INNOVA GAMING GROUP

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2016 AND 2015

(Expressed in US dollars)

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Unaudited Condensed Consolidated Interim Statements of Financial Position

	March 31 2016 $	December 31 2015 $
ASSETS		
Current		
Cash	10,666,250	11,098,280
Accounts receivable (note 9)	2,548,841	2,305,545
Inventories (note 4)	1,968,584	1,910,159
Prepaid expenses and deposits	1,286,670	901,220
Income taxes receivable	325,173	409,492
	16,795,518	16,624,696
Property, equipment, and intangibles (note 5)	10,613,607	10,174,121
Deferred income taxes	8,845,541	8,310,577
	36,254,666	**35,109,394**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	2,548,521	2,707,467
Customer deposits	4,550	5,900
Deferred revenue	1,153,468	1,263,022
Current portion of equipment financing (note 6)	1,519,366	1,307,678
Current portion of long term debt (note 6)	375,992	369,442
	5,601,897	5,653,509
Deferred revenue	2,061,722	2,214,173
Equipment financing (note 6)	1,395,988	1,380,293
Deferred income taxes	283,991	-
Long term debt (note 6)	436,926	533,417
	9,780,524	9,781,392
SHAREHOLDERS' EQUITY		
Share capital (note 8)	21,841,033	21,735,920
Share issuance reserve (note 8)	807,548	630,289
Retained earnings	3,825,561	2,961,793
	26,474,142	25,328,002
	36,254,666	**35,109,394**

Commitments and contingency (note 7)

See accompanying notes

(Signed) "*James Breslo*", Director
James Breslo, President

(Signed) "*Richard Weil*", Director
Richard Weil, CEO and Chairman

Unaudited Condensed Consolidated Interim Statements of Changes in Equity

	Common Share number	Share capital amount $	Retained earnings $	Share issuance reserve $	Total shareholders' equity $
Balance – January 1, 2015	**667**	**10,567,704**	**3,357,119**	**-**	**13,924,823**
Net income	-	-	34,143	-	34,143
Balance – March 31, 2015	**667**	**10,567,704**	**3,391,262**	**-**	**13,958,966**
Balance – January 1, 2016	**20,450,000**	**21,735,920**	**2,961,793**	**630,289**	**25,328,002**
Share-based compensation	-	-	-	177,259	177,259
Deferred income taxes in relation to transaction costs	-	105,113	-	-	105,113
Net income	-	-	863,768	-	863,768
Balance – March 31, 2016	**20,450,000**	**21,841,033**	**3,825,561**	**807,548**	**26,474,142**

See accompanying notes

Unaudited Condensed Consolidated Interim Statements of Income and Comprehensive Income

	For the three month period ended March 31,	
	2016	2015
	$	$
Revenue	5,365,088	4,644,124
Cost of products	611,617	378,653
Gross Profit	**4,753,471**	**4,265,471**
Selling	349,245	370,611
General and administrative	4,454,928	3,482,611
Income (loss) from operations	**(50,702)**	**412,249**
Financial (gain) loss, net (note 15)	(495,070)	311,322
Other non-operating (income) expenses	(381,337)	4,500
Income before income taxes	**825,705**	**96,427**
Current income tax provision expense (recovery)	107,795	(226,085)
Deferred income tax expense (recovery)	(145,858)	288,369
Net income and comprehensive income	**863,768**	**34,143**
Basic and diluted earnings per share (note 16)	0.04	0.00

See accompanying notes

Unaudited Condensed Consolidated Interim Statements of Cash Flows

	For the three month period ended March 31,	
	2016	2015
	$	$
Cash flows (used in) from operating activities		
Net income	863,768	34,143
Adjustments to reconcile net earnings to net cash provided by operating activities:		
(Gain) / loss on sale of property and equipment	(487)	4,500
Depreciation and amortization expense	618,249	485,663
Share-based compensation	177,259	-
Unrealized foreign exchange loss / (gain)	(512,380)	493,383
Deferred income tax expense (recovery)	(145,858)	288,369
Increase (decrease) in deferred revenue	(152,451)	363,640
Changes in non-cash operating elements of working capital (note 13)	(872,702)	22,973
	(24,602)	**1,692,671**
Cash from (used in) investing activities		
Purchase of property and equipment	(542,762)	(421,057)
Proceeds from sale of property and equipment	487	4,792
	(542,275)	**(416,265)**
Cash flows (used in) financing activities		
Repayment of debt	(89,941)	-
Repayment of equipment financing	(332,185)	(382,428)
	(422,126)	**(382,428)**
Increase (decrease) in cash	(989,003)	893,978
Cash – beginning of period	11,098,280	3,136,182
Effects of foreign exchange on cash	556,973	28,108
Cash – end of period	**10,666,250**	**4,058,268**

See accompanying notes

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Nature of business

Unless otherwise noted or the context otherwise indicates, the "Company", "INNOVA", "we", "us", "our" and "our company" refers to INNOVA Gaming Group Inc., together with one or more of its subsidiaries. Where the context requires, prior to the incorporation of INNOVA, "Company", "we", "us", "our" and "our company" refer to our main operating subsidiary and predecessor entity, Diamond Game Enterprises ("Diamond Game"), together with one or more of its subsidiaries.

The Company designs, develops, produces, markets, and services games, game systems, and game tickets for the North American gaming industry, predominantly for the public gaming (i.e. lottery) business to government ("B2G") sector. INNOVA was incorporated under the Canada Business Corporation's Act on February 25, 2015. The registered head office of the Company is at 560 Arvin Avenue, Unit 3, Stoney Creek, Ontario, L8E 5P1. Diamond Game, was incorporated on January 4, 1994 under the laws of California. Its registered head office and production warehouse is located at 9340 Penfield Avenue, Chatsworth, California, 91311.

The Unaudited Condensed Consolidated Interim financial statements (the "financial statements") of the Company are comprised of INNOVA and its subsidiaries.

INNOVA's shares trade on the Toronto stock exchange under the symbol "IGG".

2. Summary of significant accounting policies

BASIS OF PRESENTATION

On May 5, 2015, in anticipation of an initial public offering, INNOVA Gaming Group was incorporated and then issued 16,699,999 shares to the shareholders of Diamond Game as consideration for all of the outstanding shares of Diamond Game. As a result of this issuance, Amaya Inc. ("Amaya"), the parent of Diamond Game, then became the parent of INNOVA. The transaction has been accounted for as a capital reorganization of Diamond Game that did not result in a substantive new entity for reporting purposes. Accordingly, the statements of financial position, cash flows, changes in equity, and income and comprehensive income reflect the results for 2015 on the basis that Diamond Game continued operations for all periods presented. All assets and liabilities are recorded at their pre-IPO carrying values in Diamond Game.

The financial statements including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

These financial statements do not include all of the information required for full annual financial statements by International Financial Reporting Standards ("IFRS"), and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015. The financial statements are prepared on a basis consistent with the annual consolidated financial statements.

The financial statements were authorized for issuance by the Board of Directors on May 11, 2016.

PRINCIPLES OF CONSOLIDATION

The financial statements include the financial statements of the Company and its subsidiaries, Diamond Game Enterprises, a company registered under the laws of California and Diamond Game Enterprises Canada, a company registered in the province of British Columbia, Canada with unlimited liability. Subsidiaries are all entities over which the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its current ability to direct the entity's relevant activities (power over the investee). Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases. On consolidation, all significant inter-entity transactions and balances are eliminated.

RECLASSIFICATIONS

Prior period financial statement amounts have been reclassified to conform to current period presentation.

3. Recent Accounting Pronouncements

IFRS 9, FINANCIAL INSTRUMENTS

The IASB issued the chapters of IFRS 9 relating to the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets.

The IASB also issued new requirements in IFRS 9 to address the problem of volatility in statements of income and comprehensive income arising from an issuer choosing to measure its own debt at fair value (i.e., the "own credit" problem).

The IASB added to IFRS 9 impairment requirements related to the accounting for expected credit losses on an entity's financial assets and commitments to extend credit.

The IASB also published a new hedge accounting model, together with corresponding disclosures about risk management activity for those applying hedge accounting. The new model represents a substantial overhaul of hedge accounting that will enable entities to better reflect their risk management activities in their financial statements. The most significant improvements apply to those that hedge non-financial risk.

An entity shall apply this Standard retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The Company is assessing the potential impact on its financial statements resulting from application of IFRS 9.

3. Recent Accounting Pronouncements (cont'd)

IFRS 15, REVENUES FROM CONTRACTS WITH CUSTOMERS

IFRS 15 affects any entity using IFRS that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. IFRS 15 will supersede the revenue recognition requirements in IAS 18 and most industry-specific guidance.

The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

An entity shall apply this Standard for annual reporting periods beginning on or after January 1, 2018. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

IFRS 16, LEASES

The IASB issued amendments on January 13, 2016. The Company will be required to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Management is currently evaluating the potential impact, if any, that the adoption of IFRS 16 will have on the Company's financial statements.

4. Inventories

	March 31 2016 $	December 31 2015 $
Raw Materials	1,219,378	1,127,041
Finished goods	749,206	783,118
	1,968,584	**1,910,159**

The cost of inventory recognized as an expense during the three month period ended March 31, 2016 was $611,617 (2015: $378,653). The amount of inventory write-downs recognized as an expense in the cost of products for the same period was $nil (2015: $nil).

5. Property, equipment, and intangibles

COST

	Revenue Producing Assets $	Machinery and Equipment $	Furniture and Fixtures $	Computer Equipment $	Software $	Total $
Balance - January 1, 2015	12,423,019	1,734,583	119,924	1,974,266	5,177,216	21,429,008
Additions	2,462,895	667,218	27,908	553,467	629,802	4,341,290
Disposal	(146,040)	-	-	-	(52,000)	(198,040)
Reclassification	-	(94,227)	(39,846)	-	(3,551)	(137,624)
Translation	207,405	1,270	383	33,892	-	242,950
Balance – December 31, 2015	**14,947,279**	**2,308,844**	**108,369**	**2,561,625**	**5,751,467**	**25,677,584**
Additions	500,431	-	41,746	162,191	353,367	1,057,735
Disposal	(332,082)	-	-	-	-	(332,082)
Reclassification	6,262	2,439	-	(1,883)	-	6,818
Balance – March 31, 2016	**15,121,890**	**2,311,283**	**150,115**	**2,721,933**	**6,104,834**	**26,410,055**

5. Property, equipment, and intangibles (cont'd)

ACCUMULATED AMORTIZATION AND IMPAIRMENTS

	Revenue Producing Assets $	Machinery and Equipment $	Furniture and Fixtures $	Computer Equipment $	Software $	Total $
Balance - January 1, 2015	6,516,958	1,554,372	96,409	854,449	4,341,208	13,363,396
Depreciation and amortization	1,611,218	132,344	6,669	401,152	447,153	2,598,536
Disposal	(146,040)	-	-	-	(16,953)	(162,993)
Reclassification	9,872	(104,099)	(39,846)	-	(3,551)	(137,624)
Translation	(126,403)	(200)	(102)	(31,147)	-	(157,852)
Balance - December 31, 2015	**7,865,605**	**1,582,417**	**63,130**	**1,224,454**	**4,767,857**	**15,503,463**
Depreciation and amortization	385,480	45,130	3,514	106,948	77,177	618,249
Disposal	(332,082)	-	-	-	-	(332,082)
Reclassification	6,262	1,196	-	(640)	-	6,818
Balance - March 31, 2016	**7,925,265**	**1,628,743**	**66,644**	**1,330,762**	**4,845,034**	**15,796,448**

CARRYING AMOUNTS

	Revenue Producing Assets $	Machinery and Equipment $	Furniture and Fixtures $	Computer Equipment $	Software $	Total $
Balance - December 31, 2015	7,081,674	726,427	45,239	1,337,171	983,610	10,174,121
Balance – March 31, 2016	**7,196,625**	**682,540**	**83,471**	**1,391,171**	**1,259,800**	**10,613,607**

Included in property, equipment and intangibles are assets that have been acquired through equipment lease and debt financing. These assets were grouped in revenue producing assets, machinery and equipment, and computer equipment and were acquired at an initial cost of approximately $4,906,000, $536,000 and $589,000 respectively (December 31, 2015 – $4,155,000, $534,000 and $562,000). As of March 31, 2016, the net book value of the financed equipment was approximately $4,150,000, $396,000, and $416,000 respectively (December 31, 2015 – $3,602,000, $421,000, and $424,000).

6. Equipment lease and debt financing

The Company enters into agreements to purchase equipment payable in monthly instalments including interest. The equipment is grouped in revenue producing assets, machinery and equipment, and computer equipment. The agreements are repayable in equal monthly instalments over a four-year period. During the three month period ended March 31, 2016, the Company incurred $60,638 in interest (2015: $56,302) included in financial (gain) loss, net.

EQUIPMENT LEASE

	March 31 2016 $	December 31 2015 $
Agreements bear interest at between 0.00% and 17.89% per annum, all maturing by 2018 and payable in monthly installments of approximately $127,000 including interest	2,915,354	2,687,971
Current maturity – within one year	(1,519,366)	(1,307,678)
	1,395,988	**1,380,293**

Principal repayments over the next four years amount to the following:	
Between 1 and 2 years	1,001,598
Between 2 and 3 years	389,143
Between 3 and 4 years	5,247
	1,395,988

EQUIPMENT DEBT

	March 31 2016 $	December 31 2015 $
Agreements bear interest at between 5.87% and 9.89% per annum, all maturing by 2018 and payable in monthly installments of approximately $31,000 including interest	812,918	902,859
Current maturity – within one year	(375,992)	(369,442)
	436,926	**533,417**

Principal repayments over the next four years amount to the following:	
Between 1 and 2 years	355,058
Between 2 and 3 years	81,868
	436,926

7. Commitments

The Company's commitments under operating lease agreements for premises, hardware support contracts, and purchase obligations aggregate to $2,337,885.

Within one year	509,862
Between 1 and 2 years	459,673
Between 2 and 3 years	425,947
Between 3 and 4years	436,718
Between 4 and 5 years	433,444
More than 5 years	72,241

Employee retirement plan

The company has a 401 (k) plan. Employees who are 21 or older and have completed three months of service are eligible to participate. The Company has elected to make safe harbor matching contributions to all participants who are non-highly compensated employees in an amount equal to 100% of the first three percent of employee's eligible compensation and 50% of the next two percent of the employee's eligible compensation contributed to the Plan as deferral contributions.

For the three month period ended March 31, 2016 the Company's expenses for such contributions totaled approximately $55,000 (2015: $16,000).

8. Share capital

The authorized share capital of the Company consists of an unlimited number of Common Shares, with no par value.

SHARE CAPITAL TRANSACTIONS

During the three month period ended March 31, 2016:

- No activity

During the year ended December 31, 2015:

- In anticipation of an initial public offering, a new company, INNOVA Gaming Group was incorporated and it issued 1 share and $1 and then issued 16,699,999 shares to the shareholders of Diamond Game as consideration for all the outstanding shares of Diamond Game. As a result of this issuance, Amaya Inc. ("Amaya"), the parent of Diamond Game, then became the parent of INNOVA. Following this reorganization, but prior to the completion of the initial public offering, Diamond Game became a wholly-owned subsidiary of INNOVA.
- On May 5, 2015, the Company completed an initial public offering and its share began trading on the Toronto stock exchange under the symbol "IGG". INNOVA issued an additional 3,750,000 Common Shares pursuant to treasury offering at CAD $4.00 per share. Gross proceeds from the issuance of additional shares was $12,393,042 or CAD $15,000,000. Immediately after the completion of the offering, 20,450,000 of Common Shares were issued and outstanding. A secondary offering of 8,520,000 shares by Amaya Inc. reduced its ownership interest to 40%. Amaya Inc. remains a related party with significant influence.
- Prior to the Pre-IPO reorganization, Amaya contributed $1,000,000 in additional paid-up capital.
- IPO related costs incurred as of December 31, 2015 were $3,097,074 of which $2,224,826 was charged as a reduction in capital.

The Company manages its share capital, contributed surplus and retained earnings as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk, as there are no external restrictions on it. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions.

STOCK OPTIONS

Under the Company's stock option plan, 1,758,928 Common Shares are reserved for issuance. This reserve cannot exceed 10% of the issued and outstanding Common Shares of the Company at any such time. Except in exceptional circumstances, the exercise price of the share options shall not be less than the market price of the Common Shares of the Company on the TSX at the time of grant. The options vest in equal increments over four years.

The following table provides information about outstanding stock options.

Exercise prices in CAD currency

	For the three month period ended March 31, 2016		For the year ended December 31, 2015	
	Number of options	Weighted average exercise price CAD $	Number of options	Weighted average exercise price CAD $
Beginning balance	1,466,522	3.96	-	-
Transactions during the period:				
Issued	292,406	1.67	1,500,989	3.96
Forfeited	-	-	(34,467)	4.00
Outstanding, end of period	**1,758,928**	**3.58**	**1,466,522**	**3.96**

8. **Share capital (cont'd)**

During the three month period ended March 31, 2016, the Company granted 292,406 stock options to management to purchase Common Shares. The stock options are exercisable at CAD $1.67 per share and have a weighted average contractual term of 3.25 years:

	Outstanding options		Exercisable options	
Issued date	Number of options	Weighted average outstanding maturity period (years)	Number of options	Exercise price CAD $
May 5, 2015	1,402,022	3.09	60,000	4.00
May 21, 2015	35,000	3.14	-	3.70
August 17, 2015	29,500	3.38	-	2.30
March 30, 2016	292,406	4.00	-	`1.67
	1,758,928	**3.25**	**60,000**	**4.00**

The Company recorded a compensation expense of $177,259 for the three month period ended March 31, 2016 (2015: $nil). The Company has approximately $879,000 of stock option expense to be recorded in future periods.

The expected life of the options is based on the vesting period of the options. The volatility is estimated based on the public trading history of three comparable companies. Forfeiture rate is estimated based on a combination of historical forfeiture rates and expected turnover rates:

	For the three month period ended March 31, 2016	For the year ended December 31, 2015
Expected volatility	43%	42%
Expected life	4 years	4 years
Expected forfeiture rate	3.79%	3.79%
Risk-free interest rate	1.00%	1.00%
Dividend yield	Nil	Nil
Weighted average fair value of options at grant date	CAD $0.57	CAD $1.36

9. **Financial instruments**

FOREIGN EXCHANGE RISK

The Company is mainly exposed to foreign currency fluctuations on its cash, accounts receivable, and accounts payable and accrued liabilities. The Company's significant foreign exchange currency exposure on these financial instruments by currency was as follows:

Analysis of CAD currency in United States equivalent

	March 31 2016 CAD $	December 31 2015 CAD $
Cash	11,845,132	11,567,107
Accounts receivable	412,366	438,343
Accounts payable and accrued liabilities	(559,275)	(132,988)
	11,698,223	**11,872,462**

A ten percent increase (decrease) in the strengthening or weakening of the Canadian dollar at March 31, 2016 versus the US dollar at the end of the period would have increased (decreased) net income (loss) for the period, all other variables held constant, by $901,875 (2015: $857,836).

This exposure is monitored by the Company's reporting system and is reviewed by Management on a monthly basis.

CREDIT RISK

The Company, in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. The Company establishes an allowance for doubtful accounts that corresponds to the credit risk of its specific customers, historical trends and economic circumstances. The Company is exposed to credit risk in the event of non-payment by certain customers for their accounts receivable. The Company has focused on reducing customer concentration.

9. Financial instruments (cont'd)

Details of the Company's accounts receivable were as follows:

	March 31 2016 $	December 31 2015 $
Not past due	2,082,778	1,803,484
Past due 1-30 days	236,476	435,616
Past due 31-60 days	161,934	82,671
Past due 61-90 days	153,273	42,191
Past due 91-120 days	78,329	133,417
Past due 121-150 days	-	-
Past due 151-180 days	-	8,350
Past due more than 181 days	270,345	190,480
Allowance for doubtful accounts	(434,294)	(390,664)
Outstanding, end of period	**2,548,841**	**2,305,545**

The Company's maximum exposure to credit risk is equal to the carrying value of accounts receivable and cash as set out in the consolidated statements of financial position.

LIQUIDITY RISK

Liquidity risk is the Company's ability to meet its financial obligations when they come due. The Company is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through borrowing facilities available through the Company's bank and other lenders. The Company's policy is to ensure adequate funding is available from operations, established lending facilities and other sources as required.

The Company believes that future cash flows generated by operations and availability under its borrowing facility will be adequate to meet its financial obligations. The maturity of its financial liabilities are as follows:

	On Demand	Less than 3 months	3 to 6 Months	6 to 9 Months	9 to 12 Months	Greater than 1 year
Accounts payable and accrued liabilities	2,548,521	-	-	-	-	-
Customer deposit	4,550	-	-	-	-	-
Equipment lease	-	370,848	377,059	383,390	388,069	1,395,987
Equipment debt	-	91,535	93,157	94,809	96,491	436,926
Total	**2,553,071**	**462,383**	**470,216**	**478,199**	**482,560**	**1,832,913**

10. Fair value

The Company has determined that the carrying values of its short-term financial assets and liabilities approximate their fair value because of the relatively short periods to maturity of these instruments.

The carrying amounts of long-term debts approximate their fair value since the interest rates on these instruments either approximate the current market rates offered to the Company or the interest rates in these instruments change with market interest rates. On initial recognition the fair value of long-term debt was established based on current interest rates, market values and pricing of financial instruments with comparable terms.

The Company does not have any financial assets or liabilities that are measured at fair value at the end of each reporting period.

11. Major customers

Revenues from three major customers for the three month period ended March 31, 2016 accounted for 71% of revenues (2015: 58%). Outstanding accounts receivable from the three major customers for the three month period ended March 31, 2016 represented 58% of the balance (2015: 25%).

12. Geographic information

The Company operates within one segment. Revenues from external customers, attributed to countries based on location of the customer, are approximately as follows:

	For the three month period ended March 31,	
	2016 $	2015 $
Geographic Area		
United States	3,062,231	2,845,646
Canada	2,302,857	1,798,478
	5,365,088	**4,644,124**

12. Geographic information (cont'd)

The distribution of the Company's non-current assets, other than deferred taxes, (consisting of intangible assets and property and equipment) by geographical location is approximately as follows:

	March 31 2016 $	December 31 2015 $
Geographic Area		
United States	6,219,923	5,563,588
Canada	4,393,684	4,610,533
	10,613,607	**10,174,121**

13. Statement of cash flows

CASH PAYMENTS:

	For the three month periods ended March 31,	
	2016 $	2015 $
Interest (exclusive of amount capitalized)	60,638	56,302
Income taxes	23,478	6,649
	84,116	**62,951**

CHANGES IN NON-CASH OPERATING ELEMENTS OF WORKING CAPITAL ARE AS FOLLOWS:

	For the three month periods ended March 31,	
	2016 $	2015 $
Accounts receivable	(243,296)	338,111
Inventory	(58,425)	(215,720)
Prepaid expenses and deposits	(385,450)	(198,474)
Accounts payable and accrued liabilities	(158,946)	458,229
Income taxes payable	84,319	(233,534)
Customer deposits	(1,350)	(1,450)
Deferred revenue	(109,554)	(124,189)
	(872,702)	**22,973**

14. Related party transactions

Key Management of the Company includes, the members of the Board of Directors, as well as the Chairman and Chief Executive Officer, President, Chief Financial Officer, Vice-President of Sales & Marketing, Operations and Technology, and Corporate Development and General Counsel.

COMPENSATION OF KEY MANAGEMENT PERSONNEL INCLUDES THE FOLLOWING:

	For the three month period ended March 31,	
	2016 $	2015 $
Salaries, bonuses and short term employee benefits	763,854	375,549
Directors fees	26,443	-
Stock based compensation	169,449	-
	959,746	**375,549**

DUE FROM RELATED PARTIES:

	For the three month period ended March 31,	
	2016 $	2015 $
Texas EBITDA support agreement	**380,850**	**-**

On January 6, 2016, the Company announced that, as of January 5, 2016, an equipment lease agreement between its wholly owned subsidiary, Diamond Game Enterprises ("Diamond Game"), and Blue Stone Entertainment LLC ("Blue Stone") has been terminated by Diamond Game. Prior to the termination, Blue Stone operated donation-based sweepstakes terminals leased from Diamond Game ("Terminals") at the Ysleta del Sur Pueblo's ("the Pueblo") two entertainment centers in Texas, pursuant to a separate agreement between Blue Stone and the Pueblo. The Terminals, which have been removed from the Pueblo's entertainment centers, are part of a class of products previously referred to in the Company's communications as alternative gaming products, or AGPs.

In connection with the Company's initial public offering, the Company entered into an EBITDA support agreement with Amaya Inc. having a term of up to five years from its effective date which the Company believes will substantially mitigate any adverse financial impact resulting from this development in Texas. A copy of the EBIDTA support agreement is available on SEDAR at www.sedar.com. The Company recognized $380,850 of EBITDA support compensation as part of other non-operating income for the three month period ended March 31, 2016 (2015: $nil).

15. Financial (gain) loss, net

	For the three month period ended March 31, 2016 $	2015 $
Interest and bank charges, net	40,186	68,335
Foreign exchange loss (gain)	(535,256)	242,987
	(495,070)	**311,322**

16. Net earnings per share

The following table sets forth the computation of basic and diluted earnings per Common Share from continuing operations.

	For the three month period ended March 31, 2016 $	2015 $
Numerator		
Numerator for basic and diluted earnings per Common Share – net earnings	863,768	34,143
Denominator		
Weighted average number of basic and diluted Common Shares	20,450,000	16,700,000
Basic and diluted earnings per share	0.04	0.00

17. Subsequent event

No significant subsequent event highlights as of the date of this report.

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