EXPLANATORY NOTE

The sole purpose of this Amendment No. 1 to the Quarterly Report on Form 10-Q (the “Form 10-Q”) of Galaxy Gaming, Inc. for the
The sole purpose of this Amendment No. 1 to the Quarterly Report on Form 10-Q (the "Form 10-Q") of Galaxy Gaming, Inc. for the quarter ended June 30, 2011 is to furnish Exhibit 101 to the Form 10-Q in accordance with Rule 405 of Regulation S-T. Exhibit 101 to the Form 10-Q provides the consolidated financial statements and related notes from the Form 10-Q formatted in XBRL (eXtensible Business Reporting Language).

No other changes have been made to the Form 10-Q. This Amendment No. 1 to the Form 10-Q speaks as of the original filing date of the Form 10-Q, does not reflect events that may have occurred subsequent to the original filing date, and does not modify or update in any way disclosures made in the original Form 10-Q.

Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Table of Contents

GALAXY GAMING

TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>PART I — FINANCIAL INFORMATION</td>
</tr>
<tr>
<td>Financial Statements</td>
</tr>
<tr>
<td>Management’s Discussion and Analysis of Financial Condition and Results of Operations</td>
</tr>
<tr>
<td>Quantitative and Qualitative Disclosures About Market Risk</td>
</tr>
<tr>
<td>Controls and Procedures</td>
</tr>
<tr>
<td>PART II — OTHER INFORMATION</td>
</tr>
<tr>
<td>Legal Proceedings</td>
</tr>
<tr>
<td>Risk Factors</td>
</tr>
<tr>
<td>Unregistered Sales of Equity Securities and Use of Proceeds</td>
</tr>
<tr>
<td>Defaults Upon Senior Securities</td>
</tr>
<tr>
<td>Submission of Matters to a Vote of Security Holders</td>
</tr>
<tr>
<td>Other Information</td>
</tr>
<tr>
<td>Exhibits</td>
</tr>
</tbody>
</table>

Table of Contents

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Our financial statements included in this Form 10-Q are as follows:

F-1  Balance Sheets as of June 30, 2011 (Unaudited) and December 31, 2010 (Derived from Audited financial statements);

F-2  Statements of Operations for the three and six months ended June 30, 2011 and 2010 (unaudited);

F-3  Statements of Stockholders’ Equity (Deficit) as of June 30, 2011 (unaudited);

F-4  Statements of Cash Flows for the six months ended June 30, 2011 and 2010 (unaudited);

F-5 – F-16  Notes to Financial Statements;
GALAXY GAMING, INC.

BALANCE SHEETS
(UNAUDITED)

\[
\begin{array}{l|cc|cc}
\text{June 30, 2011} & \text{December 31, 2010} & \text{Derived from} & \text{audited financial} & \text{statements} \\
\hline
\text{ASSETS} & & & & \\
\text{Current Assets} & & & & \\
\text{Cash and cash equivalents} & $174,729 & $444,434 & & \\
\text{Accounts receivable - trade, net} & 277,555 & 311,961 & & \\
\text{Miscellaneous receivables} & 100,673 & 15,790 & & \\
\text{Prepaid expenses} & 69,356 & 24,940 & & \\
\text{Inventory} & 197,653 & 175,372 & & \\
\text{Note receivable — related party — current portion} & 16,976 & 16,475 & & \\
\text{Total Current Assets} & 836,942 & 988,972 & & \\
\hline
\text{Property and Equipment, net} & & & & \\
\text{Other Assets} & & & & \\
\text{Intellectual property, net} & 116,307 & 119,831 & & \\
\text{Intangible assets, net} & 333,984 & 346,790 & & \\
\text{Note receivable - related party - net of current portion} & 396,003 & 403,975 & & \\
\text{Products leased and held for lease, net} & 12,872 & — & & \\
\text{Other} & 16,300 & 18,113 & & \\
\text{Total Other Assets} & 875,466 & 888,709 & & \\
\hline
\text{TOTAL ASSETS} & $1,757,004 & $1,921,782 & & \\
\hline
\text{LIABILITIES AND STOCKHOLDERS’ EQUITY} & & & & \\
\text{Current Liabilities} & & & & \\
\text{Accounts payable} & $189,010 & $195,899 & & \\
\text{Accrued expenses and taxes} & 166,039 & 108,103 & & \\
\text{Accrued interest — related party} & — & 25,973 & & \\
\text{Deferred revenue} & 212,793 & 220,867 & & \\
\text{Notes payable - related party} & 4,962 & 107,850 & & \\
\text{Note payable - current portion} & 39,098 & 81,058 & & \\
\text{Total Current Liabilities} & 611,902 & 739,750 & & \\
\hline
\text{Long-Term Debt} & & & & \\
\text{Note payable, net of current portion} & 1,135,918 & 1,148,448 & & \\
\hline
\text{TOTAL LIABILITIES} & 1,747,820 & 1,888,198 & & \\
\hline
\text{STOCKHOLDERS’ EQUITY} & & & & \\
\text{Common stock, 65,000,000 shares, $.001 par value common stock authorized;} & 35,507 & 34,974 & & \\
\text{35,508,091 shares issued and outstanding (2010 — 34,974,758)} & & & & \\
\text{Additional paid in capital} & 1,421,311 & 1,252,393 & & \\
\text{Stock warrants} & 513,181 & 470,632 & & \\
\text{Stock subscription receivable} & (4,404) & (10,520) & & \\
\text{Accumulated deficit} & (1,956,411) & (1,713,895) & & \\
\text{TOTAL STOCKHOLDERS’ EQUITY} & 9,184 & 33,584 & & \\
\hline
\text{TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY} & $1,757,004 & $1,921,782 & & \\
\end{array}
\]

The accompanying notes are an integral part of the financial statements.

F-1
FOR THE THREE MONTHS ENDED FOR THE SIX MONTHS ENDED

June 30, June 30, June 30, June 30,
2011 2010 2011 2010

Gross Revenues $749,085 $735,569 $1,530,196 $1,489,596

Costs of Ancillary Products and Assembled Components

Selling, general and administrative 814,936 613,176 1,549,895 1,308,420
Research and development 77,228 66,873 142,484 154,780
Total costs and expenses 908,643 690,817 1,737,558 1,522,060

Income (Loss) from operations (159,558) 44,752 (207,362) (32,464)

Other Income (Expense)

(16,824) (23,994) (35,154) (46,286)

Income (Loss) before Income Taxes (176,382) 20,758 (242,516) (78,750)

Provision for Income Taxes — — — —

Net Income (Loss) $ (176,382) $ 20,758 $ (242,516) $ (78,750)

Weighted average number of shares outstanding

Basic Shares Outstanding

Common Stock Amount

35,508,091 $35,508 $1,421,311 $513,181 $ (4,404) $ (1,956,411) $ 9,184

Fully Diluted Shares Outstanding

37,525,473 $36,275,473 $37,285,473 $35,194,044

Net Income (Loss) per Share

From Operations $ (0.01) $ 0.00 $ (0.01) $ 0.00

Fully Diluted $ (0.01) $ 0.00 $ (0.01) $ 0.00

The accompanying notes are an integral part of the financial statements.

Table of Contents

GALAXY GAMING, INC.
STATEMENT OF STOCKHOLDERS’ EQUITY (DEFICIT) (UNAUDITED)
AS OF JUNE 30, 2011

Common Stock Additional Paid in Stock Stock Subscription Accumulated Total

Shares Capital Warrants Receivable Deficit

33,056,186 $33,056 $944,774 $147,504 $ (25,967) $ (1,578,034) $ (478,667)

40,000 40 15,960 — — — 16,000

— — 26,665 — — — 26,665

— — — 15,447 — 15,447

1,428,572 1,428 498,572 — — — 500,000

— — (323,128) 323,128 — — —

450,000 450 89,550 — — — 90,000

— — — — — — (135,861) (135,861)

34,974,758 $34,974 $1,252,393 $470,632 $10,520 $ (1,713,895) $33,584

533,333 533 199,467 — — — 200,000

— — 12,000 — — — 12,000

— — — 6,116 — 6,116

— — (42,549) 42,549 — — —

— — — — — — (242,516) (242,516)

35,508,091 $35,507 $1,421,311 $513,181 $ (4,404) $ (1,956,411) $ 9,184

The accompanying notes are an integral part of the financial statements.
### GALAXY GAMING, INC.
#### STATEMENTS OF CASH FLOWS (UNAUDITED)
#### FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss for the period</td>
<td>$(242,516)</td>
<td>$(78,750)</td>
</tr>
<tr>
<td><strong>Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>8,873</td>
<td>7,291</td>
</tr>
<tr>
<td>Amortization expense</td>
<td>16,331</td>
<td>9,927</td>
</tr>
<tr>
<td>Provision for bad debts</td>
<td>18,000</td>
<td>18,000</td>
</tr>
<tr>
<td>Share-based compensation</td>
<td>12,000</td>
<td>8,000</td>
</tr>
<tr>
<td><strong>Changes in Assets and Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Decrease (Increase) in accounts receivable</td>
<td>16,406</td>
<td>(1,131)</td>
</tr>
<tr>
<td>(Increase) in miscellaneous receivable</td>
<td>(84,883)</td>
<td>(7,834)</td>
</tr>
<tr>
<td>(Increase) Decrease in prepaid expenses</td>
<td>(44,416)</td>
<td>4,552</td>
</tr>
<tr>
<td>(Increase) in Inventory</td>
<td>(22,282)</td>
<td>(41,873)</td>
</tr>
<tr>
<td>(Decrease) Increase in accounts payable</td>
<td>(6,889)</td>
<td>(101,375)</td>
</tr>
<tr>
<td>Increase (Decrease) in accrued expenses and taxes</td>
<td>57,936</td>
<td>(13,246)</td>
</tr>
<tr>
<td>(Decrease) Increase in accrued interest — related party</td>
<td>(25,973)</td>
<td>4,670</td>
</tr>
<tr>
<td>(Decrease) Increase in deferred revenue</td>
<td>(8,074)</td>
<td>7,069</td>
</tr>
<tr>
<td><strong>Net Cash Used in Operating Activities</strong></td>
<td>$(305,487)</td>
<td>$(184,700)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Investing Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition of property and equipment</td>
<td>(9,368)</td>
<td>(6,509)</td>
</tr>
<tr>
<td>(Increase) in products leased and held for lease</td>
<td>(12,872)</td>
<td>—</td>
</tr>
<tr>
<td>(Decrease) increase in other assets</td>
<td>1,812</td>
<td>(14,481)</td>
</tr>
<tr>
<td>Payments received on note receivable</td>
<td>7,471</td>
<td>26,106</td>
</tr>
<tr>
<td><strong>Net Cash Provided by (Used) in Investing Activities</strong></td>
<td>$(12,957)</td>
<td>5,116</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Financing Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments on notes payable — related party</td>
<td>(102,887)</td>
<td>(121,124)</td>
</tr>
<tr>
<td>Collection of stock subscription receivable</td>
<td>6,116</td>
<td>9,330</td>
</tr>
<tr>
<td>Payments on note payable</td>
<td>(54,490)</td>
<td>(38,559)</td>
</tr>
<tr>
<td>Proceeds from issuance of common stock</td>
<td>200,000</td>
<td>500,000</td>
</tr>
<tr>
<td><strong>Net Cash Provided by Financing Activities</strong></td>
<td>48,739</td>
<td>349,647</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Increase (Decrease) in Cash and Cash Equivalents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents — Beginning of Year</td>
<td>444,434</td>
<td>408,839</td>
</tr>
<tr>
<td><strong>Cash and Cash Equivalents — End of Year</strong></td>
<td>$174,729</td>
<td>$578,902</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supplemental Cash Flow Information:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid for interest</td>
<td>$21,505</td>
<td>$55,454</td>
</tr>
<tr>
<td>Cash paid for income taxes</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.

---

### GALAXY GAMING, INC.
#### NOTES TO FINANCIAL STATEMENTS
#### JUNE 30, 2011

#### Note 1: Nature of Operations

Unless the context indicates otherwise, references to “Galaxy Gaming, Inc.,” “we,” “us,” “our,” or the “Company,” is defined as Galaxy Gaming, Inc.

Galaxy Gaming, LLC (“GGLLC”), an entity controlled by our CEO was organized as a Nevada limited liability company on September 27, 2000. Galaxy Gaming, Inc. (“GGINC”) was incorporated in the State of Nevada on December 29, 2006. On January 1, 2007 GGLLC entered into an agreement with GGINC whereby GGLLC sold selected assets, such as inventory and fixed assets, to GGINC. Additionally GGINC and GGLLC executed an equity exchange agreement effective January 1, 2007 whereby GGLLC transferred all of its membership...
interests in various operating subsidiaries, including the existing client base, to GGINC in exchange for stock of GGINC. Similarly GGINC entered into an equity exchange agreement effective January 1, 2007 with another entity controlled by our CEO whereby that entity transferred all of its membership interests in various operating subsidiaries, including its existing client base, to GGINC in exchange for stock of GGINC. On December 31, 2007, GGLLC entered into an asset purchase agreement with GGINC. Pursuant to this agreement GGINC acquired GGLLC’s remaining intellectual property including patents, patent applications, trademarks, trademark applications, copyrights, know-how and trade secrets related to the casino gaming services including but not limited to games, side bets, inventions and ideas. In connection with the transaction, GGINC agreed to assume a note receivable (see note 3) and a payment obligation (see note 7) from GGLLC.

On February 10, 2009, Secured Diversified Investment, Ltd. (“SDI”) acquired all of the issued and outstanding stock of Galaxy Gaming, Inc. (“GGINC”) pursuant to the terms of a share exchange agreement. Following the closing of the share exchange agreement, SDI discontinued all prior operations and focused exclusively on the business and operations of its wholly-owned subsidiary, GGINC.

In August of 2009 upon filing articles of merger in Nevada, GGINC was merged into SDI. At the effective date the separate legal existence of GGINC ceased and the surviving corporation in the merger (SDI) continued its existence under the laws of the State of Nevada under the name Galaxy Gaming, Inc.

We design, manufacture and market casino table games and electronic jackpot bonus system platforms played in land-based and cruise ship gaming establishments. The game concepts and the intellectual property associated with these games are typically protected by patents, trademarks and/or copyrights. We market our products and licensed intellectual property via our own sales force to casinos throughout North America and the Caribbean and to cruise ships worldwide. Revenues come primarily from recurring royalties received from our clients for the licensing of game content and other fees paid based upon the performance of our electronic platforms. Additionally, the Company receives revenue as reimbursement from the sale of its associated products.

On February 21, 2011, we entered into a definitive agreement with TableMAX Corporation (TMAX) a provider of electronic table games and platforms headquartered in Las Vegas, Nevada. Under the terms of the agreement, we obtained exclusive worldwide rights (excluding one international and two U.S. territories) to the TMAX electronic gaming platform and certain game titles. See Note 17.

Note 2: Significant Accounting Policies

This summary of our significant accounting policies is presented to assist in understanding Galaxy Gaming, Inc.’s financial statements. The financial statements and notes are representations of our management, who are responsible for their integrity and objectivity. These accounting policies conform to Generally Accepted Accounting Principles (“GAAP”) and have been consistently applied to the preparation of the financial statements.

Basis of Presentation

The accompanying interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (“SEC”), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company’s Form 10-K filed with the SEC as of and for the period ended December 31, 2010. In the opinion of management, all adjustments necessary in order for the financial statements to be not misleading have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

Table of Contents
Inventory

Inventory consists of products designed to enhance table games, such as signs, layouts, bases for the different signs and electronic devices to support our enhanced bonus platforms. The inventory value is determined by the average cost method and management maintains inventory levels based on historical and industry trends. Signs and layouts do not change unless the table game changes. We do not allocate overhead to inventory as such costs are not significant.

Products leased and held for lease

Beginning with the quarter ended June 30, 2011, we began to provide table games with electronic enhancements whereby we collect monthly recurring fees associated with the performance of the system. Since we retain title to the equipment, these assets are classified as “Products leased and held for lease” on the accompanying Balance Sheets. These assets are stated at cost, net of depreciation. Depreciation on leased products is calculated using the straight-line method over a one year period.

Fair Value of Financial Instruments

The fair value of cash and cash equivalents, accounts receivable, miscellaneous receivables, prepaid expenses, inventory, notes receivable - related party, accounts payable, accrued expenses and taxes, deferred revenue, notes payable - related party and notes payable approximates the carrying amount of these financial instruments due to their short-term nature. The fair value of long-term debt, which approximates its carrying value, is based on current rates at which we could borrow funds with similar remaining maturities.

Property and Equipment

The capital assets are being depreciated over their estimated useful lives using the straight-line method of depreciation for book purposes.

Intangible Assets

We acquired through an asset purchase agreement with GGLLC the remaining intellectual property including patents, patent applications, trademarks, trademark applications, copyrights, know-how and trade secrets related to the casino gaming services including, but not limited to, games, side bets, inventions and ideas.

These intangible assets have finite lives and are being amortized using the straight-line method over their economic useful lives of twenty years. The intangible assets are analyzed for potential impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. These assets were transferred at cost. We purchased back a regional territory from an outside sales representative. The total value of this agreement was $150,000 and the resulting intangible asset has an infinite life.
placed. We will also license table games with electronic enhancements whereby we collect just a month-to-month fee associated with the performance of the system.

Substantially all revenue is recognized when it is earned. Clients are typically invoiced one month in advance for content fees and the advance billings are carried as deferred revenue on the balance sheet. Additionally, clients may be invoiced at the time of shipment or delivery of product sales and invoiced in arrears for performance-based items. The monthly recurring invoices are based on executed agreements with each client. Total revenue from recurring royalties for the licensing of game content, fees paid based upon the performance of our electronic platforms was $1,506,600 and $1,433,941 for the six months ended June 30, 2011 and 2010 respectively. Revenue from reimbursement of manufactured equipment and the sale of product was $23,596 and $55,655 for the six months ended June 30, 2011 and 2010 respectively.

Revenue as reimbursement from the sale of our associated products is recognized when the following criteria are met:

- Persuasive evidence of an arrangement between us and our client exists.
- Shipment has occurred.
- The price is fixed and or determinable; and
- Collectability is reasonably assured or probable

The software included in the Bonus Jackpot System serves to assist in the count of the number of wages; essentially the software is incidental to the operation of the system. As such, we do not segregate the portion of revenue between manufactured equipment and any software or electronic devices needed to use the equipment when the system is sold. Furthermore, we do not market the software separately from the equipment.

Costs of Ancillary Products and Assembled Components

Costs of Ancillary Products and Assembled Components include pay tables, layouts and signage as it relates to a specific proprietary game that our clients may elect to purchase in connection with the use of our game and the cost of the assembled components of the Bonus Jackpot System.

---

Table of Contents

GALAXY GAMING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 2: Significant Accounting Policies (continued)

Research and Development

Research and development costs are charged to expense when incurred and are included in the consolidated statements of operations. These costs include salaries, benefits, and other internal costs allocated to software and hardware development efforts, as well as purchased components.

Deferred Income Taxes

Deferred income taxes are recognized by applying enacted statutory rates, applicable to future years, to temporary differences between the tax bases and financial statement carrying values of our asset and liabilities. Valuation allowances are recorded to reduce deferred tax assets to amounts that are more likely than not to be realized.

Basic Income (Loss) per Share

Basic earnings per share excludes dilution and is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Stock-Based Compensation

Stock-based compensation is accounted for at fair value in accordance with ASC Topic 718. During the year ended December 31, 2010 our board of directors approved the adoption of a stock option plan. We have not granted any stock options under this plan.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions have been made in determining the depreciable lives of such assets and the allowance for doubtful accounts receivable. Actual results could differ from those estimates.

Recently Issued Accounting Guidance
We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

**Note 3: Note Receivable — Related Party**

The note receivable at June 30, 2011 and December 31, 2010 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note receivable</td>
<td>$412,979</td>
<td>$420,450</td>
</tr>
<tr>
<td>Less: current portion</td>
<td>(16,976)</td>
<td>(16,475)</td>
</tr>
<tr>
<td>Long-term Note Receivable</td>
<td>$396,003</td>
<td>$403,975</td>
</tr>
</tbody>
</table>

We acquired, with an asset purchase agreement from GGLLC, the note receivable stated above, as part of the purchase of the remaining intellectual property including patents, patent applications, trademarks, trademark applications, copyrights, know-how and trade secrets related to the casino gaming services including but not limited to games, side bets, inventions and ideas. The purchase was financed by a ten year unsecured note with a 6% fixed interest rate, monthly principal and interest payments of $6,598 with the unpaid principal and interest due in February 2017. Interest income associated with this note receivable was $12,521 and $13,484 for the six months ended June 30, 2011 and 2010 respectively. The terms of the note were amended in September 2010 whereby (1) the monthly principal and interest payment was reduced to $3,332; (2) the unpaid principal and interest is due August 2015 and (3) the note will be collateralized by a second deed of trust on real property.

**Note 4: Prepaid Expenses**

Prepaid expenses consist of the following as of June 30, 2011 and December 31, 2010:

| Prepaid marketing agreement | $3,000 | $4,000 |
| Prepaid IT system | 15,466 | 7,292 |
| Prepaid insurance | 3,106 | 463 |
| Prepaid legal | 1,059 | — |
| Prepaid trade show expense | 42,869 | 8,583 |
| Prepaid property taxes | — | 3,718 |
| Prepaid other | 3,856 | 884 |
| **Total Prepaid Expenses** | $69,356 | $24,940 |

**Note 5: Property and Equipment**

Property and equipment, recorded at cost, consisted of the following at June 30, 2011 and December 31, 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer equipment</td>
<td>$41,189</td>
<td>$37,403</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>53,126</td>
<td>51,187</td>
</tr>
<tr>
<td>Office equipment</td>
<td>10,320</td>
<td>10,320</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>7,293</td>
<td>3,650</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>111,928</td>
<td>102,560</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(67,332)</td>
<td>(58,459)</td>
</tr>
<tr>
<td><strong>Property and Equipment, net</strong></td>
<td>$44,596</td>
<td>$44,101</td>
</tr>
</tbody>
</table>

Depreciation expense was $8,873 and $7,291 for the six months ended June 30, 2011 and 2010, respectively.

**Note 6: Accrued Expenses and Taxes**
We recorded accrued expenses and taxes which consisted of the following at June 30, 2011 and December 31, 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and related costs</td>
<td>$115,843</td>
<td>$85,515</td>
</tr>
<tr>
<td>Accrued expenses and taxes</td>
<td>50,196</td>
<td>22,588</td>
</tr>
<tr>
<td><strong>Total Accrued Expenses and Taxes</strong></td>
<td><strong>$166,039</strong></td>
<td><strong>$108,103</strong></td>
</tr>
</tbody>
</table>

**Note 7: Long-term Debt**

Long-term debt consists of the following at June 30, 2011 and December 31, 2010:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note payable</td>
<td>$1,160,523</td>
<td>$1,172,393</td>
</tr>
<tr>
<td>Notes payable, asset acquisition</td>
<td>14,493</td>
<td>57,113</td>
</tr>
<tr>
<td><strong>Less: Current portion</strong></td>
<td>(39,098)</td>
<td>(81,058)</td>
</tr>
<tr>
<td><strong>Total Long — term debt</strong></td>
<td><strong>$1,135,918</strong></td>
<td><strong>$1,148,448</strong></td>
</tr>
</tbody>
</table>

The note payable is paid to a commercial bank in monthly installments of $9,159 including fixed interest of 7.3%, for ten years, through February 2017, at which time there is a balloon payment of $1,003,230. The payments to the commercial bank are related to the asset purchase agreement from GGLLC. This arrangement financed the purchase of the remaining intellectual property including patents, patent applications, trademarks, trademark applications, copyrights, know-how and trade secrets related to the casino gaming services including but not limited to games, side bets, inventions and ideas. The promissory note agreement with the bank remains in the name of GGLLC which is solely responsible for adhering to all of its terms, conditions and obligations.

In connection with the T&P Agreement executed on April 15, 2010, (see Note 18), the Sellers agreed to finance $126,000 over eighteen months at an interest rate of 6% per annum. Monthly principal and interest payments of $7,301 are required with the first payment paid upon closing.

Maturities of our long-term debt as of June 30, 2011 are as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$39,098</td>
<td>26,726</td>
<td>28,773</td>
<td>30,976</td>
<td>33,136</td>
<td>977,209</td>
<td><strong>$1,135,918</strong></td>
</tr>
</tbody>
</table>

**Note 8: Notes Payable - Related Party**

We received working capital loans from GGLLC, a related party, in 2008 and 2007. The loans bear 9% interest and are due 90 days after demand. The terms of the loan call for interest to be accrued on interest if payments are not made. Interest expense associated with these loans was $3,573 and $13,498 for the six months ended June 30, 2011 and 2010 respectively. The notes were paid in full in July 2011.

**Note 9: Commitments and Contingencies**

Operating Lease Obligation

We lease our offices from a party that is related to our CEO. The initial term of the lease expired August 31, 2010 and there was an option for two six year renewals. Under the terms of the lease agreement the monthly minimum rental payment was $18,565 and rent increased 3% every year on September 1st. Effective April 1, 2010, the landlord agreed to temporarily reduce the monthly rent to $9,283 until the end of the initial lease period. On September 1, 2010, a new lease was entered into for a period of two years with a monthly rental payment of $10,359. Rent expense was $62,154 and $82,824 for the six months ended June 30, 2011 and 2010 respectively.
Note 9: Commitments and Contingencies (continued)

Rent to be paid under the lease agreement is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2012</th>
<th>2013</th>
<th>Total Lease Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twelve months ended</td>
<td>$124,308</td>
<td>$20,718</td>
<td>$145,026</td>
</tr>
<tr>
<td>JUNE 30, 2011</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Legal Proceedings

In the ordinary course of conducting our business, we are, from time to time, involved in various legal proceedings, administrative proceedings, regulatory government investigations and other matters, including those in which we are a plaintiff, that are complex in nature and have outcomes that are difficult to predict. In accordance with SFAS 5, “Accounting for Contingencies,” we record accruals for such contingencies to the extent that we conclude that it is probable that a liability will be incurred and the amount of the related loss can be reasonably estimated. Our assessment of each matter may change based on future unexpected events. An unexpected adverse judgment in any pending litigation could cause a material impact on our business operations, intellectual property, results of operations or financial position. Unless otherwise expressly stated, we believe costs associated with litigation will not have a material impact on our financial position or liquidity, but may be material to the results of operations in any given period. We assume no obligation to update the status of pending litigation, except as may be required by applicable law, statute or regulation.

_Sherron Associates, Inc._ — A judgment was issued in Washington State against our CEO and others in a matter unrelated to us in 1998. Sherron Associates, Inc., a Washington company, (“Sherron”) subsequently obtained the judgment and in 2008, filed suit against us in Washington claiming we are the alter-ego of our CEO and therefore responsible for payment of the judgment. Also in 2008, Sherron filed suit against us in Nevada attempting to execute the judgment against certain intellectual property of ours, claiming the property belongs personally to our CEO.

We deny any liability or wrongdoing in the Sherron litigation and dispute all claims and that the associated litigation against us is without merit. We contend that, among other defenses, we are not the judgment debtor and are exempt from any alter-ego claims and are an independent entity with a distinct and separate legal existence. We intend to use any and all actions and remedies available to avoid adverse financial impact from these proceedings and we intend to continue to vigorously defend the cases brought against us. We have filed an action against Sherron in Nevada for various abuses of process in the litigation and their malicious attempts to improperly enforce a judgment.

All litigation relating to Sherron is currently stayed pending the outcome of mediation including us, our CEO and Sherron. In the event mediation is unsuccessful, the stays could be lifted and our legal fees pertaining to this litigation could increase until the matter has reached a final conclusion. In the event Sherron prevails in any of its attempts against us, we may be liable for damages in an amount up to two million dollars, and could experience difficulty in paying or obtaining the financing to pay a properly adjudicated liability to Sherron. We may also be required to pay a licensing fee to Sherron to continue using the intellectual property upon which one of our games is based and there is no guarantee that a viable licensing arrangement could be negotiated with Sherron. Should Sherron prevail in its litigation against us, our business could be adversely materially impacted.

In the course of defending ourselves, we paid legal fees directly to the law firm retained by our CEO to represent him for the express purpose of quashing the underlying judgment which is the subject of the Sherron litigation. Total fees from this law firm charged to expense were $5,376 and $12,797 for the six months ended June 30, 2011 and 2010 respectively.

_California Administrative Licensing Action_ - In 2002, Galaxy Gaming of California, LLC, (“GGCA”) a subsidiary of GGLLC, submitted an application to the California Gambling Control Commission (the “Commission”) for a determination of suitability for licensure to do business with tribal gaming operations in California. At the time, our CEO was a member of GGCA and was required to be included in the application process. The Division of Gambling Control of the California Department of Justice (the “Division”) processed the application and in 2005 made an initial recommendation to the Commission alleging GGCA was unsuitable. GGCA and our CEO claimed that the process conducted by the Division was seriously flawed and biased and in December 2006, exercised its right to have an administrative law judge (“ALJ”) further adjudicate the process. The Commission assigned the matter for adjudication before an ALJ.

F-11
Bureau filed its statement of issues against GGCA and our CEO in October, 2009. An abandonment of the GGCA application was sought since the entity ceased business operations and was later dissolved. The abandonment request has not been acted upon by the Commission. A hearing with the assigned ALJ regarding the GGCA application began in June, 2011. The hearing has been continued and is scheduled to re-convene in January 2012.

Because the Bureau names our CEO in the statement of issues, our ability to continue to conduct business in California could be contingent upon a successful resolution of this action. During these proceedings, we are entitled to conduct business in California, provided that, we obtain the requisite authorization with each tribe in California either through obtainment of an appropriate license or an exempt status determination. The current administrative action could limit our future ability to obtain such tribal authorizations. Total revenues derived from California for the six months ended June 30, 2011 was $66,421. As such we intend to continue to vigorously defend the administrative action, to seek the abandonment of the GGCA application and to seek an independent finding of suitability with the Commission. If there is not a successful resolution to this matter, we could be precluded from operating and selling in California which could significantly impact our current revenue base and ability to generate additional income. An adverse finding of suitability could also influence other gaming regulatory agencies and negatively affect our ability to conduct business in those jurisdictions. If the ALJ recommends that the Commission deny licensure, the ALJ may, upon presentation of suitable proof, order the licensee or applicant for a license to pay reasonable costs of the investigation and prosecution of the case. Although the action is against our CEO and GGCA, it is unknown whether the Bureau will attempt to seek reimbursement against us or whether the ALJ would grant such a request.

Note 10: Allowance for Doubtful Accounts

We record an allowance for doubtful accounts based on periodic reviews of accounts receivable. As of June 30, 2011 and December 31, 2010, we had an allowance for doubtful accounts of $20,865 and $38,712, respectively.

Note 11: Capital Stock

We have 65,000,000 shares of $.001 par value common stock and 10,000,000 shares of $.001 par value preferred stock authorized as of June 30, 2011 and December 31, 2010. During the six months ended June 30, 2011, we sold a total of 533,333 shares of common stock and 266,667 warrants for total cash proceeds of $200,000. During the year ended December 31, 2010, we sold a total of 1,428,572 shares of common stock and 714,286 warrants for total cash proceeds of $500,000. There were 35,508,091 common shares and -0- preferred shares issued and outstanding at June 30, 2011.

Note 12: Related Party Transactions

The company leases its offices from a party that is related to our CEO. Effective September 1, 2010 the lease was renegotiated with the landlord, for a period of two years with a monthly rental payment of $10,359. See Note 9.

We have agreed to pay the legal expenses incurred by our CEO’s attorneys pertaining to its defense in the Sherron litigation, (See Note 9). Total fees from this law firm charged to expense were $5,376 and $12,797 for the six months ended June 30, 2011 and 2010 respectively.

Note 13: Other Income (Expenses)

Other income (expenses) consists of the following for the six months ended June 30, 2011 and 2010:

<table>
<thead>
<tr>
<th></th>
<th>FOR THE THREE MONTHS ENDED</th>
<th>FOR THE SIX MONTHS ENDED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 2011</td>
<td>June 2010</td>
</tr>
<tr>
<td>Interest income</td>
<td>$ 6,232</td>
<td>$ 6,644</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(23,056)</td>
<td>(30,638)</td>
</tr>
<tr>
<td>Total Other Income (Expenses)</td>
<td>$ (16,824)</td>
<td>$ (23,994)</td>
</tr>
</tbody>
</table>

Note 14: Income Taxes

For the six months ended June 30, 2011 and year ended December 31, 2010, we incurred a net loss and, therefore, have no tax liability. We have a previous net operating loss carry-forward of $1,160,000. The losses will be carried forward and can be used through the year 2028.
to offset future taxable income up to a cumulative total of approximately $1,226,000. The cumulative net operating loss carry-forward for income tax purposes may differ from the cumulative financial statement loss due to permanent differences and timing differences between book and tax reporting. Additionally, we have a foreign tax credit carry-forward of approximately $203,627 that can be used in the future to offset federal income tax owed.

We periodically review the need for a valuation allowance against deferred tax assets based upon earnings history and trends. We believe that the valuation allowances provided are appropriate.

The cumulative tax effect at the expected rate of 34% of significant items comprising our net deferred tax amount is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax asset</td>
<td></td>
<td></td>
</tr>
<tr>
<td>attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating loss</td>
<td>$461,100</td>
<td>$378,700</td>
</tr>
<tr>
<td>carryover</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(461,100)</td>
<td>(378,700)</td>
</tr>
<tr>
<td>Net Deferred Tax Asset</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

Note 15: Non-Cash Investing and Financing Cash Flow Disclosures

During the year ended December 31, 2009, we sold 101,250 shares of common stock to employees in exchange for various notes receivable totaling $40,500. As of June 30, 2011 and December 31, 2010, $4,404 and $10,520 was still outstanding and has been recorded as a stock subscription receivable.

During the year ended December 31, 2010, we sold a total of 1,428,572 shares of common stock and 714,286 warrants for total cash proceeds of $500,000. Additionally, during the year ended December 31, 2010, we issued 40,000 shares of common stock in settlement of accounts payable and, in connection with an asset acquisition, issued 450,000 shares of common stock. See Note 18.

Table of Contents

GALAXY GAMING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 15: Non-Cash Investing and Financing Cash Flow Disclosures (continued)

On February 24, 2011, we sold a total of 533,333 shares of common stock and 266,667 warrants for total cash proceeds of $200,000.

Note 16: Stock Warrants and Options

As indicated in Note 15, we issued 714,286 warrants in connection with the sale of common stock during the year ended December 31, 2010. Additionally, we issued 266,667 warrants in connection with the sale of common stock during the quarter ended June 30, 2011. We have accounted for these warrants as equity instruments in accordance with EITF 00-19 (ASC 815-40), Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock, and as such, will be classified in stockholders’ equity as they meet the definition of “…indexed to the issuer’s stock” in EITF 01-06 (ASC 815-40) The Meaning of Indexed to a Company’s Own Stock. The Company has estimated the fair value of the warrants issued in connection with the sale of common stock at $323,128 for the year ended December 31, 2010 and $42,549 for the quarter ended June 30, 2011, respectively using the Black-Scholes option pricing model.

We issued 138,750 and 92,500 stock options to our board members during each of the six months ended June 30, 2011 and 2010 respectively. The warrants were valued at the fair market value of the services performed which resulted in an expense of $12,000 and $8,000 for the six months ended June 30, 2011 and 2010 respectively.

Key assumptions used by us are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volatility</td>
<td>165%</td>
<td>146%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Risk-free rate</td>
<td>1.63%</td>
<td>0.0066%</td>
</tr>
<tr>
<td></td>
<td>over the estimated life of the warrants</td>
<td></td>
</tr>
<tr>
<td>Expected term (in years)</td>
<td>3.0</td>
<td>3.0</td>
</tr>
</tbody>
</table>

The warrants issued have been accounted for as an equity transaction. The cost of the options issued to our board members was classified as operating expenses for the six months ended June 30, 2011 and 2010 respectively.

A summary of changes in share purchase warrants during the six months ended June 30, 2011 is as follows:

<table>
<thead>
<tr>
<th>Warrants</th>
<th>Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Note 16: Stock Warrants and Options (continued)

A summary of changes in stock options during the six months ended June 30, 2011 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Stock Options</th>
<th>Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding, January 1, 2011</td>
<td>291,250</td>
<td>$0.4325</td>
</tr>
<tr>
<td>Issued</td>
<td>138,750</td>
<td>$0.3267</td>
</tr>
<tr>
<td>Exercised</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Expired</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Outstanding, June 30, 2011</td>
<td>430,000</td>
<td>$0.3983</td>
</tr>
</tbody>
</table>

Note 17: Business Relationship

On February 21, 2011, we entered into a definitive agreement (“TMAX Agreement”) with TableMAX Corporation (“TMAX”) a provider of electronic table games and platforms headquartered in Las Vegas, Nevada and Mr. Ariel Emanuel, a principal investor in TMAX. Under the terms of the TMAX Agreement, we have exclusive worldwide rights (excluding one international and two U.S. territories) to the TMAX electronic gaming platform and certain games titles. We created an operating division (the “TableMAX Division”) which conducts sales, distribution, marketing, engineering, sub-licensing and manufacturing related to the TMAX products and related intellectual property. The TableMAX Division is wholly owned by us and is not considered owned by, related to, a joint venture partner of or an agent of TMAX in any manner. The term of the TMAX Agreement is five years. At any time during the term of the TMAX Agreement, either TMAX or we may make a written offer to purchase the sole ownership of the TableMAX Division. Such offer shall be subject to the parties’ mutual agreement and neither party shall be under any obligation to accept such an offer. If such an agreement has not been consummated within six months of the expiration of the TMAX Agreement, each party must indicate to the other party no later than six months from the scheduled expiration of the TMAX Agreement, their intent to renew the TMAX Agreement for a term of at least one year, or terminate.

TMAX agreed to assign, for the term of the TMAX Agreement, all of its existing gaming installations and usable inventory to the TableMAX Division. We agreed to furnish our intellectual property relating to our table game content for use by the TableMAX Division, royalty-free for the term of the TMAX Agreement. The TMAX Agreement specifies annual performance targets whereby we are required, on a cumulative basis, to have minimum table placements. If we fail to meet the performance criteria as defined in the TMAX Agreement, we will be required to pay TMAX the difference between TMAX’s share of the actual profit obtained by the TableMAX Division and the estimated profit that would have been obtained if the minimum performance criteria had been obtained.

We are responsible for the losses of the TableMAX Division however, TMAX has agreed to reimburse us during the first 12 months from the date of the TMAX Agreement for operating expenses of the TableMAX Division up to a maximum of $600,000. Net profits from the TableMAX Division will be split between TMAX and us on a sliding scale basis dependent upon the number of TableMAX Division table installations and profit results as defined in the TMAX Agreement.

Included in Miscellaneous receivables is $89,640 representing reimbursement due from TMAX at June 30, 2011.

Note 18: Asset Acquisition

On April 15, 2010 we executed an asset purchase agreement (“T&P Agreement”) with T&P Gaming, Inc., and its majority owners (“Sellers”) whereby we acquired the client installation base, intellectual property, territorial license and related inventory associated with the “Deuces Wild Hold’em Fold’em game (“Deuces Wild”) and related “Random Wild” game.
We develop and deliver proprietary table games designed to enhance our casino clients’ table game operations. Casinos use our proprietary products to enhance their gaming floor operations and improve their profitability, productivity and security, as well as offer popular cutting-edge gaming entertainment content and technology to their players. We receive fees in the form of recurring revenues for our intellectual property, technology and services that we provide to land-based, riverboat and cruise ship casinos in the United States and internationally. Currently, we have an installed base of our products on over 1,940 gaming tables. Typically over 90% of our total revenues are recurring. These recurring revenues generally have few direct costs thereby generating high gross profit margins in excess of 90%. We report this as “revenues less cost of ancillary products and assembled components” on our financial statements.

We group our products into three product categories we classify as “Proprietary Table Games,” “Enhanced Table Systems” and “e-Tables.” Our product categories are summarized below. Additional information regarding our products may be found on our web site, www.galaxygaming.com. Information found on the web site should not be considered part of this report.

**Proprietary Table Games.**

We develop and deliver proprietary table games designed to enhance our casino clients’ table game operations. Casinos use our proprietary...
We develop and deliver proprietary table games designed to enhance our casino clients' table game operations. Casinos use our proprietary table games in lieu of those games in the public domain (e.g. Blackjack, Craps, Roulette, etc.) because of their popularity with players and the increased profitability for casinos. Our table games are grouped into two product types we call “Side Bets” and “Premium Games.” Side Bets are proprietary features and wagering schemes typically added to public domain games such as poker, baccarat, pai gow poker and blackjack table games. Premium Games are unique stand-alone proprietary table games with their own unique set of rules and strategies. Generally, Premium Games generate higher revenue per table placement than the Side Bet games. Internally, we track revenue by each of our proprietary casino games. We do not internally track the cost associated with the revenue of each of its proprietary casino games since it would require subjective allocations of common costs. Our proprietary table games are listed below.

**Table of Contents**

**Side Bets.** Our Side Bets include:

- Lucky Ladies
- Bonus Blackjack
- Super Pairs
- Suited Royals
- Lucky 8 Baccarat
- 21 Magic
- Bust Bonus
- Emperor’s Treasure
- Pai Gow Insurance
- Quick Draw
- Double Match
- Triple Match

**Premium Games.** Our Premium Games include:

- Texas Shootout
- Emperor’s Challenge
- Three Card Split
- Deuces Wild
- Triple Attack Blackjack
- Player’s Edge 21
- Kokomo Stud
- Buffalo Blackjack Bonus

**Enhanced Table Systems**

Included in this product category is our Bonus Jackpot System, our Inter-Casino Jackpot System and MEGA-Share.

**Enhanced Table Systems: Bonus Jackpot System**

In 2008, we began deployment of a research and development project to create an electronically enhanced table game platform we trademarked the “Bonus Jackpot System.” We developed our Bonus Jackpot System to compete with our competitors’ progressive jackpot systems. Early in the design process, we decided to not simply emulate the standard progressive jackpot system offered by competitors, but instead we chose to design, engineer and manufacture a system to further enhance the table game player’s experience beyond their current experiences and likewise further improve the casino’s profit from table games. We have committed a significant portion of our resources to the research and development of this system. We believe we have benefited from this commitment as our Bonus Jackpot System has evolved into the leading casino table game platform in the industry.

The inaugural series of the Bonus Jackpot System, known as the “Milky Way Series,” was first installed into a casino in March, 2009. We consider our Milky Way Series to have been a success for us, as it was our entry into developing electronic bonusing platforms for casino
Enhanced Table Systems: Inter-Casino Jackpot System

In 2009, we saw an opportunity to leverage the abilities of our Bonus Jackpot System to connect and/or aggregate bonus or progressive jackpots from multiple casinos into a common network. This methodology has long been practiced in the slot machine industry beginning with the introduction of IGT’s Megabucks in the mid 90’s. These systems are referred to as “wide area progressives” and nearly every major slot machine manufacturer has a wide area progressive system. We developed our version of a wide area progressive jackpot system for table games that we call the Inter-Casino Jackpot System.

MEGA-Share is a game play methodology invented by us that allows a player of one of our table games to share in the winnings along with other players of a jackpot. An example of this concept would be if ten table game players are playing in a casino and one of them obtains a winning hand entitling them to a jackpot, the event also triggers a second MEGA-Share jackpot which is divided among all players who qualified for MEGA-Share. This concept is somewhat similar to a common feature in table games referred to as an “envy bonus.” Whereas the envy bonus rewards qualifying players at the same table, MEGA-Share rewards players playing on other table, other games, or even other casinos, who have qualified to receive a share of the jackpot due to their participation in MEGA-Share in the form of a wager.

We believe MEGA-Share may offer casinos an opportunity to significantly increase player interest, thereby increasing their revenues, which in turn should result in generating increased recurring revenue for us.
On February 21, 2011, we entered into the TMAX Agreement, (see Note 17), granting us the worldwide rights, excluding Oklahoma, Kentucky and the Caribbean, to the TableMAX e-Table system. The TableMAX e-Table system is a fully automated, dealer-less, five player electronic table game platform. These platforms will allow us to offer our table game content in markets where live table games are not permitted, such as racinos, video lottery and arcade markets. Our e-Table product enables the automation of certain components of traditional table games such as data collection, placement of bets, collection of losing bets and payment of winning bets. This automation provides benefits to both casino operators and players, including greater security and faster speed of play, reduced labor and other game related costs and increased profitability.

Table of Contents

Strategy

Our long-term business strategy is designed to capitalize on the opportunities we perceive within the gaming industry. We are currently the second largest provider of proprietary table games in the world and a relative newcomer to developing and providing advanced electronic table game platforms. The vast majority of our income is derived from high margin recurring licensing and lease fees that we earn on a monthly basis. Our plan is to increase the recurring revenues we receive by employing the following strategies:

1. Expand our inventory of products and technologies to attain a fully comprehensive portfolio.
2. Increase our per unit price point by leveraging our Enhanced Table System products and methodologies.
3. Grow our e-Table business.

Expand our Inventory of Products and Technologies to Attain a Fully Comprehensive Portfolio.

Historically, only one company in the table game industry, Shuffle Master Gaming, Inc., has had the ability to offer casinos nearly all of the table game products they require. Their unique ability to offer numerous products both in terms of game content and what they term as "utility" products (e.g. card shufflers, smart dealing shoes, baccarat displays, etc.), has stifled competition from other companies, including us, who are disadvantaged without a complete product line offering. Our strategy is to be an alternative for casino operators by offering a complete and comprehensive portfolio of games, products, systems, technologies and methodologies for casino table games. If we achieve this objective, we intend to offer complete turn-key systems rather than compete solely as a purveyor of individual products only. We expect to accomplish this strategic shift this by implementing the following strategies:

We intend to continuously develop and/or seek to acquire new proprietary table games to complement our existing offerings and to extend our penetration of proprietary table games on the casino floor. In the past two years, we announced the release of several new casino table game titles we internally developed including Triple Attack Blackjack, Buffalo Blackjack Bonus, 21 Magic, Bust Bonus, Kokomo Stud, Player’s Edge 21, Quick Draw, Double Match and Triple Match. In 2010, we executed the T&P Agreement whereby we acquired the client installation base, intellectual property and related inventory associated with Deuces Wild Hold’em Fold’em and Random Wild. In the near future we anticipate the acquisition and/or development of additional new proprietary table games and associated intellectual property, which when combined with our existing portfolio, will give us the complete inventory of proprietary games to offer casinos a complete solution. We intend to expand our products utilizing technology through our continued research, design, development and engineering efforts. We believe that our previous efforts have resulted in the manufacturing of some accomplished products such as our Bonus Jackpot System. As discussed earlier, we believe the various series of the Bonus Jackpot System have produced substantial benefits for casinos. We intend to continue advancement of the Bonus Jackpot System. In addition, we intend to develop other technologies including "utility" products now offered by our competitors.

Increase our per unit price point by leveraging our Enhanced Table System products and methodologies.

Our Enhanced Table System products permit us the opportunity to significantly increase the amount of recurring revenue we receive from each table game placement. Accordingly, our goal is to concentrate on new installations the use one or more of our Enhanced Table Systems and to convert our existing Proprietary Table Game placements that do not incorporate our Enhanced Table System in casinos to our enhanced gaming platforms and methodologies. We have modified most of our Proprietary Table Games and many of our Side Bets to benefit from the economics the new system affords us. In the future, we intend to be able to offer this platform for all games. Additionally, we expect that most or all of our new Proprietary Table Games will include the Bonus Jackpot System component. The technology developed with the Bonus Jackpot System has allowed us to offer not only bonus jackpots and progressive jackpots, but also provides us the infrastructure to offer our Inter-Casino Jackpot System and MEGA-Share,
We invented the concept called MEGA-Share and expect to introduce this product in 2011. For table games, MEGA-Share uses our Andromeda-2 or higher Bonus Jackpot System. MEGA-Share and our Inter-Casino Jackpot System are unrelated but can be combined if so desired by our clients. A casino could operate either one but not the other, or operate both simultaneously. We believe MEGA-Share has the ability to become a “must-have” product for casinos and as a result could be a significant contributor to our future revenue growth. Accordingly, we also intend to intensify our sales efforts on obtaining MEGA-Share placements.

Grow our e-Table business.

In February 2011, we acquired the worldwide rights, excluding Oklahoma, Kentucky and the Caribbean, to the TableMAX e-Table system and simultaneously obtained the e-Table rights to Caribbean Stud, Caribbean Draw, Progressive Blackjack, Texas Hold’em Bonus and Blackjack Bullets. We also obtained a small inventory of completed TableMAX e-Tables. In 2011, we are attempting to install the existing inventory of e-Tables. We also are working to complete the development of the next generation of e-Tables, we refer to as the Model E. Our initial experience with e-Tables indicates a greater revenue opportunity for us and accordingly, we intend to become aggressive in the expansion of this product in 2012.

Sources of Revenue

We primarily derive our revenue from the licensing of our products and intellectual property. Consistent with our strategy, we generate revenue from negotiated recurring licensing fees for our table game content and the performance of our electronic table game platform. We also receive a one-time sale or reimbursement of our manufactured equipment. When we license a table game without electronic enhancements, we generally sell the associated products and negotiate a month-to-month license fee for the game content. When we license a table game with electronic enhancements, such as our Bonus Jackpot System, we have historically sold the associated products, negotiate a month-to-month license fee for the game content, and collect an additional recurring fee associated with the performance of our system such as a fee per each wager placed. With the Andromeda—2 Bonus Jackpot System we lease the electronic table game platform with content and in exchange, collect a recurring performance fee. We may also seek to incorporate a monthly recurring lease fee with respect to future deployments of the Andromeda—3 Bonus Jackpot System.

Financing

Additional funding may be necessary to facilitate our current aggressive growth plans and acquisition strategy, as well as the investments in our infrastructure. If we determine that additional funding is required and we are unsuccessful in raising capital, we will still pursue acquisitions and growth, however, our acquisition opportunities could be limited and our growth strategy could be negatively impacted.

Table of Contents

Expected Changes in Number of Employees, Plant, and Equipment

As we continue to grow and deploy the Andromeda Series — Stage 3 Bonus Jackpot System as well as increase the installation base of e-Table systems we anticipate the purchasing of inventory and equipment and possibly the leasing of additional space to accommodate research, development, manufacturing and assembly operations. We will also evaluate the necessary increases to our employee base over the course of the year.

Results of Operations for the Three and Six months Ended June 30, 2011

For the three months ended June 30, 2011 our continuing operations generated gross revenues of $749,085, compared to gross revenues of $735,569 for the three months ended June 30, 2010. We experienced increases in our recurring revenue from table game content offset by a reduction in the sale or reimbursement of our manufactured equipment. We also experienced an increase in fees associated with the performance of our electronic game platform, however we believe the increase was diminished as a result of delays in product regulatory approval of the Andromeda Series — Stage 3 Bonus Jackpot System in a key jurisdiction. We recorded an allowance for slow moving inventory of approximately $8,600 during the quarter ended June 30, 2011. The recording of the allowance resulted in an increase in the costs of ancillary products and assembled components from $10,768 in the prior quarter to $16,479 for the current quarter. Selling, general and administrative expenses for the quarter were $814,936, compared to $759,435 for the prior period, an increase of $55,501 or 7.3%. We have undertaken certain growth initiatives to expand our recurring revenue base. We experienced increases in payroll and related costs as the result of hiring sales and marketing personnel as well as the hiring of service personnel in connection with the implementation of the Inter-Casino Jackpot System. Furthermore, during the quarter ended June 30, 2010 certain employees were impacted by a 10% temporary reduction in salaries. For those employees impacted the salaries were fully restored during the quarter ended March 31, 2011. We also incurred approximately $150,600 during the quarter ended June 30, 2011 in legal and related expenses associated with the implementation of the Inter-Casino Jackpot System. We also incurred approximately $33,000 in the prior quarter in legal and related expenses associated with the implementation of the Inter-Casino Jackpot System. As we continue to grow and deploy the Andromeda Series — Stage 3 Bonus Jackpot System as well as increase the installation base of e-Table systems we anticipate the purchasing of inventory and equipment and possibly the leasing of additional space to accommodate research, development, manufacturing and assembly operations. We will also evaluate the necessary increases to our employee base over the course of the year.

Results of Operations for the Three and Six months Ended June 30, 2011

For the three months ended June 30, 2011 our continuing operations generated gross revenues of $749,085, compared to gross revenues of $735,569 for the three months ended June 30, 2010. We experienced increases in our recurring revenue from table game content offset by a reduction in the sale or reimbursement of our manufactured equipment. We also experienced an increase in fees associated with the performance of our electronic game platform, however we believe the increase was diminished as a result of delays in product regulatory approval of the Andromeda Series — Stage 3 Bonus Jackpot System in a key jurisdiction. We recorded an allowance for slow moving inventory of approximately $8,600 during the quarter ended June 30, 2011. The recording of the allowance resulted in an increase in the costs of ancillary products and assembled components from $10,768 in the prior quarter to $16,479 for the current quarter. Selling, general and administrative expenses for the quarter were $814,936, compared to $759,435 for the prior period, an increase of $55,501 or 7.3%. We have undertaken certain growth initiatives to expand our recurring revenue base. We experienced increases in payroll and related costs as the result of hiring sales and marketing personnel as well as the hiring of service personnel in connection with the implementation of the Inter-Casino Jackpot System. Furthermore, during the quarter ended June 30, 2010 certain employees were impacted by a 10% temporary reduction in salaries. For those employees impacted the salaries were fully restored during the quarter ended March 31, 2011. We also incurred approximately $150,600 during the quarter ended June 30, 2011 in legal and related expenses associated with the implementation of the Inter-Casino Jackpot System. We also incurred approximately $33,000 in the prior quarter in legal and related expenses associated with the implementation of the Inter-Casino Jackpot System. As we continue to grow and deploy the Andromeda Series — Stage 3 Bonus Jackpot System as well as increase the installation base of e-Table systems we anticipate the purchasing of inventory and equipment and possibly the leasing of additional space to accommodate research, development, manufacturing and assembly operations. We will also evaluate the necessary increases to our employee base over the course of the year.

For the six months ended June 30, 2011 our continuing operations generated gross revenues of $1,530,196, an increase of 3% from gross revenues of $1,489,596 for the six months ended June 30, 2010. The increase in revenue was driven by increases in our recurring revenue from table game content and fees associated with the performance of our electronic game platform offset by a decline in sale or
reimbursement of our manufactured equipment. The decrease in our installations of our Bonus Jackpot System resulted in a decrease of costs of ancillary products and assembled components from $58,860 in the prior year six months to $54,179 for the current year. Selling, general and administrative expenses for the six months were $1,549,895, an increase of 18% over the prior year selling, general and administrative expenses of $1,308,420. The increase was primarily due to increased payroll in sales and finance, marketing and the hiring of service personnel. Additionally we incurred increases in legal and regulatory expense associated with the California Administrative Licensing Action previously discussed and addressed in Note 9 to the financial statements. Research and development expenses for the six months were $142,484, a decrease of 8% over the prior year research and development expenses of $154,780. The decrease was due to lower payroll expenses. Other expenses decreased from $46,286 in 2010 to $35,154 in 2011 due to decreased interest expense.

Net loss from operations for the six months ended June 30, 2011 was $242,516, compared to a loss from continuing operations of $78,750 for the six months ended June 30, 2010.

Liquidity and Capital Resources

As of June 30, 2011, we had total current assets of $836,942 and total assets in the amount of $1,757,004. Our total current liabilities as of June 30, 2011 were $611,902. Our working capital decreased from $249,221 at December 31, 2010 to $225,040 at June 30, 2011. The decrease in working capital was primarily due to a decrease in cash.

Table of Contents

We have undertaken certain growth initiatives to expand our recurring revenue base. As such we have made investments in personnel, inventory and research related to the development of our enhanced table systems. Additionally, we hired sales and marketing personnel and spent monies on regulatory efforts for the purpose of expanding our distribution network.

It is our intention to continue these initiatives. To the extent we are not able to achieve our growth objectives or raise additional capital we will need to evaluate the reduction of operating expenses.

At June 30, 2011, other than the commitment from the major shareholder of TableMAX to provide a line of credit specific to acquiring inventory for the Table MAX system, we do not have any available third-party lines or letters of credit. Furthermore, we do not have any written or oral commitments from officers or shareholders to provide us with loans or advances to support our operations or fund potential acquisitions.

Our operating activities used $305,487 in cash for the six months ended June 30, 2011 compared to $184,700 of cash used for the six months ended June 30, 2010. The primary components of our negative operating cash flow for the six months ended June 30, 2011 were net loss from operations of $242,516, increases in miscellaneous receivables of $84,883, prepaid expenses of $44,416 and inventory of $22,282 offset by an increase in accrued expenses and taxes of $57,936 and non cash charges consisting of depreciation and amortization expenses, $25,204; provision for bad debts, $18,000; and share based compensation, $12,000.

Cash flows used in investing activities for the six months ended June 30, 2011 were $12,957 consisting of net loss from operations of $242,516, increases in miscellaneous receivables of $84,883, prepaid expenses of $44,416 and inventory of $22,282 offset by an increase in accrued expenses and taxes of $57,936 and non cash charges consisting of depreciation and amortization expenses, $25,204; provision for bad debts, $18,000; and share based compensation, $12,000.

We intend to fund our continuing operations through increased sales. Additionally the issuance of debt or equity financing arrangements may be required to fund expenditures or other cash requirements.

Despite this funding there is no assurance that we will be successful in raising additional funding, if necessary. If we are not able to secure additional funding, the implementation of our business plan could be impaired. There can be no assurance that such additional financing will be available to us on acceptable terms or at all. In addition, we may incur higher capital expenditures in the future to expand our operations, We may from time to time acquire products and businesses complementary to our business. As a public entity, we may issue shares of our common stock and preferred stock in private or public offerings to obtain financing, capital or to acquire other businesses that can improve our performance and growth. To the extent that we seek to acquire other businesses in exchange for our common stock, fluctuations in our stock price could have a material adverse effect on our ability to complete acquisitions.

Critical Accounting Policies

In December 2001, the SEC requested that all registrants list their most “critical accounting polices” in the Management Discussion and Analysis. The SEC indicated that a “critical accounting policy” is one which is both important to the portrayal of a company’s financial condition and results, and requires management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Currently, we do not believe that we have any accounting policies that fit this definition.

Recently Issued Accounting Pronouncements

We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

Item 3. Quantitative and Qualitative Disclosures About Market Risk
Item 4T. Controls and Procedures

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2011. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2011, our disclosure controls and procedures are effective.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Limitations on the Effectiveness of Internal Controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving our objectives and our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at that reasonable assurance level. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

(See Note 9 of Item 1 Financial Statements regarding current litigation.)

Item 1A. Risk Factors

A smaller reporting company is not required to provide the information required by this Item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On February 24, 2011 we sold a total of 533,333 shares of common stock and 266,667 warrants for total cash proceeds of $200,000. The offering and sale of the shares was exempt from registration under Rule 506 of Regulation D. The shares were offered exclusively to accredited and/or sophisticated investors and there was no general solicitation or advertising.

Item 3. Defaults upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

No matters have been submitted to our security holders for a vote, through the solicitation of proxies or otherwise, during the quarterly period ended June 30, 2011.

Item 5. Other Information

None
**Item 6. Exhibits**

<table>
<thead>
<tr>
<th>Exhibit Number</th>
<th>Description of Exhibit</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.1</td>
<td>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</td>
</tr>
<tr>
<td>31.2</td>
<td>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</td>
</tr>
<tr>
<td>32.1</td>
<td>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</td>
</tr>
<tr>
<td>101.INS</td>
<td>XBRL Instance Document*</td>
</tr>
<tr>
<td>101.SCH</td>
<td>XBRL Taxonomy Extension Schema Document*</td>
</tr>
<tr>
<td>101.CAL</td>
<td>XBRL Taxonomy Extension Calculation Linkbase Document*</td>
</tr>
<tr>
<td>101.DEF</td>
<td>XBRL Taxonomy Extension Definition Linkbase Document*</td>
</tr>
<tr>
<td>101.LAB</td>
<td>XBRL Taxonomy Extension Label Linkbase Document*</td>
</tr>
<tr>
<td>101.PRE</td>
<td>XBRL Taxonomy Extension Presentation Linkbase Document*</td>
</tr>
</tbody>
</table>

* Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this quarterly report on Form 10-Q shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, and shall not be deemed part of a registration statement, prospectus or other document filed under Section 11 or 12 of the Securities Act of 1933, as amended, or otherwise subject to the liability of those sections, except as shall be expressly set forth by specific reference in such filings.

---

**Table of Contents**

**SIGNATURES**

In accordance with the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**Galaxy Gaming, Inc**

Date: November 14, 2011

By: /s/ Robert Saucier
Robert Saucier
President, Chief Executive Officer and Director

**Galaxy Gaming, Inc**

Date: November 14, 2011

By: /s/ Andrew Zimmerman
Andrew Zimmerman
Chief Financial Officer, Treasurer and Secretary
CERTIFICATIONS

I, Robert Saucier, certify that;

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2011 of Galaxy Gaming, Inc. (the “registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 14, 2011

/s/ Robert Saucier
By: Robert Saucier
Title: Chief Executive Officer
CERTIFICATIONS

I, Andrew Zimmerman, certify that;

6. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2011 of Galaxy Gaming, Inc. (the “registrant”);

7. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

8. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

9. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

10. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 14, 2011

/s/ Andrew Zimmerman
By: Robert Saucier
Title: Chief Executive Officer
CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly Report of Galaxy Gaming, Inc. (the “Company”) on Form 10-Q for the quarter ended June 30, 2011 filed with the Securities and Exchange Commission (the “Report”), We, Robert Saucier, Chief Executive Officer, and Andrew Zimmerman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the consolidated financial condition of the Company as of the dates presented and the consolidated result of operations of the Company for the periods presented.

By: /s/ Robert Saucier
Name: Robert Saucier
Title: Principal Executive Officer and Director
Date: November 14, 2011

By: /s/ Andrew Zimmerman
Name: Andrew Zimmerman
Title: Principal Financial Officer
Date: November 14, 2011