

JACKPOT DIGITAL INC.

**Condensed Interim Financial Statements
Three Months Ended March 31, 2021 and 2020
(Expressed in Canadian Dollars)
(Unaudited)**

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Notice of No Auditor Review of Condensed Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim financial statements as at March 31, 2021 and for the three months ended March 31, 2021 and 2020.

JACKPOT DIGITAL INC.
Balance Sheets
(Expressed in Canadian Dollars)

	March 31, 2021	December 31, 2020
		(audited)
Assets (note 11)		
Current		
Cash and cash equivalents (note 5)	\$ 926,059	\$ 438,642
Accounts receivable (note 5)	39,675	21,261
Due from related parties (note 8)	44,387	183,138
Prepaid expenses and deposits	60,801	63,455
	1,070,922	706,496
Deposits	-	24,948
Gaming Systems	2,262,314	2,297,502
Investment in 37 Capital Inc. (note 9)	153,107	3,899
Equipment	45,904	48,803
Intangible Assets	1,845,913	-
Total Assets	\$ 5,378,160	\$ 3,081,648
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,630,838	\$ 1,292,010
Interest payable	2,767,139	2,642,046
Deferred revenue (note 13)	-	85,559
Loans payable (note 11)	480,270	672,642
Convertible debentures (note 11)	425,994	425,994
Non-convertible secured debentures (note 11)	15,998	15,998
Refundable subscription	30,000	-
	5,350,239	5,134,249
Deferred Revenue (note 13)	467,311	473,146
Non-Convertible Secured Debentures (note 11)	2,393,177	2,330,882
Convertible Debentures (note 11)	2,052,717	2,068,981
Total Liabilities	10,263,444	10,007,258
Shareholders' Deficiency		
Capital Stock (note 7)	55,704,749	53,516,537
Reserves (notes 7)	2,773,869	1,520,390
Convertible Debentures - Equity Portion (note 11)	79,763	93,301
Deficit	(63,443,665)	(62,055,838)
Total Shareholders' Deficiency	(4,885,284)	(6,925,610)
Total Liabilities and Shareholders' Deficiency	\$ 5,378,160	\$ 3,081,648

On behalf of the Board:

"Jake H. Kalpakian" (signed)

.....
 Jake H. Kalpakian, Director

"Neil Spellman" (signed)

.....
 Neil Spellman, Director

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

	March 31, 2021	March 31, 2020
Revenues		
Electronic gaming tables	\$ 86,475	\$ 444,476
	86,475	444,476
Royalty expense	-	8,107
Cost of sales	215,485	142,957
	215,485	151,064
Gross Profit	(129,010)	293,412
Expenses		
Salaries and benefits	372,633	306,619
Interest expense and finance expense	327,526	370,323
Consulting fees	245,284	45,723
Rent, office and miscellaneous	55,405	92,791
Management fees	99,000	99,000
Travel, meals and entertainment	4,266	59,455
Advertising and promotion	-	5,891
Legal, accounting and audit	53,132	5,169
Regulatory and transfer agent fees	4,767	5,064
Shareholder communications	-	43
Foreign exchange loss (gain)	(60,114)	404,456
Donation	100	1,000
Share of net loss of 37 Capital Inc.	137	151
Amortization	156,680	306,157
Impairment loss on gaming systems	-	18,254
Interest and other income	-	(4)
	1,258,816	1,720,092
Net Loss and Comprehensive Loss for the Period	\$ (1,387,827)	\$ (1,426,680)
Basic and Diluted Loss Per Share	\$ (0.03)	\$ (0.18)
Weighted Average Number of Common Shares Outstanding	49,604,812	8,042,523

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

	Capital Stock		Reserves		Equity Portion of Convertible Debentures	Deficit	Non- Controlling Interest	Shareholders' Deficiency
	Common Shares	Amount	Warrants and Other	Options				
Balance, December 31, 2019	12,919,304	\$ 52,224,590	\$ 1,568,062	\$ 769,047	\$ 120,603	\$ (59,450,243)	\$ -	\$ (4,767,941)
Net income (loss) for the period	-	-	-	-	-	(1,426,680)	-	(1,426,680)
Bonus warrant issued	-	-	23,516	-	-	-	-	23,516
Exercise of warrants	-	-	(30,671)	-	-	30,671	-	-
Expiry of options	-	-	-	(9,554)	-	9,554	-	-
Share-based payment	-	-	-	22,355	-	-	-	22,355
Balance, March 31, 2020	12,919,304	\$ 52,224,590	\$ 1,560,907	\$ 781,848	\$ 120,603	(60,836,698)	\$ -	\$ (6,148,750)
Net loss for the period	-	-	-	-	-	(2,403,083)	-	(2,403,083)
Rights offering, net of issuance costs	12,919,304	532,779	96,981	-	-	-	-	629,760
Private placement, net of issuance costs	20,000,000	759,168	94,032	-	-	-	-	853,200
Convertible debentures issued	-	-	-	-	99,363	-	-	99,363
Compensation warrants issued	-	-	40,451	-	-	-	-	40,451
Bonus warrants issued	-	-	8,101	-	-	-	-	8,101
Deferred income tax recovery	-	-	(8,537)	-	(26,828)	-	-	(35,365)
Extinguishment of debt	-	-	99,837	-	(99,837)	-	-	-
Share-based payment	-	-	-	30,713	-	-	-	30,713
Expiry of warrants	-	-	(1,133,471)	-	-	1,133,471	-	-
Expiry of options	-	-	-	(50,472)	-	50,472	-	-
Balance, December 31, 2020	45,838,608	\$ 53,516,537	\$ 758,301	\$ 762,089	\$ 93,301	\$ (62,055,838)	\$ -	\$ (6,925,610)
Net income (loss) for the period	-	-	-	-	-	(1,387,827)	-	(1,387,827)
Private placement, net of issuance costs	10,000,000	1,557,083	135,687	-	-	-	-	1,692,770
Acquisition of 52 Gaming	1,500,000	525,000	638,475	-	-	-	-	1,163,475
Convertible debenture conversion	1,350,000	81,000	-	-	(13,539)	-	-	67,461
Compensation of warrants issued	-	-	151,854	-	-	-	-	151,854
Share-based payment	-	-	-	327,464	-	-	-	327,464
Exercise of warrants	251,291	25,129	-	-	-	-	-	25,129
Balance, March 31, 2021	58,939,899	\$ 55,704,749	\$ 1,684,317	\$ 1,089,553	\$ 79,762	\$ (63,443,665)	\$ -	\$ (4,885,284)

See notes to financial statements.

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

	March 31, 2021	March 31, 2020
Operating Activities		
Net loss	\$ (1,387,827)	\$ (1,426,680)
Items not affecting cash		
Amortization	156,681	306,157
Interest expense and finance expense	299,022	328,482
Unrealized foreign exchange loss (gain)	(52,972)	355,863
Share-based payment	327,463	22,355
Bonus warrants issued	-	23,516
Compensation warrants issued	151,854	
Repairs and maintenance	57,531	2,813
Gain on sale of gaming system table	(40,511)	-
Impairment loss on gaming systems	-	18,254
Share of net loss of 37 Capital Inc.	-	151
	(488,759)	(369,089)
Changes in non-cash working capital		
Accounts receivable	(18,415)	(50,012)
Due from related parties	(10,457)	14,068
Prepaid expenses and deposits	-	6,451
Accounts payable and accrued liabilities	(258,026)	(204,286)
Deferred revenue (note 12)	-	(44,559)
	(286,898)	278,338
Cash Used in Operating Activities	(775,657)	(90,751)
Financing Activities		
Funds from loan payable	-	300,000
Repayment of loan payable	(205,670)	(50,000)
Exercise of warrants	25,129	-
Private placement, net of issuance costs	1,692,770	-
Obligation to issue shares	30,000	-
Payment of lease liability (note 11)	-	(97,414)
Repayment of non-convertible debentures	-	(22,980)
Cash Provided by Financing Activities	1,542,229	129,606
Investing Activities		
Purchase of equipment	(142,640)	(59,088)
Acquisition of 52 Gaming	(136,515)	-
Cash Used in Investing Activities	(279,155)	(59,088)
Effect of Foreign Currency Translation on Cash	-	12
Net Change in Cash and Cash Equivalents	487,417	(20,221)
Cash and Cash Equivalents, Beginning of Period	438,642	37,545
Cash and Cash Equivalents, End of Period	\$ 926,059	\$ 17,324

JACKPOT DIGITAL INC.
Notes to Condensed Financial Statements
Three months ended March 31, 2021 and 2020
(Expressed in Canadian Dollars, unless otherwise stated)

1. NATURE OF OPERATIONS

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

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

Effective May 1, 2020, the Company consolidated its common shares on the basis of 10 pre-consolidation common shares to 1 post-consolidation common share. All the figures as to the number of common shares, stock options, warrants, prices of issued shares, exercise prices of stock options and warrants, as well as loss per share, in the financial statements are post-consolidation amounts and the prior year comparatives have been retroactively restated to present the post-consolidation amounts.

2. GOING CONCERN

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

Several adverse conditions cast significant doubt on the validity of this assumption. The Company has incurred a net loss and comprehensive loss of \$1,387,827 during the three months ended March 31, 2021 (March 31, 2020: \$1,426,680), has incurred significant operating losses over the past two fiscal years (2020 - \$3,829,763; 2019 - \$1,670,588), has a working capital deficiency of \$4,279,317 (December 31, 2020: working capital deficiency of \$4,427,753). There are no assurances that sufficient funding will be available to the Company to continue operations for an extended period of time.

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

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

The pandemic outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has caused, and is continuing to cause, significant disruptions globally in the financial markets and also disruptions to the international economies. Such disruptions will continue to impact the Company's business, financial condition and results of operations. As of late March 2020, the Company is no longer generating revenue from its largest customer as the customer's casino operations were halted due to the restrictions imposed by governments on the travel industry. Although it is anticipated that the travel industry may eventually reopen, however several governmental travel restrictions still remain in effect which shall have an impact on the Company's ability to generate meaningful revenues. The Company cannot predict the degree, or duration, to which its operations will be affected by the COVID-19 pandemic.

JACKPOT DIGITAL INC.
Notes to Condensed Financial Statements
Three months ended March 31, 2021 and 2020
(Expressed in Canadian Dollars, unless otherwise stated)

3. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim financial statements are prepared in accordance with International Accounting Standard 34 Interim Financial Reporting using the accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). They do not include all of the information required for full annual financial statements.

Effective January 1, 2019, the Company adopted IFRS 16 *Leases* (“IFRS 16”). IFRS 16 was adopted retrospectively with no restatement of comparative periods, as permitted by the transition provisions of the standard.

As a result of the application of IFRS 16, the Company changed its accounting policies for leases as described in note 4.

(b) Basis of measurement

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

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

(c) Approval of the condensed financial statements

The condensed interim financial statements of Jackpot for the three months ended March 31, 2021 were approved and authorized for issue by the Board of Directors on May 31, 2021.

(d) Functional and presentation currency

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

(e) Significant accounting judgments, estimates and assumptions

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

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

JACKPOT DIGITAL INC.
Notes to Condensed Financial Statements
Three months ended March 31, 2021 and 2020
(Expressed in Canadian Dollars, unless otherwise stated)

3. BASIS OF PRESENTATION (Continued)

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

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

Critical accounting estimates

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

- Recoverability of accounts receivable and allowance for doubtful accounts

The Company monitors its exposure for credit losses on its customer and related parties receivable balances and the credit-worthiness of the customers and related parties on an ongoing basis and records related allowances for doubtful accounts. Allowances are estimated based upon specific customer and related parties balances, where a risk of default has been identified, and also include a provision for non-customer specific defaults based upon historical experience and aging of accounts. As of March 31, 2021, the Company recorded an allowance for doubtful accounts of \$nil (March 31, 2020 - \$nil). If circumstances related to specific customers and related parties change, estimates of the recoverability of receivables could also change.

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

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

- Fair value of equity instruments

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

- Recoverability of asset carrying values

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

JACKPOT DIGITAL INC.
Notes to Condensed Financial Statements
Three months ended March 31, 2021 and 2020
(Expressed in Canadian Dollars, unless otherwise stated)

3. BASIS OF PRESENTATION (Continued)

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

- Right-of-use assets and lease liability

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

- Discount rates for convertible debentures

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

Critical accounting judgments

- Recovery of deferred tax assets

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

- Debentures

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

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

- Modification verses extinguishment of financial liability

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

JACKPOT DIGITAL INC.
Notes to Condensed Financial Statements
Three months ended March 31, 2021 and 2020
(Expressed in Canadian Dollars, unless otherwise stated)

3. BASIS OF PRESENTATION (Continued)

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

- Development expenditures

The application of the Company's accounting policy for development expenditures requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If new information suggests future economic benefits are unlikely, the amount capitalized in excess over the recoverable value is written off to profit or loss in the period the new information becomes available. As at March 31, 2021, no development expenditures have been capitalized.

- Functional currency

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

- Assessment of control

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

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

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

- Going concern assumption

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

- Right-of-use assets and lease liability

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

JACKPOT DIGITAL INC.
Notes to Condensed Financial Statements
Three months ended March 31, 2021 and 2020
(Expressed in Canadian Dollars, unless otherwise stated)

3. BASIS OF PRESENTATION (Continued)

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

- Impairment of long-lived assets

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

- Government tax credits

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

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Company include the following:

(a) Principles of consolidation

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

The financial statements include the activities of 37 Capital Inc. up until September 30, 2019, which is the effective date that control ceased (note 12).

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

(b) Cash and cash equivalents

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

JACKPOT DIGITAL INC.
Notes to Condensed Financial Statements
Three months ended March 31, 2021 and 2020
(Expressed in Canadian Dollars, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments

The Company's financial instruments are classified as follows:

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

Financial assets

(i) Recognition and measurement of financial assets

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

(ii) Classification of financial assets

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

Financial assets measured at amortized cost

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

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

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

JACKPOT DIGITAL INC.
Notes to Condensed Financial Statements
Three months ended March 31, 2021 and 2020
(Expressed in Canadian Dollars, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (continued)

(ii) Classification of financial assets (continued)

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

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

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

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

(iii) Derecognition of financial assets

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

Financial liabilities

(i) Recognition and measurement of financial liabilities

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

(ii) Classification of financial liabilities

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

Financial liabilities measured at amortized cost

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

JACKPOT DIGITAL INC.
Notes to Condensed Financial Statements
Three months ended March 31, 2021 and 2020
(Expressed in Canadian Dollars, unless otherwise stated)

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (continued)

(ii) Classification of financial liabilities (continued)

Financial liabilities measured at fair value through profit or loss

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

(iii) Derecognition of financial liabilities

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

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

Impairment of financial assets

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

(d) Research and development

Research costs are expensed as incurred. Costs related to the development of software and gaming systems are expensed as incurred unless such costs meet the criteria for deferral and amortization under IFRS. The criteria include identifiable costs attributable to a clearly defined product, the establishment of technical feasibility, demonstration of the Company's intention and ability to complete the software and use or sell it, identification of a market for the software, the Company's intent to market the software and the existence of adequate resources to complete the project.

JACKPOT DIGITAL INC.
Notes to Condensed Financial Statements
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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Gaming systems and equipment

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

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

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

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

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Intangible assets

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

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

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

Intellectual property	- 5 years
Customer relationships	- 5 to 10 years
Acquired software technology	- 2 to 4 years
Patents	- 2 to 4 years

(g) Impairment of non-financial assets

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Revenue recognition

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

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

(i) Licensing revenue

The Company recognizes revenues from licensees upon completion of each game according to the terms and conditions of the license agreement. Revenue is recognized to the extent that the performance obligations identified in the license agreement are satisfied.

(ii) Electronic gaming tables

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Income taxes

Income tax expense consisting of current and deferred tax expense is recognized in the statement of comprehensive loss. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

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

(j) Share-based payments

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing net loss attributable to common shares of the Company by the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is calculated on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to purchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(l) Capital stock

Proceeds from the exercise of stock options and warrants are recorded as capital stock in the amount for which the option or warrant enabled the holder to purchase a share in the Company. Capital stock issued for consideration other than cash are valued at the fair value of assets received or services rendered. If the fair value of assets received or services rendered cannot be reliably measured, shares issued for consideration will be valued at the quoted market price at the date of issuance.

The proceeds from the issuance of units are allocated between common shares and warrants based on the residual value method. Under this method, the proceeds are allocated first to capital stock based on the fair value of the common shares at the time the units are priced and any residual value is allocated to the warrants reserve. Consideration received for the exercise of warrants is recorded in capital stock and the related residual value is transferred from warrant reserve to capital stock. For unexercised warrants that expire, the recorded value is transferred to deficit.

(m) Foreign currency translation

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- (ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and
- (iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the rate of exchange on the transaction date.

Gains and losses arising from this translation of foreign currency are included in the determination of profit or loss for the year.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases

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

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

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

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

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

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

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

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

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Leases (continued)

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

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

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

(o) Investment in 37 Capital Inc. (“37 Capital”)

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

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

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

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

(p) Government tax recoveries

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

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4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Substantial modification of debentures

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

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

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

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

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Risk management overview

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

(b) Fair value of financial instruments

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

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5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(b) Fair value of financial instruments (continued)

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

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

(c) Credit risk

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

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and cash equivalents, and accounts receivable. The Company mitigates its exposure to credit loss associated with cash by placing its cash and cash equivalents in a major financial institution. The Company's cash and cash equivalents as at March 31, 2021 and 2020 are as follows:

	2021	2020
Cash and Cash Equivalents consists of:		
Cash	\$ 108,809	\$ 74
Term deposit	17,250	17,250
Variable Rate GIC	800,000	-
	\$ 926,059	\$ 17,324

As at March 31, 2021, the Company had cashable term deposits of \$17,250 (March 31, 2020 - \$17,250) readily convertible into cash, maturing July 31, 2022 with an annual interest rate of 0.60%. As of March 31, 2021, the Company had variable rate GIC of \$800,000 readily convertible into cash, maturing on March 9, 2022 with an annual interest rate of 0.25%.

To mitigate credit risk on the Company's trade receivables, the Company regularly reviews the collectability of the accounts receivable to ensure there is no indication that these amounts will not be fully recoverable.

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5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(d) Liquidity risk

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

At March 31, 2021, the Company has cash and cash equivalents of \$926,059 (December 31, 2020- \$438,642) available to apply against short-term business requirements and current liabilities of \$5,350,239 (December 31, 2020 - \$5,134,249). All of the liabilities presented as accounts payable and accrued liabilities and due to related parties are due within 90 days of March 31, 2021. As at March 31, 2021, all of the Company's debentures have maturity dates between one and three years. The Company will be required to raise additional capital in order to fund operations for the next twelve months.

(e) Market risk

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

(i) Currency risk

The Company is exposed to foreign currency risk and has significant financial assets and liabilities denominated in US dollars. The Company has not entered into any foreign currency contracts to mitigate this risk. As at March 31, 2021, the Company is exposed to currency risk for its US dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

	Held in US dollars (stated in Canadian dollars)	
	March 31, 2021	December 31, 2020
Cash	\$ -	\$ 67
Checks issued in excess of funds	7	-
Accounts receivable	2,616	1,677
Accounts payable and accrued liabilities	(652,536)	(336,285)
Interest payable	(1,729,979)	(1,663,882)
Non-convertible secured debentures	(2,409,175)	(2,346,880)
Net financial liability	\$ (4,789,067)	\$ (4,345,303)

Based upon the above net exposure as at March 31, 2021 and assuming all other variables remain constant, a 2% (March 31, 2020 - 4%) depreciation or appreciation of the US dollar relative to the Canadian dollar would result in a change of approximately \$95,781 (December 31, 2020 - \$86,906) in the Company's net loss and comprehensive loss.

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5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(e) Market risk (continued)

(ii) Interest rate risk

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

As at March 31, 2021, the interest rate on the non-convertible secured debentures, loans payable, and convertible debenture balances have fixed interest rates. As such, the Company is exposed to interest rate price risk to the extent of these financial liabilities.

(iii) Other price risk

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

6. ASSET ACQUISITION – 52 GAMING INC.

The Company entered into an Asset Purchase Agreement with 52 Gaming, LLC (“52 Gaming”) and acquired certain assets of 52 Gaming. Terms of the of the transaction are as follows:

- Cash payment of US\$107,500 on the closing date by the Company to 52 Gaming (paid);
- A promissory note by the Company for the amount of US\$470,000 with a term of twenty-four months, bearing 10% simple interest per annum, and which may be prepaid by the Company;
- On the closing date, the Company is to issue 1,500,000 common shares to 52 Gaming (issued);
- On the closing date, the Company is to issue 2,000,000 share purchase warrants to 52 Gaming exercisable at \$0.105 per share for a period of five years (issued); and
- Commencing January 2022 and for a period of ten years, the Company is to make variable royalty payments to 52 Gaming.

Under IFRS 3, the substance of the acquisition does not constitute a business combination as no processes were acquired and will be accounted for as an asset acquisition.

7. CAPITAL STOCK

(a) Authorized

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

(b) Issued and outstanding

Preferred shares

No preferred shares have been issued.

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7. CAPITAL STOCK (Continued)

(b) Issued and outstanding (continued)

Common shares

As of March 31, 2021, there are 58,939,899 common shares issued and outstanding.

During the three months ended March 31, 2021, the following transactions occurred:

- (i) The Company closed a non-brokered private placement financing, which was announced in February 2021, for gross proceeds of \$1,800,000 and issued 10,000,000 units of the Company at \$0.18 per unit. Each unit consists of one common share of the Company and one share purchase warrant to acquire an additional common share of the Company at the price of \$0.25 per share until March 3, 2026 for the first tranche & March 10, 2026 for the second tranche. The Company has paid finder's fees of \$94,683 in cash and has issued 526,018 broker warrants exercisable at \$0.25 per share for two years to arm's length parties.

During the year ended December 31, 2020, the following transactions occurred:

- (i) On November 20, 2020, the Company completed its rights offering and issued 12,919,304 units of the Company's securities at a price of \$0.05 per unit for gross proceeds of \$645,965. Each unit consists of one common share and one Rights Offering Warrant. Each Rights Offering Warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.10 until November 20, 2025. In respect to the rights offering, the Company incurred share issuance costs of \$16,205 and the stand-by guarantors received bonus warrants entitling them to purchase a total of 2,250,000 common shares of the Company exercisable at a price of \$0.10 per share until November 20, 2025. The bonus warrants were fair valued at \$96,981.
- (ii) On December 15, 2020, the Company closed the non-brokered private placement financing which was announced on December 2, 2020, whereby the Company issued 20,000,000 units of the Company at \$0.05 per unit for gross proceeds of \$1,000,000. Each unit consists of one common share of the Company and one share purchase warrant to acquire an additional common share of the Company at the price of \$0.10 until November 20, 2025. The Company incurred share issuance costs of \$146,800 and issued in aggregate 1,248,000 warrants with a fair value of \$94,032 as finder's fees to arm's length parties. Each warrant entitles the holder to purchase one common share at a price of \$0.10 for two years.

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7. CAPITAL STOCK (Continued)

(c) Warrants

Warrants activity for the three months ended March 31, 2021 and 2020 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2019	12,032,191	\$2.60
Issued	38,517,304	\$0.10
Expired	(259,016)	\$8.80
Balance, December 31, 2020	50,290,478	\$0.65
Issued	14,585,117	\$0.06
Exercised	(251,291)	\$0.10
Expired	(732,737)	\$1.80
Balance, March 31, 2021	63,891,567	\$0.54

Compound warrants activity for the three months ended March 31, 2021 is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2019	5,520	\$5.00
Issued	500,000	\$0.06
Expired	(5,520)	\$5.00
Balance, December 31, 2020 and March 31, 2021	500,000	\$0.06

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7. CAPITAL STOCK (Continued)

(c) Warrants (continued)

At March 31, 2021 and 2020, the following warrants and compound warrants were outstanding and exercisable:

Expiry Date	Exercise Price	Number of Warrants	
		2021	2020
August 4, 2020	\$ 20.00	-	75,000
August 10, 2020	\$ 5.00 ⁽¹⁾	-	75,000
November 19, 2020	\$ 3.50	-	100,000
February 15, 2021	\$ 1.80	-	155,037
February 25, 2021	\$ 1.80	-	247,700
February 28, 2021	\$ 1.80	-	330,000
October 29, 2021	\$ 2.50	318,580	318,580
November 8, 2021	\$ 2.50	171,250	171,250
January 20, 2022	\$ 5.00	2,942,153 ⁽²⁾	2,942,154 ⁽²⁾
January 20, 2022	\$ 5.00	323,750	323,750
August 21, 2022	\$ 6.00	70,000	70,000
September 13, 2022	\$ 6.00	34,600	34,600
November 28, 2022	\$ 6.00	85,000	85,000
December 1, 2022	\$ 6.00	30,000	30,000
December 15, 2022	\$ 0.10	1,248,000	-
January 3, 2023	\$ 6.00	105,355	105,355
January 24, 2023	\$ 6.00	38,900	38,900
March 3, 2023	\$ 0.25	72,000	-
March 10, 2023	\$ 0.25	454,018	-
June 10, 2023	\$ 0.06	500,000	-
June 10, 2023	\$ 0.10	1,350,000	-
June 22, 2023	\$ 5.00	147,860	147,860
July 1, 2023	\$ 0.10	2,000,000	-
September 26, 2024	\$ 1.00	6,439,656 ⁽³⁾	6,439,656 ⁽³⁾
September 26, 2024	\$ 1.00	333,333	333,333
February 19, 2025	\$ 0.50	100,000	100,000
November 20, 2025	\$ 0.10	32,668,013 ⁽⁴⁾	-
November 20, 2025	\$ 0.10	2,250,000	-
January 2, 2026	\$ 0.195	102,564	-
February 1, 2026	\$ 0.235	85,106	-
February 10, 2026	\$ 0.105	2,000,000	-
January 29, 2026	\$ 0.10	450,000	-
March 1, 2026	\$ 0.28	71,429	-
March 3, 2026	\$ 0.25	2,730,555	-
March 10, 2026	\$ 0.25	7,269,445	-
	\$ 0.54	64,391,567	12,123,174

(1) The exercise price has been reduced from \$20.00 to \$5.00 per share.

(2) Trading on the TSX Venture Exchange under the trading symbol "JJ.WT.A".

(3) Trading on the TSX Venture Exchange under the trading symbol "JJ.WT.B".

(4) Trading on the TSX Venture Exchange under the trading symbol "JJ.WT.C".

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7. CAPITAL STOCK (Continued)

(c) Warrants (continued)

The weighted average remaining contractual life for warrants outstanding at March 31, 2021 is 4.19 (March 31, 2020 – 3.74) years.

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

(d) Stock options

Pursuant to the Company's Amended 2004 Stock Option Plan, which has received TSX-V approval, the Company grants stock options to employees, directors, officers and consultants. On April 14, 2015, the TSX-V accepted the Company's new rolling stock option plan whereby a maximum of 10% of the issued shares of the Company will be reserved for issuance under the plan. As at March 31, 2021, there are 1,310,129 (March 31, 2020 - 748,930) stock options available for granting. The terms of the options are determined at the date of grant.

The following summarizes the officer, director, employee and consultant stock options that were granted, cancelled and expired during the three months ended March 31, 2021. The options vest 25% on grant and thereafter at 25% every four or six months.

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2019	561,000	\$1.50
Expired	(33,800)	\$1.80
Balance, December 31, 2020	527,200	\$1.50
Issued	4,056,661	\$ 0.20
Balance, March 31, 2021	4,583,861	\$0.20

The weighted average remaining contractual life for options outstanding at March 31, 2021 is 2.76 (March 31, 2020: 1.70) years.

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. Accordingly, share-based payments of \$263,518 (March 31, 2020 - \$21,916) were recognized as salaries expense and \$63,945 (March 31, 2020 - \$(171)) was recognized as consulting fees for options granted to consultants.

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8. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the financial statements, related party transactions for the three months ended March 31, 2021 and 2020 are as follows.

During the three months ended March 31, 2021 and 2020, the Company incurred the following related party transactions:

	2021	2020
Rent and shared office expenditures charged	\$ 6,000	\$ 6,000

During the three months ended March 31, 2021, Jackpot has paid management fees totaling \$99,000 to a company owned by a director and officer of Jackpot (March 31, 2020: \$99,000).

As at March 31, 2021, due from related parties consists of \$12,600 receivable from 37 Capital for rent and shared office expenditures.

9. INVESTMENT IN 37 CAPITAL INC.

As at December 31, 2018, the Company had a controlling interest of approximately 49% of 37 Capital's issued and outstanding shares. During the year ended December 31, 2019, the Company sold 3,400,000 common shares in the capital of 37 Capital through the facilities of the Canadian Securities Exchange (CSE) for gross proceeds to the Company of \$170,580 thereby reducing its controlling interest to approximately 0.70% of 37 Capital's issued and outstanding shares and recorded \$326,150 in non-controlling interest as a result of the decrease in interest in 37 Capital. As a result of the sale, the Company determined that control of 37 Capital ceased effective September 30, 2019 and, as such, the assets, liabilities and non-controlling interest of 37 Capital were derecognized. On deconsolidation, the Company recognized assets of \$127,262 (including a derecognition of \$400 in cash and cash equivalents) and derecognized liabilities of \$1,009,241 and non-controlling interest of \$1,000,834, resulting in a gain on deconsolidation of \$135,669 being recorded during the year ended December 31, 2019.

During January 2021, pursuant to a debt settlement agreement dated December 11, 2020, the Company acquired 2,986,900 common shares of 37 Capital at a deemed price of \$0.05 per common share in settlement of outstanding debt in the amount of \$149,345. As at March 31, 2021, the Company has approximately 13.51% of 37 Capital's issued and outstanding shares.

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9. INVESTMENT IN 37 CAPITAL INC. (Continued)

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

Balance at December 31, 2018	\$ (575,031)
Share of post-acquisition loss for the year	(99,653)
Increase in interest	(326,150)
Deconsolidation	1,000,834
Balance at December 31, 2019 and 2020	\$ -

Following the deconsolidation effective September 30, 2019, the Company determined that it had significant influence over 37 Capital and, therefore, accounted for the investment under the equity method as follows:

Balance at December 31, 2018	\$ -
Fair value of investment on deconsolidation	4,998
Share of net loss	(325)
Balance at December 31, 2019	\$ 4,673
Share of net loss	(774)
Balance at December 31, 2020	\$ 3,899

Summarized financial information for 37 Capital Inc. is as follows:

	March 31, 2021
Current assets	\$ 1,829
Non-current assets	\$ 40,001
Current liabilities	\$ 599,055
Net loss	\$ 19,913

10. CANADA EMERGENCY WAGE SUBSIDY

During the three months ended March 31, 2021, the Company received a total of \$84,492 (December 31, 2020: \$175,605) to relation to the Canada Emergency Wage Subsidy (CEWS).

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11. LOANS PAYABLE AND DEBENTURES

Loans payable

	Principal	Accrued Interest	Total
Balance at December 31, 2019	\$ 650,000	\$ 69,576	\$ 719,576
Additions	510,000	-	510,000
Equity component	(31,617)	-	(31,617)
Interest	-	108,690	108,690
Accretion	1,300	-	1,300
Repayment	(595,000)	(40,307)	(635,307)
Balance at December 31, 2020	\$ 534,683	\$ 137,959	\$ 672,642
Interest	-	13,299	13,299
Repayment	(175,000)	(59,953)	(234,953)
Balance, March 31, 2021	\$ 359,683	\$ 91,305	\$ 450,988

During January 2020, the Company issued a promissory note to an arm's length party for the amount of \$200,000. The promissory note had a fixed interest amount of \$40,000 and was fully repaid during the year.

During February 2020, the Company entered into a debenture agreement with an arm's length party for the amount of \$100,000. The debenture bears interest at 10% per annum for a term of five years. A total of 100,000 share purchase warrants exercisable at \$0.50 per share for five years were issued as bonus warrants in respect to this debenture. The Company paid \$10,000 in cash commission. On initial recognition, \$31,617 was recognized as the equity portion of the compound financial instrument, which was then offset by a deferred income tax recovery of \$8,537.

Non-convertible secured debentures

During the year ended December 31, 2015, the Company entered into two non-convertible secured debenture agreements for an aggregate US\$2,500,000 with one arm's length party and one related party. The non-convertible secured debentures are secured against the Company's assets. The non-convertible debenture agreements provide for a term of three years, maturing on August 4, 2018, and bear interest at 10% per annum, with interest compounding and payable quarterly. As additional consideration of the risk associated with the debenture, the Company issued 75,000 warrants to the lenders. Each warrant has a five-year expiry term and is exercisable into one common share at \$20.00. On August 9, 2019, the maturity date of the convertible debenture with the arm's length party was extended to July 1, 2021. The modification of maturity date was considered an extinguishment of the existing non-convertible debenture and a new non-convertible debenture was recognized as the modified terms were substantially different from the original terms. The difference between the fair value and carrying value on the extinguishment date was determined to be \$656,727.

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11. LOANS PAYABLE AND DEBENTURES (Continued)

Non-convertible secured debentures (continued)

On September 23, 2020, an amendment agreement was entered into whereby the maturity date has been further extended to July 1, 2023 and the interest rate has been reduced from 10% to 7.5% per annum. As consideration, the Company issued 1,163,827 bonus warrants. Each warrant is exercisable into one common share at the price of \$0.10 until July 21, 2023. The modification was considered an extinguishment of the existing non-convertible debenture and a new non-convertible debenture was recognized as the modified terms were substantially different from the original terms. The difference between the fair value and carrying value on the extinguishment date was determined to be \$237,168.

In addition, the Company is required to pay the lenders a combined royalty of 2% of gross revenues from electronic gaming tables.

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

As at March 31, 2021, the amount of \$2,409,175 (December 31, 2020 - \$2,346,880) has been recorded as the non-convertible secured debentures.

Convertible debentures

During the year ended December 31, 2016, the Company issued convertible secured debentures for gross proceeds of \$2,000,000 (net proceeds of \$1,753,111). The convertible secured debentures have a term of 12 months, bear simple interest at the rate of 12% per annum and payable on a quarterly basis. The principal amount of the convertible secured debentures may be convertible into common shares of the Company at a price of \$5.00 per share. In connection with the convertible secured debentures, the Company has paid a cash commission of \$200,000 and a corporate finance fee of \$30,000 plus HST and other expenses of \$11,495 plus HST and has issued 60,000 broker warrants to Kingsdale Capital Markets Inc. (fair valued at \$31,128). The broker warrants were exercisable into common shares of the Company at the price of \$5.00 per share during the first year and at the price of \$10.00 per share during the second year and expired unexercised. The convertible secured debentures are secured against the Company's assets. On initial recognition, the amount of \$101,601 was recorded as the equity portion of convertible secured debentures reserve and remained outstanding at March 31, 2021. The effective interest rate was 20%.

On August 9, 2019, the maturity date of the convertible secured debentures was extended to July 1, 2021. The modification of maturity date was considered an extinguishment of the existing convertible debentures and a new convertible debenture balance was recognized as the modified terms were substantially different from the original terms. The difference between the fair value and carrying value on the extinguishment date was determined to be \$260,229.

On September 23, 2020, an amendment agreement was entered into whereby the maturity date has been further extended to July 1, 2023 and the interest rate has been reduced from 10% to 7.5% per annum. As consideration the Company issued 836,173 bonus warrants. Each warrant is exercisable into one common share at the price of \$0.10 until July 21, 2023. The modification was considered an extinguishment of the existing convertible debentures and a new convertible debenture balance was recognized as the modified terms were substantially different from the original terms. The difference between the fair value and carrying value on the extinguishment date was determined to be \$248,084.

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11. LOANS PAYABLE AND DEBENTURES (Continued)

Convertible debentures (continued)

As at March 31, 2021, the Company paid \$nil (March 31, 2020 - \$nil) of accrued interest and repaid principal amounts totaling \$nil (March 31, 2020 - \$nil).

During August 2018, the Company entered into a convertible debenture with an arm's length party for the principal amount of \$328,000 which bears interest at the rate of 8% per annum and which was due and payable on October 30, 2018 (the "Term"). Subsequent to December 31, 2018, the Term was extended to July 15, 2019. As at March 31, 2021 the convertible debenture is owing and is due on demand. As at March 31, 2021, the amount of \$328,000 has been recorded as the liability portion of convertible secured debentures and the amount of \$5,658 has been recorded as the equity portion of convertible secured debentures reserve. The effective interest rate was 20%.

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

On initial recognition, the amount of \$13,344 was recorded as the equity portion of convertible debenture reserve and remains outstanding at December 31, 2020. The effective interest rate was 20%. As at March 31, 2021, the amount of \$98,254 has been recorded as the liability portion of convertible debentures including accrued interest.

During June 2020, the Company entered into unsecured convertible debenture agreements for gross proceeds of \$446,000, \$75,000 of which was received during the year ended December 31, 2019. The debentures bear interest at 10% per annum and have a maturity date of 36 months from closing. The debentures are convertible into the Company's units at a conversion price of \$0.06 per unit in Year 1 and at a conversion price of \$0.10 per unit in Year 2 and Year 3. Each unit will consist of one common share and one share purchase warrant. Each share purchase warrant will be exercisable into one common share at a price of \$0.10 per share for a period of three years from the closing of the debenture financing. A total of 500,000 compensation warrants which are exercisable into units at \$0.06 per unit were issued in connection with this closing and were determined to have a fair value of \$40,451. On initial recognition, the amount of \$81,983 was recorded as the equity portion of convertible secured debentures reserve and remained outstanding at December 31, 2020. The effective interest rate was 20%. As at March 31, 2021, a total of \$81,000 convertible debentures were converted at \$0.06 per unit and the Company issued a total of 1,350,000 units in the capital of the Company.

During August 2020, the Company entered into unsecured convertible debenture agreements for gross proceeds of \$135,000. The debentures bear interest at the rate of 10% per annum and have a maturity date of 36 months from closing. The debentures are convertible at a conversion price of \$0.10 per unit for three years. Each unit will consist of one common share and one share purchase warrant exercisable at the price of \$0.10 per share for a period of three years from closing. On initial recognition, the amount of \$24,816 was recorded as the equity portion of convertible secured debentures reserve and remained outstanding at March 31, 2021. The effective interest rate was 20%.

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12. LEASE LIABILITY

Office and Warehouse Leases

The Company has a lease agreement for its headquarter office space in Vancouver, BC as well as its warehouse in Burnaby, BC. Upon transition to IFRS 16, the Company recognized \$528,871 for a ROU asset and \$528,871 for a lease liability.

13. DEFERRED REVENUE

During the three months ended March 31, 2021, the Company recorded \$467,311 (March 31, 2020 - \$527,217) in deferred revenue with respect to electronic gaming table regulated licenses. The deferred revenue will be recognized as revenue upon the Company receiving the necessary gaming licenses.

14. COMMITMENTS

The Company's commitments relate to the following:

- (a) On July 1, 2020, the Company entered into a New Management Services Agreement with Kalpakian Bros. of B.C. Ltd. ("Kalpakian Bros.") with a term of five years at a monthly rate of \$33,000 plus applicable taxes. Kalpakian Bros. is a private company controlled by a director and an officer of the Company.
- (b) In order to carry out the production and shipping of the Company's Jackpot Blitz™ ETGs, the Company has leased a warehouse in Burnaby, BC which has an area of 9,792 square feet for a term ending May 31, 2019. The Company entered into an Extension of Lease Agreement on January 24, 2019 extending the term to May 31, 2020 whereby the Company pays gross rent of \$5,000 plus applicable taxes per month for April, May and June 2020. The Company also entered into a Lease Amendment and Extension Agreement on June 24, 2020 extending the Company's lease until July 31, 2020. Effective July 1, 2020, the Company will pay an all-inclusive rent of \$8,000 and the applicable tax per month. Under the terms of the Lease Amendment and Extension Agreement, the Company may renew the lease on a month-to-month basis.
- (c) During April 2017, the Company together with 37 Capital entered into an office lease agreement with an arm's length party (the "Office Lease Agreement"). The Office Lease Agreement has a three-year term with a commencement date of August 1, 2017. During June 2020 and September 2020, the Company entered into a Lease Amendment and Extension Agreement and Rent Reduction Agreement with the arm's length party (collectively the "New Lease Agreements"). Under the Canada Emergency Commercial Rent Assistance program ("CECRA") and pursuant to the New Lease Agreements, effective April 2020 through September 2020, the Company paid approximately \$4,600 of rent per month. Under the terms of the New Lease Agreements, the Company may renew the lease on a month-to-month basis for \$8,000 per month. In respect to the Office Lease Agreement effective as of May 1, 2018, the Company and 37 Capital have agreed that 37 Capital shall pay a monthly rent of \$1,000 plus applicable taxes to the Company, and either the Company or 37 Capital may terminate this agreement by giving each other a three months' notice in writing.

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15. CAPITAL MANAGEMENT

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

The Company's objective when managing capital is to maintain adequate levels of funding support for the development and marketing of the Company's online multi-player interactive games and of the Company's electronic gaming tables while maintaining the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds on acceptable terms in the future. There were no changes to the Company's approach to capital management during the three months ended March 31, 2021. The Company is not subject to externally imposed capital requirements.

16. EVENTS AFTER THE REPORTING DATE

The following events occurred after March 31, 2021:

- (a) A total of 400,000 stock options exercisable at \$0.245 per share have been granted to an employee.
- (b) A total of 255,713 warrants exercisable at \$0.10 per share have been exercised for proceeds of \$25,571.30.
- (b) Pursuant to an Engagement letter for mergers and acquisitions consulting services dated December 11, 2020, as amended on February 3, 2021, Jackpot has issued a total of 138,461 warrants exercisable prices ranging from 0.26 to \$0.325 per share.
- (c) The Company closed the non-brokered private placement financing which was announced in March 2021 for gross proceeds of \$1,616,500 and issued 8,082,500 units of the Company at \$0.20 per unit. Each Jackpot unit consists of one common share of the Company and one share purchase warrant to acquire an additional common share of the Company at the price of \$0.27 per share until April 7, 2026 (first tranche), May 4, 2026 (second tranche) and May 25, 2026 (third tranche). The Company has paid finder's fees of \$114,120 in cash and has issued 570,600 broker warrants exercisable at \$0.27 per share for a period of two years to arm's length parties.
- (d) The Company entered into an Extension and Amendment of Lease Agreement in respect to the leased warehouse in Burnaby, BC. The term of the lease has been extended from May 1, 2021 up to October 31, 2023.
- (e) The Company entered into an Office Lease covering 4,002 sq feet office space in Burnaby, BC commencing July 1, 2021 until October 31, 2023.