

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): October 4, 2011

**Galaxy Gaming, Inc.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation)

**000-30653**

(Commission File Number)

**20-8143439**

(I.R.S. Employer Identification No.)

**6980 O'Bannon Drive, Las Vegas, NV**

(Address of principal executive offices)

**89117**

(Zip Code)

Registrant's telephone number, including area code: **(702) 939-3254**

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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

## SECTION 9 – Financial Statements and Exhibits

### Item 9.01 Financial Statements and Exhibits.

On October 4, 2011, Galaxy Gaming, Inc. (the “Company”) completed the acquisition (“PTG Acquisition”) of certain assets of Prime Table Games, LLC and Prime Table Games UK (collectively “PTG”), for a purchase price of \$22.7 million in stock and notes payable.

Terms of the purchase included a down payment of \$480,000, payable in the form of 2,000,000 shares of the Company’s common stock with the balance due in the form of two promissory notes. One of the notes is payable to Prime Table Games, LLC in the amount of \$12,200,000 (USD) and the other is payable to Prime Table Games UK in the amount of £6,400,000 (GBP). At the closing of the acquisition, the parties agreed to a conversion rate of one United States Dollar is equal to 64/100 British Pound Sterling, (\$1.00USD = £0.64GBP). Interest on the promissory notes was 0% in 2011. The fair value of the notes, net of the debt discount was \$20,670,000. The annual rate increases to 3% in 2012 and increases at 1% per year thereafter to maximum of 9%. Payments on each of the notes are as follows:

*Prime Table Games, LLC.* Monthly payments are due under this note, commencing with \$100,000 due on or before January 28, 2012. Subsequent payments are due on the 28th day of each month and the payment amount shall increase to \$130,000 per month beginning 16 months after the closing, \$160,000 per month beginning in 28 months, \$190,000 per month beginning in 40 months and \$220,000 beginning in 52 months until fully paid.

*Prime Table Games UK.* Monthly payments are due under this note, commencing with £64,000 due on or before January 28, 2012. Subsequent payments are due on the 28th day of each month and the payment amount shall increase to £76,800 per month beginning 16 months after the closing, £89,600 per month beginning in 28 months, £102,400 per month beginning in 40 months, £115,200 per month in 52 months until fully paid.

In the event future monthly revenue received by the Company from the “Assets,” as defined in the asset purchase agreement is less than 90% of the notes monthly payment due to PTG, then the note payments may, at the Company’s option, be adjusted to the higher of \$100,000 per month (for the Prime Table Games LLC note) and £64,000 per month (for the Prime Table Games UK note) or 90% of the monthly revenue amount. If the Company engages in this payment adjustment election, the note shall not be deemed in default and the interest rate of the note will increase an additional 2% above the annual rate or until the standard payment schedule resumes.

The notes are collateralized by the all of the assets acquired from PTG.

(a) Financial statements of businesses acquired

The audited combined financial statements of PTG for the year ended December 31, 2010 and 2009, are filed herewith as Exhibit 99.1. The unaudited combined financial statements of PTG for the nine months ended September 30, 2011 are filed herewith as Exhibit 99.2.

(b) Pro forma financial information.

The required pro forma financial information is filed herewith as Exhibit 99.3.

<b>Exhibit No.</b>	<b>Description</b>
99.1	<a href="#"><u>Audited combined financial statements of Prime Table Games, LLC and Prime Table Games UK for the years ended December 31, 2010 and 2009</u></a>
99.2	<a href="#"><u>Unaudited combined financial statements of Prime Table Games, LLC and Prime Table Games UK for the nine months ended September 30, 2011</u></a>
99.3	<a href="#"><u>Galaxy Gaming, Inc. unaudited pro forma combined financial statements as of September 30, 2011.</u></a>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**Galaxy Gaming, Inc.**

/s/ Robert Saucier

Robert Saucier

Chief Executive Officer

Date: August 2, 2012



**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Members  
Prime Table Games, LLC and Prime Table Games UK  
Las Vegas, Nevada

We have audited the accompanying combined balance sheets of Prime Table Games, LLC and Prime Table Games UK, as of December 31, 2010 and 2009, and the related combined statements of operations, members' equity and comprehensive income, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Prime Table Games, LLC and Prime Table Games UK as of December 31, 2010 and 2009, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Silberstein Ungar, PLLC  
Silberstein Ungar, PLLC

Bingham Farms, Michigan  
August 2, 2012

**PRIME TABLE GAMES  
COMBINED BALANCE SHEETS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

<b>ASSETS</b>	<b>2010</b>	<b>2009</b>
<b>Current Assets</b>		
Cash	\$ 8,770,956	\$ 1,506,500
Accounts receivable, net allowance of \$0 and \$0	617,300	676,385
<b>Total Current Assets</b>	<b>9,388,256</b>	<b>2,182,885</b>
<b>Property and Equipment, net</b>	<b>6,145</b>	<b>18,329</b>
<b>Other Assets</b>		
Intangible assets, net	512,440	392,832
<b>Total Other Assets</b>	<b>512,440</b>	<b>392,832</b>
<b>TOTAL ASSETS</b>	<b>\$ 9,906,841</b>	<b>\$ 2,594,046</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 141,895	\$ 32,814
VAT Payable	117,360	93,467
<b>Total Current Liabilities</b>	<b>259,255</b>	<b>126,281</b>
<b>TOTAL LIABILITIES</b>	<b>259,255</b>	<b>126,281</b>
<b>MEMBERS' EQUITY, NET</b>	<b>9,647,586</b>	<b>2,467,765</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 9,906,841</b>	<b>\$ 2,594,046</b>

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

**PRIME TABLE GAMES**  
**COMBINED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Gross revenues	\$ 2,630,495	\$ 2,265,585
Operating expenses	891,106	552,681
<b>Income from operations</b>	<b>1,739,389</b>	<b>1,712,904</b>
Other income (expense)	6,995,359	—
<b>Income before income taxes</b>	<b>8,734,748</b>	<b>1,712,904</b>
Provision for income taxes	—	—
<b>Net income</b>	<b>\$ 8,734,748</b>	<b>\$ 1,712,904</b>

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

**PRIME TABLE GAMES**  
**COMBINED STATEMENTS OF MEMBERS' EQUITY**  
**AND COMPREHENSIVE INCOME**  
**AS OF DECEMBER 31, 2010 AND 2009**

	<u>Members'</u> <u>Equity, net</u>	<u>Accumulated</u> <u>Other</u> <u>Comprehensive</u> <u>Income</u>	<u>Total Members'</u> <u>Equity</u>
<b>Beginning balance, January 1, 2009</b>	\$ 1,283,638	\$ —	\$ 1,283,638
Contributions	12,372	—	12,372
Distributions	(644,560)	—	(644,560)
Foreign currency translation	—	103,411	103,411
Net income	<u>1,712,904</u>	<u>—</u>	<u>1,712,904</u>
<b>Balance, December 31, 2009</b>	2,364,354	103,411	2,467,765
Distributions	(1,537,776)	—	(1,537,776)
Foreign currency translation	—	(17,151)	(17,151)
Net income	<u>8,734,748</u>	<u>—</u>	<u>8,734,748</u>
<b>Balance, December 31, 2010</b>	<u>\$ 9,561,326</u>	<u>\$ 86,260</u>	<u>\$ 9,647,586</u>

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



**PRIME TABLE GAMES**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<b>2010</b>	<b>2009</b>
<b>Cash Flows from Operating Activities:</b>		
Net income for the period	\$ 8,734,748	\$ 1,712,904
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:</b>		
Depreciation expense	12,184	14,880
Amortization expense	16,677	9,386
<b>Changes in Assets and Liabilities</b>		
(Increase) decrease in accounts receivable	59,085	(71,686)
Increase (decrease) in accounts payable	109,081	(105,276)
Increase (decrease) in VAT payable	23,893	(4,226)
<b>Net Cash Provided by Operating Activities</b>	<b>8,955,668</b>	<b>1,555,982</b>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of fixed assets	—	(19,083)
Acquisition of intellectual property	(136,285)	(245,959)
<b>Net Cash Used in Investing Activities</b>	<b>(136,285)</b>	<b>(265,042)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds received for equity contributions	—	12,372
Payments for equity distributions	(1,537,776)	(644,560)
<b>Net Cash Used in Financing Activities</b>	<b>(1,537,776)</b>	<b>(632,188)</b>
<b>Exchange Rate Effect on Cash</b>	<b>(17,151)</b>	<b>103,411</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>7,264,456</b>	<b>762,163</b>
<b>Cash and Cash Equivalents – Beginning of Period</b>	<b>1,506,500</b>	<b>744,337</b>
<b>Cash and Cash Equivalents – End of Period</b>	<b>\$ 8,770,956</b>	<b>\$ 1,506,500</b>

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

**Notes to Combined Financial Statements**  
**December 31, 2010 and 2009**

**Note 1 – Nature of Operations**

Prime Table Games, LLC (“PTGUSA”) is a Nevada limited liability company organized on June 6, 2000, headquartered in Las Vegas, Nevada. Prime Table Games UK (“PTGUK”) is a United Kingdom partnership organized on September 30, 2003, headquartered in Derbyshire, United Kingdom.

PTGUSA and PTGUK (collectively “Prime Table Games” or “PTG”) design, manufacture and market casino based table games based in various gaming establishments in the United States, the United Kingdom and the Caribbean. Popular table games include *21+3*, *Two-Way Hold'em* and *Three Card Poker*. The game concepts and the intellectual property associated with these games are typically protected by patents, trademarks and/or copyrights. PTG markets its products and licenses intellectual property via its own sales force to casinos and cruise ships worldwide. Revenues come primarily from recurring royalties received from clients for the licensing of game content and other fees paid based upon the activity of such games.

On December 21, 2010, PTG entered into a license and release agreement with Shuffle Master, Inc. to settle existing litigation between the parties and to sell intellectual property licenses. Total consideration paid by Shuffle Master, Inc. was \$5.5 million.

On December 21, 2010, PTG also entered into a remote gambling intellectual property transfer agreement in which PTG sold licenses to the Three Card Poker Internet rights in the British Isles for \$1.5 million. The Internet rights include Internet gambling and gambling via cell phones, in addition to certain social media uses such as play-for-fun applications on the internet.

On October 4, 2011, PTG executed an asset purchase agreement with Galaxy Gaming, Inc. Under the terms of the asset purchase agreement, Galaxy Gaming, Inc. acquired over 20 different table games, including *21+3*, *Two-way Hold'em* and *Three Card Poker* (Three Card Poker rights are limited to the British Isles). See Note 7.

**Note 2 – Summary of Significant Accounting Policies**

This summary of significant accounting policies is presented to assist in understanding PTG’s financial statements. The financial statements and notes are representations of PTG’s management team, who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied to the preparation of the financial statements.

*Basis of accounting.* The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized as income when earned and expenses are recognized when they are incurred. PTG does not have significant categories of cost as income is recurring with high margins. Expenses such as wages, consulting expenses, legal, regulatory and professional fees, and rent are recorded when the expense is incurred.

*Cash.* Cash on hand and cash in banks are considered cash and cash equivalents. PTG maintains cash balances that occasionally exceeds federally insured limits; however, PTG has incurred no losses on such accounts.

*Fair value of financial instruments.* The fair value of cash, accounts receivable, accounts payable and VAT payable approximates the carrying amount of these financial instruments due to their short-term nature.

*Property and equipment.* Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the assets’ estimated useful lives. Office equipment is depreciated over their estimated useful lives of 5 to 7 years. The automobile is depreciated over its estimated useful life of 5 years.

*Intangible assets.* These intangible assets have finite lives and are being amortized using the straight-line method over their economic useful lives of thirty years. The intangible assets are analyzed for potential impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

*Impairment of long-lived assets.* PTG continually monitors events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. When such events or changes in circumstances are present, PTG assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, PTG recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell.

*Revenue recognition.* Gross revenue is primarily derived from the licensing of products and intellectual property. Consistent with PTG's strategy, revenue is generated from negotiated recurring license and activity based fees for table game content.

Substantially all revenue is recognized when it is earned. Clients may be invoiced monthly or quarterly in arrears for content fees and for activity based items. The monthly and quarterly recurring invoices are based on executed agreements with each client. Total revenue from recurring royalties for the licensing of game content was \$2,576,452 and \$2,217,637 for the years ended December 31, 2010 and 2009, respectively. Total revenue based upon activity based fees of internet content was \$54,043 and \$47,948 for the years ended December 31, 2010 and 2009, respectively.

*Fair market value of financial instruments.* ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities.

Level 2 – Valuation based on quoted market prices for similar assets and liabilities in active markets.

Level 3 – Valuation based on unobservable inputs that are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of each fiscal year end. The carrying amount reporting in the balance sheet for cash, accounts receivable, accounts payable, VAT payable and other assets approximates fair market value due to the immediate or short-term maturity of these financial instruments.

*Income taxes.* PTGUSA and PTGUK are taxed as partnerships in their respective jurisdictions and are accordingly, not subject to income tax. Income or loss from PTGUSA and PTGUK flow directly to the owners and is taxed at the individual level.

PTG files income tax returns under U.S. federal and the State of Nevada jurisdictions. PTG's federal partnership income tax returns for tax years 2007 and beyond remain subject to examination by the Internal Revenue Service.

PTG did not have unrecognized tax benefits as of December 31, 2010 and does not expect this to change significantly over the next 12 months. As of December 31, 2010, PTG has not accrued interest or penalties related to uncertain tax positions.

*Concentrations of credit risk.* PTG's financial instruments which have potential concentrations of credit risk include cash and cash equivalents and accounts receivable. PTG occasionally maintains cash balances that exceed federally insured limits; however, there have been no losses on such accounts. Accounts receivable have concentration of credit risk because they all relate to clients in the gaming industry. Clients are generally granted credit terms for a period of 30 to 90 days or may be granted extended credit terms, with interest at prevailing rates.

*New accounting pronouncements.* The FASB and other entities issued new or modifications to, or interpretations of, existing accounting guidance for the period ended December 31, 2010. PTG carefully considered the new pronouncements that altered generally accepted accounting principles and, other than as disclosed in these notes to the financial statements, does not believe that any other new or modified principles will have a material impact on PTG's reported financial position or operations in the near term.

*Use of 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. No allowance for doubtful accounts receivable was deemed necessary. Actual results could differ from those estimates.

*Subsequent events.* PTG has evaluated events and transactions occurring subsequent to December 31, 2010 as of August 2, 2012, which is the date the financial statements were available to be issued. Subsequent events occurring after August 2, 2012 have not been evaluated by management. No material events have occurred since December 31, 2010 that require recognition or disclosure in the financial statements, except as disclosed in Note 7.

### **Note 3 – Property and Equipment**

PTG owned property and equipment, recorded at cost, which consisted of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Auto	\$ 51,815	\$ 51,815
Office equipment	29,755	31,586
Subtotal	81,570	83,401
Less: Accumulated depreciation	(75,425)	(65,072)
Property and Equipment, net	<u>\$ 6,145</u>	<u>\$ 18,329</u>

Depreciation expense was \$12,184 and \$14,880, for the years ended December 31, 2010 and 2009, respectively, and are included in operating expenses on the combined statements of operations.

### **Note 4 – Intangible Assets**

Intangible assets includes patents, patent applications, trademarks, trademark applications and copyrights related to the casino gaming products and related processes, including, but not limited to, video slot and internet games, side bets, design registrations, domain name registrations, inventions and ideas.

These intangible assets have finite lives and are being amortized using the straight-line method over their economic useful lives of thirty years. The intangible assets are analyzed for potential impairment whenever events or changes in circumstances indicate the full carrying value may not be recoverable. These assets are recorded at cost. Amortization expenses for the years ended December 31, 2010 and 2009 were \$16,677 and \$9,386, respectively and are included in operating expenses on the combined statements of operations.

## Note 5 – Commitments and Contingencies

*Litigation.* PTG is, from time to time, party to certain litigation that relates to matters arising in the ordinary course of business. Management believes that such litigation will not have a material impact on the financial position or results of operations of PTG.

*Shuffle Master, Inc. settlement.* PTG was plaintiff to a lawsuit with Shuffle Master, Inc. over violation of certain patents and other matters. In 2010, the litigation with Shuffle Master, Inc. was settled and resulted in a settlement gain of \$5.5 million, which has been recorded as other income on the combined statements of operations.

## Note 6 – Members' Equity

PTG had two individuals holding 100% of the membership interests. In 2009, contributions from and distributions to members totaled \$12,372 and \$644,560, respectively. In 2010, cash distributions to members totaled \$1,537,776.

## Note 7 – Subsequent Events

*Asset purchase agreement with Galaxy Gaming, Inc.* Effective October 4, 2011, PTG entered into an Asset Purchase Agreement (the "Purchase Agreement") with Galaxy Gaming, Inc. ("GGI"), a Nevada corporation. Under the Purchase Agreement, PTG will dispose of substantially all of its assets. The disposition includes the casino table game assets and intellectual property portfolio of PTG's entities. Included in the disposition are over 20 different table games, including *21+3*, *Two-way Hold'em* and *Three Card Poker* which are currently played on approximately 500 tables in 200 casinos in the United States, the United Kingdom and in the Caribbean (*Three Card Poker* rights are limited to the British Isles). The intellectual property portfolio disposed under the Purchase Agreement includes 36 patents, 11 patents pending, 96 worldwide trademark and design registrations and 47 domain name registrations. Besides land-based casino table games, the disposition, which is subject to customary regulatory approvals, includes video slot and internet gaming intellectual property.

The total purchase price for the acquisition is \$22,680,000 to be paid as follows:

- \$480,000 to be received by the issuance of a total of 2,000,000 shares of common stock to the members of PTG. 1,000,000 shares each shall be issued to Derek Webb and Hannah O'Donnell; and
- \$12,200,000 to be received by Prime Table Games, LLC under the terms of a promissory note and security agreement – US; and
- \$10,000,000 to be received by Prime Table Games, UK under the terms of a promissory note and security agreement – UK. This note is payable in the form of £6,400,000 GBP, reflecting an agreed conversion rate of \$1.00 USD = £0.64 GBP.

Both of the promissory notes are secured by all of the assets disposed under the Purchase Agreement and both of the promissory notes will bear interest according to the following schedule:

Year	Annual Interest
2011	0%
2012	3%
2013	4%
2014	5%
2015	6%
2016	7%
2017	8%
2018 & beyond	9%

The promissory note payable in USD requires monthly payments commencing with \$100,000 due on or before January 28, 2012. Subsequent payments shall each be due on the 28<sup>th</sup> day of each month and the payment amount shall increase to \$130,000 per month beginning sixteen (16) months after the closing date, \$160,000 per month beginning twenty-eight (28) months after the closing date, \$190,000 per month beginning forty (40) months after the closing date, and \$220,000 beginning fifty-two (52) months after the closing date until fully paid. In the event that future monthly revenue GGI receives from the assets disposed under the agreement are less than 90% of the monthly note payments due then the note payment may, at their option, be adjusted to the higher of \$100,000 per month or 90% of the monthly revenue amount. If GGI exercises this payment adjustment election, the note shall not be deemed in default and the interest rate of the note, as depicted in the table above, shall increase an additional 2% above the annual interest rate or until the standard payment schedule resumes.

The promissory note payable in British Sterling requires monthly payments commencing with £64,000 (approximately \$100,000) due on or before January 28, 2012. Subsequent payments shall each be due on the 28<sup>th</sup> day of each month and the payment amount shall increase to £76,800 (approximately \$120,000) per month beginning sixteen (16) months after the closing date, £89,600 (approximately \$140,000) per month beginning twenty-eight (28) months after the closing date, £102,400 (approximately \$160,000) per month beginning forty (40) months after the closing date, and £115,200 (approximately \$180,000) beginning fifty-two (52) months after the closing date until fully paid. In the event that future monthly revenue GGI receives from the assets disposed under the agreement are less than 90% of the monthly note payments due then the note payment may, at their option, be adjusted to the higher of \$100,000 per month or 90% of the monthly revenue amount. If GGI exercises this payment adjustment election, the note shall not be deemed in default and the interest rate of the note, as depicted in the table above, shall increase an additional 2% above the annual interest rate or until the standard payment schedule resumes.

GGI may make additional principal payments on the notes at any time without pre-payment penalty. In connection with the Purchase Agreement, the members of PTG have agreed to executive non- competition agreements.

*Disposition of Three Card Poker to Shuffle Master, Inc.* On December 21, 2010, an agreement was entered into with Shuffle Master, Inc. to dispose of licenses to the “Three Card Poker” internet rights in the British Isles for \$1.5 million. The disposed internet rights include internet gambling and gambling via cell phones, in addition to certain social media uses such as play-for-fun applications on the internet.



**PRIME TABLE GAMES  
COMBINED BALANCE SHEET  
AS OF SEPTEMBER 30, 2011  
(UNAUDITED)**

<b>ASSETS</b>	<b>As of September 30, 2011</b>
<b>Current Assets</b>	
Cash	\$ 1,304,186
Accounts receivable, net allowance of \$0	643,582
<b>Total Current Assets</b>	<b>1,947,768</b>
<b>Property and Equipment, net</b>	<b>137</b>
<b>Other Assets</b>	
Intangible assets, net	649,801
<b>Total Other Assets</b>	<b>649,801</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,597,706</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 115,119
VAT Payable	161,555
<b>Total Current Liabilities</b>	<b>276,674</b>
<b>TOTAL LIABILITIES</b>	<b>276,674</b>
<b>MEMBERS' EQUITY, NET</b>	<b>2,321,032</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 2,597,706</b>

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



**PRIME TABLE GAMES**  
**COMBINED STATEMENTS OF OPERATIONS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010**  
**(UNAUDITED)**

	<u>Nine Months Ended September 30, 2011</u>	<u>Nine Months Ended September 30, 2010</u>
Gross revenues	\$ 2,036,488	\$ 1,960,934
Operating expenses	404,392	628,016
<b>Income from operations</b>	<b>1,632,096</b>	<b>1,332,918</b>
Other income (expense)	—	—
<b>Income before income taxes</b>	<b>1,632,096</b>	<b>1,332,918</b>
Provision for income taxes	—	—
<b>Net income</b>	<b>\$ 1,632,096</b>	<b>\$ 1,332,918</b>

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

**PRIME TABLE GAMES**  
**COMBINED STATEMENTS OF MEMBERS' EQUITY**  
**AND COMPREHENSIVE INCOME**  
**AS OF SEPTEMBER 30, 2011**  
**(UNAUDITED)**

	<u>Members'</u> <u>Equity, net</u>	<u>Accumulated</u> <u>Other</u> <u>Comprehensive</u> <u>Income</u>	<u>Total Members'</u> <u>Equity</u>
<b>Balance, December 31, 2010</b>	\$ 9,561,326	\$ 86,260	\$ 9,647,586
Distributions	(8,913,325)	—	(8,913,325)
Foreign currency translation	—	(45,325)	(45,325)
Net income	<u>1,632,096</u>	<u>—</u>	<u>1,632,096</u>
<b>Balance, September 30, 2011</b>	<u>\$ 2,280,097</u>	<u>\$ 40,935</u>	<u>\$ 2,321,032</u>

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

**PRIME TABLE GAMES**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER, 2011 AND 2010**  
**(UNAUDITED)**

	<b>Nine Months Ended September 30, 2011</b>	<b>Nine Months Ended September 30, 2010</b>
<b>Cash Flows from Operating Activities:</b>		
Net income for the period	\$ 1,632,096	\$ 1,332,918
<b>Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:</b>		
Depreciation expense	6,008	8,656
Amortization expense	16,235	12,065
<b>Changes in Assets and Liabilities</b>		
Decrease (Increase) in accounts receivable	(26,282)	(36,220)
Increase (Decrease) in accounts payable	(26,776)	(84,242)
Increase (Decrease) in VAT payable	44,195	12,161
<b>Net Cash Provided by Operating Activities</b>	<b>1,645,476</b>	<b>1,245,338</b>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of intellectual property	(153,596)	(166,825)
<b>Net Cash Used in Investing Activities</b>	<b>(153,596)</b>	<b>(166,825)</b>
<b>Cash Flows from Financing Activities:</b>		
Payments for equity distributions	(8,913,325)	(1,037,776)
<b>Net Cash Used in Financing Activities</b>	<b>(8,913,325)</b>	<b>(1,037,776)</b>
<b>Exchange Rate Effect on Cash</b>	<b>(45,325)</b>	<b>(33,091)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(7,466,770)</b>	<b>7,646</b>
<b>Cash and Cash Equivalents – Beginning of Period</b>	<b>8,770,956</b>	<b>1,506,500</b>
<b>Cash and Cash Equivalents – End of Period</b>	<b>\$ 1,304,186</b>	<b>\$ 1,514,146</b>

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

**Notes to Combined Financial Statements**  
**As of September 30, 2011**

**Note 1 – Nature of Operations**

Prime Table Games, LLC (“PTGUSA”) is a Nevada limited liability company organized on June 6, 2000, headquartered in Las Vegas, Nevada. Prime Table Games UK (“PTGUK”) is a United Kingdom partnership organized on September 30, 2003, headquartered in Derbyshire, United Kingdom.

PTGUSA and PTGUK (collectively “Prime Table Games,” or “PTG”) design, manufacture and market casino based table games based in various gaming establishments in the United States, the United Kingdom and the Caribbean. Popular table games include *21+3*, *Two-Way Hold'em* and *Three Card Poker*. The game concepts and the intellectual property associated with these games are typically protected by patents, trademarks and/or copyrights. PTG markets its products and licenses intellectual property via its own sales force to casinos and cruise ships worldwide. Revenues come primarily from recurring royalties received from clients for the licensing of game content and other fees paid based upon the activity of such games.

On December 21, 2010, PTG entered into a license and release agreement with Shuffle Master, Inc. to settle existing litigation between the parties and to sell intellectual property licenses. Total consideration paid by Shuffle Master, Inc. was \$5.5 million.

On December 21, 2010, PTG also entered into a remote gambling intellectual property transfer agreement in which PTG sold licenses to the Three Card Poker Internet rights in the British Isles for \$1.5 million. The Internet rights include Internet gambling and gambling via cell phones, in addition to certain social media uses such as play-for-fun applications on the internet.

On October 4, 2011, PTG executed an asset purchase agreement with Galaxy Gaming, Inc. Under the terms of the asset purchase agreement, Galaxy Gaming, Inc. acquired over 20 different table games, including *21+3*, *Two-way Hold'em* and *Three Card Poker* (Three Card Poker rights are limited to the British Isles). See Note 7.

**Note 2 – Summary of Significant Accounting Policies**

This summary of significant accounting policies is presented to assist in understanding PTG’s financial statements. The financial statements and notes are representations of PTG’s management team, who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied to the preparation of the financial statements.

*Basis of accounting.* The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized as income when earned and expenses are recognized when they are incurred. PTG does not have significant categories of cost as income is recurring with high margins. Expenses such as wages, consulting expenses, legal, regulatory and professional fees, and rent are recorded when the expense is incurred.

*Cash.* Cash on hand and cash in banks are considered cash and cash equivalents. PTG maintains cash balances that occasionally exceeds federally insured limits; however, PTG has incurred no losses on such accounts.

*Fair value of financial instruments.* The fair value of cash, accounts receivable, accounts payable and VAT payable approximates the carrying amount of these financial instruments due to their short-term nature.

*Property and equipment.* Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. Office equipment is depreciated over their estimated useful lives of 5 to 7 years. The automobile is depreciated over its estimated useful life of 5 years.

*Intangible assets.* These intangible assets have finite lives and are being amortized using the straight-line method over their economic useful lives of thirty years. The intangible assets are analyzed for potential impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

*Impairment of long-lived assets.* PTG continually monitors events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. When such events or changes in circumstances are present, PTG assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, PTG recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell.

*Revenue recognition.* Gross revenue is primarily derived from the licensing of products and intellectual property. Consistent with PTG's strategy, revenue is generated from negotiated recurring license and activity based fees for table game content.

Substantially all revenue is recognized when it is earned. Clients may be invoiced monthly or quarterly in arrears for content fees and for activity based items. The monthly and quarterly recurring invoices are based on executed agreements with each client. Total revenue from recurring royalties for the licensing of game content was \$1,981,967 for the nine months ended September 30, 2011. Total revenue based upon activity based fees of internet content was \$54,521 for the nine months ended September 30, 2011.

*Fair market value of financial instruments.* ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance describes three levels of inputs that may be used to measure fair value:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities.

Level 2 – Valuation based on quoted market prices for similar assets and liabilities in active markets.

Level 3 – Valuation based on unobservable inputs that are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of each fiscal year end. The carrying amount reporting in the balance sheet for cash, accounts receivable, accounts payable, VAT payable and other assets approximates fair market value due to the immediate or short-term maturity of these financial instruments.

*Income taxes.* PTGUSA and PTGUK are taxed as partnerships in their respective jurisdictions and are accordingly, not subject to income tax. Income or loss from PTGUSA and PTGUK flow directly to the owners and is taxed at the individual level.

PTG files income tax returns under U.S. federal and the State of Nevada jurisdictions. PTG's federal partnership income tax returns for tax years 2007 and beyond remain subject to examination by the Internal Revenue Service.

PTG did not have unrecognized tax benefits as of the period ended September 30, 2011 and does not expect this to change significantly over the next 12 months. As of the period ended September 30, 2011, PTG has not accrued interest or penalties related to uncertain tax positions.

*Concentrations of credit risk.* PTG's financial instruments which have potential concentrations of credit risk include cash and cash equivalents and accounts receivable. PTG occasionally maintains cash balances that exceed federally insured limits; however, there have been no losses on such accounts. Accounts receivable have concentration of credit risk because they all relate to clients in the gaming industry. Clients are generally granted credit terms for a period of 30 to 90 days or may be granted extended credit terms, with interest at prevailing rates.

*New accounting pronouncements.* The FASB and other entities issued new or modifications to, or interpretations of, existing accounting guidance for the period ended September 30, 2011. PTG carefully considered the new pronouncements that altered generally accepted accounting principles and, other than as disclosed in these notes to the financial statements, does not believe that any other new or modified principles will have a material impact on PTG's reported financial position or operations in the near term.

*Use of 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. No allowance for doubtful accounts receivable was deemed necessary. Actual results could differ from those estimates.

*Subsequent events.* PTG has evaluated events and transactions occurring subsequent to September 30, 2011 as of August 2, 2012, which is the date the financial statements were available to be issued. Subsequent events occurring after August 2, 2012 have not been evaluated by management. No material events have occurred since September 30, 2011 that require recognition or disclosure in the financial statements, except as disclosed in Note 7.

### **Note 3 – Property and Equipment**

PTG owned property and equipment, recorded at cost, which consisted of the following at September 30, 2011 and December 31, 2010:

	<b>September 30, 2011</b>	<b>December 31, 2010</b>
Auto	\$ 51,815	\$ 51,815
Office equipment	29,755	29,755
Subtotal	81,570	81,570
Less: Accumulated depreciation	(81,433)	(75,425)
Property and Equipment, net	<u>\$ 137</u>	<u>\$ 6,145</u>

Depreciation expense was \$6,008, for the nine months ended September 30, 2011 and are included in operating expenses on the combined statement of operations.

### **Note 4 – Intangible Assets**

Intangible assets includes patents, patent applications, trademarks, trademark applications and copyrights related to the casino gaming products and related processes, including, but not limited to, video slot and internet games, side bets, design registrations, domain name registrations, inventions and ideas.

These intangible assets have finite lives and are being amortized using the straight-line method over their economic useful lives of thirty years. The intangible assets are analyzed for potential impairment whenever events or changes in circumstances indicate the full carrying value may not be recoverable. These assets are recorded at cost. Amortization expense for the nine months ended September 30, 2011 was were \$16,235 and is included in operating expenses on the combined statement of operations.

#### **Note 5– Commitments and Contingencies**

*Litigation.* PTG is, from time to time, party to certain litigation that relates to matters arising in the ordinary course of business. Management believes that such litigation will not have a material impact on the financial position or results of operations of PTG.

*Shuffle Master, Inc. settlement.* PTG was plaintiff to a lawsuit with Shuffle Master, Inc. over violation of certain patents and other matters. In 2010, the litigation with Shuffle Master, Inc. was settled and resulted in a settlement gain of \$5.5 million, which was recorded as other income on the combined statements of operations.

#### **Note 6 – Members' Equity**

PTG had two individuals holding 100% of the membership interests. For the nine months ended September 30, 2011, distributions to members totaled \$8,913,325.

#### **Note 7 – Subsequent Events**

*Asset purchase agreement with Galaxy Gaming, Inc.* Effective October 4, 2011, PTG entered into an Asset Purchase Agreement (the "Purchase Agreement") with Galaxy Gaming, Inc. ("GGI"), a Nevada corporation. Under the Purchase Agreement, PTG will dispose of substantially all of its assets. The disposition includes the casino table game assets and intellectual property portfolio of PTG's entities. Included in the disposition are over 20 different table games, including *21+3*, *Two-way Hold'em* and *Three Card Poker* which are currently played on approximately 500 tables in 200 casinos in the United States, the United Kingdom and in the Caribbean (*Three Card Poker* rights are limited to the British Isles). The intellectual property portfolio disposed under the Purchase Agreement includes 36 patents, 11 patents pending, 96 worldwide trademark and design registrations and 47 domain name registrations. Besides land-based casino table games, the disposition, which is subject to customary regulatory approvals, includes video slot and internet gaming intellectual property.

The total purchase price for the acquisition is \$22,680,000 to be paid as follows:

- \$480,000 to be received by the issuance of a total of 2,000,000 shares of common stock to the members of PTG. 1,000,000 shares each shall be issued to Derek Webb and Hannah O'Donnell; and
- \$12,200,000 to be received by Prime Table Games, LLC under the terms of a promissory note and security agreement – US; and
- \$10,000,000 to be received by Prime Table Games, UK under the terms of a promissory note and security agreement – UK. This note is payable in the form of £6,400,000 GBP, reflecting an agreed conversion rate of \$1.00 USD = £0.64 GBP.

Both of the promissory notes are secured by all of the assets disposed under the Purchase Agreement and both of the promissory notes will bear interest according to the following schedule:

Year	Annual Interest
2011	0%
2012	3%
2013	4%
2014	5%
2015	6%
2016	7%
2017	8%
2018 & beyond	9%

The promissory note payable in USD requires monthly payments commencing with \$100,000 due on or before January 28, 2012. Subsequent payments shall each be due on the 28<sup>th</sup> day of each month and the payment amount shall increase to \$130,000 per month beginning sixteen (16) months after the closing date, \$160,000 per month beginning twenty-eight (28) months after the closing date, \$190,000 per month beginning forty (40) months after the closing date, and \$220,000 beginning fifty-two (52) months after the closing date until fully paid. In the event that future monthly revenue GGI receives from the assets disposed under the agreement are less than 90% of the monthly note payments due then the note payment may, at their option, be adjusted to the higher of \$100,000 per month or 90% of the monthly revenue amount. If GGI exercises this payment adjustment election, the note shall not be deemed in default and the interest rate of the note, as depicted in the table above, shall increase an additional 2% above the annual interest rate or until the standard payment schedule resumes.

The promissory note payable in British Sterling requires monthly payments commencing with £64,000 (approximately \$100,000) due on or before January 28, 2012. Subsequent payments shall each be due on the 28<sup>th</sup> day of each month and the payment amount shall increase to £76,800 (approximately \$120,000) per month beginning sixteen (16) months after the closing date, £89,600 (approximately \$140,000) per month beginning twenty-eight (28) months after the closing date, £102,400 (approximately \$160,000) per month beginning forty (40) months after the closing date, and £115,200 (approximately \$180,000) beginning fifty-two (52) months after the closing date until fully paid. In the event that future monthly revenue GGI receives from the assets disposed under the agreement are less than 90% of the monthly note payments due then the note payment may, at their option, be adjusted to the higher of \$100,000 per month or 90% of the monthly revenue amount. If GGI exercises this payment adjustment election, the note shall not be deemed in default and the interest rate of the note, as depicted in the table above, shall increase an additional 2% above the annual interest rate or until the standard payment schedule resumes.

GGI may make additional principal payments on the notes at any time without pre-payment penalty. In connection with the Purchase Agreement, the members of PTG have agreed to executive non-competition agreements.





GALAXY GAMING, INC.  
BASIS OF PRESENTATION FOR THE UNAUDITED PRO FORMA  
COMBINED CONDENSED FINANCIAL STATEMENTS

BASIS OF PRESENTATION

The accompanying unaudited pro forma combined condensed financial statements illustrate the pro forma effect of the PTG Acquisition and all financing related to the PTG Acquisition on the registrant Galaxy Gaming, Inc.'s financial position and results of operations.

The unaudited pro forma combined condensed balance sheet as of September 30, 2011 is based on the historical balance sheets of Galaxy Gaming, Inc., Prime Table Games, LLC and Prime Table Games UK as of that date. The unaudited pro forma combined condensed balance sheet assumes that the PTG Acquisition and all financing related to the PTG Acquisition took place on September 30, 2011.

The unaudited pro forma combined condensed statement of operations for the year ended December 31, 2010 is based on the historical statements of Galaxy Gaming, Inc., Prime Table Games, LLC and Prime Table Games UK for the year then ended. The unaudited pro forma combined condensed statement of operations assumes the PTG Acquisition and all financing related to the PTG Acquisition took place on January 1, 2010.

The unaudited pro forma combined condensed statement of operations for the nine months ended September 30, 2011 is based on the historical statements of operations of Galaxy Gaming, Inc., Prime Table Games, LLC and Prime Table Games UK for the nine months then ended. The unaudited pro forma combined condensed statement of operations assumes the PTG Acquisition and all financing related to the PTG Acquisition took place on January 1, 2011.

The adjustments included in the "Assets Not Acquired and the Liabilities Not Assumed" column on the Unaudited Pro Forma Combined Condensed Balance Sheet represent the Prime Table Gaming assets and liabilities that were not acquired in connection with the PTG Acquisition.

The unaudited pro forma combined condensed financial statements may not be indicative of the actual results of the PTG Acquisition and there can be no assurance that the foregoing results will be obtained. In particular, the unaudited pro forma combined condensed financial statements are based on management's estimated of the fair value of assets acquired; however, the actual amounts may differ. The unaudited pro forma combined condensed statements of operations may not be indicative of the actual results which would have been obtained if the transactions had occurred on January 1, 2010 or January 1, 2011.

The accompanying unaudited pro forma combined condensed financial statements should be read in conjunction with the historical financial statements of Galaxy Gaming, Inc., Prime Table Gaming, LLC and Prime Table Gaming UK.

The unaudited pro forma combined condensed financial statements have been prepared using the acquisition method of accounting for a business combination. The historical financial information has been adjusted to give effect to matters that are (1) directly attributable to the acquisition, (2) factually supportable, and (3) with respect to the statement of operations, are also expected to not have a continuing impact on the operating results of the combined company.

**GALAXY GAMING, INC.**  
**UNAUDITED PRO FORMA COMBINED CONDENSED BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2011**

ASSETS	Galaxy Gaming, Inc.	Prime Table Games	Assets Not Acquired and Liabilities Not Assumed		Galaxy Gaming Pro Forma Adjustments	Pro Forma Combined Company
<b>Current Assets</b>						
Cash	\$ 120,900	\$ 1,304,186	\$ (1,304,186)	A	\$ —	\$ 120,900
Accounts receivable – trade, net	321,772	643,582	(643,582)	A	—	321,772
Miscellaneous receivables	60,396	—	—		—	60,396
Prepaid expenses	37,581	—	—		—	37,581
Inventory	177,815	—	—		—	177,815
<b>Total Current Assets</b>	<b>718,464</b>	<b>1,947,768</b>	<b>(1,947,768)</b>		<b>—</b>	<b>718,464</b>
Property and equipment, net	50,712	137	(137)	A	—	50,712
<b>Other Assets</b>						
Intangible assets, net	442,125	649,801	—		19,409,199	C
					1,091,000	C
						21,592,125
Note receivable – related party	385,823	—	—		—	385,823
Products leased and held for lease, net	38,769	—	—		—	38,769
Other assets	15,396	—	—		—	15,396
<b>Total Other Assets</b>	<b>882,113</b>	<b>649,801</b>	<b>—</b>		<b>20,500,199</b>	<b>22,032,113</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,651,289</b>	<b>\$ 2,597,706</b>	<b>\$ (1,947,905)</b>		<b>\$ 20,500,199</b>	<b>\$ 22,801,289</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 181,269	\$ 115,119	(115,119)	A	\$ —	\$ 181,269
Accrued expenses and taxes	297,930	161,555	(161,555)	A	—	297,930
Deferred revenue	217,681	—	—		—	217,681
<b>Total Current Liabilities</b>	<b>696,880</b>	<b>276,674</b>	<b>(276,674)</b>		<b>—</b>	<b>696,880</b>
<b>Long-term Liabilities</b>						
Notes payable – related party	2,813	—	—			2,813
Note payable, net	1,154,658	—	—		22,200,000	C
					(1,530,000)	C
						21,824,658
<b>TOTAL LIABILITIES</b>	<b>1,854,351</b>	<b>276,674</b>	<b>(276,674)</b>		<b>20,670,000</b>	<b>22,524,351</b>
<b>TOTAL STOCKHOLDERS' EQUITY (DEFICIT), NET</b>	<b>(203,062)</b>	<b>2,321,032</b>	<b>(1,671,231)</b>	<b>B</b>	<b>(169,801)</b>	<b>C</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ 1,651,289</b>	<b>\$ 2,597,706</b>	<b>\$ (1,947,905)</b>		<b>\$ 20,500,199</b>	<b>\$ 22,801,289</b>

**GALAXY GAMING, INC.**  
**UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	Galaxy Gaming, Inc.	Prime Table Games	Prime Table Games Pro Forma Adjustments		Galaxy Gaming, Inc. Pro Forma Adjustments	Pro Forma Combined Company
<b>Revenue</b>						
Product leases and royalties	\$ 2,950,157	\$ 2,630,495	\$ (54,043)	<b>D</b>	\$ —	\$ 5,526,609
Product sales and services	104,699	—	—		—	104,699
<b>Total Revenue</b>	<b>3,054,856</b>	<b>2,630,495</b>	<b>(54,043)</b>		<b>—</b>	<b>5,631,308</b>
<b>Costs and Expenses</b>						
Costs of ancillary products and assembled components	135,738	—	—		—	135,738
Selling, general and administrative	2,642,319	862,245	(461,662)	<b>E</b>	—	3,042,902
Research and development	285,310	—	—		—	285,310
Depreciation	12,833	12,184	(12,184)	<b>F</b>	—	12,833
Amortization	26,258	16,677	(16,677)	<b>F</b>	1,540,033	<b>I</b>
<b>Total Costs and Expenses</b>	<b>3,102,458</b>	<b>891,106</b>	<b>(490,523)</b>		<b>1,540,033</b>	<b>5,043,074</b>
<b>Income (Loss) From Operations</b>	<b>(47,602)</b>	<b>1,739,389</b>	<b>436,480</b>		<b>(1,540,033)</b>	<b>588,234</b>
<b>Other Income (Expense)</b>						
Interest income	26,150	—	—		—	26,150
Interest expense	(114,409)	—	—		(290,938)	<b>J</b>
Other income	—	6,995,359	(6,995,359)	<b>G</b>	—	—
<b>Total Other Income (Expense)</b>	<b>(88,259)</b>	<b>6,995,359</b>	<b>(6,995,359)</b>		<b>(290,938)</b>	<b>(379,197)</b>
<b>Income (Loss) before Provision for Income Taxes</b>	<b>(135,861)</b>	<b>8,734,748</b>	<b>(6,558,879)</b>		<b>(1,830,971)</b>	<b>209,037</b>
<b>Provision for Income Taxes</b>	<b>—</b>	<b>—</b>	<b>—</b>		<b>—</b>	<b>—</b>
<b>Net Income (Loss)</b>	<b>\$ (135,861)</b>	<b>\$ 8,734,748</b>	<b>\$ (6,558,879)</b>		<b>\$ (1,830,971)</b>	<b>\$ 209,037</b>

**GALAXY GAMING, INC.**  
**UNAUDITED PRO FORMA COMBINED CONDENSED STATEMENT OF OPERATIONS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER, 2011**

	Galaxy Gaming, Inc.	Prime Table Games	Prime Table Games Pro Forma Adjustments		Galaxy Gaming, Inc. Pro Forma Adjustments	Pro Forma Combined Company
<b>Revenue</b>						
Product leases and royalties	\$ 2,226,205	\$ 2,036,488	\$ (54,521)	<b>D</b>	\$ —	\$ 4,208,172
Product sales and services	37,874	—	—		—	37,874
<b>Total Revenue</b>	<b>2,264,079</b>	<b>2,036,488</b>	<b>(54,521)</b>		<b>—</b>	<b>4,246,046</b>
<b>Costs and Expenses</b>						
Costs of ancillary products and assembled components	61,628	—	—		—	61,628
Selling, general and administrative	2,351,569	382,150	(72,126)	<b>H</b>	(18,000)	<b>H</b> 2,643,593
Research and development	225,060	—	—		—	225,060
Depreciation	13,757	6,007	(6,007)	<b>F</b>	—	13,757
Amortization	24,496	16,235	(16,235)	<b>F</b>	1,155,025	<b>I</b> 1,179,521
<b>Total Costs and Expenses</b>	<b>2,676,510</b>	<b>404,392</b>	<b>(94,368)</b>		<b>1,137,025</b>	<b>4,123,559</b>
<b>Income (Loss) From Operations</b>	<b>(412,431)</b>	<b>1,632,096</b>	<b>39,847</b>		<b>(1,137,025)</b>	<b>122,487</b>
<b>Other Income (Expense)</b>						
Interest income	18,696	—	—		—	18,696
Interest expense	(69,515)	—	—		(353,148)	<b>J</b> (422,663)
Other income	—	—	—		—	—
<b>Total Other Income (Expense)</b>	<b>(50,819)</b>	<b>—</b>	<b>—</b>		<b>(353,148)</b>	<b>(403,967)</b>
<b>Income (Loss) before Provision for Income Taxes</b>	<b>(463,250)</b>	<b>1,632,096</b>	<b>39,847</b>		<b>(1,490,173)</b>	<b>(281,480)</b>
<b>Provision for Income Taxes</b>	<b>—</b>	<b>—</b>	<b>—</b>		<b>—</b>	<b>—</b>
<b>Net Income (Loss)</b>	<b>\$ (463,250)</b>	<b>\$ 1,632,096</b>	<b>\$ 39,847</b>		<b>\$ (1,490,173)</b>	<b>\$ (281,480)</b>

**GALAXY GAMING, INC.**  
**NOTES TO UNAUDITED PRO FORMA COMBINED CONSENSUED FINANCIAL STATEMENTS**

- A. This adjustment represents certain assets and liabilities not acquired by Galaxy Gaming, Inc. as a part of the Purchase Agreement.
- B. This amount represents the total impact of item A. The offset for these items is accumulated.
- C. The following table presents the historical value at September 30, 2011 and the fair value of assets acquired and liabilities assumed at the acquisition date based on a final appraisal and the resulting pro forma adjustments:

	Fair Value Based on Final Appraisal	Historical Value as of September 30, 2011	Pro Forma Adjustments
Consideration:			
Common stock	\$ 480,000		
Notes payable	22,200,000		
Fair value of total consideration transferred	22,680,000		
Recognized amounts of identifiable assets assumed as of October 4, 2011:			
Trademarks	\$ 2,740,000	\$ —	\$ 2,740,000
Patents	13,259,000		12,609,199
Non-compete agreement	660,000	649,801-	660,000
Customer relationships	3,400,000	—	3,400,000
Total Assets	20,059,000	649,801	19,409,199
Debt discount	1,530,000	—	1,530,000
Total Liabilities	1,530,000	—	1,530,000
Total identifiable net assets	<u>\$ 21,589,000</u>	<u>\$ 649,801</u>	<u>\$ 20,939,199</u>
Goodwill	<u>\$ 1,091,000</u>		

- D. Amounts represent activity based fees for internet content not acquired.
- E. Amounts represent legal expenses related to the Shuffle Master, Inc. litigation.
- F. This adjustment is to remove depreciation and amortization expenses of assets not required.
- G. This amount represents the removal of the Shuffle Master, Inc. settlement income.
- H. Adjustment represents legal expenses incurred related to the execution of the Purchase Agreement between Prime Table Games and Galaxy Gaming, Inc.
- I. Amount represents amortization expense related to intangible assets acquired
- J. This amount represents interest expense, net of debt discount amortization, on notes payable to PTG.

August 2, 2012

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors  
Galaxy Gaming, Inc.  
Las Vegas, Nevada

To Whom It May Concern:

Silberstein Ungar, PLLC hereby consents to the use in the Form 8-K, Current Report Pursuant to Section 13 or 15(d) of the Securities Act of 1934, filed by Galaxy Gaming, Inc. of our report dated August 2, 2012, relating to the combined financial statements of Prime Table Games, LLC and Prime Table Games UK, as of and for the years ending December 31, 2010 and 2009.

Sincerely,

/s/ Silberstein Ungar, PLLC

Silberstein Ungar, PLLC

Bingham Farms, Michigan

