SEVEN ACES

SEVEN ACES LIMITED

(formerly Quantum International Income Corp.)
CONSOLIDATED FINANCIAL STATEMENTS
For the ten month period ended December 31, 2018 and year ended February 28, 2018
(Expressed in U.S. dollars, unless otherwise stated)

RSM

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Seven Aces Limited (formerly Quantum International Income Corp.)

Opinion

We have audited the consolidated financial statements of Seven Aces Limited (formerly Quantum International Income Corp.), (the Company), which comprise the consolidated statements of financial position as at December 31, 2018 and February 28, 2018 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the ten month period ended December 31, 2018 and the year ended February 28, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and February 28, 2018, and its consolidated financial performance and its consolidated cash flows for the ten month period ended December 31, 2018 and the year ended February 28, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the management discussion and analysis, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained the management discussion and analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Grand Lui.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 30, 2019
Toronto, Ontario

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)
Consolidated Statements of Financial Position
(Expressed in U.S. dollars, unless otherwise stated)
As at,

		December 31, 2018		February 28, 2018
ASSETS				
Current assets				
Cash	$	**2,466,419**	$	4,716,731
Restricted cash (Note 6)		**2,735,586**		1,204,785
Accounts receivable		**2,065,871**		1,422,333
Related party balances (Note 19)		**44,853**		82,354
Note receivable		**-**		346,040
Prepaid expense and other assets		**78,499**		606,574
Derivative asset (Note 9)		**-**		2,765,000
Total current assets		**7,391,228**		11,143,817
Non-current assets				
Restricted cash (Note 6)		**1,000,000**		-
Property and equipment (Note 7)		**6,328,607**		5,339,896
Intangible assets (Note 8)		**39,905,343**		38,141,386
Goodwill (Note 8)		**17,858,977**		17,561,598
Total non-current assets		**65,092,927**		61,042,880
TOTAL ASSETS	$	**72,484,155**	$	72,186,697
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	**5,638,444**	$	4,353,063
Income tax payable		**588,707**		-
Distribution payable (Note 19)		**436,272**		886,704
Current portion of long-term debt (Note 10)		**6,517,349**		58,215
Related party balances (Note 19)		**2,393,086**		1,658,603
Derivative liability - warrants (Note 9)		**3,354,662**		2,421,726
Total current liabilities		**18,928,520**		9,378,311
Deferred income tax liability (Note 17)		**1,239,172**		-
Long-term debt (Note 10)		**60,809,972**		57,163,626
Total liabilities		**80,977,664**		66,541,937
Equity				
Share capital (Note 11)		**33,631,194**		33,301,934
Contributed surplus		**2,642,924**		1,836,748
Deficit		**(48,557,922)**		(37,826,191)
Equity attributable to owners of the parent		**(12,283,804)**		(2,687,509)
Non-controlling interest		**3,790,295**		8,332,269
Total equity		**(8,493,509)**		5,644,760
TOTAL LIABILITIES AND EQUITY	$	**72,484,155**	$	72,186,697

Commitments and contingencies (Note 21)
Subsequent events (Note 24)

ON BEHALF OF THE BOARD

(signed) Manu Sekhri	(signed) Peter Shippen
Manu Sekhri, Director	Peter Shippen, Director

See accompanying notes to the consolidated financial statements

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)
Consolidated Statements of Comprehensive Loss
For the ten month period ended December 31, 2018 and year ended February 28, 2018
(Expressed in U.S. dollars, unless otherwise stated)

	Ten months ended December 31, 2018	Year ended February 28, 2018
Revenue		
Gaming revenue	$ 59,713,046	$ 51,488,496
Location costs	(29,856,523)	(25,744,248)
Revenue after location costs	29,856,523	25,744,248
Operating expenses		
Amortization of property, equipment and intangible assets (Note 7 and 8)	(7,988,908)	(6,756,431)
Impairment	(68,982)	(212,000)
General and administrative expenses (Note 13)	(9,232,226)	(10,900,324)
	(17,290,116)	(17,868,755)
Other expenses		
Finance costs (Note 14)	(9,976,540)	(11,973,602)
Other income	-	122,000
Finance income	10,745	31,192
Gain on settlement of accounts payable (Note 15)	85,400	309,678
Fair value loss on derivative liability (Note 9)	(932,936)	(1,440,760)
Gain (loss) on foreign exchange	32,027	(3,531)
(Extinguishment of) fair value gain on derivative asset (Note 9)	(2,765,000)	572,000
	(13,546,304)	(12,383,023)
Loss before income tax	(979,897)	(4,507,530)
Income tax expense - current (Note 17)	(1,122,730)	-
Income tax expense - deferred (Note 17)	(1,239,172)	-
Net loss and comprehensive loss	$ (3,341,799)	$ (4,507,530)
Net income (loss) and comprehensive income (loss) attributable to:		
Owners of the parent	$ (5,825,957)	$ (7,956,114)
Non-controlling interest	2,484,158	3,448,584
	$ (3,341,799)	$ (4,507,530)
Loss per share (Note 16) - Basic	$ (0.082)	$ (0.120)
Loss per share (Note 16) - Diluted	$ (0.082)	$ (0.120)

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)
Consolidated Statements of Changes in Equity
For the ten month period ended December 31, 2018 and year ended February 28, 2018
(Expressed in U.S. dollars, unless otherwise stated)

	Attributable to Owners of the Parent					
	Share Capital	Contributed Surplus	Deficit	Total	Non-controlling Interest	Total Equity
Balance as at February 28, 2017	**$ 30,695,521**	**$ 1,685,627**	**$ (29,870,077)**	**$ 2,511,071**	**$ 13,416,038**	**$ 15,927,109**
Equity issuance (Note 11)	35,305	-	-	35,305	-	35,305
Warrants exercised (Note 11)	105,260	(29,900)	-	75,360	-	75,360
Options exercised	2,219,743	(1,090,372)		1,129,371		1,129,371
Share transfer options exercised (Note 11)	246,105	(135,000)	-	111,105	-	111,105
Share based compensation (Note 12)	-	1,406,393	-	1,406,393	-	1,406,393
Distributions	-	-	-	-	(8,532,353)	(8,532,353)
Net income (loss) for the year	-	-	(7,956,114)	(7,956,114)	3,448,584	(4,507,530)
Balance as at February 28, 2018	**$ 33,301,934**	**$ 1,836,748**	**$ (37,826,191)**	**$ (2,687,509)**	**$ 8,332,269**	**$ 5,644,760**
Acquisition of non-controlling interests (Note 4)	-	-	(4,905,774)	(4,905,774)	(1,094,226)	(6,000,000)
Options exercised (Note 11)	329,260	(113,391)	-	215,869	-	215,869
Share based compensation (Note 12)	-	919,567	-	919,567	-	919,567
Distributions	-	-	-	-	(5,931,906)	(5,931,906)
Net income (loss) for the period	-	-	(5,825,957)	(5,825,957)	2,484,158	(3,341,799)
Balance as at December 31, 2018	**$33,631,194**	**$ 2,642,924**	**$ (48,557,922)**	**$ (12,283,804)**	**$ 3,790,295**	**$ (8,493,509)**

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)
Consolidated Statements of Cash Flows
For the ten month period ended December 31, 2018 and year ended February 28, 2018
(Expressed in U.S. dollars, unless otherwise stated)

	Ten months ended December 31, 2018	Year ended February 28, 2018
OPERATING ACTIVITIES		
Net loss	**$ (3,341,799)**	$ (4,507,530)
Items not affecting cash		
Amortization of property and equipment and intangible assets	**7,988,908**	6,756,431
Fair value change in derivative liability	**932,936**	1,440,760
Fair value change in derivative asset	**2,765,000**	(572,000)
Accretion expense	**2,034,940**	6,297,594
Share based compensation	**919,567**	1,406,393
Impairment	**68,982**	212,000
Gain on settlement of accounts payable (Note 15)	**(85,400)**	(309,678)
Income tax expense - deferred (Note 17)	**1,239,172**	-
Contingent consideration	**-**	75,017
	12,522,306	10,798,987
Net change in non-cash operating working capital (Note 20)	**1,431,248**	(2,569,434)
Cash flows from operating activities	**13,953,554**	8,229,553
INVESTING ACTIVITIES		
Cash paid for acquisition of operating assets (Note 5)	**(9,378,078)**	(36,583,024)
Cash paid for acquisition of non-controlling interest (Note 4)	**(6,000,000)**	-
Cash paid for deferred and contingent consideration	**-**	(781,159)
Cash paid for location contracts	**-**	(70,000)
Additions to property and equipment	**(1,753,411)**	(2,910,086)
Cash flows used in investing activities	**(17,131,489)**	(40,344,269)
FINANCING ACTIVITIES		
Proceeds from loans payable	**-**	227,335
Repayments of loans payable	**-**	(500,000)
Proceeds from unit issurance	**-**	446,253
Proceeds from share transfer option	**-**	111,105
Proceeds from long term debt (Note 10)	**75,704,240**	-
Proceeds from long term debt - Vehicle	**70,428**	-
Repayment of long term debt	**(63,087,068)**	-
Debt transaction costs (Note 10)	**(4,593,508)**	(2,438,797)
Restricted cash	**(1,000,000)**	-
Proceeds from warrants exercised	**-**	75,360
Proceeds from options exercised (Note 9)	**215,869**	1,129,371
Cash distributions paid to non-controlling interest	**(6,382,338)**	(8,615,967)
Advances from long-term debt	**-**	43,000,000
Cash flows from financing activities	**927,623**	33,434,660
Net change in cash	**(2,250,312)**	1,319,944
Cash, beginning of period	**4,716,731**	3,396,787
Cash, end of period	**$ 2,466,419**	$ 4,716,731
Supplemental information		
Cash interest paid	**$ 4,358,005**	$ 5,539,327

1. CORPORATE INFORMATION

Seven Aces Limited (“ACES” or the “Company”), formerly Quantum International Income Corp., is a publicly listed company incorporated on August 15, 1995 under the laws of Ontario. The Company’s registered head office is located at 79 Wellington St. West, Suite 1630, Toronto ON, M5K 1H1.

The Company changed its fiscal year end from February 28, 2019 to December 31, 2018 in order to align with the subsidiaries’ operations. These consolidated financial statements reflect a ten month period from March 1, 2018 to December 31, 2018 and a comparative twelve month period from March 1, 2017 to February 28, 2018.

The Company is publicly traded on the TSX Venture Exchange. On February 14, 2019, the Company’s shareholders authorized and approved the name change of the Company from “Quantum International Income Corp.” to “Seven Aces Limited”. Shareholders passed a resolution to amend the Company’s articles, completing the shareholder and regulatory processes. The official effective date for the name change was February 14, 2019. Effective February 20, 2019, the Company now trades on the TSX Venture Exchange (“TSX V”) under a new ticker symbol ACES (formerly QIC).

ACES is a gaming company with a vision of building a diversified portfolio of gaming operations. The Company looks to enhance shareholder value by growing organically and through acquisitions. On October 21, 2016, the Company acquired Lucky Bucks, LLC ("LB"), which owns and operates coin operated amusement machines ("COAMs") in the State of Georgia, United States of America through arrangements with location owners. The Company is executing its acquisition strategy in Georgia, United States of America through LB with a particular focus on cash-flows and margins.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (‘IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

The consolidated financial statements of the Company were authorized for issue by the Board of Directors on April 30, 2019.

Basis of Measurement

These consolidated financial statements have been prepared on an accrual basis and under the historical cost basis except for derivative asset and derivative liabilities and contingent consideration, where fair value is used.

Share Consolidation

On March 17, 2017, the Company completed a share consolidation; each common shareholder received one post-consolidation share for every three pre-consolidation shares held.

2. BASIS OF PREPARATION (Cont'd)

Functional and Presentation Currency

These consolidated financial statements of the Company have been prepared in United States dollars, which is the Company's presentation currency. The functional currencies of the entities included in these consolidated financial statements are:

Entity	Functional Currency
Seven Aces Limited ("ACES" or the "Company")	United States dollar
Quantum US Healthcare Corp. ("QHC")	United States dollar
Columbus LTACH Holdings Corp. ("LTACH")	United States dollar
Quantum Gaming Corp ("QGC")	United States dollar
Southern Star Gaming, LLC ("SSG")	United States dollar
Lucky Bucks HoldCo, LLC ("LBH")	United States dollar
Lucky Bucks, LLC ("LB")	United States dollar

Basis of Consolidation

The consolidated financial statements of the Company as at December 31, 2018 and February 28, 2018 comprise the Company and its subsidiaries. The Company's subsidiaries and ownership interests are as follows for the year ended:

	December 2018 Ownership Interest	February 2018 Ownership Interest
Quantum US Healthcare Corp. ("QHC")	100%	100%
Columbus LTACH Holdings Corp. ("LTACH")	100%	100%
Quantum Gaming Corp ("QGC")	100%	100%
Southern Star Gaming, LLC ("SSG")	100%	100%
Lucky Bucks HoldCo, LLC ("LBH")	60% (a)	51%
Lucky Bucks, LLC ("LB")	60% (a)	51%

(a) On August 1, 2018 the Company acquired an additional 9% interest in its subsidiary, LBH, increasing its ownership interest from 51% to 60% (Note 4).

QHC is incorporated in Ontario, LTACH is a Delaware limited liability company, QGC is a Delaware corporation, SSG is a Delaware limited liability company, LBH is a Georgia limited liability company, and LB is a Georgia limited liability company.

Business Combination

The Company uses the acquisition method to account for business combinations, when control is acquired. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.

2. BASIS OF PREPARATION (Cont'd)

Business Combination (Cont'd)

The Company elects on a transaction by transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

Acquisition costs are expensed as incurred, unless they qualify to be treated as debt issue costs, or as cost of issuing equity securities.

Subsidiaries

Subsidiaries are entities over which the Company has control. Control is achieved when the Company has power over its subsidiaries, has exposure or rights to variable returns from the subsidiaries and has the ability to use its power to affect the amount of its returns. Subsidiaries are fully consolidated from the date the Company acquires control of them and are deconsolidated from the date control ceases, refer to gain (loss) recorded in the statement of comprehensive income. Intercompany balances and transactions with subsidiaries are eliminated upon consolidation. For subsidiaries that are not wholly-owned subsidiaries but are controlled by the Company, the net assets (liabilities) and net profit (loss) attributable to outside shareholders are presented as amounts attributable to non-controlling interests in the consolidated statement of financial position, and consolidated statement of income and comprehensive income.

Use of Estimates and Judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In the process of applying the Company's accounting policies, management has made the following significant estimates and judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Significant estimates:

i) The consideration transferred for an acquired business ("purchase price") is assigned to the identifiable tangible and intangible assets purchased and liabilities assumed on the basis of their fair values at the date of acquisition. The identification of assets acquired and liabilities assumed and the valuation thereof is judgmental. Any excess of purchase price over the fair value of the identifiable tangible and intangible assets purchased and liabilities assumed is allocated to goodwill.

ii) When a business combination involves contingent consideration, an amount equal to the fair value of the contingent consideration is recorded as a liability at the time of acquisition. The key assumptions utilized in determining fair value may include probabilities associated with the occurrence of specified future events, financial projections of the acquired business, the timing of future cash flows, and the appropriate discount rate;

iii) Inputs in determining the fair value of options and derivative liability - warrants, such as the volatility and estimated life of the instrument.

2. BASIS OF PREPARATION (Cont'd)

Use of Estimates and Judgments (Cont'd)

Significant judgments:

i) Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case by case basis. As outlined in IFRS 3 Business Combinations, the components of a business must include inputs, processes and outputs;

ii) Deferred tax assets that are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is applied on the timing of reversal of temporary differences, tax rates and current and future taxable income;

iii) Judgment is used to estimate each component of an asset's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, it could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries;

iv) In recognizing revenue, the Company determines it acts as a principal in executing transactions with third parties. Judgment is required to determine if the Company is acting as the principal or an agent in order to determine if revenue should be recognized on a gross or net basis with consideration of COAM payout, location costs and gaming fee;

v) Provisions are accrued for liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the financial statements of financial position and the amount can be reasonably estimated. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company. The adequacy of provisions is regularly assessed as new information becomes available;

vii) Judgment is required when determining whether control or significant influence exists over its investment entities that are not wholly owned; and

viii) Judgment is required when determining whether the arrangement with the store location owners contain a lease for machine rental and floor space.

ix) The determination of the Company's CGUs is judgmental. The identification of CGUs involves an assessment of whether the asset or group of assets generate largely independent cash inflows. This involves consideration of how the Company's core assets are operated and whether these generate independent revenue streams.

Cash

Cash includes cash on hand and deposits held with banks. The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents and excludes cash held in trust.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Restricted Cash

Restricted cash is cash where specific restrictions (Note 6) exist on the Company's ability to use this cash.

Translation of Foreign Currencies

Earnings of operations are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency at the average rate of exchange prevailing during the month the transaction occurs. Monetary assets and liabilities are translated at the period end rate and any resulting gains and losses are included in the net earnings of the foreign operations.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Deferred Tax

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value, using the straightline method over the estimated useful lives of the related assets.

The residual values, useful lives and methods of depreciation of property and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

The estimated useful lives for depreciation purposes are as follows:

Gaming equipment	5 - 10 years
Office furniture and equipment	5 years
Vehicles	5 years
Computer equipment	3 years
Leasehold improvements	Lease term

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive loss when the asset is derecognized.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Assets acquired under finance leases are capitalized and depreciated based on the shorter of the remaining useful life of the assets or the length of the lease.

Operating lease payments excluding location floor space are recognized as an operating expense in the statement of comprehensive loss on a straight line basis over the lease term.

Intangible Assets

Intangible assets are recognized at cost which for intangible assets acquired in a business combination is their fair value at the acquisition date. Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized on a straight-line basis over the estimated useful life of the intangible assets. The estimated useful life is reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives, such as brands and master license are carried at cost less accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Intangible Assets (Cont'd)

The estimated useful lives of intangible assets are as follows:

Master license	Indefinite
Brand	Indefinite
Owner/operator gaming machine contracts	5 years

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Goodwill and Indefinite Life Intangible Assets

Goodwill is initially recognized at cost, being the excess of the purchase price of acquired businesses over the estimated fair value of the tangible and intangible assets acquired and liabilities assumed at the date acquired, and is allocated to the cash generating unit ("CGU") expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separately identifiable cash flows.

Subsequently, goodwill and indefinite life intangible assets are not amortized but are assessed at the end of each reporting period for impairment and more frequently whenever events or circumstances indicate that their carrying value may not be fully recoverable. The annual impairment test requires comparing the carrying values of the Company's CGU, including goodwill, to their recoverable amounts. The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Company determines the value in use using estimated future cash flows discounted at an after-tax rate that reflects the risk adjusted weighted-average cost of capital. Any excess of the carrying value amount of a CGU over the recoverable amount is expensed in the period the impairment is identified. An impairment loss recorded for goodwill is not reversed in a subsequent period.

Upon disposal of a business, any related goodwill is included in the determination of gain or loss on disposal.

Impairment of Long-Lived Assets

Property and equipment and intangible assets with finite useful lives are assessed for impairment at the end of each reporting period for events or circumstances that indicate that the carrying value may not be recoverable. Where an indicator of impairment exists, the recoverable amount of the asset is estimated to determine whether there is an impairment loss. The recoverable amount of an asset is first tested on an individual basis, if determinable, or otherwise at the CGU level. Corporate level assets are allocated to the respective CGUs where an allocation can be done on a reasonable and consistent basis.

The recoverable amount is the higher of fair value less costs to sell and value in use. The best evidence of fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value is based on the best information available to reflect the amount the Company could receive for the asset (or CGU) in an arm's length transaction. The value in use method estimates the net present value of future cash flows expected to be generated by the asset (or CGU), discounted using an after-tax discount rate that reflects the current market rates and risks specific to the asset (or CGU).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of Long-Lived Assets (Cont'd)

An impairment loss is recorded when the carrying value of an asset (or CGU) exceeds its estimated recoverable amount.

In cases where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to its current recoverable amount, to the extent that the new carrying amount does not exceed the carrying amount that would have existed had the original impairment loss not been recorded. The reversal of an impairment loss is immediately recorded in the consolidated statement of comprehensive income.

Debt Transaction Costs

Debt transaction costs relate to the costs associated with securing long-term financing and credit facilities, and are recorded as a deduction from the carrying amount of the related debt. For share-based payment transactions among group entities, whereby the parent entity in the group has granted equity instruments in connection to settling the costs associated with securing long-term financing of a subsidiary, the entity receiving the services accounts for the share-based payment transaction initially as a deduction from carrying amount of the related debt. The fair value of the equity instruments is determined using the Black-Scholes option pricing model on the date the equity instruments are issued.

These costs are recorded as accretion expense on the statement of comprehensive income over the term of the related debt using the effective interest method.

When a credit facility is retired by the Company, any remaining balance of related debt transaction costs are recorded as accretion expense on the statement of income and comprehensive income. If a modification is not deemed to be an extinguishment as required by IFRS, any costs or fees incurred are an adjustment to the carrying amount of the liability and are amortized over the remaining term of the modified debt.

Share-based Payment Transactions

The grant date fair value of share-based payment awards granted to employees, directors and consultants is recognized as an expense, with a corresponding increase in contributed surplus, over the years during which the participants unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no adjustment entry for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company. The Company measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, except when that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign Currency Warrants

Warrants denominated in a currency different from the functional currency of the Company, called foreign currency warrants, meet the definition of a derivative liability and are fair valued at each statement of financial position date, using the Black-Scholes option pricing model, with changes in fair value recognized in the consolidated statement of comprehensive loss.

Accounting for Units

When common shares are distributed in conjunction with warrants, the fair value of the share purchase warrants is estimated using the Black-Scholes option valuation model. The residual is allocated to common shares.

Transaction costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Share purchase warrants are recognized as a liability and any transaction costs directly attributable to the share purchase warrants are expensed immediately.

Provisions

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recorded when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provisions due to the passage of time is recorded in finance costs in the statements of comprehensive income.

Revenue

Gaming revenue includes revenues from COAMs. The Company recognizes revenue at the point of time as performance obligation is satisfied when the Customer's COAM play is complete.

The Company considers revenue to be the total amounts deposited into the COAMs, net of COAMs payouts and fees payable to the Georgia Lottery Corporation ("GLC"). The Company considers the payment made to the location owners as a direct cost presented as location costs in the statement of income and comprehensive income.

The Company recognizes revenue on this basis given that it is the principal in the transaction as the Company is responsible for the operations of COAMs as well as setting the COAM payout percentages.

Segment Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's Chief Executive Officer ("CEO") to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, public company and head office expenses, and income tax assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Changes in Accounting Policies

(a) Standards issued and adopted

(i) IFRIC 22 Foreign Currency Transactions and Advance Considerations ("IFRIC 22")

IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The IASB has reached the consensus that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018. The adoption of this accounting interpretation did not have any impact.

(ii) IFRS 9 Financial Instruments ("IFRS 9")

The Company adopted IFRS 9 effective March 1, 2018 using the modified retrospective basis with cumulative effect, resulting in no adjustment to opening retained earnings.

The Company determined the appropriate classification category and measurement for each of its financial assets and financial liabilities under IFRS 9 and compared each to their original classification and measurement under IAS 39. Under IFRS 9, financial instruments are classified as follows:

Financial assets - Pursuant to IFRS 9, the classification of financial assets are based on the Company's assessment of its business model for holding financial assets. The classification categories are as follows:

- Financial assets measured at amortized cost: assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets at fair value through other comprehensive income: assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

- Financial assets at fair value through profit or loss: assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

New impairment requirements use an expected credit loss ("ECL") model to recognise an allowance. At each reporting date, each financial asset measured at amortized cost is assessed for impairment under ECL model. The Company applies the simplified approach which uses lifetime ECLs for accounts receivables.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

(Expressed in U.S. dollars, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Changes in Accounting Policies (Cont'd)

(a) Standards issued and adopted (Cont'd)

(ii) IFRS 9 Financial Instruments ("IFRS 9") (Cont'd)

The following table summarizes the classification impacts of the adoption of IFRS 9:

	Classification Category		Measurement Category	
Financial Instruments	**Original (IAS 39)**	**New (IFRS 9)**	**Original (IAS 39)**	**New (IFRS 9)**
Assets				
Cash	Loans and receivables	Financial assets at amortized cost	Amortized cost	Amortized cost
Restricted cash	Loans and receivables	Financial assets at amortized cost	Amortized cost	Amortized cost
Accounts receivable	Loans and receivables	Financial assets at amortized cost	Amortized cost	Amortized cost
Related party balances	Loans and receivables	Financial assets at amortized cost	Amortized cost	Amortized cost
Note receivable	Loans and receivables	Financial assets at amortized cost	Amortized cost	Amortized cost
Derivative asset	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss
Liabilities				
Accounts payable and accrued liabilities	Other financial liabilities	Financial liabilities at amortized cost	Amortized cost	Amortized cost
Distribution payable	Other financial liabilities	Financial liabilities at amortized cost	Amortized cost	Amortized cost
Promissory note	Other financial liabilities	Financial liabilities at amortized cost	Amortized cost	Amortized cost
Long-term debt	Other financial liabilities	Financial liabilities at amortized cost	Amortized cost	Amortized cost
Related party balances	Other financial liabilities	Financial liabilities at amortized cost	Amortized cost	Amortized cost
Derivative liability	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss

(iii) IFRS 15 Revenue from Contracts with Customers (IFRS "15")

The Company adopted IFRS 15 effective March 1, 2018 using the modified retrospective method with cumulative effect, resulting in no adjustment to opening retained earnings.

IFRS 15 replaces existing standards and interpretations on revenue recognition. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The standard outlines a single comprehensive model for revenue recognition arising from contracts with customers.

IFRS 15 requires that revenue be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

This is achieved by applying the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company reviewed its sources of revenue using the guidance found in IFRS 15 and determined there were no material changes to the timing and measurement of the Company's revenue in the reporting period as compared to the previous standard.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Changes in Accounting Policies (Cont'd)

(b) Standards issued but not yet effective

(i) IFRS 16 Leases ("IFRS 16")

Effective for annual periods beginning on or after January 1, 2019, IFRS 16 Leases was issued by the IASB in January 2016 and will replace IAS 17 Leases. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right of use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. Earlier application is permitted only if the Company early adopts IFRS 15.

The Company has started the assessment relating to five operating leases for the impact of IFRS 16. Management anticipates that IFRS 16 may have an impact on the statement of financial position.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments ("IFRIC 23")

In June 2017, the IASB issued IFRIC 23 to clarify how the requirements of IAS 12 Income Taxes should be applied when there is uncertainty over income tax treatments. The interpretation specifically addresses:

- Whether an entity considers uncertain tax treatments separately;
- The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- How and entity determine taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- How an entity considers changes in facts and circumstances.

The interpretation is effective for annual periods beginning on or after January 1, 2019, with modified retrospective or retrospective application. The Company is currently evaluating the impact on its financial statements.

(iii) Amendments to IFRS 3 – Business Combinations

The IASB issued amendments to IFRS 3 - Business Combinations to revise the definition of a business. The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

(Expressed in U.S. dollars, unless otherwise stated)

4. ACQUISITION OF NON-CONTROLLING INTEREST

On August 1, 2018, the Company acquired an additional 9% interest in LBH increasing its ownership interest from 51% to 60%.

The Company paid consideration as follows:

Cash consideration	$ 3,650,000
Promissory note (a)	2,350,000
Total consideration	$ 6,000,000

(a) As at December 31, 2018, the full amount of the promissory note was repaid.

The change in equity due to the acquisition of the additional 9% interest in LBH is as follows:

Consideration paid to non-controlling shareholders	$ 6,000,000
Carrying value of the additional interest in LBH	1,094,226
Difference recognized in equity	$ 4,905,774

5. ACQUISITIONS

During the ten month period ended December 31, 2018 and year ended February 28, 2018, the Company completed acquisitions of certain operating assets of skill-based gaming terminal operators based in the U.S state of Georgia. These operators assemble, distribute, own and operate skill-based digital gaming terminals in multiple locations throughout Georgia.

The Company's primary reason for these acquisitions is to execute its consolidation strategy to generate value for its shareholders.

** Goodwill for the acquisitions represent the historical relationship with the location owners absent of a contract being in place, operating synergies and other benefits expected to result from combining the operations of these acquisitions with those of the Company.

Goodwill is expected to be deductible for tax purpose.

(Expressed in U.S. dollars, unless otherwise stated)

5. ACQUISITIONS (Cont'd)

The details of the acquisitions are as follows for the period ended December 31, 2018:

	Goldstar Amusement LLC (a)	Feeling Lucky Amusement, LLC (b)	Total
Acquisition date	15-Nov-18	21-Nov-18	
Purchase cash consideration	$ 4,439,644	$ 4,938,434	$ 9,378,078
Allocation of purchase price:			
Property and equipment	$ 186,560	$ 172,140	358,700
Brand	30,000	30,000	60,000
Owner/operator gaming machine contracts	4,012,000	4,649,999	8,661,999
Goodwill **	211,084	86,295	297,379
	$ 4,439,644	$ 4,938,434	9,378,078
Acquisition costs	$ 481,466	$ 433,351	914,817

(a) Acquisition of Goldstar Amusement LLC ("Goldstar")

$3,963,191 was paid on closing of the transaction, with the remaining $476,453 payable to Goldstar upon the satisfaction of certain post-closing obligations. These post-closing obligations were satisfied and the remaining amount was paid on January 14, 2019. The purchase price for the acquisition was funded by LB through proceeds from its multi-draw credit facility (Note 10).

Included in the consolidated statement of comprehensive loss is gaming revenue of $429,092 from Goldstar, for the period between November 15, 2018 to December 31, 2018.

If the Company was to acquire Goldstar as at March 1, 2018, gaming revenue of $2,708,655 would have been included in the statement of comprehensive loss.

(b) Acquisition of Feeling Lucky Amusement LLC ("Feeling Lucky")

$4,388,747 was paid on closing of the acquisition, with the remaining $549,687 payable to Feeling Lucky upon the satisfaction of certain post-closing obligations. These post-closing obligations were satisfied and the remaining amount was paid on January 16, 2019. The purchase price for the acquisition was funded by LB through an advance under the multi-draw credit facility (Note 10).

Included in the consolidated statement of comprehensive loss is gaming revenue of $475,330 from Feeling Lucky, for the period between November 21 2018, to December 31, 2018.

If the Company was to acquire Feeling Lucky as at March 1, 2018, gaming revenue of $3,565,144 would have been included in the statement of comprehensive loss.

(Expressed in U.S. dollars, unless otherwise stated)

5. ACQUISITIONS (Cont'd)

The details of the acquisitions are as follows for the year ended February 28, 2018:

	Triple 7s Amusement (c)	Lucky Star Amusement (d)	AM PM Management (e)	American Amusement (f)	Fun Games (g)	FarEast Amusement (h)	WildHorse Amusement (i)	Lee Caudell (j)	Wise Amusement (k)	Total
Acquisition date	17-May-17	17-May-17	30-Jun-17	30-Jun-17	06-Oct-17	27-Nov-17	27-Nov-17	15-Dec-17	15-Dec-17	
Purchase cash consideration	$ 4,200,000	$ 1,620,000	$ 11,923,599	$ 4,000,000	$ 5,069,504	$ 3,190,006	$ 2,229,915	$ 4,000,000	$ 350,000	$ 36,583,024
Allocation of purchase price:										
Property and equipment	98,858	99,746	189,208	140,706	262,539	69,128	82,082	137,284	9,034	1,088,585
Owner/operator gaming machine contracts	2,510,000	590,000	8,220,000	2,600,000	2,970,000	1,640,000	930,000	2,150,000	200,000	21,810,000
Brand	30,000	10,000	70,000	20,000	30,000	20,000	10,000	20,000	2,000	212,000
Master license	700,000	700,000	700,000	700,000	700,000	-	-	-	-	3,500,000
Goodwill**	861,142	220,254	2,744,391	539,294	1,106,965	1,460,878	1,207,833	1,692,716	138,966	9,972,439
	$ 4,200,000	$ 1,620,000	$ 11,923,599	$ 4,000,000	$ 5,069,504	$ 3,190,006	$ 2,229,915	$ 4,000,000	$ 350,000	$ 36,583,024
Acquisition costs	$ 370,590	$ 251,091	$ 454,485	$ 338,190	$ 536,601	$ 258,843	$ 225,019	$ 147,824	$ 64,542	$ 2,647,185

5. ACQUISITIONS (Cont'd)

(c) Acquisition of certain assets from Triple 7s Amusement LLC ("Triple 7s")

$4,000,000 of the Triple 7s purchase price was paid on closing of the acquisition, with the remaining $200,000 payable to Triple 7s upon the satisfaction of certain post-closing obligations. These post-closing obligations were satisfied and the remaining amount was paid on May 31, 2017. In addition to the foregoing cash payments, an additional onetime payment is payable following the closing date if, within six months of the closing date, revenue is generated by assets acquired from the sellers that were not generating revenue as of the closing date. The Company determined the fair value of the additional one-time payment to be $Nil. No amounts were required to be paid as a result of this condition.

Included in the consolidated statement of comprehensive income is gaming revenue of $2,440,494 from Triple 7s, for the period between May 17, 2017 to February 28, 2018.

If the Company was to acquire Triple 7s as at March 1, 2017, gaming revenue of $3,536,216 would have been included in the statement of income and comprehensive income.

(d) Acquisition of certain assets from Lucky Star Amusement, Inc ("Lucky Star")

The total Lucky Star purchase price was paid on closing date of the acquisition. In addition to the foregoing cash payments of $1,620,000, an additional onetime payment is payable following the closing date if, within six months of the closing date, revenue is generated by assets acquired from the sellers that were not generating revenue as of the closing date. The Company determined the fair value of the additional one-time payment to be $Nil. No amounts were required to be paid as a result of this condition.

Included in the consolidated statement of comprehensive income is gaming revenue of $1,109,222 from Lucky Star, for the period between May 17, 2017 to February 28, 2018.

If the Company was to acquire Lucky Star as at March 1, 2017, gaming revenue of $1,532,879 would have been included in the statement of comprehensive income.

(e) Acquisition of certain assets from AMPM Management, Inc ("AMPM")

The total AMPM purchase price was paid on the closing date of the acquisition.

Included in the consolidated statement of comprehensive income is gaming revenue of $5,816,452 from AMPM, for the period between June 30, 2017 to February 28, 2018.

If the Company was to acquire AMPM as at March 1, 2017, gaming revenue of $9,020,072 would have been included in the statement of comprehensive income.

(f) Acquisition of certain assets from American Amusement LLC ("AA")

The total AA purchase price was paid on the closing date of the acquisition.

Included in the consolidated statement of comprehensive income is gaming revenue of $2,858,982 from AA, for the period between June 30, 2017 to February 28, 2018.

If the Company was to acquire AA as at March 1, 2017, gaming revenue of $4,387,393 would have been included in the statement of comprehensive income.

5. ACQUISITIONS (Cont'd)

(g) Acquisition of certain assets from Fun Games Inc ("Fun Games")

The total Fun Games purchase price was paid on the closing date of the acquisition.

Included in the consolidated statement of comprehensive income is gaming revenue of $2,185,299 from Fun Games, for the period between October 6, 2017 to February 28, 2018.

If the Company was to acquire Fun Games as at March 1, 2017, gaming revenue of $5,852,069 would have been included in the statement of comprehensive income.

(h) Acquisition of certain assets from FarEast Amusement Games ("FarEast")

$2,772,679 was paid on closing of the acquisition. The remaining $417,327 was payable to FarEast upon the satisfaction of certain post-closing obligations. These post-closing obligations were satisfied and the remaining amount was paid on January 29, 2018.

Included in the consolidated statement comprehensive income is gaming revenue of $742,264 from FarEast, for the period between November 27, 2017 to February 28, 2018.

If the Company was to acquire FarEast as at March 1, 2017, gaming revenue of $3,661,483 would have been included in the statement comprehensive income.

(i) Acquisition of certain assets from WildHorse Amusement Company LLC ("WildHorse")

$1,929,947 was paid on closing of the transaction. The remaining $299,968 was payable to WildHorse upon the satisfaction of certain post-closing obligations. These post-closing obligations were satisfied and the remaining amount was paid on January 10, 2018.

Included in the consolidated statement of comprehensive income is gaming revenue of $576,862 from WildHorse, for the period between November 27, 2017 to February 28, 2018.

If the Company was to acquire WildHorse as at March 1, 2017, gaming revenue of $2,197,586 would have been included in the statement of comprehensive income.

(j) Acquisition of certain assets from Lee Caudell, Inc ("LC")

$3,551,839 was paid on closing of the transaction. The remaining $448,161 was payable to LC upon the satisfaction of certain post-closing obligations. These post-closing obligations were satisfied and the remaining amount was paid on January 22, 2018.

Included in the consolidated statement of comprehensive income is gaming revenue of $809,490 from LC, for the period between December 15, 2017 to February 28, 2018.

If the Company was to acquire LC as at March 1, 2017, gaming revenue of $3,891,023 would have been included in the statement of comprehensive income.

(Expressed in U.S. dollars, unless otherwise stated)

5. ACQUISITIONS (Cont'd)

(k) Acquisition of certain assets from Wise Amusement LLC ("Wise")

The total purchase price was paid on the closing date of the acquisition.

Included in the consolidated statement of comprehensive income is gaming revenue of $108,346 from Wise, for the period between December 15, 2017 to February 28, 2018.

If the Company was to acquire Wise as at March 1, 2017, gaming revenue of $528,194 would have been included in the statement of comprehensive income.

6. RESTRICTED CASH

Current assets		**December 31, 2018**		February 28, 2018
Cash sweep (a)	$	-	$	916,720
Cash restricted for property and equipment (b)		347,000		-
Cash restricted for transfer fee (c)		39,600		96,030
Aggregate retained amount (d)		-		100,035
FarEast Amusement Games holdback amount		-		92,000
Goldstar holdback amount (Note 5(a))		476,453		-
Feeling Lucky holdback amount (Note 5(b))		549,687		-
Monthly excess cash flow holdback (e)		1,322,846		-
	$	2,735,586	$	1,204,785

Non-current asset		**December 31, 2018**		February 28, 2018
Minimum restricted cash (f)	$	1,000,000	$	-

(a) Cash sweep amount for the month of February 2018 is related to the restrictions placed by the previous lender on the long-term debt. The amount the previous lender could sweep was calculated based on the cash held at February 28, 2018 subject to some adjustments. The previous lender then had the option to sweep up to seventy percent of the adjusted cash balance until March 15, 2018. The previous lender did not exercise this option and the funds became unrestricted on March 16, 2018.

(b) Cash advanced under the credit facility and restricted for property and equipment additions.

(c) Due to the acquisitions summarized in Note 5, the Company is required to pay the applicable transfer fee of $39,600 (Feb 28, 2018 – $96,030) to a supplier in connection with transfer of games in the supplier's internal system. The lender advanced these funds under the credit facility for the sole purpose of the transfer fee.

(d) Under its previous senior secured first lien facility the Company was required to retain $100,000 at all times.

(e) The monthly excess cash flow holdback is the product of (i) consolidated excess cash flow for the month multiplied by (ii) (A) 1.00 minus (B) the excess cash flow prepayment holdback percentage for the month (90%). These funds will become unrestricted when LB delivers its annual audited financial statements within 120 days after LB's fiscal year ended December 31, 2018.

(f) The Company is required to maintain a minimum amount of $1,000,000 in cash under the multi draw credit facility at all times.

(Expressed in U.S. dollars, unless otherwise stated)

7. PROPERTY AND EQUIPMENT

Cost	Gaming Equipment	Furniture and Equipment	Computers	Automobiles	Leasehold Improvements	Total
Balance February 28, 2017	$ 2,034,824	$ 9,128	$ 2,656	$ 101,768	$ 28,286	$ 2,176,662
Acquired through business combinations (a)	1,088,585	-	-	-	-	1,088,585
Additions	2,651,974	24,422	6,916	226,907	-	2,910,219
Balance February 28, 2018	5,775,383	33,550	9,572	328,675	28,286	6,175,466
Acquired through business combinations (a)	358,700	-	-	-	-	358,700
Additions	1,346,371	26,294	1,047	125,034	254,665	1,753,411
Disposals	-	-	-	(32,534)	-	(32,534)
Balance December 31, 2018	**$ 7,480,454**	**$ 59,844**	**$ 10,619**	**$ 421,175**	**$ 282,951**	**$ 8,255,043**

Accumulated Amortization	Gaming Equipment	Furniture and Equipment	Computers	Automobiles	Leasehold Improvements	Total
Balance February 28, 2017	$ 113,008	$ 286	$ 295	$ 6,235	$ 9,025	$ 128,849
Additions	650,513	5,568	2,141	42,886	5,613	706,721
Balance February 28, 2018	763,521	5,854	2,436	49,121	14,638	835,570
Additions	1,011,028	9,327	2,768	63,029	4,714	1,090,866
Balance December 31, 2018	**$ 1,774,549**	**$ 15,181**	**$ 5,204**	**$ 112,150**	**$ 19,352**	**$ 1,926,436**

Net Carrying Amounts	Gaming Equipment	Furniture and Equipment	Computers	Automobiles	Leasehold Improvements	Total
As at February 28, 2018	$ 5,011,862	$ 27,696	$ 7,136	$ 279,554	$ 13,648	$ 5,339,896
As at December 31, 2018	**$ 5,705,905**	**$ 44,663**	**$ 5,415**	**$ 309,025**	**$ 263,599**	**$ 6,328,607**

(a) The assets acquired through business combination relate to the acquisitions (Note 5).

(Expressed in U.S. dollars, unless otherwise stated)

8. INTANGIBLE ASSETS AND GOODWILL

Cost	**Owner/operator gaming machine contracts**	**Brand**	**Master License**	**Total intangible assets**	**Goodwill**	**Total intangible assets and goodwill**
Balance at February 28, 2017	$ 18,290,000	$ 190,000	$ 1,770,000	$ 20,250,000	$ 7,589,159	$ 27,839,159
Acquired through business combinations (a)	21,810,000	212,000	3,500,000	25,522,000	9,972,439	35,494,439
Additions	70,000	-	-	70,000	-	70,000
Impairment	-	(212,000)	-	(212,000)	-	(212,000)
Balance February 28, 2018	40,170,000	190,000	5,270,000	45,630,000	17,561,598	63,191,598
Acquired through business combinations (a)	8,661,999	60,000	-	8,721,999	297,379	9,019,378
Additions	-	-	-	-	-	-
Impairment	-	(60,000)	-	(60,000)	-	(60,000)
Balance December 31, 2018	**$ 48,831,999**	**$ 190,000**	**$ 5,270,000**	**$ 54,291,999**	**$ 17,858,977**	**$ 72,150,976**

Accumulated Amortization	**Owner/operator gaming machine contracts**	**Brand**	**Master License**	**Total intangible assets**	**Goodwill**	**Total intangible assets and goodwill**
Balance at February 28, 2017	$ 1,438,904	$ -	$ -	$ 1,438,904	$ -	$ 1,438,904
Additions	6,049,710	-	-	6,049,710	-	6,049,710
Balance February 28, 2018	7,488,614	-	-	7,488,614	-	7,488,614
Additions	6,898,042	-	-	6,898,042	-	6,898,042
Balance December 31, 2018	**$ 14,386,656**	**$ -**	**$ -**	**$ 14,386,656**	**$ -**	**$ 14,386,656**

Net Carrying Amount	**Owner/operator gaming machine contracts**	**Brand**	**Master License**	**Total intangible assets**	**Goodwill**	**Total intangible assets and goodwill**
As at February 28, 2018	$ 32,681,386	$ 190,000	$ 5,270,000	$ 38,141,386	$ 17,561,598	$ 55,702,984
As at December 31, 2018	**$ 34,445,343**	**$ 190,000**	**$ 5,270,000**	**$ 39,905,343**	**$ 17,858,977**	**$ 57,764,320**

(a) The assets acquired through business combination relate to the acquisitions (Note 5).

(Expressed in U.S. dollars, unless otherwise stated)

8. INTANGIBLE ASSETS AND GOODWILL (Cont'd)

The Company performs its annual impairment test at December 31. The impairment analysis performed by the Company concluded there was no impairment to goodwill and indefinite life intangible assets as the fair value of its CGU exceeded its carrying value

The Company concluded it has one CGU as of December 31, 2018 and February 28, 2018. The CGU's recoverable amount was determined based on fair value less cost to sell using a 5 year discounted cash flow model. Key assumptions used in the discounted cash flow model are as follows: (a) projected revenue used in the forecast was estimated considering current and historical results with growth rates between 3% (February 28, 2018 – 3%) and 7% (February 28, 2018 – 75) and a 2% (February 28, 2018 – 2%) terminal growth to reflect the inflationary growth, (b) projected general and administrative expenses used in the forecast were estimated using current and historical results as a percentage of revenue with consideration to variable costs, with fixed costs estimated to remain fairly constant, and (c) working capital and capital expenditures were estimated considering industry benchmarks as a percentage of revenue. The discount rate applied in the discounted cash flow model was 34% (February 28, 2018 - 32%). The inputs used in determining their fair values are level 3 inputs.

9. DERIVATIVE ASSET AND LIABILITY

Derivative asset - prepayment	December 31, 2018	February 28, 2018
Opening balance	$ 2,765,000	$ -
Acquired during the period	-	2,193,000
(Extinguishment) change in fair value	(2,765,000)	572,000
	$ -	$ 2,765,000

Derivative liability - warrants (Note 11)	December 31, 2018	February 28, 2018
Opening balance	$ 2,421,726	$ 61,391
Issued during the period	-	919,575
Change in fair value	932,936	1,440,760
	$ 3,354,662	$ 2,421,726

(Expressed in U.S. dollars, unless otherwise stated)

10. LONG-TERM DEBT

			December 31, 2018		February 28, 2018
Term Loan facility - LIBOR rate loan	(a) (b)	$	**56,712,111**	$	-
Multi-draw term facility advance - LIBOR rate loan	(a) (b) (e)		**4,942,171**		-
Multi-draw term facility advance - LIBOR rate loan	(a) (b) (f)		**5,433,982**		-
Senior secured first lien term loan ("credit facility")	(c)		-		11,170,552
Incremental term loan under the credit facility	(c)		-		9,858,212
Incremental term loan under the credit facility	(c)		-		18,337,304
Incremental term loan under the credit facility	(c)		-		5,983,087
Incremental term loan under the credit facility	(c)		-		6,793,476
Incremental term loan under the credit facility	(c)		-		4,833,814
Vehicle finance loans	(d)		**239,057**		245,396
			67,327,321		57,221,841
Less: Current portion of long-term debt			**(6,517,349)**		(58,215)
Long term debt		$	**60,809,972**	$	57,163,626

(a) The Company has a credit facility with the following terms:

On April 9, 2018, the Company through LB closed a $75,000,000 multi-draw credit facility. Goldman Sachs Specialty Lending Group, L.P. ("GSSLG") acted as sole lead arranger and administrative agent under the credit facility. The multi draw credit facility consists of a term loan ("Term Loan Facility") and a multi-draw term facility ("MDTL Facility").

On November 14, 2018, the Company, through LB, entered into the first amendment to the multi-draw credit facility. The amendment increases the aggregate principal amount of the multi draw credit facility to $100,000,000.

The multi draw credit facility has the following terms:

- The full amount of $64,509,349 of the Term Loan Facility was drawn on the initial funding date

- The MDTL Facility is available to be drawn for permitted acquisitions from the initial funding date to the date that is 24 months afterwards. Draws under the MDTL Facility are subject to pro forma compliance with, among other things, the financial maintenance covenants set forth in the documentation for the credit facilities.

- The interest rate for a LIBOR rate loan is based on a pricing grid tied to the LB's leverage ratio. The interest rate is calculated at LIBOR plus 7% (with LIBOR subject to a floor of 1% per annum). The interest rate for a base rate loan is based on the greater of (i) the prime rate in effect (ii) the Federal Funds Effective Rate in effect plus ½ of 1%, (iii) the sum of the LIBOR Rate for a period of one month and 1% and (iv) 3%.

- In connection with LIBOR rate loans there shall be no more than five interest periods outstanding at any time.

- The maturity date is 5 years after the initial funding date.

- The principal amount of the term loan facility shall be repaid in equal consecutive quarterly installments on the last day of each fiscal quarter, commencing June 30, 2018, with each installment to be equal to $1,612,733.

(Expressed in U.S. dollars, unless otherwise stated)

10. LONG-TERM DEBT (Cont'd)

(a) The Company has a credit facility with the following terms: (Cont'd)

- The principal amounts of the multi-draw facility advance shall be repaid in equal consecutive quarterly installments commencing on June 30, 2020, with each installment to be in an amount equal to product of the aggregate original principal amount of multi-draw facility advance funded from the initial funding date to the date that is 24 months afterward, multiplied by 2.50%.

- There is an option to prepay subject to certain conditions. If the Company exercises the option to prepay, the Company would be liable to a prepayment premium on the principal amount prepaid, reduced or accelerated of (i) if the loans are prepaid within the first 12 months, 4.00%, (ii) which is reduced to 3.00% in the 2nd year, (iii) 2.00% in the 3rd year and (iv) 0.00% thereafter.

In connection with the arrangement of the initial multi draw credit facility, the Company paid $3,703,198 of financing costs and will also pay GSSLG an undrawn facility commitment fee under the MDTL Facility and an annual administration fee.

The obligations of LB and LBH under the multi-draw term loan facility are secured by a first priority lien in substantially all of the LB's and LBH's assets. The obligations are further secured by a pledge of the membership interests of Holdings that are held by Lucky Bucks Ventures, Inc. (40% shareholder of LBH) and SSG, as at December 31, 2018.

As at December 31, 2018, the Company was in compliance with its financial covenants under the terms of its multi draw credit facility.

(b) The following table shows the details of the term loan facility:

Reconciliation to carrying value	Term Loan facility	Multi-draw term facility	Multi-draw term facility	Total
Principal amount	$ 64,509,349	$ 5,747,712	$ 5,447,179	$ 75,704,240
Principal repayment	(4,838,201)	-	-	(4,838,201)
Unamortized transaction costs	(2,959,037)	(805,541)	(13,197)	(3,777,775)
Carrying value	$ 56,712,111	$ 4,942,171	$ 5,433,982	$ 67,088,264
Transaction costs relating to credit facilities				
Additions	$ 3,703,198	$ 826,810	$ 13,500	$ 4,543,508
Accretion	(744,161)	(21,269)	(303)	(765,733)
Unamortized transaction costs	$ 2,959,037	$ 805,541	$ 13,197	$ 3,777,775

(c) The Company previously had a senior secured first lien term loan with the following terms:

- Maturity of 30 months from the date when the loan was funded.

- 8% original issue discount over the term of the loan

- Fixed rate of 16% per annum

10. LONG-TERM DEBT (Cont'd)

(c) The Company previously had a senior secured first lien term loan with the following terms: (Cont'd)

- The lender had the option to sweep monthly amounts, which shall not exceed 1) 70% (2017 – 75%) of the monthly excess cash amount, plus 2) 70% (2017- 75% of the monthly overage amount.

  - "Monthly Excess Cash Amount" means, for any month, the sum of (i) the monthly end date cash and cash equivalents amount minus (ii) any expense distribution amounts not yet distributed for such month minus (iii) the amount of interest due on the term loans during such month and the amount of fees and expenses (other than interest) due and payable with respect to all the term loans minus (iv) amounts held in the segregated bank account.

  - "Monthly Overage Amount" means, for any month, the sum of (x) 100% of any Monthly Budget Overage Amount, minus (y) any portion of such Monthly Budget Overage Amount that was approved in writing by the lender.

- The Company had the option to request additional incremental term loans at the discretion of the lender with the same terms. No incremental loan were to be made for amounts less than $1,000,000.

  The term loan was secured by first priority mortgage liens and first priority security interests in all of the tangible and intangible assets of the Company, including the equity interest in Lucky Bucks, LLC, as well as all permits and contracts with the State of Georgia and all owner/operator gaming machine contracts. The loan was guaranteed by the Company.

  The proceeds from the multi draw credit facility were used to repay this credit facility and incremental term loans.

(d) The Company has two vehicle finance loans that are non-interest bearing with monthly principal payments of $557 and $560 and will mature on July 30, 2021. The remaining nine vehicle finance loans bear interest ranging from 4.40% to 7.80% annually with monthly blended payments between $491 and $623 and mature between November 8, 2022 and August 24, 2024.

(e) On November 15, 2018, the Company, through LB, obtained proceeds from its multi-draw credit facility to fund the acquisition of certain assets of Goldstar (Note 5). The Company paid financing costs of $826,810.

(f) On November 21, 2018, the Company, through LB, obtained proceeds from its multi-draw credit facility to fund the acquisition of certain assets of Feeling Lucky (Note 5). The Company paid financing costs of $13,500.

(Expressed in U.S. dollars, unless otherwise stated)

11. CAPITAL AND OTHER COMPONENTS OF EQUITY

Share capital and warrants

The authorized share capital of the Company consists of an unlimited number of voting common shares without par value.

		Number of common shares	Number of warrants	Share Capital Value
Balance as at February 28, 2017		60,669,628	2,740,160	$ 30,695,521
Equity and warrant issuance relating to private placement	(a)	3,529,404	3,529,404	35,305
Warrant issuance relating to senior term loan	(b)	-	1,956,500	-
Warrants exercised		652,825	(652,825)	105,260
Warrants expired		-	(1,587,335)	-
Share transfer option common shares exercised	(c)	3,000,000		246,105
Share transfer option common shares cancelled	(c)	(3,000,000)	-	-
Options exercised	(c)	5,469,350	-	2,219,743
Balance as at February 28, 2018		**70,321,207**	**5,985,904**	**$ 33,301,934**
Options exercised	(c)	1,329,626	-	329,260
Balance as at December 31, 2018		**71,650,833**	**5,985,904**	**$ 33,631,194**

(a) Private placement

On May 29, 2017, the Company completed a non-brokered private placement of 3,529,404 units of the Company at a price of CAD$0.17 per unit for aggregate gross proceeds of CAD $600,000. Each unit is comprised of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder thereof to initially purchase one common share of the Company at a price of $0.215 per warrant share at any time on or prior to May 29, 2020.

(b) Warrants issued

Concurrent to the incremental term loan under the previous credit facility, the Company issued 418,600 warrants to the previous lender with an exercise price of CAD $0.3068 and an expiry of 30 months from the date of issuance.

Concurrent to the incremental term loan under the previous credit facility, the Company issued 778,050 warrants to the previous lender with an exercise price of CAD $0.3828 and an expiry of 30 months from the date of issuance.

Concurrent to the incremental term loan under the previous credit facility, the Company issued 257,075 warrants to the previous lender with an exercise price of CAD $0.65 and an expiry of 30 months from the date of issuance.

Concurrent to the incremental term loan under the previous credit facility, the Company issued 293,475 warrants to the previous lender with an exercise price of CAD $1.041 and an expiry of 30 months from the date of issuance.

11. CAPITAL AND OTHER COMPONENTS OF EQUITY (Cont'd)

(b) Warrants issued (Cont'd)

Concurrent to the incremental term loan under the previous credit facility, the Company issued 209,300 warrants to the previous lender with an exercise price of CAD $0.9423 and an expiry of 30 months from the date of issuance.

(c) Options exercised

On May 31, 2017, an entity controlled by a director and officer of the Company, exercised the share transfer option to acquire 3,000,000 common shares. The Company had originally issued these common shares as a part of consideration for the Anesthesia transaction, hence they had to be cancelled and reissued to the entity controlled by a director and officer of the Company.

On July 5, 2017 an entity controlled by a director and officer of the Company, exercised 3,044,473 options to acquire 3,044,473 common shares. The exercise price of these options ranged from CAD $0.15 to CAD $0.27 for total cash proceeds of $463,922. The share price on the date of exercise was CAD $0.40.

On July 24, 2017, a former employee exercised 83,333 options to acquire 83,333 common shares. The exercise price of these options was CAD $0.18 for total cash proceeds of $11,919. The share price on the date of exercise was CAD $0.48.

On October 20, 2017, an entity controlled by a director and officer of the Company, exercised 722,318 options to acquire 722,318 common shares. The exercise price of these options was $0.3525 CAD for total cash proceeds of $202,064. The share price on the date of exercise was CAD $0.69.

On November 13, 2017, an entity controlled by a director and officer of the Company, exercised 1,619,225 options to acquire 1,619,225 common shares. The exercise price of these options was $0.3525 CAD for total cash proceeds of $450,058. The share price on the date of exercise was CAD $0.67.

On September 18, 2018, a director and officer of the Company, exercised 265,000 options to acquire 265,000 common shares. The exercise price of these options was CAD $0.3525 for total cash proceeds of $72,425. The share price on the date of exercise was CAD $0.97.

On October 2, 2018, a director and officer of the Company, exercised 200,000 options to acquire 200,000 common shares. The exercise price of these options was CAD $0.15375 for total cash proceeds of $23,833. The share price on the date of exercise was CAD $1.03.

On October 19, 2018, entities controlled by directors and officers of the Company, exercised 864,626 options to acquire 864,626 common shares. The exercise price of these options ranged from CAD $0.15375 to CAD $0.3525 for total cash proceeds of $119,611. The share price on the date of exercise was CAD $0.99.

(Expressed in U.S. dollars, unless otherwise stated)

11. CAPITAL AND OTHER COMPONENTS OF EQUITY (Cont'd)

Warrants

As at December 31, 2018, the company had outstanding warrants as follows:

Number of warrants	Exercise price (CAD)	Expiry
3,529,404	$ 0.215	May 29, 2020
418,600	$ 0.307	November 17, 2019
500,000	$ 0.39	April 19, 2019
778,050	$ 0.383	December 30, 2019
257,075	$ 0.65	April 5, 2020
293,475	$ 1.041	May 27, 2020
209,300	$ 0.942	June 16, 2020
5,985,904		

As of December 31, 2018, there are 5,985,904 (February 28, 2018 – 5,985,904) warrants outstanding which are recorded as a derivative liability with a value of $3,354,662 (February 28, 2018 - $2,421,726).

The fair value of the warrants outstanding is estimated at December 31, 2018 and February 28, 2018 using the Black-Scholes option pricing model with the following weighted average inputs and assumptions:

	December 31, 2018	February 28, 2018
Exercise price (CAD)	**$0.32**	$0.64
Expected volatility	**121%**	102%
Risk-free interest rate	**1.85%**	1.74%
Expected life	**1.24**	2.1
Share price (CAD)	**$1.01**	$0.72

12. SHARE OPTION PLAN

On November 21, 2013, the Company adopted a new "rolling" stock option plan which authorizes the Company to grant options to acquire up to 10% of its issued and outstanding Common Shares, from time to time. Specifically, the Option Plan reserves, for issue pursuant to stock options, a maximum number of Common Shares equal to 10% of the outstanding Common Shares from time to time, with no mandatory vesting provisions. The number of Common Shares reserved for issue to any one person in any 12 month period under the Option Plan may not exceed 5% of the outstanding Common Shares at the time of grant without disinterested shareholder approval. These stock options are recorded under share capital.

(Expressed in U.S. dollars, unless otherwise stated)

12. SHARE OPTION PLAN (Cont'd)

The stock options were only awarded to employee, officers, directors and consultants; therefore it is recognized as an expense with a corresponding increase in share capital. The Company had the following changes during the period then ended to its stock options, as follows:

	December 31, 2018		February 28, 2018	
	Number of Options	**Weighted Average Exercise Price (CAD)**	Number of Options	Weighted Average Exercise Price (CAD)
Beginning balance	**7,032,105**	**$ 0.35**	3,497,907	$ 0.24
Issued	**1,462,589**	**$ 1.00**	9,045,214	$ 0.34
Exercised	**(1,329,626)**	**$ 0.21**	(5,469,350)	$ 0.26
Expired	**-**	**$ -**	-	$ -
Forfeited	**-**	**$ -**	(41,666)	$ 0.18
Ending balance	**7,165,068**	**$ 0.51**	7,032,105	$ 0.35
Exercisable	**7,165,068**	**$ 0.51**	7,032,105	$ 0.35

The following table summarizes information about share purchase options granted and outstanding as at December 31, 2018:

Number of options	**Exercisable**	**Exercise Price (CAD)**	**Time to Maturity**
66,667	66,667	$ 1.260	1.64 years
16,668	16,668	$ 1.050	1.64 years
250,374	250,374	$ 0.180	2.65 years
83,333	83,333	$ 0.270	2.87 years
1,344,475	1,344,475	$ 0.154	3.34 years
1,244,983	1,244,983	$ 0.353	3.53 years
2,695,979	2,695,979	$ 0.503	3.87 years
1,462,589	1,462,589	$ 1.000	4.88 years
7,165,068			

The fair value of the options granted is estimated at the time of the grant using the Black-Scholes options pricing model with the following weighted average inputs:

	December 31, 2018	February 28, 2018
Exercise price (CAD)	**$1.00**	$0.39
Expected volatility	**132%**	97%
Risk-free interest rate	**2.31%**	1.50%
Expected life	**5**	0.6
Share price (CAD)	**$0.96**	$0.53

(Expressed in U.S. dollars, unless otherwise stated)

13. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative costs incurred by nature are as follows:

	December 31, 2018	February 28, 2018
Acquisition costs	**$ 1,109,644**	$ 2,722,099
Professional and advisory fees	**3,847,284**	3,842,485
Regulatory and filing fees	**12,701**	91,684
Salaries and benefits	**1,404,768**	1,514,832
Share based compensation	**919,567**	1,406,393
Administrative fees	**1,938,262**	1,322,831
	$ 9,232,226	$ 10,900,324

14. FINANCE COSTS

Finance costs consist of the following:

	December 31, 2018	February 28, 2018
Previous long term debt		
Accretion expense	**$ 1,219,207**	$ 6,297,594
Interest expense	**946,849**	5,539,327
Make whole payment	**2,373,786**	-
	4,539,842	11,836,921
Existing long term debt		
Accretion expense	**815,733**	-
Cash interest expense	**3,411,156**	-
Accrued interest expense	**1,146,009**	-
Commitment fee	**48,111**	-
	5,421,009	-
Other	**15,689**	136,681
Total finance costs	**$ 9,976,540**	$ 11,973,602

15. GAIN AND LOSS ON SETTLEMENT OF PAYABLE

The Company settled CAD $343,594 of accounts payable and loan payable through settlement claims. The total gain recognized on the statement of comprehensive loss during the ten month period ended December 31, 2018 was $85,400.

The Company settled $603,899 of accounts payable and loan payable through settlement claims. The total gain recognized on the statement of comprehensive loss during the twelve month period ended February 28, 2018 was $309,678.

(Expressed in U.S. dollars, unless otherwise stated)

16. LOSS PER SHARE

During periods when the Company incurred a net loss, the loss and diluted loss per common share are based on the weighted-average common shares outstanding during the period. As the effect of all outstanding stock options and warrants are anti-dilutive during a year when the Company incurs a loss, diluted loss per share does not differ from basic loss per share.

	December 31, 2018	February 28, 2018
Common shares issuable on exercise of warrants	**5,985,904**	5,985,904
Vested stock options	**7,165,068**	7,032,105
	13,150,972	13,018,009

Loss per share attributable to owners of the parent:

	December 31, 2018	February 28, 2018
Weighted average shares outstanding - basic	**70,676,210**	66,555,241
Weighted average shares outstanding - diluted	**83,827,182**	79,573,250
Basic	**(0.082)**	(0.120)
Diluted	**(0.082)**	(0.120)

17. INCOME TAXES

(a) Income Tax Expense

The following table reconciles income taxes calculated at combined Canadian federal/provincial tax rates with the income tax expense in the financial statements:

		December 31, 2018		February 28, 2018
Loss before income taxes	**$**	**(979,897)**	$	(4,507,530)
Statutory rate		**26.5%**		26.5%
Expected income tax recovery		**(259,673)**		(1,194,495)
Effect on income taxes of:				
Potential tax exposure		**672,954**		-
Effect of tax rates in foreign jurisdictions		**23,192**		271,047
True up of prior year		**304,551**		(12,800)
Non-deductible differences		**1,051,519**		767,960
Change in deferred tax asset not recognized or utilized		**815,733**		-
NCI adjustment		**(670,723)**		(1,379,433)
Other		**424,349**		-
Deferred tax asset not recognized		**-**		1,547,721
Income tax expense (recovery)	**$**	**2,361,902**	$	-

(Expressed in U.S. dollars, unless otherwise stated)

17. INCOME TAXES (Cont'd)

(b) Deferred Incomes Taxes

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

		December 31, 2018		February 28, 2018
Deferred income tax asset				
Non-capital losses	**$**	**4,061,653**	$	4,318,889
Capital losses		**660,552**		660,552
Intangible assets		**417,207**		435,346
Research and development		**396,242**		396,242
Derivative liability - warrants		**-**		458,602
Share issue costs- equity		**70,479**		152,235
	$	**5,606,133**	$	6,421,866
Less: deferred tax not recognized		**(5,606,133)**		(6,421,866)
	$	**-**	$	-

		December 31, 2018		February 28, 2018
Deferred income tax liability				
Property and equipment	**$**	**(785,798)**	$	(474,359)
Intangible assets		**(1,185,678)**		763,111
Business interest limitation		**717,873**		280,017
Other		**14,431**		-
Deferred tax not recognized		**-**		(568,769)
Deferred income tax liability	**$**	**(1,239,172)**	$	-

(c) Loss and Tax Credit Carryforwards

The potential tax benefit relating to the non-capital losses and tax credit carryforwards has not been reflected in these consolidated financial statements.

As at December 31, 2018, the Company has cumulative non-capital losses available to be carried forward in the following jurisdictions: Canada – CAD $3,883,322 (February 28, 2018 – CAD $4,179,110), United States – $212,053 (February 28, 2018 - $212,053), before non-controlling interests. The non-capital losses in Canada begin to expire in 2025. The net operating losses in the U.S. begin to expire in 2037. The Company also has net capital losses in Canada of CAD $660,552 (February 28, 2018 - CAD $660,552) and in United States of $Nil (February 28, 2018 - $Nil).

The income tax benefits relating to the losses in Canada and the U.S. have not been recognized in the consolidated financial statements as the recognition requirements under the liability method of accounting for income taxes have not been met.

The Company has accumulated deductible research and development expenses of CAD $1,495,251 (February 28, 2018 - CAD $1,495,251) in Canada that can be carried forward indefinitely.

(Expressed in U.S. dollars, unless otherwise stated)

18. OPERATING SEGMENTS

Management has identified one reportable business segment which is comprised of three subsidiaries; QGC, SSG and LB (collectively known as "LBL"). This reporting segment is managed separately and their results are based on internal management information that is regularly reviewed by the chief operating decision maker.

Assets of LBL are held in the USA and all other corporate assets owned at period end are held in Canada.

	Ten months ended December 31, 2018			Years ended February 28, 2018		
	Corporate	**LBL**	**Total**	**Corporate**	**LBL**	**Total**
Revenue						
Gaming revenue	**$ -**	**$ 59,713,046**	**$ 59,713,046**	$ -	$ 51,488,496	$ 51,488,496
Location costs	**-**	**(29,856,523)**	**(29,856,523)**	-	(25,744,248)	$ (25,744,248)
Revenue after location costs	**-**	**29,856,523**	**29,856,523**	-	25,744,248	25,744,248
Operating expenses						
Amortization of property, equipment and intangible assets	**-**	**(7,988,908)**	**(7,988,908)**	-	(6,756,431)	(6,756,431)
Impairment	**-**	**(68,982)**	**(68,982)**	-	(212,000)	(212,000)
General and administrative expense	**(5,484,646)**	**(3,747,580)**	**(9,232,226)**	(6,869,340)	(4,030,984)	(10,900,324)
	(5,484,646)	**(11,805,470)**	**(17,290,116)**	(6,869,340)	(10,999,415)	(17,868,755)
Other expenses						
Finance costs	**(59,752)**	**(9,916,788)**	**(9,976,540)**	(42,377)	(11,931,225)	(11,973,602)
Other Income					122,000	122,000
Finance income	**10,745**	**-**	**10,745**	31,192		31,192
Fair value gain (loss) on derivative liabilities	**(932,936)**	**-**	**(932,936)**	(1,440,760)	-	(1,440,760)
Loss on foreign exchange	**32,027**	**-**	**32,027**	(3,531)	-	(3,531)
Gain on settlement of accounts payable	**85,400**	**-**	**85,400**	309,678	-	309,678
Fair value gain (loss) on derivative assets	**-**	**(2,765,000)**	**(2,765,000)**	-	572,000	572,000
	(864,516)	**(12,681,788)**	**(13,546,304)**	(1,145,798)	(11,237,225)	(12,383,023)
Net income (loss) and comprehensive income (loss) before tax	**$ (6,349,162)**	**$ 5,369,265**	**$ (979,897)**	$ (8,015,138)	$ 3,507,608	$ (4,507,530)
Current tax expense	**-**	**(1,122,730)**	**(1,122,730)**	-	-	-
Deferred tax expense		**(1,239,172)**	**(1,239,172)**	-	-	-
Net Income (loss) and comprehensive income (loss) after tax	**$ (6,349,162)**	**$ 3,007,363**	**$ (3,341,799)**	$ (8,015,138)	$ 3,507,608	$ (4,507,530)
Total current assets	**$ 269,168**	**$ 7,122,060**	**$ 7,391,228**	$ 922,164	$ 10,221,653	$ 11,143,817
Total non-current assets	**$ 13,744**	**$ 65,079,183**	**$ 65,092,927**	$ 13,568	$ 61,029,312	$ 61,042,880
Total liabilities	**$ 8,017,868**	**$ 72,959,796**	**$ 80,977,664**	$ 6,254,934	$ 60,287,003	$ 66,541,937

(Expressed in U.S. dollars, unless otherwise stated)

19. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel of the Company include the Chief Executive Officer, Chief Financial Officer and all members of the Board of Directors.

	December 31, 2018	February 28, 2018
Salaries and short term benefits	**$ 400,000**	$ 387,874
Director fees	**254,529**	107,238
Share based compensation	**888,456**	3,071,024
Consulting fees	**3,204,290**	3,910,824
	$ 4,747,275	$ 7,476,960

As at December 31, 2018, the Company owed $94,550 relating to director fees (February 28, 2018 – $86,686).

During the year ended December 31, 2018, the Company incurred consulting fees of $913,417 (February 28, 2018 - $662,267), paid performance incentives of $516,537 (February 28, 2018 - $1,145,828) directly tied to business acquisitions, paid a performance incentive of $Nil (February 28, 2018 – $398,368) that related to the 3 for 1 share consolidation, paid a discretionary performance incentive of $1,582,000 (February 28, 2018 - $1,611,864) and reimbursed expenses to a corporation controlled by a director and officer of the Company. These services were incurred in the normal course of operations. As at December 31, 2018, $2,098,536 was owed relating to these consulting fees (February 28, 2018 – $1,571,917).

During the year ended December 31, 2018, the Company paid rent of $60,222 (February 28, 2018 – $154,325) to a corporation controlled by a director and officer of the Company.

During the year ended December 31, 2018, the Company incurred consulting fees of $192,336 (February 28, 2018 - $92,496) from an accounting firm which carried out duties of the CFO. These services were incurred in the normal course of operations for general accounting, financial reporting matters and acquisitions. As at December 31, 2018, $8,283 was owed relating to these consulting fees (February 28, 2018 – $15,879).

During the year ended December 31, 2018, total distributions declared by Lucky Bucks Holdco, LLC to its 40% shareholder totaled $5,931,906 (February 28, 2018 – $8,532,353). As at December 31, 2018, $436,272 was owed relating to these distributions (February 28, 2018 – $886,704).

During the year ended December 31, 2018, the Company wrote off $27,500 from 27th Group, a Company controlled by the CEO of Lucky Bucks, LLC and 40% shareholder of Lucky Bucks Holdco, LLC, As a result, as at December 31, 2018, $Nil (February 28, 2018 - $27,500) is due from 27th Group.

As of December 31, 2018, the Company incurred salaries and short term benefits of $200,000 (February 28, 2018 - $240,000) and paid a discretionary performance incentive of $200,000 (February 28, 2018 - $147,874) to the CEO of Lucky Bucks, LLC. As at December 31, 2018, $200,000 was owed relating to these salaries and short term benefits (February 28, 2018 – $Nil).

As at December 31, 2018, $44,853 is due from the CEO of Lucky Bucks, LLC and 40% shareholder of Lucky Bucks Holdco, LLC.

During the year ended December 31, 2018, the Company engaged in a foreign exchange transaction with a director of the Company in which the Company exchanged CAD $783,926 for USD $611,648.

All amounts due from (to) related parties are non-interest bearing, unsecured and due on demand.

(Expressed in U.S. dollars, unless otherwise stated)

20. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash operating working capital:

	December 31, 2018	February 28, 2018
Accounts receivable	**$ (643,538)**	$ (881,764)
Restricted cash	**(1,530,801)**	(349,037)
Prepaid expenses and other	**528,075**	(106,415)
Due from related party balances	**37,501**	(82,354)
Notes receivable	**346,040**	313,460
Accounts payable and other liabilities	**1,370,781**	(3,121,927)
Due to related party balances	**734,483**	1,658,603
Income tax payable	**588,707**	-
	$ 1,431,248	$ (2,569,434)

Changes in liabilities arising from financing activities:

	December 31, 2018	February 28, 2018
Opening balance	**$ 57,221,841**	$ 8,943,162
Net cash from financing activities	**8,094,092**	40,288,538
Derivative asset activity	**-**	1,692,547
Other changes	**2,011,388**	6,297,594
	$ 67,327,321	$ 57,221,841

21. COMMITMENTS AND CONTINGENCIES

(a) Operating Lease Commitment

The Company is committed to future minimum lease rentals payable under non-cancellable operating leases in respect of its premises and equipment as follows:

Less than 1 year	$ 259,689
1 to 5 years	893,977
Greater than 5 years	442,584
	$ 1,596,250

(b) Litigation

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. Management has accrued for these contingent liabilities where an amount can be reasonably estimated.

21. COMMITMENTS AND CONTINGENCIES (Cont'd)

b) Litigation (Cont'd)

(i) On August 31, 2016, Columbus LTACH Management LLC and Columbus LTACH, LLC filed in the Superior Court of New Jersey a verified complaint on order to show cause in summary proceeding to compel arbitration against Quantum LTACH Holdings, LLC and the Company. The Company removed the matter to the United States District Court for the District of New Jersey on October 4, 2016. The Company filed a motion to dismiss on November 3, 2016, because it is not a party to the underlying Membership Interest Purchase Agreement ("MIPA") that contains an arbitration clause. The Court granted ACES's motion and dismissed the complaint without prejudice on May 19, 2017.

On June 15, 2017, plaintiffs filed their First Amended Complaint against Quantum LTACH, the Company, and both the President ("current CEO") and CEO of the Company at the time the MIPA was entered into (collectively, "defendants"). The First Amended Complaint does not seek to compel arbitration, but instead, asserts claims against the Company for tortious interference with contractual relationships and fraud and negligent misrepresentation. Plaintiffs seek to recover from all defendants, jointly and severally,$580,000, pursuant to a breakup clause in the MIPA, plus interest, attorneys' fees and costs, and other damages to be proven at trial. The Company and the current CEO of the Company, in his personal capacity, filed a motion seeking a dismissal of Count III of the First Amended Complaint as to the Company, and a dismissal of Count IV as to both ACES and the current CEO of the Company, in his personal capacity. On May 31, 2018, the Court granted the motion and dismissed the First Amended Complaint without prejudice on Count III, as to ACES, and on Count IV as to both ACES and the current CEO of the Company, in his personal capacity. The dismissal is without prejudice to allow plaintiffs an opportunity to file a Second Amended Complaint. In the event that plaintiffs fail to file a Second Amended Complaint within thirty (30) days from the date of the Court's Order on May 31, 2018, the dismissals as to ACES and the current CEO of the Company, in his personal capacity, will convert to with prejudice.

On June 30, 2018, the plaintiffs filed a Second Amended Complaint asserting a single claim against ACES and the current CEO of the Company for tortious interference. After extensions of time to respond and on September 19, 2018, ACES and the current CEO of the Company filed a motion to dismiss the claim. The Plaintiffs filed an opposition brief on October 8, 2018, and ACES and the current CEO of the Company filed a reply on October 29, 2018. The motion remains pending.The Company has accrued $630,000, which represents the Company's best estimate of expected payment.

(ii) In January 2015, a company filed suit in the Superior Court of Cobb County, Georgia against one of the shareholders of Lucky Bucks, LLC and the company is alleging a variety of business torts and is seeking monetary and equitable relief. The parties have conducted discovery, but there are few discovery issues that remain outstanding. No amounts of settlement can be determined at this time.

As per the purchase agreement relating to the acquisition of Lucky Bucks, LLC, in 2017 the Company is entitled to indemnification for all damages relating to any claims arising from the above mentioned litigation against Lucky Bucks, LLC.

(Expressed in U.S. dollars, unless otherwise stated)

21. COMMITMENTS AND CONTINGENCIES (Cont'd)

b) Litigation (Cont'd)

(iii) On October 17, 2017, Mackie Research Capital Corporation ("Mackie" or "plaintiff") commenced an action against the Company in Ontario Superior Court of Justice. The claim involves an underwriting agreement that the parties entered into on June 17, 2015, Mackie alleges that ACES breached the agreement by failing to pay the shortfall amounts allegedly owed to subscription receipt holders. The plaintiff has sought CAD$1,000,000 plus HST in damages, CAD$100,000 in punitive damages and pre- judgement and post judgement interest on amounts found owing. ACES has filed a statement of defense and intends to defend the claim. The Company has accrued CAD $702,941, which represents the Company's best estimate of expected payment.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities were as follows:

Financial assets at amortized cost	December 31, 2018	February 28, 2018
Cash	$ 2,466,419	$ 4,716,731
Restricted cash	2,735,586	1,204,785
Accounts receivable	2,065,871	1,422,333
Notes receivable	-	346,040
Related party balances	44,853	82,353
	$ 7,312,729	$ 7,772,242

Financial liabilities at amortized cost	December 31, 2018	February 28, 2018
Accounts payable and accrued liabilities	$ 5,638,444	$ 4,353,063
Distribution payable	436,272	886,704
Related party balances	2,393,086	1,658,603
Long-term debt	67,327,321	57,221,841
	$ 75,795,123	$ 64,120,211

Fair value through profit and loss, assets (liabilities)	December 31, 2018	February 28, 2018
Derivative asset	$ -	$ 2,765,000
Derivative liability	(3,354,662)	(2,421,726)
	$ (3,354,662)	$ 343,274

(Expressed in U.S. dollars, unless otherwise stated)

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Credit Risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which potentially subject the Company to concentrations of credit risk consist of cash, accounts receivable and note receivable.

Credit risk associated with cash is minimized substantially by ensuring that the assets are placed primarily with major financial institutions that have minimum grade "A" credit ratings. The Company is exposed to credit risk with respect to its accounts receivable.

For the ten month period ended December 31, 2018 and year ended February 28,2018, all of the Company's gaming revenue is collected from Georgia Lottery Corporation ("GLC") after location costs. These amounts receivable are current at period end. Based on historic default rates and the credit quality of the GLC, no provisions have been recorded and no collateral is requested for the Company's receivables related to its gaming revenue.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company actively manages its liquidity through cash and equity management strategies. Such strategies include continuously monitoring forecasted and actual cash flows from operating, financing and investing activities, seeking to obtain financing through its existing shareholders and related companies.

The Company's cash flow is generated from its interest in LB.

The Company monitors cash on a regular basis and reviews expenses and overhead to ensure costs and commitments are being paid in a timely manner. Management has worked with and negotiated with vendors to ensure payment arrangements are satisfactory to all parties and that monthly cash commitments are managed within the Company's operating cash flow capabilities.

Management's goal is to maintain financial flexibility in order to preserve its ability to meet financial obligations, including debt servicing payments and ultimately dividend payments to shareholders in the future. Management consistently monitors its subsidiaries debt covenants and management attempts to deploy capital to provide an appropriate investment return to its shareholders.

As at December 31, 2018, the Company had cash balance of $2,466,419 (February 28, 2018 - $4,716,731). The following table summarizes amounts and maturity dates of the Company's contractual obligations as of December 31, 2018:

	Within 1 Year	2 - 3 years	4 - 5 years	Total
Accounts payable and accrued liabilities	$ 5,638,444	$ -	$ -	$ 5,638,444
Distribution payable (Note 19)	436,272	-	-	436,272
Related party balances	2,393,086	-	-	2,393,086
Long-term debt	6,517,349	14,987,949	49,599,798	71,105,096
	$ 14,985,151	$ 14,987,949	$49,599,798	$79,572,898

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Fair Value Risk

The Company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

The fair value of the derivative asset was determined using a model to estimate which include expected interest rate differential of 6.78%, including the Company's own credit risk, and probability of successful refinancing. The derivative asset was considered a level 3 instrument because the inputs used are not based on observable market data.

The derivative liability was determined a level 2 instrument and valued using the Black Scholes valuation model derived from observable market inputs.

There were no transfers between level 2 and level 3 during the year.

The carrying value of cash, restricted cash, accounts receivable, related party balances and accounts payable and accrued liabilities approximate their respective fair values due to their short term maturities.

The carrying amount of long-term debt approximates its fair value since the interest rates on this instrument approximates the current market rate offered to the Company. On initial recognition, the fair value of long-term debt was established based on the current interest rates, market values and pricing of financial instruments with comparable terms.

The Company measures derivative assets and derivative liabilities at fair value at the end of the reporting period.

Foreign Currency Risk

The Company's functional currency is the United States dollar and major purchases are transacted in United States dollars. However, the Company is exposed to currency risk with fluctuations in United States dollar relative to the Canadian dollar as the Company also incurs expenses in Canadian dollars. As well, the Company is exposed to currency risk on cash denominated in Canadian dollars. The Company currently does not use derivatives to mitigate its foreign currency risk.

Based on the Company's net monetary liabilities dominated in Canadian dollars, 10% fluctuations in the exchange rate from CAD to USD will generate increases or decrease in income of approximately $155,254 (February 28, 2018 - $181,398).

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the multi-draw credit facility which bears interest based on the six month U.S. dollar LIBOR rates. As a result, the Company is subject to interest rate risk. All other financial assets and liabilities are non-interest bearing or bear interest at fixed rates. A 1.0% increase/decrease in the LIBOR rate would have increased/decreased the interest paid by $708,660.

Capital Management

The Company manages and adjusts its capital structure based on available funds in order to support its operations and acquisitions. The capital of the Company consists of share capital, warrants and long-term debt. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

As the Company continues to assess and seek to acquire an interest in additional businesses, the Company may continue to rely on capital markets to support continued growth. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company monitors its capital structure and must comply with certain financial covenants related to its long-term debt. The Company intends to manage its capital by operating at a level that provides a conservative margin compared to the limits of its covenants. For the period ended December 31, 2018 and year ended February 28, 2018, the Company was in compliance with the financial covenants related to its long term debt.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

24. SUBSEQUENT EVENTS

Name Change to Seven Aces Limited

On February 14, 2019, the Company's shareholders authorized and approved the name change of the Company from "Quantum International Income Corp." to "Seven Aces Limited" (Note 1).

Normal Course Issuer Bid

On February 15, 2019, the Company announced that the TSX Venture Exchange has accepted the Company's notice to implement a normal course issuer bid ("NCIB") to purchase, for cancellation, up to 5,587,431 of its common shares, representing approximately 10% of the Company's public float. The Company has received approval from the Exchange to commence the NCIB on February 19, 2019 and continue to February 18, 2020, or earlier in the event that the Company has acquired the maximum number of Shares that may be purchased under the NCIB. The Corporation may also terminate the NCIB earlier if it feels it is appropriate to so.

The Company has engaged Cormark Securities Inc. to act as its agent to conduct the NCIB transactions.

24. SUBSEQUENT EVENTS (Cont'd)

Normal Course Issuer Bid (Cont'd)

In March 2019, under the NCIB, the Company repurchased 44,000 common shares at a price of CAD $0.7282 for total consideration of CAD $32,040.

Acquired Six Additional Gaming Contracts from Goldstar Amusement LLC

On February 27, 2019, Lucky Bucks, LLC, a company controlled by the Company, acquired six additional location contracts from Goldstar Amusement LLC, a digital skill-based gaming terminal operator based in the U.S. State of Georgia.

The respective purchase price was $2,087,855, from which $1,863,594 was paid on closing of the acquisition, with the remaining $224,261 being payable upon satisfaction of certain-post closing obligations. These post-closing obligations were satisfied and the amount was paid.

These acquisitions were financed by a $2,278,065 multi-draw term facility advance subject to the LIBOR rate described in Note 10. The financing was provided by the lender pursuant to the financing agreement dated November 15, 2018 (Note 10).

Acquired Three Gaming Contracts from A&R Entertainment Inc

On March 11, 2019 Lucky Bucks, LLC, a company controlled by the Company, acquired three location contracts from A&R Entertainment Inc, a digital skill-based gaming terminal operator based in the U.S. State of Georgia.

The respective purchase price was $1,401,601, from which $1,233,154 was paid on closing of the acquisition, with the remaining $168,477 being payable upon satisfaction of certain-post closing obligations. These post-closing obligations were satisfied and the amount was paid.

These acquisitions were financed by a $1,473,556 multi-draw term facility advance subject to the base rate described in Note 10. The financing was provided by the lender pursuant to the financing agreement dated November 15, 2018 (Note 10).

Acquired Four Gaming Contracts from Universal Games LLC

On March 13, 2019, Lucky Bucks, LLC, a company controlled by the Company, acquired four location contracts from Universal Games LLC, a digital skill-based gaming terminal operator based in the U.S. State of Georgia.

The respective purchase price was $1,037,758, from which $912,852 was paid on closing of the acquisition, with the remaining $124,906 being payable upon satisfaction of certain-post closing obligations. These post-closing obligations were satisfied and the amount was paid.

These acquisitions were financed by a $1,110,208 multi-draw term facility advance subject to the base rate described in Note 10. The financing was provided by the lender pursuant to the financing agreement dated November 15, 2018 (Note 10).