
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K/A

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

Date of Report (Date of earliest event reported): August 24, 2020



GALAXY GAMING, INC.

(Exact Name of Registrant as Specified in Its Charter)

Nevada

(State or Other Jurisdiction of Incorporation)

000-30653
(Commission File Number)

6480 Cameron Street Ste. 305
Las Vegas, Nevada
(Address of Principal Executive Offices)

20-8143439
(IRS Employer Identification No.)

89118
(Zip Code)

(702) 939-3254
(Registrant's Telephone Number, Including Area Code)

N/A
(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 (17 CFR 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))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock	GLXZ	OTCQB marketplace

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

EXPLANATORY NOTE

On August 24, 2020, Galaxy Gaming, Inc. (“Galaxy” or the “Company”) filed Form 8-K with the Securities and Exchange Commission (“SEC”) announcing that it had completed the previously announced acquisition of Progressive Games Partners LLC (“PGP”).

This Amendment amends the Initial 8-K to provide the financial statements and pro forma financial information referred to in parts (a) and (b) of Item 9.01 below relating to the transactions described above. Except as otherwise noted, all other information in the Initial Form 8-K remains unchanged.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements.

The audited carve-out financial statements of Progressive Games Partners LLC – Acquired Interest as of December 31, 2019 and for the year then ended are attached as Exhibit 99.1 to this Amendment and incorporated herein by reference.

The unaudited carve-out financial statements of Progressive Games Partners LLC – Acquired Interest for the six months ended June 30, 2020 are attached as Exhibit 99.2 to this Amendment and incorporated herein by reference.

(b) Pro Forma Financial Information.

The following unaudited pro forma information related to the Progressive Games Partners LLC Acquisition is attached as Exhibit 99.3 to this Amendment and incorporated herein by reference:

- (i) Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2020.
- (ii) Unaudited Pro Forma Condensed Combined Statement of Operations for the Year Ended December 31, 2019.
- (iii) Unaudited Pro Forma Condensed Combined Statement of Operations for the Six Months Ended June 30, 2020.

d) The following exhibits are filed as a part of this amended Report.

Exhibit Number	Description of Exhibit
23.1	<u>Consent of RBSM, LLP</u>
99.1	<u>Audited Carve-out Financial Statements of Progressive Games Partners LLC – Acquired Interest</u>
99.2	<u>Unaudited Carve-out Financial Statements of Progressive Games Partners LLC – Acquired Interest</u>
99.3	<u>Unaudited Pro Forma Condensed Combined Financial Information</u>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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.

Dated: December 16, 2021

GALAXY GAMING, INC.

By: /s/ Harry C. Hagerty

Harry C. Hagerty
Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (File No.: 333-237796) of Galaxy Gaming, Inc. of our report dated December 16, 2021, relating to the carve-out financial statements of Progressive Games Partners – acquired interest, A carve-out of Progressive Games Partners, LLC., (the “Company”) which appears in this Form 8-K/A.

/s/ RBSM LLP

Henderson, Nevada
December 16, 2021

***PROGRESSIVE GAMES PARTNERS -
ACQUIRED INTEREST***
CARVE OUT FINANCIAL STATEMENTS
DECEMBER 31, 2019

Contents

Page**Report Of Independent Registered Public
Accounting Firm 1 - 2****Financial Statements**

Carve Out Balance Sheet 3

Carve Out Statement Of Operations 4

Carve Out Statement Of Acquired Members' Equity 5

Carve Out Statement Of Cash Flows 6

Notes To Carve Out Financial Statements 7 - 13

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Galaxy Gaming, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheet of Progressive Games Partners – acquired interest, A carve-out of Progressive Games Partners, LLC (the “Company”), as of December 31, 2019, and the related carve-out statements of operations, changes in acquired members’ equity and cash flows for the year ended December 31, 2019 and the related notes (collectively referred to as the “carve-out financial statements”). In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These carve-out financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The company is not required to have, nor were we engaged to perform, an audit of the Company’s internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting, 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.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Emphasis of Matter

As discussed in Note 1, Progressive Games Partners LLC is a subsidiary of Progressive Games Licensing LLC and parent company to its subsidiaries, Games Marketing Limited, Felt Limited, and Mine International Limited. The carve-out financial statements of the Progressive Games Partners LLC reflect the assets, liabilities, revenue and expenses directly attributable to Progressive Games Partners LLC, not including any subsidiaries' financial information, to present the carve-out financial position, results of operations, changes in acquired members' equity and cash flows of Progressive Games Partners LLC on a stand-alone basis and do not necessarily reflect the carve-out financial position, results of operations, changes in stockholders' equity and cash flows of Progressive Games Partners LLC in the future or what they would have been had the Progressive Games Partners LLC been a separate, stand-alone entity during the periods presented. Our opinion is not modified with respect to this matter.

On February 25, 2020, Galaxy Gaming, Inc., completed a membership interest purchase agreement with Progressive Games Partners LLC, a subsidiary of Progressive Games Licensing LLC, in accordance with the terms of the First Amendment to Membership Interest Purchase Agreement dated as of August 21, 2020. Following the completion of the Progressive Games Partners LLC purchase, the business conducted by Progressive Games Partners LLC became the business conducted by Galaxy Gaming, Inc.

We have served as the Company's auditor since 2020.

/s/ RBSM LLP
Henderson, NV
December 16, 2021

PROGRESSIVE GAMES PARTNERS - ACQUIRED INTEREST

CARVE OUT BALANCE SHEET
December 31, 2019**Assets**

Current Assets	
Cash	\$ 633,969
Accounts receivable	<u>792,184</u>
Total Current Assets	<u>1,426,153</u>
Intangible Assets, Net	<u>22,997</u>
Total Assets	<u>\$ 1,449,150</u>

Liabilities And Acquired Members' Equity

Current Liabilities	
Accounts payable and accrued expenses	\$ 778,344
Short-term notes payable - related party	504,650
Revenue contract liability	39,850
Taxes payable	<u>17,658</u>
Total Current Liabilities	<u>1,340,502</u>
Acquired Members' Equity	<u>108,648</u>
Total Liabilities And Acquired Members' Equity	<u>\$ 1,449,150</u>

PROGRESSIVE GAMES PARTNERS - ACQUIRED INTEREST**CARVE OUT STATEMENT OF OPERATIONS**
For The Year Ended December 31, 2019

Net Sales	\$ 2,675,227
Selling, General And Administrative Expenses	<u>1,378,071</u>
Income From Operations	<u>1,297,156</u>
Other Income (Expense)	
Loss on related party notes receivable	(1,380,085)
Unrealized gain on foreign exchange, net	16,056
Realized gain on foreign exchange, net	5,654
Interest expense, net	<u>(34,256)</u>
Total Other Expense	<u>(1,392,631)</u>
Net Loss	<u>\$ (95,475)</u>

PROGRESSIVE GAMES PARTNERS - ACQUIRED INTEREST**CARVE OUT STATEMENT OF ACQUIRED MEMBERS' EQUITY**
For The Year Ended December 31, 2019

	<u>Class A Units</u>		<u>Retained Earnings</u>	<u>Total Acquired Members' Equity</u>
	<u>Number Of Units</u>	<u>Amount</u>		
Balance - January 1, 2019	5	\$ 3	\$ 2,079,120	\$ 2,079,123
Distributions Paid	—	—	(1,875,000)	(1,875,000)
<u>Net Loss</u>	—	—	(95,475)	(95,475)
<u>Balance - December 31, 2019</u>	<u>5</u>	<u>\$ 3</u>	<u>\$ 108,645</u>	<u>\$ 108,648</u>

PROGRESSIVE GAMES PARTNERS - ACQUIRED INTEREST

STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2019

Cash Flows From Operating Activities	
Net loss	\$ (95,475)
Adjustments to reconcile net loss to net cash from operating activities:	
Amortization	6,000
Unrealized gain on foreign exchange, net	(16,056)
Loss on related party notes receivable	1,380,085
Bad debt expense	349,548
Changes in assets and liabilities:	
Accounts receivable	578,338
Revenue contract liability	233
Taxes payable	4,903
Accounts payable and accrued expenses	<u>(20,193)</u>
Net Cash Provided By Operating Activities	<u>2,187,383</u>
Cash Flows From Investing Activities	
Advances on related party notes receivable, net	<u>(214,486)</u>
Net Cash Used In Investing Activities	<u>(214,486)</u>
Cash Flows From Financing Activities	
Proceeds from related party short-term note payable	4,650
Payment of distributions	<u>(1,875,000)</u>
Net Cash Used In Financing Activities	<u>(1,870,350)</u>
Net Increase In Cash	102,547
Cash - Beginning Of Year	<u>531,422</u>
Cash - End Of Year	<u>\$ 633,969</u>
Supplemental Disclosure Of Cash Flow Information	
Interest paid	<u>\$ 34,256</u>

PROGRESSIVE GAMES PARTNERS - ACQUIRED INTEREST

NOTES TO CARVE OUT FINANCIAL STATEMENTS

December 31, 2019

1. Summary Of Significant Accounting Policies

Organization

Progressive Games Partners LLC (the Company) was organized and registered in the Isle of Man on October 8, 2003 under the Limited Liability Companies Act of 1996. The Company has a single class of membership interests. The members are not liable for the debts, obligations or liabilities of the Company.

Basis Of Presentation

On August 21, 2020, Galaxy Gaming, Inc. (Galaxy) acquired 100% of the membership interests of the Company (the Acquisition). The Acquisition did not include the Company's ownership interests in the following entities: Mine International Limited, Felt Limited, Games Marketing Limited and Jingle Prize, Inc. (the Excluded Subsidiaries). Throughout the period covered by these carve out financial statements, the Company did not consolidate the Excluded Subsidiaries.

Consequently, consolidated financial statements historically have not been prepared. As such, the Company has prepared the accompanying carve out financial statements as of and for the year ended December 31, 2019. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America from the historical accounting records of the Company without regard to the Excluded Subsidiaries. All results of operations, assets, and liabilities of the Company, except those of the Excluded Subsidiaries, are reflected in these carve out financial statements.

Cash

The Company considers cash on hand, cash in banks, certificates of deposit, and other short-term securities with maturities of three months or less when purchased, as cash and cash equivalents. All of the Company's cash is held in institutions outside of the United States.

Accounts Receivable

Accounts receivable are stated at face value less an allowance for doubtful accounts. Accounts receivable are non-interest bearing. The Company reviews the accounts receivable on a monthly basis to determine if any receivables will potentially be uncollectible. The allowance for doubtful accounts is estimated based on specific customer reviews, historical collection trends and current economic and business conditions. Management believes that no allowance is necessary as of December 31, 2019.

Other Intangible Assets, Net

Other intangible assets consist primarily of acquired rights to games, which have a finite life and are being amortized using the straight-line method over estimated economic lives of 10 years.

Other intangible assets are analyzed for potential impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable and exceeds the fair value, which is the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the intangible assets. There were no events or changes in circumstances that would indicate a possible impairment as of December 31, 2019.

Revenue Recognition

The Company generates revenue primarily from the licensing of the Company's intellectual property.

The Company derives royalty revenue from both fixed fee and sales-based recurring license fee agreements. The Company accounts for these agreements as month-to-month contracts and recognizes revenue each month as the Company satisfies performance obligations by granting access to intellectual property to clients. The Company has determined that it is the principal in transactions where it is the owner of the licensed intellectual property. The Company is the agent in transactions where it licenses intellectual property that it does not own. This revenue is presented net of the related royalty payments. For the year ended December 31, 2019, royalties of \$2.3 million were included as a reduction of net sales in the statement of operations.

Foreign Currency Transactions

The Company's functional currency is the U.S. Dollar. The Company records foreign currency transactions at the exchange rate prevailing at the date of the transaction. Subsequent exchange gains and losses from foreign currency remeasurements are included in other income (expense) of the Company's carve out statement of operations.

Use Of Estimates And Assumptions

The Company is required to make estimates, judgments and assumptions that the Company believes are reasonable based on the Company's historical experience, contract terms, observance of known trends in the Company and the industry as a whole and information available from other outside sources. The Company's estimates affect reported amounts for assets, liabilities, revenues, expenses and related disclosures. Actual results may differ from initial estimates.

New Accounting Standards Not Yet Adopted**Financial Instruments - Credit Losses**

In February 2020, the FASB issued ASU No. 2020-02, *Financial Instruments - Credit Losses* (Topic 326). ASU 2020-02 provides updated guidance on how an entity should measure credit losses on financial instruments and delayed the effective date of Topic 326 for certain small public companies and other private companies until fiscal years beginning after December 15, 2023. Early adoption is permitted. The Company does not believe the adoption of this guidance will have a material impact on the Company's financial statements.

2. Revenue Recognition**Disaggregation Of Revenue**

The following table disaggregates the Company's revenue by geographic location for the year ended December 31, 2019:

Europe	\$ 2,485,162
North America	190,065
Total Revenue	<u>\$ 2,675,227</u>

Revenue Contract Liability

The Company invoices certain clients monthly in advance for unlimited use of the Company's intellectual property licenses and recognizes a revenue contract liability that represents such advanced billing to the Company's clients for unsatisfied performance obligations. The Company reduces the revenue contract liability and recognizes revenue when the Company transfers those goods or services and, therefore, satisfies the Company's performance obligation.

The table below summarizes changes in the revenue contract liability during year ended December 31, 2019:

Beginning balance - January 1, 2019	\$ 39,617
Increase (advance billings)	39,850
Decrease (revenue recognition)	(39,617)
Ending balance - December 31, 2019	\$ 39,850

Revenue recognized during the year ended December 31, 2019 that was included in the beginning balance of revenue contract liability above was \$39,617.

3. Intangible Assets

Intangible assets, net consisted of the following at December 31, 2019:

Games	\$ 2,508,000
Less: Accumulated amortization	<u>2,485,003</u>
Intangible assets, net	<u>\$ 22,997</u>

For the year ended December 31, 2019, amortization expense related to the finite-lived intangible assets was \$6,000.

PROGRESSIVE GAMES PARTNERS - ACQUIRED INTEREST

Notes To Carve Out Financial Statements (Continued)

Estimated future amortization expense is as follows:

<u>December 31,</u>	<u>Amount</u>
2020	\$ 6,000
2021	6,000
2022	6,000
2023	4,997
<u>Total</u>	<u>\$ 22,997</u>

4. Notes Payable

Notes payable consisted of the following at December 31, 2019:

6909 Ventures LLC	\$ 500,000
Games Marketing Limited	<u>4,650</u>
	<u>\$ 504,650</u>

The note payable to 6909 Ventures LLC is subject to interest of \$7,500 per quarter and is repayable on demand. In July 2020, the note was repaid in full.

Games Marketing Limited is a wholly-owned subsidiary of the Company. The note payable to Games Marketing Limited is unsecured, interest free, and repayable on demand.

5. Related Party Transactions

During 2019, the Company paid \$682,913 to Games Marketing Limited in respect of agency fees. As of December 31, 2019, \$528 due from Games Marketing Limited was included in accounts payable and accrued expenses.

During 2019, revenue of \$19,817 was earned from Felt Limited, a company related through ownership.

During 2019, fees of \$168,930 were paid direct to Boston Limited, a company with common ownership, in respect of professional services provided. As of December 31, 2019, \$15,755 owed to Boston Limited was included in accounts payable and accrued expenses.

During 2019, the Company wrote off two related-party notes receivable totaling \$1,380,085 that it had determined were uncollectible.

6. Commitments And Contingencies

Concentration of risk. The Company is exposed to risks associated with clients who represent a significant portion of total revenues and accounts receivable. For the year ended December 31, 2019, revenue from two customers represented 81% of the Company's total revenue. Accounts receivable from these two customers represented 69% of total accounts receivable as of December 31, 2019.

Approximately 85% of the Company's revenues are generated from games licensed from eight entities.

7. Income Taxes

The Company is a limited liability company, and as such, is not subject to entity level income taxes. All taxable income and losses are passed through to the individual members. The Company follows accounting rules for uncertain tax positions. These rules require financial statement recognition of the impact of a tax position if a position is more likely than not of being sustained on audit, based on the technical merits of the position. These rules also provide guidance on measurement, derecognition, classification, interest and penalties, and disclosure requirements for uncertain tax positions. All federal and state tax returns remain subject to examination by taxing authorities.

8. Subsequent Events

The Company evaluates subsequent events through the date of issuance of the financial statements. There have been no subsequent events that occurred during such period that would require adjustment to or disclosure in the financial statements as of and for the year ended December 31, 2019 except as follows:

Purchase Transaction

On February 25, 2020, the Company and Galaxy entered into a Membership Interest Purchase Agreement (the MIPA), pursuant to which Galaxy agreed to acquire 100% of the equity interests in the Company for \$12.425 million. Of the consideration, at least \$6.425 million but no more than \$10.425 million was to be paid in cash; any amounts not paid in cash were to be paid in newly issued shares of Galaxy's common stock valued at \$1.91 per share.

On August 21, 2020, the Company and Galaxy entered a First Amendment to the MIPA (the First Amendment). Pursuant to the First Amendment, the Company and Galaxy agreed that the cash component of the purchase price would be \$6.425 million and that the stock component would be satisfied through the issuance of 3,141,361 shares of Galaxy common stock. The purchase was completed on August 21, 2020.

For the year ended December 31, 2019, royalties to Galaxy of approximately \$900,000 were included as a reduction of net sales. As of December 31, 2019, \$453,550 due to Galaxy was included in accounts payable and accrued expenses on the balance sheet.

***PROGRESSIVE GAMES PARTNERS -
ACQUIRED INTEREST***
CARVE OUT CONDENSED FINANCIAL STATEMENTS
JUNE 30, 2020

Contents

	Page
Condensed Financial Statements	
Carve Out Condensed Balance Sheet	3
Carve Out Condensed Statement Of Operations	4
Carve Out Condensed Statement Of Acquired Members' Equity (Deficit)	5
Carve Out Condensed Statement Of Cash Flows	6
Notes To Carve Out Condensed Financial Statements	7 - 10

PROGRESSIVE GAMES PARTNERS - ACQUIRED INTEREST

CARVE OUT CONDENSED BALANCE SHEET**June 30, 2020****(Unaudited)****Assets****Current Assets**

Cash	\$	913,402
Accounts receivable		856,455
Total Current Assets		<u>1,769,857</u>

Intangible Assets, Net19,997**Total Assets**\$ 1,789,854**Liabilities And Acquired Members' Deficit****Current Liabilities**

Accounts payable and accrued expenses	\$	1,231,036
Short-term notes payable		504,322
Revenue contract liability		77,408
Taxes payable		41,508
Total Current Liabilities		<u>1,854,274</u>

Acquired Members' Deficit(64,420)**Total Liabilities And Acquired Members' Deficit**\$ 1,789,854

PROGRESSIVE GAMES PARTNERS - ACQUIRED INTEREST

CARVE OUT CONDENSED STATEMENT OF OPERATIONS

For The Six Months Ended June 30, 2020

(Unaudited)

Net Sales	\$	1,532,760
Selling, General And Administrative Expenses		<u>781,720</u>
Income From Operations		<u>751,040</u>
Other Expense		
Bad debt expense		(893,594)
Loss on foreign exchange, net		(4,166)
Interest expense, net		<u>(16,602)</u>
Total Other Expense		<u>(914,362)</u>
Net Loss	\$	<u><u>(163,322)</u></u>

PROGRESSIVE GAMES PARTNERS - ACQUIRED INTEREST

**CARVE OUT CONDENSED STATEMENT OF
ACQUIRED MEMBERS' EQUITY (DEFICIT)**

**For The Six Months Ended June 30, 2020
(Unaudited)**

	Class A Units		Retained Earnings (Deficit)	Acquired Members' Equity (Deficit)
	Number Of Units	Amount		
Balance - January 1, 2020	5	\$ 3	\$ 108,645	\$ 108,648
Distributions Paid	—	—	(9,746)	(9,746)
Net Loss	—	—	(163,322)	(163,322)
Balance - June 30, 2020	5	\$ 3	\$ (64,423)	\$ (64,420)

See the notes to the carve out condensed financial statements.

Page 5

PROGRESSIVE GAMES PARTNERS - ACQUIRED INTEREST

CARVE OUT CONDENSED STATEMENT OF CASH FLOWS**For The Six Months Ended June 30, 2020****(Unaudited)****Cash Flows From Operating Activities**

Net loss	\$	(163,322)
Adjustments to reconcile net loss to net cash from operating activities:		
Amortization		3,000
Bad debt expense		893,594
Changes in assets and liabilities:		
Accounts receivable		(957,865)
Revenue contract liability		37,558
Taxes payable		23,850
Accounts payable and accrued expenses		452,692

Net Cash Provided By Operating Activities

289,507**Cash Flows From Financing Activities**

Proceeds from related party short-term note payable		(328)
Payment of distributions		(9,746)

Net Cash Used In Financing Activities

(10,074)**Net Change In Cash**

279,433

Cash - Beginning Of Period

633,969**Cash - End Of Period**

\$ 913,402**Supplemental Disclosure Of Cash Flow Information**

Interest paid	\$	16,602
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PROGRESSIVE GAMES PARTNERS - ACQUIRED INTEREST

NOTES TO CARVE OUT CONDENSED FINANCIAL STATEMENTS

June 30, 2020

(Unaudited)

1. Summary Of Significant Accounting Policies

Organization

Progressive Games Partners LLC (the Company) was organized and registered in the Isle of Man on October 8, 2003 under the Limited Liability Companies Act of 1996. The Company has a single class of membership interests. The members are not liable for the debts, obligations or liabilities of the Company.

Basis Of Presentation

On August 21, 2020, Galaxy Gaming, Inc. (Galaxy) acquired 100% of the membership interests of the Company (the Acquisition). The Acquisition did not include the Company's ownership interests in the following entities: Mine International Limited, Felt Limited, Games Marketing Limited and Jingle Prize, Inc. (the Excluded Subsidiaries). Throughout the period covered by these carve out financial statements, the Company did not consolidate the Excluded Subsidiaries.

Consequently, consolidated financial statements historically have not been prepared. As such, the Company has prepared the accompanying carve out financial statements as of and for the six months ended June 30, 2020. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S.GAAP) from the historical accounting records of the Company without regard to the Excluded Subsidiaries. All results of operations, assets, and liabilities of the Company, except those of the Excluded Subsidiaries, are reflected in these carve out financial statements.

The accompanying condensed carve out financial statements have been prepared in accordance with U.S. GAAP and the rules of the Securities and Exchange Commission (SEC). In the opinion of management, the accompanying condensed carve out financial statements contain all necessary adjustments (including all those of a recurring nature and those necessary in order for the financial statements to be not misleading) and all disclosures to present fairly the Company's financial position and the results of the Company's operations and cash flows for the period presented. As permitted by the rules and regulations of the SEC, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to those rules and regulations. These condensed carve out financial statements should be read in conjunction with the Company's audited carve out financial statements for the fiscal year ended December 31, 2019.

2. Revenue Recognition**Disaggregation Of Revenue**

The following table disaggregates the Company's revenue by geographic location for the six months ended June 30, 2020:

Europe	\$	1,376,004
North America		<u>156,756</u>
Net Sales	\$	<u><u>1,532,760</u></u>

Revenue Contract Liability

The Company invoices certain clients monthly in advance for unlimited use of the Company's intellectual property licenses and recognizes a revenue contract liability that represents such advanced billing to the Company's clients for unsatisfied performance obligations. The Company reduces the revenue contract liability and recognizes revenue when the Company transfers those goods or services and, therefore, satisfies the Company's performance obligation.

The table below summarizes changes in the revenue contract liability during six months ended June 30, 2020:

Beginning balance - January 1, 2020	\$	39,850
Increase (advance billings)		77,408
Decrease (revenue recognition)		<u>(39,850)</u>
Ending balance - June 30, 2020	\$	<u><u>77,408</u></u>

Revenue recognized during the six months ended June 30, 2020 that was included in the beginning balance of revenue contract liability above was \$39,850.

For the six months ended June 30, 2020, royalties of \$1.1 million were included as a reduction of net sales in the statement of operations.

3. Related Party Transactions

Games Marketing Limited is a wholly-owned subsidiary of the Company. The Company has a note payable to Games Marketing Limited in the amount of \$4,322 that is included in short-term notes payable on the carve out balance sheet. The note is unsecured, interest free, and repayable on demand. During the first six months of 2020, the Company paid \$196,147 to Games Marketing Limited in

respect of agency fees. As of June 30, 2020, \$377 due from Games Marketing Limited was included in accounts payable and accrued expenses.

During the first six months of 2020, revenue of \$19,540 was earned from Felt Limited, a company related through ownership.

During the first six months of 2020, fees of \$75,929 were paid direct to Boston Limited, a company with common ownership, in respect of professional services provided. As of June 30, 2020, no amount owed to Boston Limited was included in accounts payable and accrued expenses.

4. Commitments And Contingencies

Concentration of risk. The Company is exposed to risks associated with clients who represent a significant portion of total revenues and accounts receivable. For the six months ended June 30, 2020, revenue from two customers represented 75% of the Company's total revenue. Accounts receivable from these two customers represented 80% of total accounts receivable as of June 30, 2020.

Approximately 84% of the Company's net revenues are generated from games licensed from eight entities.

5. Subsequent Events

The Company evaluates subsequent events through the date of issuance of the financial statements. There have been no subsequent events that occurred during such period that would require adjustment to or disclosure in the financial statements as of and for the six months ended June 30, 2020 except as follows:

In July 2020, a note payable to 6909 Ventures LLC in the amount of \$500,000 was repaid in full.

Purchase Transaction

On February 25, 2020, the Company and Galaxy entered into a Membership Interest Purchase Agreement (the MIPA), pursuant to which Galaxy agreed to acquire 100% of the equity interests in the Company for \$12.425 million. Of the consideration, at least \$6.425 million but no more than \$10.425 million was to be paid in cash; any amounts not paid in cash were to be paid in newly issued shares of Galaxy's common stock valued at \$1.91 per share.

On August 21, 2020, the Company and Galaxy entered a First Amendment to the MIPA (the First Amendment). Pursuant to the First Amendment, the Company

PROGRESSIVE GAMES PARTNERS - ACQUIRED INTEREST

Notes To Carve Out Financial Statements *(Continued)*

and Galaxy agreed that the cash component of the purchase price would be \$6.425 million and that the stock component would be satisfied through the issuance of 3,141,361 shares of Galaxy common stock. The purchase was completed on August 21, 2020.

For the six months ended June 30, 2020, the Company paid royalties of approximately \$0.6 million to Galaxy. As of June 30, 2020, \$182,248 due to Galaxy was included in accounts payable and accrued expenses on the carve out condensed balance sheet.

Unaudited Pro Forma Condensed Combined Financial Information

The following unaudited pro forma condensed combined balance sheet as of June 30, 2020 and the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2019 and the six months ended June 30, 2020 are based on the historical financial statements of the Galaxy Gaming, Inc. (the Company) and historical carve-out financial statements of Progressive Games Partners LLC (PGP) – Acquired Interest giving effect to the Asset Acquisition. The Company and PGP shall collectively be referred to herein as “the Companies.” The Companies, subsequent to the Asset Acquisition, shall be referred to herein as “the Combined Company.”

The historical carve-out financial statements of the acquired interest in PGP have been presented herein, as opposed to the complete historical financial statements. The historical carve-out financial statements of the acquired interest in PGP represent the highest level of financial statements that present the full financial position and results of operations of the underlying acquired assets.

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2019 and for the six months ended June 30, 2020 give pro forma effect to the Asset Acquisition as if it had occurred on January 1, 2019. The unaudited pro forma condensed combined balance sheet as of June 30, 2020 assumes that the Asset Acquisition was completed on June 30, 2020.

The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2019 was derived from PGP’s audited carve-out statement of operations for the year ended December 31, 2019 and the Company’s audited statement of operations for the year ended December 31, 2019. The unaudited pro forma condensed combined balance sheet and statement of operations as of and for the six months ended June 30, 2020 were derived from PGP’s unaudited carve-out financial statements as of and for the six months ended June 30, 2020 and the Company’s condensed unaudited financial statements as of and for the six months ended June 30, 2020.

On August 21, 2020, the Company acquired 100% of the membership interests of PGP and determined that, for accounting purposes, the PGP transaction did not meet the definition of a business combination and, therefore, has been accounted for as an asset acquisition. The Acquisition did not include PGP’s ownership interests in the following entities: Mine International Limited, Felt Limited, Games Marketing Limited and Jingle Prize, Inc. (the Excluded Subsidiaries). Throughout the period covered by these carve out financial statements, PGP did not consolidate the Excluded Subsidiaries.

GALAXY GAMING, INC.

**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
JUNE 30, 2020**

	Historical As of June 30, 2020				
	Company	Progressive Games Partners LLC-Acquired Interst	Pro Forma Adjustments For Asset Acquisition		
ASSETS					
Current assets					
Cash and cash equivalents	\$ 9,641,392.00	\$ 913,402	\$ (6,552,586) (a)		\$ 4,002,208
Accounts receivable, net	1,013,548	856,455	(453,550) (b)		1,416,453
Inventory, net	725,297	-	-		725,297
Income tax receivable	272,347	-	-		272,347
Dua from seller	-	-	84,417 (c)		84,417
Prepays and other current assets	875,497	-	-		875,497
Total current assets	12,528,081	1,769,857	(6,921,719)		7,376,219
Property and equipment, net	122,073	-			122,073
Operating lease right-of-use assets	168,559	-			168,559
Assets deployed at client locations, net	307,583	-			307,583
Goodwill	1,091,000	-			1,091,000
Other intangible assets, net	6,674,225	19,997	(19,997) (d)		17,216,339
			10,542,114 (a)		
Deferred tax assets, net	1,025,798	-	-		1,025,798
Total assets	<u>\$ 21,917,319</u>	<u>\$ 1,789,854</u>	<u>\$ 3,600,398</u>		<u>\$ 27,307,571</u>
LIABILITIES AND ACQUIRED MEMBERS' / STOCKHOLDERS' EQUITY (DEFICIT)					
Current liabilities					
Accounts payable	\$ 1,199,450	\$ 1,231,036	\$ (453,550) (b)		\$ 1,976,936
Accrued expenses	411,291	-	-		411,291
Revenue contract liability	371,256	77,408	-		448,664
Current portion of long-term debt	2,564,812	-	-		2,564,812
Current portion of operating lease liabilities	151,330	-	-		151,330
Short-term notes payable	-	504,322	-		504,322
Taxes payable	-	41,508	-		41,508
Total current liabilities	4,698,139	1,854,274	(453,550)		6,098,863
Long-term operating lease liabilities	17,650	-	-		17,650
Long-term liabilities, net	46,377,926	-	-		46,377,926
Interest rate swap liabilities	174,175	-	-		174,175
Total liabilities	<u>51,267,890</u>	<u>1,854,274</u>	<u>(453,550)</u>		<u>52,668,614</u>
Preferred stock, 10,000,000 authorized. \$0.001 par value; 0 shares issued and outstanding	-	-	-		-
Common stock, 65,000,000 authorized. \$0.001 par value; 21,477,638 shares issued and outstanding	18,336	-	3,141 (a)		21,477
Acquired members' deficit	-	(64,420)	64,420 (e)		-
Additional paid-in capital	6,167,346	-	3,986,387 (a)		10,153,733
Accumulated deficit	(35,536,253)	-	-		(35,536,253)
Total acquired members' / stockholders' equity (deficit)	<u>(29,350,571)</u>	<u>(64,420)</u>	<u>4,053,948</u>		<u>(25,361,043)</u>
Total liabilities and acquired members' / stockholders' equity (deficit)	<u>\$ 21,917,319</u>	<u>\$ 1,789,854</u>	<u>\$ 3,600,398</u>		<u>\$ 27,307,571</u>

See accompanying notes to the pro forma condensed combined financial statements.

GALAXY GAMING, INC.

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Historical For the Year Ended December 31, 2019			Pro Forma Adjustments for Asset Acquisition		Pro Forma Combined
Company	Progressive Games Partners LLC - Acquired Interest	Pro Forma Adjustments for Asset Acquisition		Pro Forma Combined		
Net revenue	\$ 21,300,996	\$ 2,675,227	\$ (899,327)	(a)	\$ 23,976,223	
			899,327	(a)		
Total revenue	21,300,996	2,675,227	-		23,976,223	
Costs and expenses:						
Cost of ancillary products and assembled components	230,462	-	-		230,462	
Selling, general and administrative	13,295,475	2,752,156	-		16,047,631	
Research and development	821,127	-	-		821,127	
Depreciation and amortization	1,953,560	6,000	(6,000)	(b)	3,124,906	
			1,171,346	(c)		
Share-based compensation	927,696	-	-		927,696	
Total costs and expenses	17,228,320	2,758,156	1,165,346		21,151,822	
Income (loss) from operations	4,072,676	(82,929)	(1,165,346)		2,824,401	
Other income (expense):						
Interest income	68,634	-	-		68,634	
Interest expense	(1,189,976)	(34,256)	-		(1,224,232)	
Foreign currency exchange gain	46,375	21,710	-		68,085	
Change in estimated fair value of interest rate swap liability	(44,315)	-	-		(44,315)	
Total other expense	(1,119,282)	(12,546)	-		(1,131,828)	
Income (loss) before provision for income taxes	2,953,394	(95,475)	(1,165,346)		1,692,573	
Provision for income taxes	(10,018)	-	264,772	(d)	254,754	
Net income (loss)	\$ 2,943,376	\$ (95,475)	\$ (900,574)		\$ 1,947,327	
Pro forma weighted-average shares outstanding:						
Basic	25,521,232		3,141,361	(e)	28,662,593	
Diluted	27,144,397		3,141,361	(e)	30,285,758	
Pro forma net income per share:						
Basic					\$ 0.07	
Diluted					\$ 0.06	

See accompanying notes to the pro forma condensed combined financial statements.

GALAXY GAMING, INC.

**UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2020**

	Historical For the Six Months Ended June 30, 2020			Pro Forma Adjustments For Asset Acquisition		Pro Forma Combined
Company	Progressive Games Partners LLC - Acquired Interest	Pro Forma Adjustments For Asset Acquisition		Pro Forma Combined		
Net revenue	\$ 5,158,289	\$ 1,532,760	\$ (587,805) (a)	\$ 6,691,049		
Total revenue	5,158,289	1,532,760	-	6,691,049		
Costs and expenses:						
Cost of ancillary products and assembled components	29,713	-	-	29,713		
Selling, general and administrative	5,430,688	1,672,314	-	7,103,002		
Research and development	294,252	-	-	294,252		
Depreciation and amortization	924,291	3,000	(3,000) (b)	1,509,964		
			585,673 (c)			
Share-based compensation	334,265	-	-	334,265		
Total costs and expenses	7,013,209	1,675,314	582,673	9,271,196		
Loss from operations	(1,854,920)	(142,554)	(582,673)	(2,580,147)		
Other income (expense):						
Interest income	23,900	-	-	23,900		
Interest expense	(344,841)	(16,602)	-	(361,443)		
Share redemption consideration	(390,964)	-	-	(390,964)		
Foreign currency exchange loss	(115,989)	(4,166)	-	(120,155)		
Change in estimated fair value of interest rate swap liability	(33,680)	-	-	(33,680)		
Total other expense	(861,574)	(20,768)	-	(882,342)		
Income before benefit for income taxes	(2,716,494)	(163,322)	(582,673)	(3,462,489)		
Benefit for income taxes	626,515	-	156,659 (d)	783,174		
Net loss	\$ (2,089,979)	\$ (163,322)	\$ (426,014)	\$ (2,679,315)		
Pro forma weighted-average shares outstanding:						
Basic	18,135,013		3,141,361 (e)	21,276,374		
Diluted	18,135,013		3,141,361 (e)	21,276,374		
Pro forma net loss per share:						
Basic				\$ (0.13)		
Diluted				\$ (0.13)		

See accompanying notes to the pro forma condensed combined financial statements.

GALAXY GAMING, INC.

NOTES TO THE PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**NOTE 1 – DESCRIPTION OF THE ASSET ACQUISITION***Description of the Asset Acquisition*

On February 25, 2020, Galaxy Gaming, Inc. (the Company) and Progressive Games Partners LLC (PGP) (collectively, the Combined Companies) entered into a Membership Interest Purchase Agreement (the MIPA), pursuant to which the Company agreed to acquire 100% of the equity interests in the PGP for \$12.425 million. Of the consideration, at least \$6.425 million but no more than \$10.425 million was to be paid in cash; any amounts not paid in cash were to be paid in newly issued shares of the Company's common stock valued at \$1.91 per share.

On August 21, 2020, the Company and PGP entered a First Amendment to the MIPA (the First Amendment). Pursuant to the First Amendment, the Company and PGP agreed that the cash component of the purchase price would be \$6.425 million and that the stock component would be satisfied through the issuance of 3,141,361 shares of the Company's common stock. The purchase was completed on August 21, 2020 (the Asset Acquisition). The Asset Acquisition did not include the PGP's ownership interests in the following entities: Mine International Limited, Felt Limited, Games Marketing Limited and Jingle Prize, Inc. (the Excluded Subsidiaries). Throughout the period covered by these pro forma condensed combined financial statements, PGP did not consolidate the Excluded Subsidiaries. The Asset Acquisition does not meet the definition of a business combination and, therefore, has been accounted for as an asset acquisition.

Basis of Presentation

The Asset Acquisition will be accounted for as an asset purchase. The entirety of the purchase price has been allocated to customer relationships and is included in other intangible assets, net, on the Company's pro forma condensed combined balance sheet. See Note 3. The Company also acquired certain receivables and payables in the net amount of \$581,885, which was to be remitted to the sellers of PGP as the receivables and payables were settled.

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2019 and the six months ended June 30, 2020 give pro forma effect to the Asset Acquisition as if it had occurred on January 1, 2019. The unaudited pro forma condensed combined balance sheet as of June 30, 2020 assumes that the Asset Acquisition was completed on June 30, 2020. The unaudited pro forma condensed combined financial statements are based on the historical consolidated financial statements of the Company, the historical carve-out financial statements of PGP – Acquired Interest, and related adjustments.

The unaudited pro forma condensed combined financial statements do not give effect to any anticipated synergies, operating efficiencies or cost savings that may be associated with the Asset Acquisition.

The pro forma adjustments are based on the information currently available. The assumptions and estimates underlying the pro forma adjustments are described in the accompanying notes. The unaudited pro forma condensed combined statements of operations are not necessarily indicative of what the actual results of operations would have been had the Asset Acquisition taken place on the date indicated, nor are they indicative of the future consolidated results of operations of the Combined Company. They should be read in conjunction with the historical consolidated financial statements and notes thereto of the Companies.

NOTE 2 – BASIS OF THE PRO FORMA PRESENTATION

Upon consummation of the Asset Acquisition, the Combined Company will adopt the Company's accounting policies. Differences in the accounting policies among the Companies, when conformed, could have a material impact on the consolidated financial statements of Galaxy.

NOTE 3 – PRO FORMA ADJUSTMENTS

The unaudited pro forma condensed combined financial information has been prepared to illustrate the effect of the Asset Acquisition and has been prepared for informational purposes only. The unaudited pro forma condensed combined statement of operations is not necessarily indicative of what the actual results of operations would have been had the Asset Acquisition taken place on the date indicated, nor is it indicative of the future consolidated results of operations of the Combined Company. The unaudited pro forma condensed combined financial information is based upon the historical consolidated financial statements of the Companies and should be read in conjunction with their historical financial statements.

The historical consolidated financial statements have been adjusted in the unaudited pro forma condensed combined financial information to give effect to pro forma events that are (1) directly attributable to the Asset Acquisition, (2) factually supportable,

GALAXY GAMING, INC.

Notes to the Pro Forma Condensed Combined Financial Statements (Continued)

and (3) with respect to the statements of operations, expected to have a continuing impact on the results of the Combined Company. For the six months ended June 30, 2020, the Company received royalty payments of approximately \$0.6 million from PGP. For the year ended December 31, 2021, the Company received royalty payments of approximately \$0.9 million from PGP.

The pro forma combined consolidated provision for income taxes does not necessarily reflect the amounts that would have resulted had the Companies filed consolidated income tax returns during the periods presented.

The pro forma basic and diluted earnings per share amounts presented in the unaudited pro forma condensed combined statements of operations are based upon the number of the Company's shares outstanding, assuming the Asset Acquisition occurred on January 1, 2019.

Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet

- (a) Reflects the net adjustment to give effect to the Asset Acquisition:

	Purchase Price
Purchase price - cash portion	\$ 6,425,000
Transaction costs - paid in cash	127,586
Subtotal - cash	<u>6,552,586</u>
Purchase price - stock portion	3,989,528 ⁽¹⁾
	<u>\$ 10,542,114</u>
Assets Acquired - Intangible assets	<u>\$ 10,542,114</u>

- (1) Stock portion of purchase price is comprised of 3,141,361 shares of common stock with a value of \$1.27 per share on the date of the Asset Acquisition.

Shares issued	3,141,361
Price per share	\$ 1.27
Purchase price - stock portion	<u>\$ 3,989,528</u>
Common stock issued at par	\$ 3,141
Additional paid-in capital	3,986,387
	<u>\$ 3,989,528</u>

- (b) Represents the adjustment to eliminate Galaxy's accounts receivable from PGP.
(c) Represents the net working capital deficit that is the responsibility of the seller.
(d) Represents the elimination of PGP's historical intangible assets.
(e) Represents the elimination of PGP's historical members' deficit.

Adjustments to Unaudited Pro Forma Condensed Combined Statements of Operations

The pro forma adjustments included in the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2019 and for the six-month period ended June 30, 2020 are as follows:

- (a) Represents the adjustment of Galaxy's revenue from PGP. PGP presents its revenue net of the royalties paid to Galaxy.
(b) Represents the reversal of the amortization of PGP's intangible assets.
(c) Represents the recording of the estimated amortization of acquired intangible assets, with lives of nine years.
(d) Represents Galaxy's estimated tax benefit from the pre-tax losses of PGP at a 21% statutory rate.
(e) Represents the shares issued in the Asset Acquisition.