

S E V E N
A C E S

SEVEN ACES LIMITED

(formerly Quantum International Income Corp.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2019

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

(Unaudited)

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)
Condensed Interim Consolidated Financial Statements
(Unaudited)

Management Comments

These Condensed Interim Consolidated Financial Statements of Seven Aces Limited for the three and nine month period ended September 30, 2019 and all the information contained in this condensed interim financial report are the responsibility of management and have been approved by the Board of Directors.

In accordance with National Instrument 51-102, the Company discloses that its external auditors have not reviewed the accompanying condensed interim consolidated financial statements, notes to the condensed interim consolidated financial statements and the related Management's Discussion and Analysis.

November 27, 2019

Signed: (signed) Manu Sekhri
Manu Sekhri
Chief Executive Officer

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

	September 30, 2019	December 31, 2018
ASSETS		
Current assets		
Cash	\$ 2,513,274	\$ 2,466,419
Restricted cash (Note 6)	3,016,034	2,735,586
Accounts receivable	2,162,215	2,065,871
Related party balances (Note 16)	35,853	44,853
Prepaid expense and other assets	577,373	78,499
Total current assets	8,304,749	7,391,228
Non-current assets		
Restricted cash (Note 6)	1,000,000	1,000,000
Right-of-use assets (Note 8)	1,118,060	-
Property and equipment	7,594,323	6,328,607
Intangible assets	42,054,783	39,905,343
Goodwill	18,227,541	17,858,977
Total non-current assets	69,994,707	65,092,927
TOTAL ASSETS	\$ 78,299,456	\$ 72,484,155
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 4,518,687	\$ 5,638,444
Income tax payable	864,180	588,707
Distribution payable (Note 16)	245,035	436,272
Current portion of lease liability (Note 8)	152,873	-
Current portion of long-term debt (Note 9)	8,092,911	6,517,349
Contingent liability (Note 5)	320,935	-
Related party balances (Note 16)	1,012,866	2,393,086
Derivative liability - warrants (Note 7)	3,489,659	3,354,662
Total current liabilities	18,697,146	18,928,520
Deferred income tax liability	1,239,172	1,239,172
Lease liability (Note 8)	1,041,910	-
Long-term debt (Note 9)	75,182,257	60,809,972
Total liabilities	96,160,485	80,977,664
Equity		
Share capital (Note 10)	31,193,022	33,631,194
Contributed surplus	2,638,435	2,642,924
Deficit	(53,192,848)	(48,557,922)
Equity attributable to owners of the parent	(19,361,391)	(12,283,804)
Non-controlling interest	1,500,362	3,790,295
Total equity	(17,861,029)	(8,493,509)
TOTAL LIABILITIES AND EQUITY	\$ 78,299,456	\$ 72,484,155

Subsequent Events (Note 20)**ON BEHALF OF THE BOARD**

(signed) Manu Sekhri
Manu Sekhri, Director

(signed) Peter Shippen
Peter Shippen, Director

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)
Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the three and nine months ended September 30, 2019 and August 31, 2018
(Expressed in U.S. dollars, unless otherwise stated)

	Three months ended September 30, 2019	Three months ended August 31, 2018	Nine months ended September 30, 2019	Nine months ended August 31, 2018
Revenue				
Gaming revenue	\$ 19,356,638	\$ 17,012,675	\$ 59,327,906	\$ 52,690,444
Location costs	(9,678,319)	(8,506,337)	(29,663,953)	(26,345,222)
Revenue after location costs	9,678,319	8,506,338	29,663,953	26,345,222
Operating expenses				
Amortization of property, equipment and intangible assets	(3,174,677)	(2,325,621)	(9,034,794)	(6,740,724)
Amortization of right-of-use asset	(82,724)	-	(167,281)	-
Impairment	(65,900)	-	(155,900)	(212,000)
General and administrative expenses (Note 12)	(4,210,041)	(1,820,200)	(8,468,370)	(5,141,073)
	(7,533,342)	(4,145,821)	(17,826,345)	(12,093,797)
Other expenses				
Finance costs (Note 13)	(2,438,545)	(1,744,905)	(6,757,290)	(13,953,182)
Other income (expense)	(175,000)	-	455,000	122,000
Finance income	-	3,410	-	39,679
Fair value gain (loss) on derivative liability	(1,329,667)	472,176	(268,392)	(2,058,288)
Gain (loss) on foreign exchange	11,019	7,670	4,574	27,956
Fair value loss on derivative asset	-	-	-	(2,193,000)
	(3,932,193)	(1,261,649)	(6,566,108)	(18,014,835)
Income (loss) before income tax	\$ (1,787,216)	\$ 3,098,868	\$ 5,271,500	\$ (3,763,410)
Income tax expense - current	-	-	(850,000)	-
Net income (loss) and comprehensive income (loss)	\$ (1,787,216)	\$ 3,098,868	\$ 4,421,500	\$ (3,763,410)
Net income (loss) and comprehensive income (loss) attributable to:				
Owners of the parent	\$ (2,055,965)	\$ 1,502,411	\$ 1,326,934	\$ (4,545,715)
Non-controlling interest	268,749	1,596,457	3,094,566	782,305
	\$ (1,787,216)	\$ 3,098,868	\$ 4,421,500	\$ (3,763,410)
Earnings (loss) per share (Note 14) - Basic	\$ (0.030)	\$ 0.021	\$ 0.019	\$ (0.065)
Earnings (loss) per share (Note 14) - Diluted	\$ (0.030)	\$ 0.018	\$ 0.016	\$ (0.065)

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SEVEN ACES LIMITED (formerly Quantum International Income Corp.)
Condensed Interim Consolidated Statements of Changes in Equity
For the nine months ended September 30, 2019 and August 31, 2018
(Expressed in U.S. dollars, unless otherwise stated)

	Attributable to Owners of the Parent			Total	Non-controlling Interest	Total Equity
	Share Capital	Contributed Surplus	Deficit			
Balance as at November 30, 2017	\$ 34,141,822	\$ 3,176,855	\$ (35,191,628)	\$ 2,127,049	\$ 12,132,251	\$ 14,259,300
Equity issuance	(411,796)	-	-	(411,796)	-	(411,796)
Options exercised	(428,092)	408,091	-	(20,001)	-	(20,001)
Share transfer options exercised	-	(1,748,198)	-	(1,748,198)	-	(1,748,198)
Acquisition of non-controlling interests (Note 4)	-	-	(4,890,092)	(4,890,092)	(1,109,908)	(6,000,000)
Distributions	-	-	-	-	(7,193,172)	(7,193,172)
Net income (loss) for the period	-	-	(4,545,715)	(4,545,715)	782,305	(3,763,410)
Balance as at August 31, 2018	\$ 33,301,934	\$ 1,836,748	\$ (44,627,435)	\$ (9,488,753)	\$ 4,611,476	\$ (4,877,277)
Balance as at December 31, 2018	\$ 33,631,194	\$ 2,642,924	\$ (48,557,922)	\$ (12,283,804)	\$ 3,790,295	\$ (8,493,509)
Options exercised (Note 10, 11)	21,989	(4,489)	-	17,500	-	17,500
Warrants exercised (Note 10)	133,395	-	-	133,395	-	133,395
Repurchase and cancellation of shares (Note 10)	(2,382,391)	-	-	(2,382,391)	-	(2,382,391)
Cancellation of NCI's membership units (Note 4(b))	-	-	(5,961,860)	(5,961,860)	(753,405)	(6,715,265)
Share redemption costs (Note 4 and 10)	(211,165)	-	-	(211,165)	-	(211,165)
Distributions	-	-	-	-	(4,631,094)	(4,631,094)
Net income for the period	-	-	1,326,934	1,326,934	3,094,566	4,421,500
Balance as at September 30, 2019	\$ 31,193,022	\$ 2,638,435	\$ (53,192,848)	\$ (19,361,391)	\$ 1,500,362	\$ (17,861,029)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)
Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended September 30, 2019 and August 31, 2018
(Expressed in U.S. dollars, unless otherwise stated)

	Nine months ended September 30, 2019	Nine months ended August 31, 2018
OPERATING ACTIVITIES		
Net income (loss)	\$ 4,421,500	\$ (3,763,410)
Items not affecting cash		
Amortization of property and equipment and intangible assets	9,034,794	6,740,724
Amortization of right-of-use asset (Note 8)	167,281	-
Fair value change in derivative liability (Note 7)	268,392	2,058,289
Fair value change in derivative asset	-	2,193,000
Accretion expense relating to long-term debt (Note 9 and 13)	875,064	6,381,504
Accretion expense relating to lease liability (Note 8)	73,092	-
Loss on disposal of property and equipment	-	8,092
Stock based compensation	-	(1,748,198)
Impairment	155,900	212,000
	14,996,023	12,082,001
Net change in non-cash operating working capital (Note 17)	(2,770,235)	1,156,338
Cash flows from operating activities	12,225,788	13,238,339
INVESTING ACTIVITIES		
Cash paid for acquisition of operating assets (Note 5)	(11,994,376)	(8,500,000)
Cash refunded on acquisition	970,731	-
Additions to property and equipment	(1,950,769)	(2,123,293)
Cash flows used in investing activities	(12,974,414)	(10,623,293)
FINANCING ACTIVITIES		
Proceeds from loans payable	-	227,335
Repayments of loans payable	-	(500,000)
Proceeds from long-term debt (Note 9)	20,198,371	69,179,777
Repayment of long-term debt (Note 9)	(4,890,588)	(59,839,269)
Repayment of lease liabilities (Note 8)	(163,650)	-
Repurchase of common shares (Note 10)	(2,382,391)	-
Cancellation of non-controlling interest's membership units	(6,715,265)	-
Share redemption costs (Note 4 and 10)	(211,165)	-
Debt transaction costs (Note 9)	(235,000)	(3,972,268)
Restricted cash	-	(1,000,000)
Proceeds from options exercised	17,500	-
Cash distributions paid to non-controlling interest	(4,822,331)	(7,154,043)
Cash flows from (used in) financing activities	795,481	(3,058,468)
Net change in cash	46,855	(443,422)
Cash, beginning of period	2,466,419	3,265,933
Cash, end of period	\$ 2,513,274	\$ 2,822,511
Supplemental information		
Interest paid	\$ 4,666,283	\$ 5,383,095

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and August 31, 2018

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

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 its' subsidiaries' operations. These condensed interim consolidated financial statements reflect the nine month period from January 1, 2019 to September 30, 2019 and the comparative nine month period from December 1, 2018 to August 31, 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 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 a controlling interest in Lucky Bucks, LLC ("LB"), which owns and operates coin operated amusement machines ("COAMs") in the State of Georgia, United States of America through contracts with location owners. The Company is executing on 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 condensed interim consolidated financial statements were prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The accounting policies and methods of application applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's most recent annual consolidated financial statements as at and for the year ended December 31, 2018, except as described in Note 3. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with most recent annual consolidated financial statements as at and for the year ended December 31, 2018.

These condensed interim consolidated financial statements were approved for issue by the board of directors effective November 27, 2019.

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and August 31, 2018

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

2. BASIS OF PREPARATION (Cont'd)

Functional and Presentation Currency

These condensed interim 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 condensed interim consolidated financial statements are as follows:

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 September 30, 2019 and December 31, 2018 comprise the Company and its subsidiaries (collectively the "Group"). The Company's subsidiaries and ownership interests are as follows:

Entity	September 2019 Ownership Interest	December 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")	70%	60%
Lucky Bucks, LLC ("LB")	70%	60%

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.

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and August 31, 2018

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

3. SIGNIFICANT ACCOUNTING POLICIES

Standards issued and adopted

IFRS 16 ("Leases")

In January 2016, the IASB released IFRS 16 ("Leases") replacing IAS 17 ("Leases") and related interpretations. The new standard eliminates the classification of leases as either operating or finance leases for lessees and requires the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less or the underlying asset has a low value.

IFRS 16 is effective for reporting periods beginning on or after January 1, 2019.

The Company has adopted IFRS 16, effective January 1, 2019, using the modified retrospective approach and has not restated prior periods for the impact of IFRS 16. Comparative information is still reported under IAS 17.

On initial adoption, the Company applied the following practical expedients permitted under the standard:

- Short-term leases that have been identified at January 1, 2019 are not recognized in the Consolidated Statement of Financial Position.
- Leases with terms ending within 12 months of January 1, 2019 are treated as short-term leases and have not been recognized in the Consolidated Statement of Financial Position.
- Initial direct costs were excluded from the measurement of right-of-use assets for the purpose of initial measurement on transition.
- A single discount rate was used for remaining lease payments on leases with similar characteristics.
- The Company elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.
- Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition to IFRS 16, the incremental borrowing rate applied to lease liabilities recognized under IFRS 16 was 9.47%.

On transition to IFRS 16, the Company recognized right-of-use assets and lease liabilities. This non-cash adjustment has been excluded from the Consolidated Statements of Cash Flows. There was no impact on opening retained earnings.

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and August 31, 2018

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Standards issued and adopted (Cont'd)

The following table reconciles the Company's operating lease commitments at December 31, 2018, as previously disclosed in the Company's consolidated financial statements, to the lease liabilities recognized on initial application of IFRS 16 at January 1, 2019:

Operating lease commitments at December 31, 2018	\$	1,596,250
Short term leases		(63,218)
Operating lease commencing on April 1, 2019		(739,946)
	\$	793,086
Discounted using incremental borrowing rates		(154,876)
Lease liabilities recognized at January 1, 2019	\$	638,210

Please refer to Note 8 for the impact to the period ended September 30, 2019.

Recent accounting pronouncements

There were no new accounting pronouncements relevant to the Company's operations issued subsequent to December 31, 2018. For further details, please refer to the annual consolidated financial statements of the Company for the year ended December 31, 2018.

4. CHANGES TO NON-CONTROLLING INTEREST

(a) 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 (i)		2,350,000
Total consideration	\$	6,000,000

(i) 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		1,109,908
Difference recognized in equity	\$	4,890,092

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and August 31, 2018

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

4. CHANGES TO NON-CONTROLLING INTEREST (Cont'd)

(b) Cancellation of non-controlling interest membership units

On July 15, 2019, the Company increased its ownership interest in Lucky Bucks, LLC from 60% to 70% through cancellation of membership units held by Lucky Bucks Ventures, Inc. in exchange for cash consideration of \$6,715,265.

The change in equity due to the cancellation of the 10% membership interest in LBH is as follows:

Consideration paid for cancellation of NCI interest	\$	6,715,265
Carrying value of the additional interest in LBH		753,405
<u>Difference recognized in equity</u>	<u>\$</u>	<u>5,961,860</u>

The purchase price for the cancellation of the non-controlling interest membership units was funded pursuant to an advance under the credit facility described in Note 9. In connection with such Multi-draw term facility advance, the Company's indirect wholly-owned subsidiary SSG (which holds a direct interest in LBH) agreed to be fully responsible for any interest, amortization, installment or other payment obligation (including any voluntary or mandatory principal payment obligation) relating to this advance.

This would ensure that Lucky Bucks Ventures, Inc on a going forward basis is in the same economic position (including as to distributions) as it would be without its proportionate (30%) share of this advance.

5. ACQUISITIONS OF CERTAIN OPERATING ASSETS

During the nine months ended September 30, 2019, the Company completed acquisitions of certain operating assets from 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 location throughout Georgia.

The Company's primary reason for these acquisitions is to execute on 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 purposes.

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and August 31, 2018

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

5. ACQUISITIONS OF CERTAIN OPERATING ASSETS (Cont'd)

The details of the acquisitions are as follows for the nine months ended September 30, 2019:

	Goldstar Amusement, LLC (a)	A&R Amusement, LLC (b)	Universal Games, LLC (c)	Ambaji Amusement, LLC (d)	Fareast Amusement Games, LLC (e)	Ambaji Amusement, LLC (f)	Lee Caudell, Inc (g)	Platinum Amusements, LLC (h)	Total
Acquisition date	27-Feb-19	8-Mar-19	12-Mar-19	17-Jul-19	16-Aug-19	23-Aug-19	12-Sep-19	27-Sep-19	
Purchase cash consideration	\$ 2,087,855	\$ 1,401,601	\$ 1,037,758	\$ 982,879	\$ 650,617	\$ 3,252,909	\$ 2,014,120	\$ 566,637	\$ 11,994,376
Allocation of purchase price:									
Property and equipment	88,360	47,260	72,900	65,540	21,980	86,520	141,300	16,840	\$ 540,700
Brand	30,000	30,000	30,000	5,900	-	30,000	30,000	-	\$ 155,900
Owner/operator gaming machine contracts	1,903,310	1,279,910	901,961	880,282	608,012	3,033,272	1,778,972	531,835	\$ 10,917,554
Goodwill**	66,185	44,431	32,897	31,157	20,625	103,117	63,848	17,962	\$ 380,222
	\$ 2,087,855	\$ 1,401,601	\$ 1,037,758	\$ 982,879	\$ 650,617	\$ 3,252,909	\$ 2,014,120	\$ 566,637	\$ 11,994,376
Acquisition costs	\$ 109,396	\$ 67,317	\$ 58,368	\$ 212,181	\$ 93,041	\$ 359,951	\$ 241,297	\$ 42,669	\$ 1,184,220

The Company has followed guidance provided by IFRS 3 - Business Combinations, which allows the Company one year to finalize the purchase price allocation of an acquired company's tangible assets, and intangible assets and goodwill. The Company will analyze the acquired assets, contingent consideration, intangibles and goodwill and will make the final allocation within the 12 month period.

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and August 31, 2018

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

5. ACQUISITIONS OF CERTAIN OPERATING ASSETS (Cont'd)

a) Acquisition of certain assets from Goldstar Amusement LLC ("Goldstar")

\$1,863,594 was paid on closing of the transaction, with the remaining \$224,261 payable to Goldstar upon the satisfaction of certain post-closing obligations. These post-closing obligations were satisfied, and the remaining amount was paid on April 17, 2019. The purchase price for the acquisition was funded by LB through proceeds from its multi-draw credit facility (Note 9).

Included in the condensed interim consolidated statement of comprehensive income is gaming revenue of \$1,377,027 from Goldstar, for the period between February 27, 2019 to September 30, 2019.

If the Company was to acquire Goldstar as at January 1, 2019, gaming revenue of \$1,761,267 would have been included in the statement of comprehensive income.

b) Acquisition of certain assets from A&R Amusement, LLC ("A&R")

\$1,233,124 was paid on closing of the acquisition, with the remaining \$168,477 payable to A&R upon the satisfaction of certain post-closing obligations. These post-closing obligations were satisfied, and the remaining amount was paid on May 17, 2019. The purchase price for the acquisition was funded by LB through an advance under the multi-draw credit facility (Note 9).

Included in the condensed interim consolidated statement of comprehensive income is gaming revenue of \$337,064 from A&R for the period between March 8, 2019 to September 30, 2019.

If the Company was to acquire A&R as at January 1, 2019, gaming revenue of \$503,554 would have been included in the statement of comprehensive income.

c) Acquisition of certain assets from Universal Games, LLC ("Universal")

\$912,852 was paid on closing of the acquisition, with the remaining \$124,906 payable to Universal upon the satisfaction of certain post-closing obligations. These post-closing obligations were satisfied, and the remaining amount was paid on May 8, 2019. The purchase price for the acquisition was funded by LB through an advance under the multi-draw credit facility (Note 9).

Included in the condensed interim consolidated statement of comprehensive income is gaming revenue of \$645,467 from Universal, for the period between March 12, 2019 to September 30, 2019.

If the Company was to acquire Universal as at January 1, 2019, gaming revenue of \$770,012 would have been included in the statement of comprehensive income.

d) Acquisition of certain assets from Ambaji Amusement, LLC ("Ambaji")

\$884,329 was paid on closing of the acquisition, with the remaining \$98,550 payable to Ambaji upon the satisfaction of certain post-closing obligations. These post-closing obligations were satisfied, and the remaining amount was paid on September 25, 2019. The purchase price for the acquisition was funded by LB through an advance under the multi-draw credit facility (Note 9).

Included in the condensed interim consolidated statement of comprehensive income is revenue of \$155,950 from Ambaji for the period July 17, 2019 to September 30, 2019.

If the Company was to acquire Ambaji as at January 1, 2019, gaming revenue of \$557,241 would have been included in the statement of comprehensive income.

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and August 31, 2018

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

5. ACQUISITIONS OF CERTAIN OPERATING ASSETS (Cont'd)

- e) Acquisition of certain assets from Fareast Amusement Games, LLC ("Fareast")

\$583,312 was paid on closing of the acquisition, with the remaining \$67,305 payable to Fareast upon the satisfaction of certain post-closing obligations. These post-closing obligations have not yet been satisfied. The purchase price for the acquisition was funded by LB through an advance under the multi-draw credit facility (Note 9).

Included in the condensed interim consolidated statement of comprehensive income is revenue of \$49,323 from Fareast for the period August 16, 2019 to September 30, 2019.

If the Company was to acquire Fareast as at January 1, 2019, gaming revenue of \$416,906 would have been included in the statement of comprehensive income.

- f) Acquisition of certain assets from Ambaji Amusement, LLC ("Ambaji2")

\$2,946,484 was paid on closing of the acquisition, with the remaining \$306,425 payable to Ambaji2 upon the satisfaction of certain post-closing obligations. Subsequent to quarter end the post-closing obligations were satisfied and the remaining amount was paid on October 7, 2019. The purchase price for the acquisition was funded by LB through an advance under the multi-draw credit facility (Note 9).

Included in the condensed interim consolidated statement of comprehensive income is revenue of \$321,205 from Ambaji2 for the period August 23, 2019 to September 30, 2019.

If the Company was to acquire Ambaji2 as at January 1, 2019, gaming revenue of \$1,426,897 would have been included in the statement of comprehensive income.

- g) Acquisition of certain assets from Lee Caudell, Inc ("Lee Caudell")

\$1,856,809 was paid on closing of the acquisition, with the remaining \$478,246 payable to Lee Caudell of which \$157,311 will be paid upon the satisfaction of certain post-closing obligations. The remaining \$320,935 will be paid only if revenues from certain locations meet specific revenue thresholds on or prior to March 31, 2020. These post-closing obligations and revenue thresholds have not yet been satisfied. The purchase price for the acquisition was funded by LB through an advance under the multi-draw credit facility (Note 9).

Included in the condensed interim consolidated statement of comprehensive income is revenue of \$64,579 from Lee Caudell for the period September 12, 2019 to September 30, 2019.

If the Company was to acquire Lee Caudell as at January 1, 2019, gaming revenue of \$967,843 would have been included in the statement of comprehensive income.

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and August 31, 2018

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

5. ACQUISITIONS OF CERTAIN OPERATING ASSETS (Cont'd)

- h) Acquisition of certain assets from Platinum Amusement, LLC ("Platinum")

\$508,019 was paid on closing of the acquisition, with the remaining \$58,618 payable to Platinum upon the satisfaction of certain post-closing obligations. These post-closing obligations have not yet been satisfied. The purchase price for the acquisition was funded by LB through an advance under the multi-draw credit facility (Note 9).

Included in the condensed interim consolidated statement of comprehensive income is revenue of \$3,506 from Platinum for the period September 27, 2019 to September 30, 2019.

If the Company was to acquire Platinum as at January 1, 2019, gaming revenue of \$314,522 would have been included in the statement of comprehensive income.

6. RESTRICTED CASH

Current assets	September 30, 2019	December 31, 2018
Cash restricted for property and equipment (a)	\$ 164,375	\$ 347,000
Cash restricted for transfer fee (b)	102,464	39,600
Goldstar holdback amount	-	476,453
Feeling Lucky holdback amount	-	549,687
Fareast holdback amount (Note 5(e))	67,305	-
Ambaji2 holdback amount (Note 5(f))	306,425	-
Lee Caudell holdback amount (Note 5(g))	157,311	-
Platinum holdback amount (Note 5(h))	58,618	-
Cash refunded on acquisition (c)	970,731	-
Monthly excess cash flow holdback (d)	1,188,805	1,322,846
	\$ 3,016,034	\$ 2,735,586

Non-current asset	September 30, 2019	December 31, 2018
Minimum Cash (e)	\$ 1,000,000	\$ 1,000,000

- (a) Cash advanced under the credit facility and restricted for property and equipment additions.
- (b) Due to acquisitions completed, the Company is required to pay an applicable transfer fee of \$102,464 (December 31, 2018 – \$39,600) to a supplier in connection with the 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.
- (c) Pursuant to the asset purchase agreement (Note 5), A&R and the Company agreed to an amount of \$970,731 to satisfy the liability associated with the site closure of a purchased location contract.
- (d) 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 2019 annual audited financial statements within 120 days after LB's fiscal year ended December 31, 2019.
- (e) The Company is required to maintain a minimum amount of \$1,000,000 in cash under the multi draw credit facility at all times.

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)**Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2019 and August 31, 2018

*(Expressed in U.S. dollars, unless otherwise stated)***7. DERIVATIVE ASSET AND LIABILITY**

Derivative asset - prepayment	September 30, 2019	December 31, 2018
Opening balance	\$ -	\$ 2,765,000
(Extinguishment) change in fair value	-	(2,765,000)
	\$ -	\$ -

Derivative liability - warrants (Note 10)	September 30, 2019	December 31, 2018
Opening balance	\$ 3,354,662	\$ 2,421,726
Warrants exercised	(133,395)	-
Change in fair value	268,392	932,936
	\$ 3,489,659	\$ 3,354,662

8. LEASE

The Company's lease is related to the lease of office space. Information about the lease in which the Company is a lessee is presented below:

	Nine months ended September 30, 2019
Right-of-use asset	
Balance at January 1, 2019	\$ 638,210
Additions	647,131
Depreciation charge for the period	(167,281)
Balance at September 30, 2019	\$ 1,118,060

	Nine months ended September 30, 2019
Lease Liability	
Balance at January 1, 2019	\$ 638,210
Additions	647,131
Accretion on lease liability	73,092
Lease payments	(163,650)
Balance at September 30, 2019	\$ 1,194,783
Less: Current portion of lease liability	152,873
Long term lease liability	\$ 1,041,910

Future minimum lease payments at September 30, 2019 are as follows:

	Within 1 year	2 - 3 years	4 - 5 years	> 5 years	Total
Lease payments	\$ 260,490	\$ 535,830	\$ 359,844	\$ 484,956	\$ 1,641,120
Finance charges	(107,617)	(165,912)	(95,905)	(76,903)	(446,337)
Principal repayment	\$ 152,873	\$ 369,918	\$ 263,939	\$ 408,053	\$ 1,194,783

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2019 and August 31, 2018***(Expressed in U.S. dollars, unless otherwise stated)***8. LEASE (Cont'd)**

During the three and nine months ended September 30, 2019, the expense relating to the short-term lease is \$20,269 and \$70,591. The total cash outflow related to the lease liability and short-term lease is \$234,241.

The Company has sublet the office premises for CAD \$11,898 per month. The sublease is currently on a month-by-month basis with a required three-month termination notice. During the three and nine months ended September 30, 2019, the Company recognized \$26,975 and \$80,482 of sublease revenue.

Vehicle finance loan commitments are disclosed in Note 9.

9. LONG-TERM DEBT

		September 30, 2019	December 31, 2018
Term loan facility - LIBOR rate loan	(a) (b)	\$ 52,566,610	\$ 56,712,111
Multi-draw term facility advance - LIBOR rate loan	(a) (b) (d)	5,095,247	4,942,171
Multi-draw term facility advance - LIBOR rate loan	(a) (b) (e)	5,436,632	5,433,982
Multi-draw term facility advance - LIBOR rate loan	(a) (b) (f)	2,278,065	-
Multi-draw term facility advance - Base rate loan	(a) (b) (g)	1,473,556	-
Multi-draw term facility advance - Base rate loan	(a) (b) (h)	1,110,208	-
Multi-draw term facility advance - Base rate loan	(a) (b) (i)	6,793,981	-
Multi-draw term facility advance - Base rate loan	(a) (b) (j)	1,253,175	-
Multi-draw term facility advance - Base rate loan	(a) (b) (k)	771,172	-
Multi-draw term facility advance - Base rate loan	(a) (b) (l)	3,580,678	-
Multi-draw term facility advance - Base rate loan	(a) (b) (m)	2,015,568	-
Multi-draw term facility advance - Base rate loan	(a) (b) (n)	677,062	-
Vehicle finance loans	(c)	223,214	239,057
		\$ 83,275,168	67,327,321
Less: Current portion of long-term debt		(8,092,911)	(6,517,349)
Long term debt		\$ 75,182,257	\$ 60,809,972

(a) The Company's credit facility has 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.

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and August 31, 2018

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

9. LONG-TERM DEBT (Cont'd)

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.
- 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 the 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. (30% shareholder of LBH) and SSG, as at September 30, 2019.

As at September 30, 2019, the Company was in compliance with its financial covenants under the terms of its' term loan facility and multi draw term facility.

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2019 and August 31, 2018
(Expressed in U.S. dollars, unless otherwise stated)

9. LONG-TERM DEBT (Cont'd)

(b) The following table shows the details of the term loan and multi-draw credit facilities:

Reconciliation to carrying value	Term Loan Facility	Multi-draw term facility	Multi-draw term facility	Multi-draw term facility	Multi-draw term facility	Multi-draw term facility	Multi-draw term facility	Multi-draw term facility	Multi-draw term facility	Multi-draw term facility	Multi-draw term facility	Multi-draw term facility	Total
Principal amount	\$ 64,509,349	\$ 5,747,712	\$ 5,447,179	\$ 2,278,065	\$ 1,473,556	\$ 1,110,208	\$ 6,850,000	\$ 1,300,000	\$ 800,000	\$ 3,600,000	\$ 2,050,000	\$ 700,000	\$ 95,866,069
Principal repayment	(9,676,404)	-	-	-	-	-	-	-	-	-	-	-	(9,676,404)
Unamortization transaction costs	(2,266,335)	(652,465)	(10,547)	-	-	-	(56,019)	(46,825)	(28,828)	(19,322)	(34,432)	(22,938)	(3,137,711)
Carrying value	\$ 52,566,610	\$ 5,095,247	\$ 5,436,632	\$ 2,278,065	\$ 1,473,556	\$ 1,110,208	\$ 6,793,981	\$ 1,253,175	\$ 771,172	\$ 3,580,678	\$ 2,015,568	\$ 677,062	\$ 83,051,954
Transaction costs relating to credit facility													
Additions	\$ 3,703,198	\$ 826,810	\$ 13,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,543,508
Accretion	(744,161)	(21,269)	(303)	-	-	-	-	-	-	-	-	-	(765,733)
Unamortized transaction costs as at December 31, 2018	\$ 2,959,037	\$ 805,541	\$ 13,197	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,777,775
Reconciliation to carrying value													
Additions	\$ -	\$ -	\$ -	\$ 17,000	\$ -	\$ -	\$ 60,000	\$ 50,000	\$ 30,000	\$ 20,000	\$ 35,000	\$ 23,000	\$ 235,000
Accretion	(692,702)	(153,076)	(2,650)	(17,000)	-	-	(3,981)	(3,175)	(1,172)	(678)	(568)	(62)	(875,064)
Unamortized transaction costs at at September 30, 2019	\$ 2,266,335	\$ 652,465	\$ 10,547	\$ -	\$ -	\$ -	\$ 56,019	\$ 46,825	\$ 28,828	\$ 19,322	\$ 34,432	\$ 22,938	\$ 3,137,711

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and August 31, 2018

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

9. LONG-TERM DEBT (Cont'd)

- (c) The Company has two vehicle finance loans that are non-interest bearing with monthly principal payments of \$557 and \$560 and mature on July 30, 2021. The remaining nine vehicle finance loans bear interest ranging from 4.40% to 8.05% annually with monthly blended payments between \$491 and \$644 and mature between November 8, 2022 and June 14, 2025.
- (d) On November 15, 2018, the Company, through LB, obtained proceeds from its multi-draw credit facility to fund the acquisition of certain assets. The Company paid financing costs of \$826,810.
- (e) On November 21, 2018, the Company, through LB, obtained proceeds from its multi-draw credit facility to fund the acquisition of certain assets. The Company paid financing costs of \$13,500.
- (f) On February 27, 2019, the Company, through LB, obtained proceeds from its multi-draw credit facility to fund the acquisition of certain assets of Goldstar 2 (Note 5). The Company paid financing costs of \$Nil.
- (g) On March 8, 2019, the Company, through LB, obtained proceeds from its multi-draw credit facility to fund the acquisition of certain assets of A&R (Note 5). The Company paid financing costs of \$Nil.
- (h) On March 12, 2019, the Company, through LB, obtained proceeds from its multi-draw credit facility to fund the acquisition of certain assets of Universal (Note 5). The Company paid financing costs of \$Nil.
- (i) On July 15, 2019, the Company, through LB, obtained proceeds from its multi-draw credit facility to fund the cancellation of the non-controlling interest membership units to reduce its ownership from 40% to 30% (Note 4 (b)). The Company paid financing costs of \$60,000.
- (j) On July 17, 2019, the Company, through LB, obtained proceeds from its multi-draw credit facility to fund the acquisition of certain assets of Ambaji (Note 5). The Company paid financing costs of \$50,000.
- (k) On August 16, 2019, the Company, through LB, obtained proceeds from its multi-draw credit facility to fund the acquisition of certain assets of Fareast (Note 5). The Company paid financing costs of \$30,000.
- (l) On August 23, 2019, the Company, through LB, obtained proceeds from its multi-draw credit facility to fund the acquisition of certain assets of Ambaji2 (Note 5). The Company paid financing costs of \$20,000.
- (m) On September 12, 2019, the Company, through LB, obtained proceeds from its multi-draw credit facility to fund the acquisition of certain assets of Lee Caudell (Note 5). The Company paid financing costs of \$35,000.
- (n) On September 27, 2019, the Company, through LB, obtained proceeds from its multi-draw credit facility to fund the acquisition of certain assets of Platinum (Note 5). The Company paid financing costs of \$23,000.

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2019 and August 31, 2018***(Expressed in U.S. dollars, unless otherwise stated)***10. 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	Number of warrants	Share capital value
Balance as at November 30, 2017		70,321,207	5,776,604	\$ 34,121,822
Warrants issued	(a)	-	209,300	-
Equity and warrant issuance relating to private placement		-	-	(411,796)
Options exercised		-	-	(408,092)
Balance as at August 31, 2018		70,321,207	5,985,904	\$ 33,301,934
Balance as at December 31, 2018		71,650,833	5,985,904	\$ 33,631,194
Options exercised	(b)	129,033	-	21,989
Warrants exercised	(c)	230,302	(500,000)	133,395
Share redemption costs	(d)	-	-	(211,165)
Cancellation of shares	(e)	(3,675,450)	-	(2,382,391)
Balance as at September 30, 2019		68,334,718	5,485,904	\$ 31,193,022

(a) Warrants Issued

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.

(b) Options exercised

On March 5, 2019, a director and officer of the Company exercised 129,033 options to acquire 129,033 common shares. The exercise price of these options was CAD \$0.18 for total cash proceeds of \$17,500. The share price on the date of exercise was CAD \$0.75.

(c) Warrants exercised

On April 17, 2019, a cashless exercise of 500,000 common share purchase warrants with an exercise price of \$0.3896 per share, based on the weighted average price of \$0.7227 per common share was completed.

(d) Share redemption costs

Share redemption costs were incurred for the cancellation of the non-controlling interest membership units in Note 4 (b).

(e) Normal course issuer bid

On February 15, 2019, the Company announced that the TSX Venture Exchange (the "Exchange") 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 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 do so.

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

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

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

Share capital and warrants (Cont'd)

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

Please refer to Note 20 for details on common shares that were repurchased and cancelled by the Company subsequent to September 30, 2019.

As at September 30, 2019, the company had outstanding warrants as follows:

Number of warrants	Exercise price (CAD)	Expiry
3,529,404	\$ 0.215	May 20, 2020
418,600	\$ 0.307	November 17, 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
5,485,904		

As of September 30, 2019, there are 5,485,904 (December 31, 2018 – 5,985,904) warrants outstanding which are recorded as a derivative liability with a value of \$3,489,659 (December 31, 2018 – \$3,354,662).

The fair value of the warrants outstanding is estimated at September 30, 2019 and December 31, 2018 using the Black-Scholes option pricing model with the following weighted average inputs and assumptions:

	September 30, 2019	December 31, 2018
Exercise price (CAD)	\$0.34	\$0.32
Expected volatility (based on historical)	74%	121%
Risk-free interest rate	1.59%	1.85%
Expected life	0.56	1.24
Share price (CAD)	\$1.16	\$1.01

11. 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.

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2019 and August 31, 2018***(Expressed in U.S. dollars, unless otherwise stated)***11. SHARE OPTION PLAN (Cont'd)**

The stock options were only awarded to employees, 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:

	September 30, 2019		December 31, 2018	
	Number of options	Weighted average exercise price (CAD)	Number of options	Weighted average exercise price (CAD)
Beginning balance	7,165,068	\$ 0.51	7,032,105	\$ 0.35
Issued	-	\$ -	1,462,589	\$ 1.00
Exercised	(129,033)	\$ 0.18	(1,329,626)	\$ 0.21
Ending balance	7,036,035	\$ 0.51	7,165,068	\$ 0.51
Exercisable	7,036,035	\$ 0.51	7,165,068	\$ 0.51

The following table summarizes information about share purchase options granted and outstanding as at September 30, 2019:

Number of options	Exercisable	Exercise price (CAD)	Time to maturity
66,667	66,667	\$ 1.260	0.89 years
16,668	16,668	\$ 1.050	0.89 years
121,341	121,341	\$ 0.180	1.91 years
83,333	83,333	\$ 0.270	2.12 years
1,344,475	1,344,475	\$ 0.154	2.59 years
1,244,983	1,244,983	\$ 0.353	2.78 years
2,695,979	2,695,979	\$ 0.503	3.13 years
1,462,589	1,462,589	\$ 1.000	4.13 years
7,036,035	7,036,035		

12. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative costs incurred by nature are as follows:

	Three months ended September 30, 2019	Three months ended August 31, 2018	Nine months ended September 30, 2019	Nine months ended August 31, 2018
Acquisition costs	\$ 938,702	\$ 355,898	\$ 1,184,220	\$ 256,098
Professional and advisory fees	698,027	434,167	2,167,986	3,740,650
Regulatory and filing fees	3,729	4,383	51,702	34,357
Salaries and benefits	382,682	357,553	1,155,077	1,232,396
Share based compensation	-	-	-	(1,748,198)
Administrative and corporate expenses	2,186,901	659,217	3,909,385	1,616,788
Loss on disposal of property and equipment	-	8,982	-	8,982
	\$ 4,210,041	\$ 1,820,200	\$ 8,468,370	\$ 5,141,073

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2019 and August 31, 2018

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

13. FINANCE COSTS

Finance costs consist of the following:

	Three months ended		Three months ended		Nine months ended		Nine months ended	
	September 30, 2019		August 31, 2018		September 30, 2019		August 31, 2018	
Previous long-term debt								
Accretion expense	\$	-	\$	-	\$	-	\$	6,085,101
Make whole payment		-		-		-		2,373,786
Cash interest expense		-		-		-		2,602,839
	\$	-	\$	-	\$	-	\$	11,061,726
Existing long-term debt								
Accretion expense	\$	286,955	\$	186,682	\$	875,064	\$	292,198
Cash interest expense		2,107,541		1,540,219		4,666,283		1,907,892
Accrued interest expense		-		-		1,053,036		509,351
Commitment fee		13,751		13,404		81,367		20,981
	\$	2,408,247	\$	1,740,305	\$	6,675,750	\$	2,730,422
Other		30,298		4,600		81,540		161,034
Total finance costs	\$	2,438,545	\$	1,744,905	\$	6,757,290	\$	13,953,182

14. EARNINGS (LOSS) PER SHARE

During periods when the Company incurred a net profit (loss), the income and diluted income 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 earnings per share do not differ from basic loss per share.

	September 30, 2019	August 31, 2018
Common shares issuable on exercise of warrants	5,485,904	5,985,904
Vested stock options	7,036,035	7,032,105
	12,521,939	13,018,009

Income (loss) per share attributable to owners of the parent:

	Three months ended		Three months ended		Nine months ended		Nine months ended	
	September 30, 2019		August 31, 2018		September 30, 2019		August 31, 2018	
Weighted average shares outstanding - basic	69,250,953		70,321,207		70,778,181		70,321,207	
Weighted average shares outstanding - diluted	81,772,892		83,339,216		83,300,120		83,339,216	
Basic	\$	(0.030)	\$	0.021	\$	0.019	\$	(0.065)
Diluted	\$	(0.030)	\$	0.018	\$	0.016	\$	(0.065)

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

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15. 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, all other corporate assets owned at period end are held in Canada.

	Three months ended September 30, 2019			Nine months ended September 30, 2019		
	Corporate	LBL	Total	Corporate	LBL	Total
Revenue						
Gaming revenue	\$ -	\$ 19,356,638	\$ 19,356,638	\$ -	\$ 59,327,906	\$ 59,327,906
Location costs	-	(9,678,319)	(9,678,319)	-	(29,663,953)	(29,663,953)
Revenue after location costs	-	9,678,319	9,678,319	-	29,663,953	29,663,953
Operating expenses						
Amortization of property, equipment and intangible assets	-	(3,174,677)	(3,174,677)	-	(9,034,794)	(9,034,794)
Amortization of right-of-use asset	(66,546)	(16,178)	(82,724)	(134,925)	(32,356)	(167,281)
Impairment	-	(65,900)	(65,900)	-	(155,900)	(155,900)
General and administrative expenses	(625,059)	(3,584,982)	(4,210,041)	(2,210,956)	(6,257,414)	(8,468,370)
	(691,605)	(6,841,737)	(7,533,342)	(2,345,881)	(15,480,464)	(17,826,345)
Other expenses						
Finance costs	(1,608)	(2,436,937)	(2,438,545)	(7,971)	(6,749,319)	(6,757,290)
Other income	(175,000)	-	(175,000)	455,000	-	455,000
Finance income	-	-	-	-	-	-
Fair value gain (loss) on derivative liabilities	(1,329,667)	-	(1,329,667)	(268,392)	-	(268,392)
Loss on foreign exchange	11,019	-	11,019	4,574	-	4,574
	(1,495,256)	(2,436,937)	(3,932,193)	183,211	(6,749,319)	(6,566,108)
Net income (loss) and comprehensive income (loss) before tax	(2,186,861)	399,645	(1,787,216)	(2,162,670)	7,434,170	5,271,500
Current tax expense	-	-	-	-	(850,000)	(850,000)
Net Income (loss) and comprehensive income (loss)	\$ (2,186,861)	\$ 399,645	\$ (1,787,216)	\$ (2,162,670)	\$ 6,584,170	\$ 4,421,500
Total current assets	\$ 782,796	\$ 7,521,953	\$ 8,304,749	\$ 782,796	\$ 7,521,953	\$ 8,304,749
Total non-current assets	\$ 484,673	\$ 69,510,034	\$ 69,994,707	\$ 484,673	\$ 69,510,034	\$ 69,994,707
Total liabilities	\$ 6,945,824	\$ 89,214,661	\$ 96,160,485	\$ 6,945,824	\$ 89,214,661	\$ 96,160,485

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

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For the three and nine months ended September 30, 2019 and August 31, 2018

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

15. OPERATING SEGMENTS (Cont'd)

	Three months ended August 31, 2018			Nine months ended August 31, 2018		
	Corporate	LBL	Total	Corporate	LBL	Total
Revenue						
Gaming revenue	\$ -	\$ 17,012,675	\$ 17,012,675	\$ -	\$ 52,690,444	\$ 52,690,444
Location costs	-	(8,506,337)	(8,506,337)	-	(26,345,222)	(26,345,222)
Revenue after location costs	-	8,506,338	8,506,338	-	26,345,222	26,345,222
Operating expenses						
Amortization of property, equipment and intangible assets	-	(2,325,621)	(2,325,621)	-	(6,740,724)	(6,740,724)
Impairment	-	-	-	-	(212,000)	(212,000)
General and administrative expenses	(812,739)	(1,007,461)	(1,820,200)	(2,287,938)	(2,853,136)	(5,141,073)
	(812,739)	(3,333,082)	(4,145,821)	(2,287,938)	(9,805,860)	(12,093,797)
Other expenses						
Finance costs	(4,004)	(1,740,901)	(1,744,905)	(26,671)	(13,926,511)	(13,953,182)
Other income	-	-	-	-	122,000	122,000
Finance income	3,410	-	3,410	39,679	-	39,679
Fair value gain (loss) on derivative liabilities	472,176	-	472,176	(2,058,288)	-	(2,058,288)
Loss on foreign exchange	7,670	-	7,670	27,956	-	27,956
Derivative asset	-	-	-	-	(2,193,000)	(2,193,000)
	479,252	(1,740,901)	(1,261,649)	(2,017,324)	(15,997,511)	(18,014,835)
Net Income (loss) and comprehensive income (loss)	\$ (333,487)	\$ 3,432,355	\$ 3,098,868	\$ (4,305,262)	\$ 541,851	\$ (3,763,410)
Total current assets	\$ 278,456	\$ 5,803,279	\$ 6,081,735	\$ 278,456	\$ 5,803,279	\$ 6,081,735
Total non-current assets	\$ 13,568	\$ 58,435,174	\$ 58,448,742	\$ 13,568	\$ 58,435,174	\$ 58,448,742
Total liabilities	\$ 6,155,832	\$ 63,251,922	\$ 69,407,754	\$ 6,155,832	\$ 63,251,922	\$ 69,407,754

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2019 and August 31, 2018***(Expressed in U.S. dollars, unless otherwise stated)***16. 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.

	Three months ended September 30, 2019	Three months ended August 31, 2018	Nine months ended September 30, 2019	Nine months ended August 31, 2018
Salaries and short term benefits	\$ 185,000	\$ 60,000	\$ 605,000	\$ 327,874
Director fees	93,264	53,094	244,925	201,336
Share based compensation	-	-	-	(83,567)
Consulting fees	723,361	568,741	1,458,099	2,650,936
	\$ 1,001,625	\$ 681,835	\$ 2,308,024	\$ 3,096,579

As at September 30, 2019, the Company owed \$75,800 relating to director fees (December 31, 2018 – \$94,550).

During the three and nine months ended September 30, 2019 and August 31, 2018, the Company incurred consulting fees of \$288,311 and \$864,514 (August 31, 2018 – \$274,854 and \$760,000), paid performance incentives of \$Nil and \$107,674 (August 31, 2018 – \$263,532 and \$411,706) directly tied to business acquisitions, paid a discretionary annual performance incentive of \$Nil and \$Nil (August 31, 2018 – \$Nil and \$1,469,000) 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 September 30, 2019, \$937,066 was owed relating to these consulting fees (December 31, 2018 – \$2,098,536).

During the three and nine months ended September 30, 2019, the Company paid rent of \$Nil and \$Nil (August 31, 2018 – \$50,495 and \$110,347) to a corporation controlled by a director and officer of the Company.

During the three and nine months ended September 30, 2019 and August 31, 2018, the Company incurred consulting fees of \$25,710 and \$76,571 (August 31, 2018 – \$30,355 and \$10,230) 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 September 30, 2019, \$8,533 was owed relating to these consulting fees (December 31, 2018 – \$8,283).

During the nine months ended September 30, 2019, total distributions declared by Lucky Bucks Holdco, LLC to its 30% (August 31, 2018 – 40%) shareholder totaled \$4,631,094 (August 31, 2018 – \$7,193,172). As at September 30, 2019, \$245,035 was owed relating to these distributions (December 31, 2018 – \$436,272).

During the three and nine months ended September 30, 2019 and August 31, 2018, the Company incurred salaries and short-term benefits of \$60,000 and \$180,000 (August 31, 2018 – \$60,000 and \$180,000) and paid discretionary performance bonuses of \$125,000 and \$425,000 (August 31, 2018 – \$Nil and \$147,874) to the CEO of Lucky Bucks, LLC. As at September 30, 2019, \$Nil was owed relating to these salaries and short-term benefits (December 31, 2018 - \$200,000).

As at September 30, 2019, \$35,853 is due from the CEO of Lucky Bucks, LLC and 30% shareholder of Lucky Bucks Holdco, LLC (December 31, 2018 – \$44,853).

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

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)**Notes to the Condensed Interim Consolidated Financial Statements****For the three and nine months ended September 30, 2019 and August 31, 2018***(Expressed in U.S. dollars, unless otherwise stated)***17. SUPPLEMENTAL CASH FLOWS INFORMATION**

Changes in non-cash operating working capital:

	Nine months ended September 30, 2019	Nine months ended August 31, 2018
Accounts receivable	\$ (96,344)	\$ (549,187)
Restricted cash	(280,448)	1,904,170
Prepaid expenses and other	(498,874)	(77,374)
Due from related party balances	9,000	59,485
Contingent liability	320,935	-
Notes receivable	-	295,873
Accounts payable and other liabilities	(1,119,757)	(793,661)
Due to related party balances	(1,380,220)	317,032
Income tax payable	275,473	-
	\$ (2,770,235)	\$ 1,156,338

Changes in liabilities arising from financing activities:

	Nine months ended September 30, 2019	Nine months ended August 31, 2018
Opening balance	\$ 67,327,321	\$ 46,109,213
Net cash from financing activities	15,072,783	5,587,310
Other changes	911,606	8,004,686
	\$ 83,311,710	\$ 59,701,209

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities were as follows:

Financial assets at amortized cost	September 30, 2019	December 31, 2018
Cash	\$ 2,513,274	\$ 2,466,419
Restricted cash	3,016,034	2,735,586
Accounts receivable	2,162,215	2,065,871
Related party balances	35,853	44,853
	\$ 7,727,376	\$ 7,312,729

Financial liabilities at amortized cost	September 30, 2019	December 31, 2018
Accounts payable and accrued liabilities	\$ 4,518,687	\$ 5,638,444
Distribution payable	245,035	436,272
Contingent liability	320,935	-
Related party balances	1,012,866	2,393,086
Long-term debt	83,275,168	67,327,321
	\$ 89,372,691	\$ 75,795,123

Fair value through profit and loss, assets (liabilities)	September 30, 2019	December 31, 2018
Derivative liability	\$ (3,489,659)	\$ (3,354,662)

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

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

18. 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 and accounts 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 three and nine months ended September 30, 2019 and August 31, 2018, all of the Company's gaming revenue is collected from the 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 September 30, 2019, the Company had cash balance of \$2,513,274 (December 31, 2018 – \$2,446,419). The following table summarizes amounts and maturity dates of the Company's contractual obligations as of September 30, 2019:

	Within 1 Year	2-3 years	4-5 years	Total
Accounts payable and accrued liabilities	\$ 4,518,687	\$ -	\$ -	\$ 4,518,687
Distribution payable	245,035	-	-	245,035
Contingent liability	320,935	-	-	320,935
Related party balances	1,012,866	-	-	1,012,866
Long-term debt	8,092,911	19,300,156	59,019,811	86,412,878
	\$ 14,190,434	\$ 19,300,156	\$ 59,019,811	\$ 92,510,401

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

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

18. 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 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, accounts payable and accrued liabilities and contingent 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 \$112,652.

Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the multi-draw credit facility (Note 9). 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 \$861,897.

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)

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

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

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 September 30, 2019 the Company was in compliance with the financial covenants related to its long-term debt.

19. COMPARATIVE FIGURES

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

20. SUBSEQUENT EVENTS

Normal Course Issuer Bid ("NCIB")

In September 2019, under the NCIB, the Company repurchased 839,500 common shares at a price of CAD \$1.0922 for total consideration of CAD \$916,897. These repurchased common shares were cancelled on October 2, 2019.

In October 2019, under the NCIB, the Company repurchased 103,000 common shares at a price of CAD \$1.0697 for total consideration of CAD \$110,180. These repurchased common shares were cancelled on November 4, 2019.

Compensation Waiver Agreement

On November 12, 2019 the Company entered into the Acquisition Compensation Waiver Agreement with an officer and director of the Company waiving entitlement to any future potential payments relating to acquisition compensation. The acquisition compensation was defined in section 3.2 of the Consulting Agreement dated April 1, 2016 between the Company and Ascendant Group Holdings Inc., a corporation controlled by the CEO, Manu Sekhri. The acquisition compensation was two percent of the total value of all forms of payment made and liabilities assumed pertaining to each acquisition multiplied by a number reflective of shareholder return between the public announcement of the acquisition and closing of the acquisition. In consideration for waiving its rights to such payments, the Company agreed to pay Ascendant Group Holdings Inc. cash payments in the amount of \$2,300,000.

Of this amount, \$1,281,721 was used by the officer to exercise options and common share purchase warrants on November 14, 2019 and the remaining \$1,018,279 will be paid in equal, pro-rated monthly installments commencing in 2020.

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Notes to the Condensed Interim Consolidated Financial Statements

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20. SUBSEQUENT EVENTS (Cont'd)

Exercise of Warrants and Options

In October 2019, a cashless exercise of 418,600 common share purchase warrants with an exercise price of \$0.2614 per share, based on the weighted average price of \$1.1603 per common share was completed in exchange for 324,295 common shares.

In November 2019, an officer of the Company exercised 3,582,534 options to acquire 3,582,534 common shares. The exercise price for these options ranged from CAD \$0.3525 to \$1.00 for total cash proceeds of \$1,265,304.

In November 2019, an officer of the Company exercised 101,232 common share purchase warrants to acquire 101,232 common shares. The exercise price for these common share purchase warrants was CAD \$0.215 for total cash proceeds of \$16,417.

Stock Option Grant

On November 14, 2019, the Company granted an aggregate 3,686,522 stock options to certain officers, directors and employees of the Company. Each of the stock options entitles the holder thereof to purchase one common share of the Company at a price of \$1.05 until November 14, 2024.

Settlement of Litigation

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.

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Notes to the Condensed Interim Consolidated Financial Statements

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20. SUBSEQUENT EVENTS (Cont'd)

Settlement of Litigation (Cont'd)

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. As at December 31, 2018, the Company had accrued \$630,000.

On November 19, 2019, the Company settled this litigation for \$175,000 to be paid over a period of six months in 2020 following the finalization of the settlement agreement.