,475,430
Net income and comprehensive income		1,160,027
Included in net income are:		
- Depreciation of equipment		850,981
- Amortization of placement fees		51,119
- Interest expense		101,570
- Gain on disposal of assets		(64,230)
Current assets		696,598
Non-current assets		4,083,124
Current liabilities		(84,792)
Non-current liabilities		(1,528,505)
Net assets	$	3,166,425
The Company's Investment in the Investee:		
Balance – beginning of year	$	3,206,322
Acquisition of 50% interest in A&W JV on July 20, 2015*		-
50% share of net income and comprehensive income		580,014
Cash distributions received		(580,883)
Amortization of intangible assets*		(99,971)
Acquisition and consolidation of A&W JV		(3,105,482)
Balance – end of year	$	-

* Included in the fair value of Investment in A&W JV on the date of acquisition by the Company was $2,680,000 of intangible assets representing the fair value of customer relationships and revenue contracts with various casinos. These intangible assets were amortized on straight-line basis over the estimated useful life of the relationships and contracts of 10 years from the date of acquisition. As of August 11, 2016, the cumulative amortization of these intangible assets was $173,182 (December 31, 2015 - $73,212).

b) Acquisition of Integrity Companies

On July 20, 2015, the Company completed the acquisition of a 100% equity interest in the Integrity Companies. As part of the purchase price, in 2015 the Company recorded an earn-out payable estimated at $599,000. During the year ended December 31, 2016, the earn-out liability estimate was revised to $480,000, which resulted in a recognition of a $119,000 revaluation adjustment in the consolidated statement of comprehensive income (loss). As at December 31, 2017, the earn-out payable was $240,000 (December 31, 2016 - $480,000).

(Expressed in US Dollars unless otherwise stated)

4. Business Acquisitions and Disposals – *Continued*

c) Sale of Bingo Business

On December 22, 2017, the Company sold its bingo business for gross cash proceeds of $400,000. The bingo business primarily supplied bingo paper, bingo ink, and related consumables to tribal and charity bingo operations. The sale of bingo business consisted of the sale of bingo inventory, warehouse equipment and customer relationships. The carrying value of the sold assets was $260,968, therefore the Company recognized a gain on sale of bingo of $139,032.

5. Accounts Receivable

		December 31, 2017		December 31, 2016
Taxes receivable from federal governments	$	19,804	$	21,762
Trade receivables		1,752,331		1,959,167
	$	1,772,135	$	1,980,929

Aging of trade receivables is as follows:

	0-30 days $	31-90 days $	Over 91 days $	Total $
December 31, 2017	1,420,057	312,756	19,518	1,752,331
December 31, 2016	1,453,229	464,472	41,466	1,959,167

As of December 31, 2017, accounts receivables include allowance for doubtful accounts of $670,431 (December 31, 2016 - $636,061).

6. Inventory

		December 31, 2017		December 31, 2016
Casino supplies and equipment	$	19,438	$	255,322

7. Prepaid Expenses

The summary of the Company's prepaid expenses is as follows:

		December 31, 2017		December 31, 2016
Insurance, investor relations, license fees and other	$	72,086	$	85,696

(Expressed in US Dollars unless otherwise stated)

8. Placement Fees

The summary of the Company's prepaid casino placement fees is as follows:

	December 31, 2017	December 31, 2016
Beginning balance	$ 6,482,721	$ 8,026,135
Additions	-	1,872,000
Acquisition of A&W JV	-	261,387
Amortization expense	(1,765,572)	(1,944,649)
Impairment	-	(1,732,152)
Ending balance	$ 4,717,149	$ 6,482,721

	December 31, 2017	December 31, 2016
Cost	$ 11,519,062	$ 11,519,062
Accumulated amortization	(5,069,761)	(3,304,189)
Impairment	(1,732,152)	(1,732,152)
Net book value	$ 4,717,149	$ 6,482,721

During the year ended December 31, 2016, the Company recorded $1,732,152 of impairment on placement fees, where it was determined that no future benefit would be derived from its prepaid placement fees at one specific casino.

(Expressed in US Dollars unless otherwise stated)

9. Property and Equipment

The summary of the Company's property and equipment is as follows:

	Gaming Equipment $	Vehicles $	Computer Equipment and Other Assets $	Total $
Cost				
Balance – December 31, 2015	11,560,753	360,390	5,091	11,926,234
Acquisition of A&W JV	3,227,897	-	-	3,227,897
Purchases	2,403,421	4,500	-	2,407,921
Equipment under finance leases	179,456	-	-	179,456
Disposals	(1,919,840)	(15,523)	-	(1,935,363)
Transfer to finance lease receivable	(467,163)	-	-	(467,163)
Balance – December 31, 2016	14,984,524	349,367	5,091	15,338,982
Purchases	3,200,870	-	84,728	3,285,598
Transfer from finance lease receivable	3,034,987	-	-	3,034,987
Transfer to finance lease receivable	(796,902)	-	-	(796,902)
Disposals	(451,667)	(266,891)	(75,092)	(793,650)
Balance – December 31, 2017	19,971,812	82,476	14,727	20,069,015
Accumulated Amortization				
Balance – December 31, 2015	(2,497,274)	(50,221)	(2,044)	(2,549,539)
Amortization	(3,835,711)	(104,382)	(1,667)	(3,941,760)
Disposals	1,657,876	15,523	-	1,673,399
Balance – December 31, 2016	(4,675,109)	(139,080)	(3,711)	(4,817,900)
Amortization	(5,742,266)	(85,737)	(9,042)	(5,837,045)
Transfer to finance lease receivable	341,186	-	-	341,186
Disposals	448,220	241,652	74,800	764,672
Balance – December 31, 2017	(9,627,969)	16,835	62,047	(9,549,087)
Carrying Value				
At December 31, 2016	10,309,415	210,287	1,380	10,521,082
At December 31, 2017	10,343,843	99,311	76,774	10,519,928

(Expressed in US Dollars unless otherwise stated)

10. Finance Leases Receivable

(a) On February 25, 2015, the Company entered into a long-term gaming machine placement agreement with the Tonkawa Tribe of Indians of Oklahoma to place 600 Class III gaming machines. This lease contract expires 83 months from February 25, 2015, being January 25, 2022, with minimum guaranteed lease payments for a period ranging from 42 to 83 months. As of December 31, 2017 and 2016, the Company was generating revenue from 558 machines under this lease.

(b) On May 20, 2016, the Company signed a long-term contract to place 234 gaming machines in a new Native American-owned casino in Oklahoma. This lease contract was for 83 months expiring on June 30, 2023, with minimum guaranteed lease payments for the first 36 months. Effective November 1, 2016, this finance lease receivable was considered to be impaired and the Company recorded a full allowance for uncollectible minimum lease payments of $614,178. No leasing revenue was recorded from this contract after November 1, 2016. During the year ended December 31, 2017, all machines have been removed from this casino resulting in a transfer of $2,739,276 from the finance lease receivable to property and equipment.

(c) Summary of the finance leases receivable is as follows:

		December 31, 2017		December 31, 2016
Current finance leases receivable	$	2,502,572	$	2,114,009
Non-current finance lease receivable		2,085,731		6,572,193
	$	4,588,303	$	8,686,202

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	December 31, 2017 $	December 31, 2016 $	December 31, 2017 $	December 31, 2016 $
Not later than 1 year	4,681,689	4,681,738	2,502,572	2,114,009
Between 1 and 5 years	8,427,702	15,848,666	2,085,731	6,572,193
Total	13,109,391	20,530,404	4,588,303	8,686,202
Less unearned finance revenue	(8,521,088)	(11,844,202)	n/a	n/a
Present value of minimum lease payments receivable	4,588,303	8,686,202	4,588,303	8,686,202

Summary of activities in the finance lease receivable account are as follows:

		December 31, 2017		December 31, 2016
Beginning balance	$	8,686,202	$	7,650,878
Reduction of finance lease receivable		(1,518,628)		(2,127,753)
Purchases		-		2,695,914
Transfer to Property & Equipment		(3,034,987)		-
Transfer from Property & Equipment		455,716		467,163
Ending balance	$	4,588,303	$	8,686,202

(Expressed in US Dollars unless otherwise stated)

10. Finance Leases Receivable - *Continued*

Unguaranteed residual values of equipment leased under finance leases as at December 31, 2017 are estimated at $4,328,071 (December 31, 2016 - $5,639,599). The interest rate inherent in the lease is fixed at the contract date for the entire lease term.

(d) During the current year, the Company recognized $4,672,643 (December 31, 2016 - $5,596,167) of cash receipts and/or amounts receivable from the finance leases. Out of this amount, finance lease revenue of $3,154,014 (December 31, 2016 - $3,468,414) was recorded as leasing revenue in the consolidated statements of comprehensive loss, and $1,518,628 (December 31, 2016 - $2,127,753) was recorded as a reduction of finance lease receivable in the consolidated statements of financial position.

The Company considers a finance lease receivable to be impaired when it is probable that it will be unable to collect all amounts due (principal and interest) according to the original terms of the contract. Impairment of one of the leases receivable effective November 1, 2016 did not result in recognition of a loss because equipment under this lease could be placed in other casinos and the estimated present value of future cash flows from this equipment exceeds the carrying values of the finance lease receivable.

11. Intangible Assets and Goodwill

(a) The summary of the Company's intangible assets is as follows:

		December 31, 2017		December 31, 2016
Beginning balance	$	5,156,889	$	4,429,873
Acquisition of BitBoss IP license *		-		50,000
Acquisition of A&W JV		-		1,452,610
Disposal of BitBoss IP license **		(34,610)		-
Amortization expense ***		(799,368)		(775,594)
Ending balance	$	4,322,911	$	5,156,889

		December 31, 2017		December 31, 2016
Cost	$	6,539,993	$	6,589,993
Accumulated amortization		(2,217,082)		(1,433,104)
Net book value	$	4,322,911	$	5,156,889

* On January 29, 2016, the Company, entered into an agreement with BitBoss Corporation ("**BitBoss**"), whereby the Company licenced the proprietary electronic shuffling and dealing system in exchange for an upfront cash payment to BitBoss of $50,000 and additional cash payments to be made in the future.

** On January 4, 2017, in connection with a settlement of a portion of its promissory notes payable, the Company sold its BitBoss IP license for an aggregate consideration of $78,322 realizing a $43,712 gain on disposal of BitBoss IP license.

Matthew Dickson, former EVP of the Company, is also a director, officer, and significant shareholder of Bitboss, therefore this transaction is considered to be a related party transaction.

(Expressed in US Dollars unless otherwise stated)

11. Intangible Assets and Goodwill – *Continued*

*** 2016 amortization of intangible assets consists of $775,594 amortization of intangible assets plus $99,971 amortization of intangible assets included in Investment in A&W JV, for a total of $875,565.

(b) The carrying value of goodwill as of December 31, 2017 and December 31, 2016 is $4,009,887.

(c) Impairment Testing for CGUs Containing Goodwill

For purposes of impairment testing, goodwill of $4,009,887 has been allocated to the leasing cash-generating unit (the "**Leasing CGU**") and therefore, the leasing CGU is subject to an annual impairment test. The recoverable amount of the Leasing CGU was determined based on its fair value less costs of disposal, estimated using a discounted cash flow approach. The fair value measurement was categorized as being Level 3 based on the inputs in the valuation technique used. The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the industry and have been based on historical data from both external and internal sources.

	2017	2016
After-tax discount rate	17%	17%
Terminal value growth rate	2%	2%
Budgeted EBITDA growth rate (average of next five years)	11.6%	13.6%

The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the long-term compound annual EBITDA growth rate. The cash flow projection was based on expectations of future outcomes taking into account existing leasing contracts, growth levels experienced in the past, estimated new placements, win per unit on machines, and revenue share percentage for the next five years.

As at December 31, 2017, the estimated recoverable amount of the Leasing CGU exceeded its carrying amount by approximately $8,692,000 (2016 - $14,000,000). Management has identified that a change in the discount rate assumption could cause the carrying amount to exceed the recoverable amount. The discount rate would need to increase by 4.1% (2016 - 5.8%) for the recoverable amount to approximate the carrying amount.

(Expressed in US Dollars unless otherwise stated)

12. Loans Payable

The Company has historically financed the acquisition of new gaming machines and their related placement fees through a combination of vendor financing and third party debt. On July 29, 2016, substantially all of the Company's debt was refinanced via a $30,525,000 term loan facility from MGG Investment Group LP ("**MGG**"). On December 28, 2017, the Company refinanced the MGG term loan facility with Prudential Capital Group and their affiliates ("**Prudential**"). The summary of these loans is as follows:

	Interest Rate	Year of Maturity	Carrying Amount $
Balance – December 31, 2015			16,013,377
New borrowings	2.9% - 12.3%	2017 - 2021	33,570,416
Interest and accretion expense			2,472,234
Interest paid			(1,921,592)
Financing costs			(1,904,233)
Principal repayments			(5,234,481)
A&W JV loans assumed on August 11, 2016			1,528,505
Repayment of restructured loans			(15,565,174)
Gain on settlement of debt			(110,487)
Balance – December 31, 2016			28,848,565
Less current portion			(3,357,810)
Non-current portion			25,490,755

	Interest Rate	Year of Maturity	Carrying Amount $
Balance – December 31, 2016	2.9% - 12.3%	2017 - 2021	28,848,565
New borrowings	7.1% - 14.0%	2022 - 2023	32,000,000
Interest and accretion expense			5,407,137
Interest paid			(3,624,733)
Financing costs			(2,199,496)
Principal repayments			(3,357,809)
Repayment of MGG term loan facility			(27,222,500)
Balance – December 31, 2017	2.9% - 14.0%	2018 - 2023	29,851,164
Less current portion			(721,498)
Non-current portion			29,129,666

As of December 31, 2017, the weighted average remaining life of the loans was 5.41 years (2016 - 4.57 years) and the weighted average interest rate was 9.98% (2016 - 12.28%). As of December 31, 2017, the carrying value of the loans payable was $29,851,164 (December 31, 2016 - $28,848,565) and the face value of the loans was $32,021,498 (December 31, 2016 - $30,601,807). The carrying value of the loans payable is smaller than the face value because financing costs and the exit fee are netted against the face value of the loans on the loans inception date. During the year ended December 31, 2017, the Company recorded $5,409,059 (December 31, 2016 - $2,993,449) of accretion and interest expense on these loans.

12. Loans Payable – *Continued*

a) MGG Financing

On July 29, 2016, as amended on December 30, 2016, the Company completed a financing arrangement with MGG on the following terms:

(i) A five-year term loan facility in the aggregate principal amount of $30,525,000 maturing on July 31, 2021.

(ii) An initial interest rate of LIBOR plus 11.50% which steps down by up to 1.5% as the Company's leverage ratio drops below 1.75 : 1.0.

(iii) Secured by a first priority lien on and security interest in the assets of Poydras Gaming and its subsidiaries.

(iv) Principal repayments of $763,125 every 3 months commencing on January 31, 2017 plus a 50% sweep of excess cash flow. Excess cash flow is defined as EBITDA less capital expenditures, financing costs, debt service payments, income taxes, and working capital adjustments. On January 31, 2017, the Company made an additional principal payment of $250,000.

(v) Total financing costs incurred in connection with closing of this loan were $1,904,233, consisting of a 2% ($610,500) original issuance discount, a $151,000 loan amendment fee, and $1,142,733 in legal, advisory and due diligence costs.

(vi) Upon closing of the MGG loan, the Company settled certain loans and payables resulting in a recognition of $110,487 gain on settlement of debt.

On December 28, 2017, the Company repaid the full amount of MGG loan principal of $27,222,500 plus $1,614,627 in early repayment fees.

b) Prudential Financing

On December 28, 2017, the Company closed a financing arrangement with Prudential, consisting of senior and subordinated debt in the amount of $41,000,000 as follows:

(i) Senior note purchase and revolving credit agreement (the "**Senior Agreement**") consisting of $27,000,000 as follows:
- $5,000,000 senior secured revolving credit facility (the "**Revolving Loan**");
- $4,000,000 delayed draw capital expenditure facility (the "**Capex Note**"); and
- $18,000,000 senior secured notes (the "**Senior Loan**", and together with the Revolving Loan and Capex Note, the "**Senior Loans Facility**")

(v) Subordinated note purchase agreement (the "**Sub Agreement**", and together with the Senior Agreement, the "**Prudential Financing**"), for $14,000,000 in subordinated notes (the "**Subordinated Notes**").

12. Loans Payable – *Continued*

b) Prudential Financing – *Continued*

The Senior Loans are secured against all or substantially all of the assets of the Company, and any used portion is bearing interest at LIBOR plus 550 basis points ("**bps**"). Any unused portion of the Revolving Loan or Capex Note is bearing interest at 50bps. The Senior Loans have a five year term and mature on December 28, 2022, with no mandatory amortization on the Revolving Loan and Capex Notes.

The Subordinated Notes bear interest at 14.0% (12.0% cash interest, 2% "**payment in kind**"), require no principal amortization, and mature on December 28, 2023. In total, Prudential is providing $41,000,000 in committed capital to the Company with $32,000,000 funded at December 28, 2017. Additionally, in connection with the Subordinated Notes, Prudential will receive a pre-emptive right to purchase up to 5% of any future equity issuance at the same terms offered to other investors in the issuance. In connection with the Prudential Financing, the Company recorded $2,199,496 of financing costs, including $899,307 Exit Fee on the Subordinated Notes.

As of December 31, 2017, the Company borrowed $18,000,000 under the Senior Loan and $14,000,000 under the Subordinated Notes. Revolving Loan and Capex Note remain undrawn as of December 31, 2017.

As of December 31, 2017, the Company was in compliance with all Prudential loan covenants. As of December 31, 2017, the combined interest rate on the Prudential loans was 9.97%.

c) Exit Fee

In connection with the Subordinated Notes financing, the Company is committed to pay an exit fee "**Exit Fee**" equal to the higher of:

(a) 5% of Market Price of the Company's shares. Market Price is equal to weighted average trading price of the company's shares during the latest five (5) trading days multiplied by the number of share outstanding:

(b) 5% of EBITDA Value. EBITDA Value is calculated by multiplying the Company's EBITDA (as defined in the Sub Agreement) by five (5), deducting debt and adding cash; and

(c) 5% of Liquidity Value. Liquidity Value is defined as the price paid to the Company's shareholders upon a liquidity event, such as change of control, sale of assets, liquidation or dissolution.

On the date of inception of the Prudential Financing and as of December 31, 2017, the fair value of the Exit Fee was determined to be $899,307 based on 5% of EBITDA Value. The Exit Fee was determined to be an embedded derivative and bifurcated from the Subordinated Notes.

(Expressed in US Dollars unless otherwise stated)

13. Deferred Revenue

The Company acquired $1,110,089 of deferred revenue upon the completion of acquisition of the Integrity Companies on July 20, 2015. Deferred revenue relates to a revenue sharing agreement dated September 30, 2013 (the “CNO Agreement”), between Integrity Companies and a third party (“CNO”). Pursuant to the CNO Agreement, CNO advanced to the Integrity Companies $1,500,000 of cash for placement fees and Integrity Companies contributed slot machines and a lease revenue contract with a federally-recognized Tribe in Oklahoma which allows the Integrity Companies to place gaming machines in its casinos. Upon closing of the CNO Agreement, the Integrity Companies recognized deferred revenue of $1,500,000 representing the fair value of the revenue stream given up to CNO in exchange for CNO’s cash contribution of $1,500,000 for placement fees. Deferred revenue is amortized to leasing revenue over the casino lease term**.**

The summary of deferred revenue is as follows:

		December 31, 2017		December 31, 2016
Beginning balance	$	724,457	$	993,113
Amortization		(228,780)		(268,656)
Carrying value		495,677		724,457
Less current portion		(228,780)		(268,656)
Non-current portion	$	266,897	$	455,801

14. Promissory Note Payable

As part of consideration paid by the Company for the acquisition of Windy Hill Capital LLC (**“Windy Hill”**) in 2014, the Company issued to the former partners of Windy Hill unsecured promissory notes with a total face value of $1,500,000. The promissory notes were bearing a 10% annual interest rate and were repayable in 11 equal quarterly payments of $162,583 commencing on November 30, 2014 and ending on the maturity date of May 9, 2017. The fair value of the promissory notes on the date of acquisition was determined to be of $1,381,450 using the Company’s effective interest rate estimated to be 15%. The loan discount and interest were accreted over the term of the Promissory Notes.

On December 31, 2016 and on January 4, 2017, two of the three holders of the Promissory Notes agreed to increase the interest rate from 10% to 14% in return for the deferral of remaining loan payments until the Company achieves Adjusted EBITDA of $12,000,000 in a consecutive twelve month period. On January 4, 2017, the Company agreed to sell to the third Promissory Note holder the Company’s license of BitBoss IP in return for settling the remaining promissory note balance of $58,322 and a cash payment of $20,000.

On December 28, 2017, the Company repaid in full outstanding principal and accrued interest totaling $291,637. Current year accretion expense on the promissory notes was $38,141 (December 31, 2016 - $92,063).

		December 31, 2017		December 31, 2016
Face value of the promissory notes	$	1,500,000	$	1,500,000
Discount to fair value		(118,550)		(118,550)
Cumulative loan repayments		(1,813,207)		(1,463,247)
Cumulative accretion expense		431,757		393,615
Carrying value		-		311,818
Less current portion		-		(87,383)
Non-current portion	$	-	$	224,435

15. Convertible Debentures Payable

On September 5, 2016, convertible debentures with the principal amount $7,732,000 were fully redeemed and all conversion features were extinguished.

16. Shareholders' Equity

a) Authorized and Issued Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value. All shares are issued and fully paid.

In order to meet one of the conditions necessary for the Company to qualify as a mutual fund corporation under the Canadian Income Tax Act, shareholders will be entitled to require the Company to redeem the shares at fair value. These instruments have been analyzed under the appropriate accounting standards and are presented as equity.

On May 2, 2016, the Company consolidated its issued and outstanding common shares, stock options, share purchase warrants and restricted share units on the basis of one new share for every ten existing shares (1:10). Unless otherwise indicated, all references to share capital, stock options, share purchase warrants and restricted share units presented in these consolidated financial statements and notes thereto are on a post-consolidation basis.

b) Share Capital Transactions

2017 share capital transactions

On April 20, 2017, the Company issued 500,000 common shares at a price of C$0.50 per share to the RSUs holders upon exercise of 500,000 vested RSUs (Note 16e).

2016 share capital transactions

There were no share issuances during 2016.

c) Stock Options

On May 19, 2015, the Company has adopted a "fixed" stock option plan (the "**Plan**"), pursuant to which the Company can have a maximum of 3,300,000 of the issued and outstanding common shares of the Company reserved for issuance as options and will be granted at the discretion of the Company's Board of Directors to eligible optionees under the Plan. Stock options granted vest over the period determined by the Board of Directors, stock options granted to independent directors vest immediately, and all other options usually vest over 3 years.

(Expressed in US Dollars unless otherwise stated)

16. Shareholders' Equity – *Continued*

c) Stock Options – *Continued*

On April 26, 2017, the Company granted 170,000 stock options to its directors. These options vested on the date of grant, are exercisable at C$0.55 per share and expire five years from the date of grant. Total fair value of these stock options on the date of grant was estimated to be $46,900 using the Black-Scholes option pricing model with the following assumptions:

Stock price volatility	112.45%
Risk-free interest rate	0.81%
Expected life	3.1 years
Expected dividend yield	0.00%

The following is a summary of activity in stock options:

December 31, 2016	Granted	Exercised	Forfeited	December 31, 2017	Weighted Average Exercise Price	Expiry Date
40,000	-	-	(40,000)	-	C$3.00	Oct 10, 2017
995,000	-	-	(250,000)	745,000	C$2.50	May 9, 2019
135,000	-	-	-	135,000	C$1.00	May 4, 2020
85,000	-	-	-	85,000	C$1.00	May 27, 2020
200,000	-	-	-	200,000	C$0.85	July 20, 2020
420,000	-	-	-	420,000	C$0.48	May 4, 2021
-	170,000	-	-	170,000	C$0.55	April 26, 2022
125,000	-	-	-	125,000	C$0.85	July 20, 2025
2,000,000	170,000	-	(290,000)	1,880,000	C$1.41	

On May 4, 2016, the Company granted 420,000 stock options to its directors and employees exercisable at C$0.48 per share for a period of five years from the date of grant. Total fair value of these stock options on the date of grant was estimated to be $147,621 using the Black-Scholes option pricing model with the following assumptions:

Stock price volatility	203.03%
Risk-free interest rate	0.61%
Expected life	3.51 years
Expected dividend yield	0.00%

The following is a summary of activity in stock options:

December 31, 2015	Granted	Exercised	Forfeited	December 31, 2016	Weighted Average Exercise Price	Expiry Date
40,000	-	-	-	40,000	C$3.00	Oct 10, 2017
995,000	-	-	-	995,000	C$2.50	May 9, 2019
135,000	-	-	-	135,000	C$1.00	May 4, 2020
85,000	-	-	-	85,000	C$1.00	May 27, 2020
200,000	-	-	-	200,000	C$0.85	July 20, 2020
-	420,000	-	-	420,000	C$0.48	May 4, 2021
125,000	-	-	-	125,000	C$0.85	July 20, 2025
1,580,000	420,000	-	-	2,000,000	C$1.65	

(Expressed in US Dollars unless otherwise stated)

16. Shareholders' Equity – *Continued*

c) Stock Options – *Continued*

During the year ended December 31, 2017, the Company recorded share-based compensation expense of $110,074 (2016 - $269,875). As of December 31, 2017, 1,677,084 (December 31, 2016 – 1,462,167) stock options were fully vested with a weighted average exercise price of C$1.51 (December 31, 2016 – C$1.82).

d) Share Purchase Warrants

The following is a summary of activity in share purchase warrants:

December 31, 2016	Granted	Exercised	Forfeited	December 31, 2017	Weighted Average Exercise Price	Expiry Date
328,638	-	-	(328,638)	-	-	July 20, 2017

December 31, 2015	Granted	Exercised	Forfeited	December 31, 2016	Weighted Average Exercise Price	Expiry Date
310,156	-	-	(310,156)	-	C$2.50	May 9, 2016
328,638	-	-	-	328,638	C$0.70	July 20, 2017
638,794	-	-	(310,156)	328,638	C$0.70	

e) Restricted Share Units

Effective May 19, 2015, the Company adopted a Restricted Share Units Plan (the "**RSU Plan**") pursuant to which the Company can have a maximum of 2,500,000 of the issued and outstanding common shares of the Company reserved for issuance as Restricted Share Units ("**RSUs**") and will be granted at the discretion of the Company's Board of Directors to eligible recipients under the RSU Plan.

On April 21, 2017, the Company granted 620,000 RSUs to its directors, officers and employees. These RSUs vest at the later of (a) April 30, 2018 and (b) the date upon which the Company achieves Adjusted EBITDA in excess of US$15,000,000 for any period of four consecutive quarters. Unvested RSUs will expire on April 30, 2020. The Company has the option to settle the RSUs upon vesting in either common shares of the Company or in cash. The fair value of the RSUs on the date of grant was estimated at $229,528 using the Company's closing stock price on the date of grant.

As of December 31, 2017, Nil RSUs were vested (December 31, 2016 – 500,000). These RSUs were exercised on April 21, 2017, and on that date, the Company issued 500,000 common shares to the RSUs holders.

The following is a summary of activity in RSUs:

December 31, 2016	Granted	Exercised	December 31, 2017	RSUs Vested	Expiry Date
1,000,000	-	(500,000)	500,000	-	December 31, 2018
880,000	-	-	880,000	-	April 30, 2019
-	620,000	-	620,000	-	April 30, 2020
1,880,000	620,000	(500,000)	2,000,000	-	

(Expressed in US Dollars unless otherwise stated)

16. Shareholders' Equity - *Continued*

e) Restricted Share Units - *Continued*

On April 26, 2016, the Company granted 880,000 RSUs to its directors, officers and employees. These RSUs vest at the later of (a) April 30, 2017 and (b) the date upon which the Company achieves Adjusted EBITDA in excess of U$14,000,000 for any four consecutive quarters. Unvested RSUs will expire on April 30, 2019. The Company has the option to settle the RSUs upon vesting in either common shares of the Company or in cash. The fair value of the RSUs on the date of grant was estimated at $418,583 using the Company's closing stock price on the date of grant.

The following is a summary of activity in RSUs:

December 31 2015	Granted	Exercised	December 31 2016	RSUs Vested	Expiry Date
1,000,000	-	-	1,000,000	500,000	December 31, 2018
-	880,000	-	880,000	-	April 30, 2019
1,000,000	880,000	-	1,880,000	500,000	

Stock based compensation expense is recognized over the estimated vesting period commencing on the date of grant and ending on the date when vesting conditions are expected to be met. Stock based compensation is charged to profit and loss with a corresponding increase in RSU Reserve. During the year ended December 31, 2017, the Company recorded $280,976 (December 31, 2016 - $350,504) stock based compensation expense related to the RSUs. As of December 31, 2017, 2,000,000 RSUs were outstanding (December 31, 2016 – 1,880,000).

f) Escrow Shares

As of December 31, 2017, Nil (December 31, 2016 – 2,069,260) common shares of the Company were held in escrow in accordance with requirements of the TSX.V and the respective escrow agreements. Between 15% and 25% of common shares that were originally placed in escrow were being released every 6 months at various dates and various amounts. All escrow shares were fully released by July 20, 2017.

g) Reserves

	Reserves ($)				
	Acquisition of non-controlling interest	Options	Warrants	RSUs	Total
Balance – December 31, 2016	(1,624,105)	1,455,191	411,123	423,051	665,260
Exercise of RSUs	-	-	-	(185,103)	(185,103)
Stock based compensation – stock options *(Note 16c)*	-	110,074	-	-	110,074
Stock based compensation – RSUs *(Note 16e)*	-	-	-	280,976	280,976
Balance – December 31, 2017	(1,624,105)	1,565,265	411,123	518,924	871,207

(Expressed in US Dollars unless otherwise stated)

17. Leasing Revenue

The Company has a number of arrangements to lease gaming machines to Tribal casinos in the state of Oklahoma and Texas on a participation basis. These lease arrangements are classified as operating leases as substantially all of the risks and rewards associated with the gaming machines will not be transferred to the casinos. The lease contracts have no minimum lease payments associated with these arrangements as all lease payments are contingent on the performance of the gaming machines.

Operating lease revenues recognized during the year ended December 31, 2017 were $10,923,203 (2016 - $8,987,779) and leasing revenue from finance leases receivable for the year ended December 31, 2017 was $3,154,014 (2016 - $3,468,414) for total leasing revenues of $14,077,217 (2016 - $12,456,193).

The terms of the lease revenue contracts range between agreements that are renewed on a monthly basis and long-term contracts expiring in January 2022. As of December 31, 2017, the Company was generating leasing revenue from approximately 2,634 gaming machines (December 31, 2016 – 2,618 gaming machines).

18. Income (Loss) Per Share

The basic and diluted income (loss) per share has been calculated based on the following weighted average number of common shares issued and outstanding during the year ended December 31, 2017 and 2016:

	2017	2016
Beginning of period	34,548,928	34,548,928
Share issuance on exercise of RSUs	347,945	-
Weighted average number of common shares – basic and diluted	34,896,873	34,548,928

19. Related Party Transactions

Related party transactions and balances are as follows:

(a) During the year ended December 31, 2017, the Company recorded $1,261,605 (2016 - $916,282) of management salaries and accrual of bonuses for the Company’s directors and officers and $50,250 (2016 - $92,800) of directors’ fees for the Company’s directors. Current period management salary expense includes $290,000 of employee separation fees accrued/paid to a former officer of the Company.

(b) As of December 31, 2017, included in accounts payable and accrued liabilities are $46,360 (December 31, 2016 - $48,000) of accrued management bonus payable, $3,200 (December 31, 2016 - $6,400) of accrued directors’ fees payable, $22,958 management salary payable (December 31, 2016 - $Nil) and $240,000 employee separation fees payable (December 31, 2016 - $Nil).

(Expressed in US Dollars unless otherwise stated)

19. Related Party Transactions - *Continued*

(c) Compensation of Key Management Personnel

Key management personnel are those persons that have authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly. As of December 31, 2017 and 2016, the Company's key management personnel consist of the Company's directors and senior management (Chief Executive Officer, President, Corporate Secretary and Chief Financial Officer). The Company incurred fees and expenses in the normal course of operations in connection with the key management and directors. Details are as follows:

Nature of Transactions		December 31, 2017		December 31, 2016
Management salaries and bonuses	$	1,261,605	$	942,291
Directors' fees		50,250		92,800
Stock based compensation – options		71,366		199,681
Stock based compensation – RSUs		223,710		307,484
	$	1,606,931	$	1,542,256

(d) Commitments

In 2014 and 2015, the Company signed four employment agreements with the Company's senior management for an initial term of between 3 and 5 years. Employment terms include the following commitments:

(i) basic annual compensation between $150,000 and $250,000;
(ii) annual bonus equal to a minimum of 40% and a maximum of 75% of the basic annual compensation, subject to successfully achieving certain goals established by the Company; and
(iii) in case of termination of the employment agreement by the Company without cause, the employee is entitled to receive a severance payment equal to two times basic annual compensation plus two times minimum annual bonus, and all unvested stock options will vest immediately.

The above transactions occurred in the normal course of operations, and are measured at the amount of consideration established and agreed to by the related parties.

20. Segmented Information

The Company's operating businesses are structured and managed on a project by project basis. The Company is engaged in the business of leasing of gaming equipment to casinos, providing capital to gaming equipment manufacturers and selling bingo supplies. Senior management reviews gross margins on a project by project basis and operating expenses are reviewed on a consolidated basis. Financial information, including revenues and related expenses, are not reviewed on a business line basis by the Company's senior management. Hence, based on the Company's organizational structure and the manner in which the operations are managed and evaluated by senior management, the Company is considered to be operating in one reportable segment. All revenues are generated in the USA and substantially all of the Company's assets are located in the USA.

(Expressed in US Dollars unless otherwise stated)

21. Supplementary Cash Flows Information

Non-cash investing and financing activities for the years ended December 31, 2017 and 2016 are as follows:

	2017	2016
Earn-out payable accrual on acquisition of Integrity Companies	$ -	$ 119,000
Acquisition of non-cash assets of A&W JV, net	$ -	$ 3,565,087
Equipment purchases included in accounts payable	$ 1,173,058	$ 1,810,416
Equipment purchases included in finance lease receivable financed by loans payable	$ -	$ 528,523
Equipment purchases financed by loans payable	$ -	$ 179,456
Loans repaid by restructuring of debt	$ 27,222,500	$ 15,565,174
Financing costs charged against loans payable	$ 1,300,189	$ 1,904,233
Prudential exit fee charged against loans payable	$ 899,307	$ -

The reconciliation of liabilities arising from financing activities consists of the following:

			Non-Cash Changes					
	Dec 31 2016 $	Cash Paid $	Cash Received $	Fair Value Changes $	Accretion Expense in excess of interest $	BitBoss Settlement $	Financing Costs $	Dec 31 2017 $
Earn-Out Payable	480,000	(240,000)	-	-	-	-	-	240,000
Loans Payable	28,848,565	(3,357,809)	1,592,858	(899,307)	2,046,440	-	1,620,417	29,851,164
Promissory Notes Payable	311,818	(291,637)	-	-	38,141	(58,322)	-	-
	29,640,383	(3,889,446)	1,592,858	(899,307)	2,084,581	(58,322)	1,620,417	30,091,164

22. Capital Management

The Company depends on internal generated revenues and external financing to fund its activities. The capital structure of the Company currently consists of common shares and loans payable. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and performance of gaming equipment in casinos to which equipment is being leased by the Company.

In order to maintain or adjust the capital structure, the Company may arrange more loans, issue new common shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on regular basis. The Company is not subject to externally imposed capital requirements.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major financial institutions.

(Expressed in US Dollars unless otherwise stated)

23. Financial Instruments

a) Categories of Financial Assets and Liabilities

The carrying values of the Company's financial instruments are classified into the following categories:

		December 31, 2017		December 31, 2016
Loans and receivables (i)	$	4,668,215	$	5,497,702
Other financial liabilities (ii)	$	32,792,865	$	32,914,499
Fair value through profit or loss (iii)	$	899,307	$	-

(i) Financial instruments classified as loans and receivables consist of cash and cash equivalents and accounts receivable

(ii) Financial instruments classified as other financial liabilities consist of accounts payable, accrued liabilities, promissory note payable, earn out payable and loans payable.

(iii) Financial instruments classified as fair value through profit or loss consist of the Exit Fee liability.

The carrying values of the Company's financial instruments approximate their fair values.

b) Fair Value of Financial Instruments

The Company has classified fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of inputs used in making the measurements as follows:

Level 1: Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates;

Level 3: Valuation based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their respective carrying values due to their short term maturities. The fair value of loans payable approximates the carrying value because the underlying market rate did not change.

Financial instruments categorized as Level 3 in the fair value hierarchy consist of the Exit Fee liability. The liability was measured utilizing estimated EBITDA. A change in 1% of the estimated EBITDA will result in a $23,527 change in value of the Exit Fee liability.

There were no transfers of instruments between levels in the fair value hierarchy.

23. Financial Instruments - *Continued*

c) Management of Risks Arising from Financial Instruments

The Company's financial instruments are exposed to the following financial risks:

(i) Credit Risk – Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's credit risk consists primarily of cash, accounts receivable, and finance lease receivable. The credit risk is minimized by placing cash and investing short-term investments with large Canadian and USA financial institutions. Credit risk is managed through dealing with financially strong counterparties and regular cash collections. The maximum credit risk is the recognized financial assets on the condensed consolidated statement of financial position.

(ii) Currency Risk – The Company's main operations are conducted in the USA and using US dollars. The Canadian parent company conducts certain transactions in Canadian dollars, therefore the Company is exposed to foreign currency fluctuation. The Company uses US dollars as its reporting currency and the parent company's resulting exchange differences between Canadian functional currency and US reporting currency are reported as accumulated other comprehensive loss, which is presented as a separate component of equity. The currency exchange fluctuations between the Canadian and US dollars relating to the parent company's income and expenses would have an impact on profit or loss of the Company.

As of December 31, 2017 and for the period then ended, a 1% increase in the value of the Canadian dollar in relation to the US dollar would have decreased net assets by approximately $2,000 and would have increased net income of the Company by approximately $7,300.

(iii) Liquidity Risk – Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due if additional capital is not available to the Company when required. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations, loan obligations and capital expenditures. The Company ensures that sufficient funds are raised from debt or equity financings to meet its operating requirements, after taking into account its existing working capital and expected future revenues. The Company's cash is invested in business accounts which are available on demand for the Company's operations and are not invested in any asset backed deposits or investments.

The following table summarizes amounts and maturity dates of the Company's contractual obligations as of December 31, 2017:

	2018 $	2019 $	2020 $	2021 $	2022 $	2023 $	Total $
Accounts payable and accrued liabilities	2,701,701	-	-	-	-	-	2,701,701
Earn-out payable	240,000	-	-	-	-	-	240,000
Loans payable *	4,006,231	4,831,711	5,257,180	5,091,094	13,977,871	15,970,889	49,134,976
Office and warehouse leases	29,502	-	-	-	-	-	29,502
	6,977,434	4,831,711	5,257,180	5,091,094	13,977,871	15,970,889	52,106,179

* Including future interest expense repayments

(Expressed in US Dollars unless otherwise stated)

23. Financial Instruments - *Continued*

(iii) Liquidity Risk - *Continued*

In addition, the putable feature embedded in the common shares exposes the Company to liquidity risk due to unforeseen redemptions under certain limited conditions.

(iv) Market Concentration – A significant portion of the Company's revenues is currently derived from contracts with four Indian tribes. No assurances can be given that any of such contracts will be renewed upon the expiration of their term or that, if renewed, the terms and conditions thereof will be favorable to the Company. A failure to renew such contracts upon terms favorable to the Company or the cancellation of a significant number of such contracts would have a material adverse effect upon the Company's business and results of operations.

(v) Interest rate risk - As of December 31, 2017, the Company had Prudential Senior Loan payable with a carrying value of $17,280,521, with a face value of $18,000,000, and with a variable annual interest rate of LIBOR plus 5.50%(effective interest rate of 8.25% as of December 31, 2017). LIBOR rates fluctuate over time, new loan agreements may be entered into in the future or existing loans may be renewed at new interest rates, therefore the Company is subject to interest rate risk.

24. Major Customers and Concentration of Risk

As of December 31, 2017, the Company had receivables from three customers representing 55% (December 31, 2016 – three customers representing 64%) of total trade receivables.

The following table summarized concentration of revenue for the years ended December 31, 2017 and 2016:

	December 31, 2017		December 31, 2016	
	$	% of total revenue	$	% of total revenue
Revenue from customer A	3,580,288	22%	3,522,564	23%
Revenue from customer B	3,602,604	22%	3,579,645	24%
Revenue from customer C	2,495,264	15%	804,259	5%
Revenue from customer D	1,266,312	8%	633,830	4%

A failure of a large customer would have a significant effect on the Company's results of operations.

(Expressed in US Dollars unless otherwise stated)

25. Nature of Expenses

The following schedule presents additional information on selected expenses for years ended December 31, 2017 and 2016.

		2017		2016
Operating expenses:				
Advertising and promotion	$	152,291	$	140,470
Bad debt expense		42,122		614,178
Depreciation of equipment		5,837,045		3,941,758
Amortization of equipment placement fees		1,765,572		1,944,649
Equipment maintenance		927,542		711,824
Gaming commission fees		351,890		332,159
Travel and other expenses		319,890		258,888
	$	9,396,352	$	7,943,926
General and administrative expenses:				
Consulting	$	29,564	$	150,035
Investor relations		98,143		84,442
Salaries and benefits		4,120,286		3,667,080
Office and administration		852,150		879,748
Professional fees		430,256		405,652
Stock based compensation		391,050		620,379
Listing, filing and transfer agent		43,131		53,823
	$	5,964,580	$	5,861,159
Financing costs:				
Accretion expense on promissory notes	$	38,141	$	92,063
Accretion expense on convertible debentures		-		1,411,911
Accretion and interest expense on loans payable		5,409,059		2,993,450
Financing costs		1,884,498		473,307
	$	7,331,698	$	4,970,731

In 2017, the Company settled payable owing to a vendor, resulting in a gain of $28,736.

26. Income Taxes

The Company's combined federal and provincial statutory income tax rate is 39%.

The Company's effective tax rate differs from the amount obtained by applying the Canadian statutory tax rate due to the following:

		2017		2016
Loss for the year before taxes	$	8,366,076	$	7,303,014
Canadian statutory tax rate		39.00%		39.00%
Recovery of income taxes	$	(3,262,770)	$	(2,848,175)
Foreign tax rate difference		1,266,391		78,491
Non-deductible items		2,087,226		282,721
Tax benefits not recognized		245,686		1,642,709
Utilization of prior year losses of prior years and other		(235,027)		-
Income tax expense (recovery)	$	101,506	$	(844,254)

(Expressed in US Dollars unless otherwise stated)

26. Income Taxes – *Continued*

The calculation of the tax rate is based on a combined federal and provincial statutory income tax rate of 39% (2016 – 39%).

Deferred Income Tax

Details of the Company's deferred income tax assets (liabilities) are as follows:

		2017		2016
Non-capital losses	$	559,888	$	668,762
Property and equipment		(1,923,164)		(1,458,844)
Placement fees		47,050		71,941
Intangible assets		(656,983)		(582,546)
Financing costs		329,396		527,503
Loans payable		(541,715)		(665,531)
Interest expense not currently deductible		2,185,528		1,438,715
Deferred income tax assets (liabilities)	$	-	$	-

Unrecognized Deferred Tax Assets

Deferred tax assets have not been recognized in respect of the following items:

		2017		2016
Deductible temporary differences	$	1,170,076	$	1,639,255
Tax losses		7,365,543		7,477,173
	$	10,119,920	$	9,116,458

As at December 31, 2017, the Company had non-capital losses in Canada of approximately $3,119,000 and in the USA of $4,246,000 that may be applied against future income for income tax purposes. The Canadian tax losses expire between 2031 and 2037 and the U.S. tax losses expire between 2033 and 2037. The future tax benefits from Canadian tax losses and from a portion of US tax losses have not been recorded in these consolidated financial statements due to uncertainty of their recovery.

During the current year, the Company recorded $Nil (2016 - $844,254) of deferred income tax recovery related to deferred tax assets for its US operations that were previously not recognized.