SEVEN ACES LIMITED

(formerly Quantum International Income Corp.)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2019 and ten month period ended December 31, 2018

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

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, 2019 and 2018 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended December 31, 2019 and the ten month period ended December 31, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2019 and the ten month period ended December 31, 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's discussion and analysis, but does not include the consolidated 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's 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. 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 29, 2020
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, 2019		December 31, 2018
ASSETS				
Current assets				
Cash	**$**	**2,253,170**	$	2,466,419
Restricted cash (Note 6)		**1,902,880**		2,735,586
Accounts receivable		**2,330,693**		2,065,871
Related party receivable (Note 20)		**457,853**		44,853
Prepaid expense and other assets		**1,141,796**		78,499
Derivative asset (Note 7)		**7,690,123**		-
Total current assets		**15,776,515**		7,391,228
Non-current assets				
Restricted cash (Note 6)		**1,000,000**		1,000,000
Right-of-use assets (Note 8)		**633,973**		-
Property and equipment (Note 9)		**7,543,645**		6,328,607
Intangible assets (Note 10)		**40,706,224**		39,905,343
Goodwill (Note 10)		**18,487,130**		17,858,977
Deferred income tax asset (Note 18)		**482,768**		-
Total non-current assets		**68,853,740**		65,092,927
TOTAL ASSETS	**$**	**84,630,255**	$	72,484,155
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**5,153,654**	$	5,638,444
Income tax payable (Note 18)		**150,302**		588,707
Distribution payable (Note 20)		**294,461**		436,272
Current portion of lease liability (Note 8)		**99,505**		-
Current portion of long-term debt (Note 11)		**8,852,784**		6,517,349
Contingent liability (Notes 5(g) and 5(i))		**474,737**		-
Related party payable (Note 20)		**3,060,542**		2,393,086
Derivative liability - warrants (Note 7)		**3,248,304**		3,354,662
Total current liabilities		**21,334,289**		18,928,520
Deferred income tax liability (Note 18)		**-**		1,239,172
Lease liability (Note 8)		**715,055**		-
Long-term debt (Note 11)		**76,367,840**		60,809,972
Total liabilities		**98,417,184**		80,977,664
Equity				
Share capital (Note 12)		**33,315,796**		33,631,194
Contributed surplus		**4,183,566**		2,642,924
Deficit		**(53,995,728)**		(48,557,922)
Equity attributable to owners of the parent		**(16,496,366)**		(12,283,804)
Non-controlling interest	**$**	**2,709,437**		3,790,295
Total equity		**(13,786,929)**		(8,493,509)
TOTAL LIABILITIES AND EQUITY	**$**	**84,630,255**	$	72,484,155

Commitments and contingencies (Note 22)
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 Income (Loss) and Comprehensive Income (Loss)
(Expressed in U.S. dollars, unless otherwise stated)
For the year ended December 31, 2019 and ten month period ended December 31, 2018

		Year ended December 31, 2019		Ten months ended December 31, 2018
Revenue				
Gaming revenue	**$**	**79,294,996**	$	59,713,046
Location costs		**(39,647,498)**		(29,856,523)
Revenue after location costs		**39,647,498**		29,856,523
Operating expenses				
Amortization of property, equipment and intangible assets (Notes 9 and 10)		**(12,217,755)**		(7,988,908)
Amortization of right-of-use asset (Note 8)		**(98,549)**		-
Net Impairment (Notes 5(b) and 10)		**(119,269)**		(68,982)
General and administrative expenses (Note 14)		**(19,115,911)**		(9,232,226)
		(31,551,484)		(17,290,116)
Other expenses				
Finance costs (Note 15)		**(11,071,670)**		(9,976,540)
Finance income		**-**		10,745
Gain on settlement of accounts payable (Note 16)		**-**		85,400
Gain on settlement of litigation (Note 22)		**455,000**		-
Fair value loss on derivative liability (Note 7)		**(723,433)**		(932,936)
Fair value gain on derivative asset (Note 7)		**7,690,123**		-
Extinguishment of derivative asset (Note 7)		**-**		(2,765,000)
Gain (loss) on foreign exchange		**(13,647)**		32,027
		(3,663,627)		(13,546,304)
Income (loss) before income tax for the year	**$**	**4,432,387**	$	(979,897)
Income tax expense - current (Note 18)		**(314,454)**		(1,122,730)
Income tax recovery (expense) - deferred (Note 18)		**1,721,940**		(1,239,172)
Net income (loss) for the year	**$**	**5,839,873**	$	(3,341,799)
Net income (loss) for the year attributable to:				
Owners of the parent	**$**	**524,054**		(5,825,957)
Non-controlling interest		**5,315,819**		2,484,158
	$	**5,839,873**	$	(3,341,799)
Income (loss) per share attributable to the owners of the parent (Note 17)				
Basic	**$**	**0.007**	$	(0.082)
Diluted	**$**	**0.006**	$	(0.082)

See accompanying notes to the consolidated financial statements

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)
Consolidated Statements of Changes in Equity
For the year ended December 31, 2019 and ten month period ended December 31, 2018
(Expressed in U.S. dollars, unless otherwise stated)

	Attributable to Owners of the Parent				Non-controlling	Total
	Share Capital	Contributed Surplus	Deficit	Total	Interest	Equity
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(a))	-	-	(4,905,774)	(4,905,774)	(1,094,226)	(6,000,000)
Options exercised (Note 12)	329,260	(113,391)	-	215,869	-	215,869
Share based compensation (Note 14)	-	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)**
Options exercised (Note 12)	2,016,494	(717,275)	-	1,299,219	-	1,299,219
Warrants exercised (Note 12)	88,833	-	-	88,833	-	88,833
Cashless warrants exercised (Note 12)	740,958	-	-	740,958	-	740,958
Share based compensation (Note 14)	-	2,257,917	-	2,257,917	-	2,257,917
Repurchase and cancellation of shares (Note 12)	(3,161,683)	-	-	(3,161,683)	-	(3,161,683)
Cancellation of NCI's membership units (Note 4(b))	-	-	(5,961,860)	(5,961,860)	(753,405)	(6,715,265)
Distributions	-	-	-	-	(5,643,272)	(5,643,272)
Net income (loss) for the year	-	-	524,054	524,054	5,315,819	5,839,873
Balance as at December 31, 2019	**$ 33,315,796**	**$ 4,183,566**	**$ (53,995,728)**	**$ (16,496,366)**	**$ 2,709,437**	**$ (13,786,929)**

See accompanying notes to the consolidated financial statements

SEVEN ACES LIMITED (formerly Quantum International Income Corp.)
Consolidated Statements of Cash Flows
(Expressed in U.S. dollars, unless otherwise stated)

	Year ended December 31, 2019	Ten months ended December 31, 2018
OPERATING ACTIVITIES		
Net income (loss) for the year	$ 5,839,873	$ (3,341,799)
Items not affecting cash		
Amortization of property and equipment and intangible assets (Notes 9 and 10)	12,217,755	7,988,908
Amortization of right-of-use asset (Note 8)	98,549	-
Fair value change in derivative liability (Note 7)	723,433	932,936
Fair value change in derivative asset (Note 7)	(7,690,123)	-
Extinguishment of derivative asset (Note 7)	-	2,765,000
Accretion expense relating to long-term debt (Note 11)	3,131,097	2,034,940
Accretion expense relating to lease liability (Note 8)	60,390	-
Share based compensation (Note 14)	2,257,917	919,567
Net impairment (Notes 5(b) and 10)	119,269	68,982
Gain on settlement of litigation (Note 22)	(455,000)	-
Gain on settlement of accounts payable (Note 16)	-	(85,400)
Foreign exchange on lease liabilities (Note 8)	13,647	-
Income tax expense - deferred (Note 18)	(1,721,940)	1,239,172
	14,594,867	12,522,306
Net change in non-cash operating working capital (Note 21)	680,234	1,431,248
Cash flows from operating activities	15,275,101	13,953,554
INVESTING ACTIVITIES		
Cash paid for acquisition of operating assets (Note 5)	(13,272,626)	(9,378,078)
Cash paid on cancellation of non-controlling interest's membership units (Note 4(b))	(6,715,265)	-
Cash paid for acquisition on non-controlling interest (Note 4(a))	-	(6,000,000)
Cash refunded on acquisition (Note 5(b))	970,731	-
Cash due from related party (Note 20)	(425,000)	-
Additions to intangible assets	(311,534)	-
Additions to property and equipment	(1,428,278)	(1,753,411)
Cash flows used in investing activities	(21,181,972)	(17,131,489)
FINANCING ACTIVITIES		
Proceeds from long-term debt (Note 11)	21,461,829	75,704,240
Proceeds from long-term debt - Vehicle	36,542	70,428
Repayment of long-term debt (Note 11)	(6,521,857)	(63,087,068)
Repayment of lease liabilities (Note 8)	(121,819)	-
Repurchase of common shares (Note 12)	(3,161,683)	-
Debt transaction costs (Notes 5 and 11)	(214,307)	(4,593,508)
Restricted cash	-	(1,000,000)
Proceeds from options exercised (Note 13)	-	215,869
Cash distributions paid to non-controlling interest	(5,785,083)	(6,382,338)
Cash flows from financing activities	5,693,622	927,623
Net change in cash	(213,249)	(2,250,312)
Cash, beginning of period	2,466,419	4,716,731
Cash, end of period	$ 2,253,170	$ 2,466,419
Supplemental information		
Cash interest paid	$ 7,790,395	$ 4,358,005
Cash taxes paid	$ 800,000	$ -
Non-cash transactions for stock options	$ 1,281,721	$ -

See accompanying notes to the consolidated financial statements

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 consolidated financial statements reflect the year ended December 31, 2019 and the comparative ten month period from March 1, 2018 to December 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 commenced trading 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 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").

These consolidated financial statements of the Company were authorized for issue by the Board of Directors effective April 29, 2020.

Basis of Measurement

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

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

Entity	December 31, 2019 Ownership Interest	December 31, 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% (b)	60% (a)
Lucky Bucks, LLC ("LB")	70% (b)	60% (a)

(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(a))

(b) On July 15, 2019 the Company increased its ownership interest from 60% to 70% through cancellation of membership units (Note 4(b)).

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.

2. BASIS OF PREPARATION (Cont'd)

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 include 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.

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 consolidated statement of income (loss) and comprehensive income (loss). 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 (loss) and comprehensive income (loss).

Changes in the Company's ownership interest that do not result in a change in control of the subsidiary that is a business are accounted for as equity transactions. The carrying amount of the non-controlling interest is adjusted to reflect the change in the non-controlling interest's ownership interest in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognized in equity and attributed to the owners of the parent.

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.

2. BASIS OF PREPARATION (Cont'd)

Use of Estimates and Judgments (Cont'd)

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) Inputs in impairment testing of goodwill and indefinite life intangible assets, including discount rate, growth rate, terminal rate and revenue projections.

ii) 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.

iii) 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.

iv) Inputs in determining the fair value of options, derivative asset due to financing arrangements and derivative liability - warrants, such as the volatility and estimated life of the instrument.

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;

2. BASIS OF PREPARATION (Cont'd)

Use of Estimates and Judgments (Cont'd)

Significant judgments (Cont'd):

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;

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

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

viii) The determination of the Company's cash generating unit ("CGU") is judgmental. The identification of CGU 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;

ix) Judgment is required when determining the discount rate in relation to lease liability.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and Restricted 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Translation of Foreign Currencies (Cont'd)

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 comprehensive income or profit or loss are also recognized in 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.

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 straight-line 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property and Equipment (Cont'd)

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 consolidated statement of income (loss) and comprehensive income (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. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (leases with a lease term of 12 months or less) and leases of low value assets (a value less than $5,000). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the minimum lease payments over the lease term at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. Variable lease payments not included in the initial measurement of the lease liability are recognized directly as lease expenses as incurred. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated amortization and impairment losses.

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 - 10 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 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 pre-tax 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 pre-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 income (loss) and comprehensive income (loss).

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 consolidated statement of income (loss) and comprehensive income (loss) 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 consolidated statement of income (loss) and comprehensive income (loss). If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

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 income (loss) and comprehensive income (loss).

Accounting for Units

When common shares are distributed in conjunction with foreign currency warrants, the fair value of the foreign currency 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. Foreign currency 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 consolidated statement of income (loss) and comprehensive income (loss).

Revenue

Gaming revenue includes revenues from COAMs. The Company recognizes revenue at the point of time as the performance obligation is satisfied. The 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 consolidated statement of income (loss) and comprehensive income (loss).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Segment Reporting

The 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. The operating segment's 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.

Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes party to the contractual provisions of the financial instrument. Upon initial recognition, financial instruments are measured at fair value net of transaction costs that are directly attributable to the acquisition or issue of financial instruments that are not classified as fair value through profit or loss.

The classification and measurement approach for financial assets reflect the business model in which assets are managed and their cash flow characteristics. Financial assets are classified and measured based on these categories: amortized cost, fair value through comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). Financial assets are not reclassified subsequent to their initial recognition unless the Company identifies changes in its business model in managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- The financial asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVOCI. Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL.

Note 23 summaries the classification and measurement of the Company's financial assets and liabilities:

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

Financial asset impairment

Under IFRS 9, the Company applies a forward-looking expected credit loss ("ECL") model, at each balance sheet date, to financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments.

The three-stage approach to recognizing ECL under IFRS 9 is intended to reflect the increase in credit risks of a financial instrument and are:

- Stage 1 is comprised of all financial instruments that have not had a significant increase in credit risks since initial recognition or that have low credit risk at the reporting date. The Company recognizes an impairment loss for those financial instrument at an amount equal to twelve month expected credit loss following the balance sheet date.
- Stage 2 is comprised of all financial instruments that have had a significant increase in credit risks since initial recognition but that do not have objective evidence of a credit loss event. The Company recognizes an impairment loss for those financial instruments at an amount equal to the lifetime expected credit losses.
- Stage 3 is comprised of all financial instruments that have objective evidence of impairment at the reporting date. The Company recognizes an impairment loss for those financial instruments at an amount equal to the lifetime expected credit losses.

Changes in Accounting Policies

a) Standards issued and adopted

i) 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.

(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)

i) IFRS 16 ("Leases") (Cont'd)

- 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.
- Leases of low value (underlying assets with a value of $5,000 or less) are recognized as an expense on a straight-line basis over the lease term.
- The Company elected the practical expedient that permits an entity not to reassess whether a contract is, or contains, a lease at the initial date of application.
- 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 ranged from 5.25% to 8.00%.

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.

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)
Less: estimated variable lease payments		(216,180)
	$	1,316,852
Discounted using incremental borrowing rates		(454,510)
Lease liabilities recognized at January 1, 2019	$	862,342

Please refer to Note 8 of the consolidated financial statements for movements during the year ended December 31, 2019.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Changes in Accounting Policies (Cont'd)

b) Standards issued but not yet effective

Amendments to IFRS 3 – Business Combinations

The IASB issued amendments to IFRS 3 – Business Combinations to revise the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive, and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

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. There will be no impact on transition as the amendments are effective for business combinations for which the acquisition date is on or after the transition date. For acquisitions that do not meet the definition of a business under IFRS 3, the Company follows guidelines for asset acquisition, where the consideration paid is allocated to assets acquired based on fair values on the acquisition date and transaction costs are capitalized and allocated to the assets acquired.

Subsequent to December 31, 2019, the Company entered into transactions with certain vendors to acquire additional location contracts. Management is currently assessing in accordance with the amendments to IFRS 3 effective January 1, 2020.

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

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		2,350,000
Total consideration	$	6,000,000

As at December 31, 2018, the full amount of the promissory note was paid.

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

b) Cancellation of non-controlling interest membership units

On July 15, 2019, the Company's indirect wholly-owned subsidiary, SSG increased its ownership interest in LBH from 60% to 70% through cancellation of the non-controlling interest 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)
Difference recognized in equity	$	5,961,860

SSG funded the purchase price for the cancellation of the non-controlling interest membership units pursuant to an advance under the credit facility described in Note 11. In accordance with the operating agreement, SSG is responsible for to 70% of the $6,715,265 and Lucky Bucks Ventures, Inc. is responsible for 30%. However, 100% of $6,715,265 was advanced to SSG in order to satisfy the cash consideration owed in connection with the cancellation of the non- controlling interest membership units. SSG agreed to be responsible for the interest, amortization, installment or other payment obligations (including any voluntary or mandatory principal payment obligation) relating to this advance.

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

5. ACQUISITIONS OF CERTAIN OPERATING ASSETS

During the year ended December 31, 2019 and ten month period ended December 31, 2018, the Company completed acquisitions of certain operating assets from skill-based gaming terminal operators based in the state of Georgia, USA. 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 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.

The details of the acquisitions are as follows for the year ended December 31, 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)	Lee Caudell, Inc (i)	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	20-Dec-19	
Purchase cash consideration	$ 2,087,855	$ 1,401,601	$ 1,037,758	$ 982,879	$ 650,617	$ 3,252,909	$ 1,693,185	$ 566,637	$ 1,124,448	$ 12,797,889
Contingent consideration	-	-	-	-	-	-	320,935	-	153,802	$ 474,737
Total consideration	$ 2,087,855	$ 1,401,601	$ 1,037,758	$ 982,879	$ 650,617	$ 3,252,909	$ 2,014,120	$ 566,637	$ 1,278,250	$ 13,272,626
Allocation of purchase price:										
Property and equipment	88,360	47,260	72,900	65,540	21,980	86,520	141,300	16,840	72,280	$ 612,980
Brand	11,000	7,000	6,000	6,000	4,000	18,000	12,000	3,000	7,000	$ 74,000
Owner/operator gaming machine contracts	1,988,495	1,313,000	835,000	894,000	624,637	3,035,000	1,643,361	538,000	1,086,000	$ 11,957,493
Goodwill**	-	34,341	123,858	17,339	-	113,389	217,459	8,797	112,970	$ 628,153
	$ 2,087,855	$ 1,401,601	$ 1,037,758	$ 982,879	$ 650,617	$ 3,252,909	$ 2,014,120	$ 566,637	$ 1,278,250	$ 13,272,626
Acquisition costs	$ 89,719	$ 52,837	$ 40,837	$ 181,375	$ 95,406	$ 372,362	$ 211,812	$ 94,567	$ 96,085	$ 1,235,000

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

a) Acquisition of certain assets from Goldstar Amusement LLC ("Goldstar 2")

$1,863,594 was paid on closing of the transaction, with the remaining $224,261 payable to Goldstar 2 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 11).

Included in the consolidated statement of income (loss) and comprehensive income (loss) is gaming revenue of $1,727,458 from Goldstar 2, for the period between February 27, 2019 to December 31, 2019.

If the Company was to acquire Goldstar 2 as at January 1, 2019, gaming revenue of $2,029,860 would have been included in the consolidated statement of income (loss) and comprehensive income (loss).

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 11).

Subsequent to the acquisition, there was a site closure of a location contract out of the control of the Company. As a result, A&R and the Company agreed to a reimbursement amount of $970,731 to satisfy the liability associated with the site closure of the location contract. The site closure of the location contract is not a measurement period adjustment. The reimbursement of $970,731 was recorded as a recovery of cost of acquisition. Intangibles of $1,016,000 associated with the closed location was written off as impairment cost netted against the recovery of cost of acquisition. Refer to the net impairment of $45,269 in Note 10.

Included in the consolidated statement of income (loss) and comprehensive income (loss) is gaming revenue of $373,464 from A&R for the period between March 8, 2019 to December 31, 2019.

If the Company was to acquire A&R as at January 1, 2019, gaming revenue of $571,151 would have been included in the consolidated statement of income (loss) and comprehensive income (loss).

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 11).

Included in the consolidated statement of income (loss) and comprehensive income (loss) is gaming revenue of $796,601 from Universal, for the period between March 12, 2019 to December 31, 2019.

If the Company was to acquire Universal as at January 1, 2019, gaming revenue of $982,386 would have been included in the consolidated statement of income (loss) and comprehensive income (loss).

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

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 11).

Included in the consolidated statement of income (loss) and comprehensive income (loss) is revenue of $373,672 from Ambaji for the period July 17, 2019 to December 31, 2019.

If the Company was to acquire Ambaji as at January 1, 2019, gaming revenue of $831,347 would have been included in the consolidated statement of income (loss) and comprehensive income (loss).

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 were satisfied, and the remaining amount was paid on February 12, 2020. The purchase price for the acquisition was funded by LB through an advance under the multi-draw credit facility (Note 11).

Included in the consolidated statement of income (loss) and comprehensive income (loss) is revenue of $190,992 from Fareast for the period August 16, 2019 to December 31, 2019.

If the Company was to acquire Fareast as at January 1, 2019, gaming revenue of $558,575 would have been included in the consolidated statement of income (loss) and comprehensive income (loss).

f) Acquisition of certain assets from Ambaji Amusement, LLC ("Ambaji 2")

$2,946,484 was paid on closing of the acquisition, with the remaining $306,425 payable to Ambaji 2 upon the satisfaction of certain post-closing obligations. These 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 11).

Included in the consolidated statement of income (loss) and comprehensive income (loss) is revenue of $903,333 from Ambaji 2 for the period August 23, 2019 to December 31, 2019.

If the Company was to acquire Ambaji 2 as at January 1, 2019, gaming revenue of $2,063,466 would have been included in the consolidated statement of income (loss) and comprehensive income (loss).

g) Acquisition of certain assets from Lee Caudell, Inc ("Lee Caudell 2")

$1,535,874 was paid on closing of the acquisition, with the remaining $157,311 payable to Lee Caudel 2 upon the satisfaction of certain post-closing obligations. These post-closing obligations were satisfied, and the remaining amount was paid on November 27, 2019. An additional $320,935 will be paid only if revenues from certain locations meet specific revenue thresholds on or prior to March 31, 2020. As at April 29, 2020, the contingent liability is still outstanding as the Company is in the process of finalizing the amount payable. The purchase price for the acquisition was funded by LB through an advance under the multi-draw credit facility (Note 11).

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

g) Acquisition of certain assets from Lee Caudell, Inc ("Lee Caudell 2")

Included in the consolidated statement of income (loss) and comprehensive income (loss) is revenue of $410,988 from Lee Caudell 2 for the period September 12, 2019 to December 31, 2019.

If the Company was to acquire Lee Caudell 2 as at January 1, 2019, gaming revenue of $1,314,874 would have been included in the consolidated statement of income (loss) and comprehensive income (loss).

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 as at April 29, 2020. The purchase price for the acquisition was funded by LB through an advance under the multi-draw credit facility (Note 11).

Included in the consolidated statement of income (loss) and comprehensive income (loss) is revenue of $44,204 from Platinum for the period September 27, 2019 to December 31, 2019.

If the Company was to acquire Platinum as at January 1, 2019, gaming revenue of $355,219 would have been included in the consolidated statement of income (loss) and comprehensive income (loss).

i) Acquisition of certain assets from Lee Caudell, Inc ("Lee Caudell 3")

$1,018,867 was paid on closing of the acquisition, with the remaining $105,581 payable to Lee Caudell 3 upon the satisfaction of certain post-closing obligations. These post-closing obligations were satisfied, and the remaining amount was paid on January 27, 2020. An additional $153,802 will be paid only if revenues from certain locations meet specific revenue thresholds on or prior to September 30, 2020. The purchase price for the acquisition was funded by LB through an advance under the multi-draw credit facility (Note 11).

Included in the consolidated statement of income (loss) and comprehensive income (loss) is revenue of $35,309 from Lee Caudell 3 for the period December 20, 2019 to December 31, 2019.

If the Company was to acquire Lee Caudell 3 as at January 1, 2019, gaming revenue of $382,781 would have been included in the consolidated statement of income (loss) and comprehensive income (loss).

(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 ten month period ended December 31, 2018:

	Goldstar Amusement LLC (j)	Feeling Lucky, LLC (k)	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

j) Acquisition of certain assets from 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 11).

k) Acquisition of certain assets from 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 11).

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

6. RESTRICTED CASH

Current assets		**December 31, 2019**		December 31, 2018
Cash restricted for property and equipment (a)	**$**	**53,066**	$	347,000
Cash restricted for transfer fee (b)		**103,455**		39,600
Goldstar holdback amount		**-**		476,453
Feeling Lucky holdback amount		**-**		549,687
Fareast holdback amount (Note 5(e))		**67,305**		-
Platinum holdback amount (Note 5(h))		**58,618**		-
Lee Caudell 3 holdback amount (Note 5(i))		**105,581**		
Monthly excess cash flow holdback (c)		**1,514,855**		1,322,846
	$	**1,902,880**	$	2,735,586

Non-current asset				
Minimum Cash (d)	**$**	**1,000,000**	$	1,000,000

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

(b) Due to acquisitions as disclosed in Note 5, the Company is required to pay an applicable transfer fee of $103,455 (2018 – $39,600) to a supplier in connection with the transfer of games in the supplier's internal system.

(c) 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.

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

7. DERIVATIVE ASSET AND LIABILITY

A derivative asset was recognized in relation to the senior credit facility (Note 11(a)). The derivative asset was determined based on timing of payments and the expected interest rate differential driven by the Company's own change in credit risk, less any prepayment penalties.

Derivative asset - prepayment		**December 31, 2019**		December 31, 2018
Opening balance	**$**	**-**	$	2,765,000
Fair value gain		**7,690,123**		**-**
Extinguishment		**-**		(2,765,000)
	$	**7,690,123**	$	-

Derivative liability - warrants (Note 12)		**December 31, 2019**		December 31, 2018
Opening balance	**$**	**3,354,662**	$	2,421,726
Warrants exercised		**(829,791)**		-
Change in fair value		**723,433**		932,936
	$	**3,248,304**	$	3,354,662

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

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITY

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:

Right-of-use asset		
Balance at January 1, 2019	**$**	**732,522**
Depreciation charge for the year		**(98,549)**
Balance at December 31, 2019	**$**	**633,973**

Lease liability		
Balance at January 1, 2019	**$**	**862,342**
Foreign exchange		**13,647**
Accretion on lease liability		**60,390**
Lease payments		**(121,819)**
Balance at December 31, 2019	**$**	**814,560**
Less: Current portion of lease liability		**(99,505)**
Long term lease liability	**$**	**715,055**

Future minimum lease payments at December 31, 2019 are as follows:

	Within 1 year	**2 - 3 years**	**4 - 5 years**	**> 5 years**	**Total**
Lease payments	$ 154,974	$ 322,377	$ 210,523	$ 399,708	$ 1,087,582
Less: finance charges	55,469	90,728	63,846	62,979	273,022
Principal repayment	$ 99,505	$ 231,649	$ 146,677	$ 336,729	$ 814,560

During the year ended December 31, 2019, the Company expensed $88,972 of variable lease payments relating to capitalized office leases and $98,540 relating to short-term leases. Total cash outflows for lease payments were $309,331.

The Company has the option to extend the term of one of its office lease agreement for one additional period of five years. The extension option was not included as part of the lease liability calculation, as it is not yet reasonably certain that the Company will exercise that option.

The Company has sublet 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 year ended December 31, 2019, the Company recognized $107,654 (ten month period ended December 31, 2018 - $85,087) of sublease revenue, which was offset against the Company's rent expense.

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

9. PROPERTY AND EQUIPMENT

Cost	Gaming Equipment	Furniture and Equipment	Computers	Automobiles	Leasehold Improvements	Total
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
Acquired through business combinations (a)	612,980	-	-	-	-	612,980
Additions	1,796,119	84,150	7,189	36,542	443,667	2,367,667
Balance December 31, 2019	**$ 9,889,553**	**$ 143,994**	**$ 17,808**	**$ 457,717**	**$ 726,618**	**$ 11,235,690**

Accumulated Amortization	Gaming Equipment	Furniture and Equipment	Computers	Automobiles	Leasehold Improvements	Total
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
Additions	1,616,620	20,056	4,694	87,889	36,350	1,765,609
Balance December 31, 2019	**$ 3,391,169**	**$ 35,237**	**$ 9,898**	**$ 200,039**	**$ 55,702**	**$ 3,692,045**

Net Carrying Amounts	Gaming Equipment	Furniture and Equipment	Computers	Automobiles	Leasehold Improvements	Total
As at December 31, 2018	$ 5,705,905	$ 44,663	$ 5,415	$ 309,025	$ 263,599	$ 6,328,607
As at December 31, 2019	**$ 6,498,384**	**$ 108,757**	**$ 7,910**	**$ 257,678**	**$ 670,916**	**$ 7,543,645**

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

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

10. INTANGIBLE ASSETS AND GOODWILL

Cost	Owner/operator gaming machine contracts	Brand	Master license	Software	Total intangible assets	Goodwill	Total intangible assets and goodwill
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	-	-	-	-	-	-	-
Balance December 31, 2018	48,831,999	250,000	5,270,000	-	54,351,999	17,858,977	72,210,976
Acquired through business combinations (a)	11,957,493	74,000	-	-	12,031,493	628,153	12,659,646
Reimbursement of acquisition cost (b)	(970,731)	-	-	-	(970,731)	-	(970,731)
Additions (c)	-	-	-	311,534	311,534	-	311,534
Balance December 31, 2019	**$ 59,818,761**	**$ 324,000**	**$ 5,270,000**	**$ 311,534**	**$ 65,724,295**	**$ 18,487,130**	**$ 84,211,425**

Accumulated Amortization	Owner/operator gaming machine contracts	Brand	Master license	Software (c)	Total intangible assets	Goodwill	Total intangible assets and goodwill
Balance February 28, 2018	$ 7,488,614	$ -	$ -	$ -	$ 7,488,614	$ -	$ 7,488,614
Additions	6,898,042	-	-	-	6,898,042	-	6,898,042
Net Impairment	-	60,000	-	-	60,000	-	60,000
Balance December 31, 2018	14,386,656	60,000	-	-	14,446,656	-	14,446,656
Additions	10,452,146	-	-	-	10,452,146	-	10,452,146
Net Impairment	45,269	74,000	-	-	119,269	-	119,269
Balance December 31, 2019	**$ 24,884,071**	**$ 134,000**	**$ -**	**$ -**	**$ 25,018,071**	**$ -**	**$ 25,018,071**

Net Carrying Amount	Owner/operator gaming machine contracts	Brand	Master license	Software	Total intangible assets	Goodwill	Total intangible assets and goodwill
As at December 31, 2018	$ 34,445,343	$ 190,000	$ 5,270,000	$ -	$ 39,905,343	$ 17,858,977	$ 57,764,320
As at December 31, 2019	**$ 34,934,690**	**$ 190,000**	**$ 5,270,000**	**$ 311,534**	**$ 40,706,224**	**$ 18,487,130**	**$ 59,193,354**

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

(b) Relates to a site closure of a location contract in the A&R acquisition (Note 5(b)).

(c) As at December 31, 2019, the Software was not in use and no amortization has been recorded.

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

10. INTANGIBLE ASSETS AND GOODWILL (Cont'd)

The Company performs its annual impairment test on 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, 2019 and December 31, 2018.

For the year ended December 31, 2019, the CGU's recoverable amount was determined based on value in use, 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 based on a 2% per annum projected revenue growth rate and a 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) the discount rate applied in the discounted cash flow model was 22% on a pre-tax basis. The inputs used in determining their fair values are level 3 inputs.

For the ten month period ending December 31, 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% and 7% and a 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) the discount rate applied in the discounted cash flow model was 34% on a post-tax basis. The inputs used in determining their fair values are level 3 inputs.

11. LONG-TERM DEBT

			December 31, 2019		December 31, 2018
Term loan facility - LIBOR rate loan	(a) (b)	**$**	**52,689,564**	$	56,712,111
Multi-draw term facility advance - LIBOR rate loan	(a) (b) (d) (e) (f) (g) (h) (i) (j) (k) (l) (m) (n)		**31,027,228**		10,376,153
Multi-draw term facility advance - Base rate loan	(a) (b) (o)		**1,299,154**		-
Vehicle finance loans	(c)		**204,678**		239,057
		$	**85,220,624**		67,327,321
Less: Current portion of long-term debt			**(8,852,784)**		(6,517,349)
Long term debt		**$**	**76,367,840**	$	60,809,972

(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.

11. 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. A derivative asset of $7,690,123 (2018 - $Nil) was recorded in relation to the fair value change in the prepayment option as at December 31, 2019 (Note 7).

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 December 31, 2019.

As at December 31, 2019, the Company was in compliance with its financial covenants under the terms of its term loan facility and multi draw term facility.

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

11. 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 - LIBOR**	**Multi-draw term facility - LIBOR**	**Multi-draw term facility - base rate**	**Total**
Principal amount	$ 64,509,349	$31,356,720	$ 1,300,000	$ 97,166,069
Principal repayment	(11,289,138)	-	-	(11,289,138)
Unamortized transaction costs	(530,647)	(329,492)	(846)	(860,985)
Carrying value as at December 31, 2019	$ 52,689,564	$31,027,228	$ 1,299,154	$ 85,015,946
Transaction costs relating to credit facility				
Additions - 2018	$ 3,703,198	$ 840,310	$ -	$ 4,543,508
Accretion - 2018	(744,161)	(21,572)	-	(765,733)
Unamortized transaction costs as at December 31, 2018	$ 2,959,037	$ 818,738	$ -	$ 3,777,775
Additions - 2019	$ -	$ 213,143	$ 1,164	$ 214,307
Accretion - 2019	(2,428,390)	(702,389)	(318)	(3,131,097)
Unamortized transaction costs as at December 31, 2019	**$ 530,647**	**$ 329,492**	**$ 846**	**$ 860,985**

(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 of Goldstar (Note 5(j). 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 of Feeling Lucky (Note 5(k)) 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(a)). The Company paid financing costs of $5,229.

(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(b)). The Company paid financing costs of $2,635.

(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(c)). The Company paid financing costs of $3,551.

(i) On July 15, 2019, the Company, through LB, obtained proceeds from its multi-draw credit facility to fund the increase in its ownership interest in LBH from 60% to 70% through the cancellation of the non-controlling interest membership units held by LBV (Note 4(b)). The Company paid financing costs of $166,354.

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

11. LONG-TERM DEBT (Cont'd)

(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(d)). The Company paid financing costs of $26,165.

(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(e)). The Company paid financing costs of $4,893.

(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 Ambaji 2 (Note 5(f)). The Company paid financing costs of $1,050.

(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 2 (Note 5(g)). The Company paid financing costs of $2,648.

(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(h)). The Company paid financing costs of $627.

(o) On December 20, 2019, the Company, through LB, obtained proceeds from its multi-draw credit facility to fund the acquisition of certain assets of Lee Caudell 3 (Note 5(i)). The Company paid financing costs of $1,164.

12. CAPITAL AND OTHER COMPONENTS OF EQUITY

Share capital

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, 2018		70,321,207	5,985,904	$ 33,301,934
Options exercised	(a)	1,329,626	-	329,260
Balance as at December 31, 2018		**71,650,833**	**5,985,904**	**$ 33,631,194**
Options exercised	(a)	3,711,567	-	2,016,494
Warrants exercised	(b)	1,188,338	(1,797,882)	829,791
Cancellation of shares	(c)	(4,617,950)	-	(3,161,683)
Balance as at December 31, 2019		**71,932,788**	**4,188,022**	**$ 33,315,796**

(a) Options exercised

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 USD $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 USD $23,833. The share price on the date of exercise was CAD $1.03.

12. CAPITAL AND OTHER COMPONENTS OF EQUITY

Share capital (Cont'd)

(a) Options exercised (Cont'd)

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.

On February 11, 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 USD $17,500. The share price on the date of exercise was CAD $0.83.

On November 14, 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 CAD $1.00 for total cash proceeds of USD $1,265,304. The share price on the date of exercise was CAD $1.10.

(b) Warrants exercised

On April 17, 2019, a cashless exercise of 500,000 common share purchase warrants with an exercise price of CAD $0.3896 per share, based on the weighted average price of CAD $0.7227 per common share was completed in exchange for 230,445 common shares.

On September 23, 2019, a cashless exercise of 418,600 common share purchase warrants with an exercise price of CAD $0.2614 per share, based on the weighted average price of CAD $1.1603 per common share was completed in exchange for 324,295 common shares.

On November 14, 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 USD $16,417.

In December 2019, a cashless exercise of 778,050 common share purchase warrants with a weighted average exercise price of CAD $0.3458 per share, based on the weighted average price of CAD $0.9766 per common share was completed in exchange for 532,509 common shares.

(c) 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.

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

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

Warrants

As at December 31, 2019, the Company had outstanding warrants as follows:

Number of warrants	Exercise price (CAD)		Expiry
3,428,172	$	0.215	May 29, 2020
257,075	$	0.650	April 5, 2020
293,475	$	1.041	May 27, 2020
209,300	$	0.942	June 16, 2020
4,188,022			

As of December 31, 2019, there are 4,188,022 (2018 – 5,985,904) warrants outstanding which are recorded as a derivative liability with a value of $3,248,304 (2018 - $3,354,662).

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

	December 31, 2019	December 31, 2018
Exercise price (CAD)	**$0.28**	$0.32
Expected volatility	**110%**	121%
Risk-free interest rate	**1.68%**	1.85%
Expected life	**0.40**	1.24
Share price (CAD)	**$1.34**	$1.01

13. 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)

13. 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 year then ended to its stock options, as follows:

	December 31, 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	**3,686,522**	**$ 1.05**	1,462,589	$ 1.00
Exercised	**(3,711,567)**	**$ 0.45**	(1,329,626)	$ 0.21
Ending balance	**7,140,023**	**$ 0.81**	7,165,068	$ 0.51
Exercisable	**7,140,023**	**$ 0.81**	7,165,068	$ 0.51

The following table summarizes information about share purchase options granted and outstanding as at December 31, 2019:

Number of options	**Exercisable**	**Exercise price (CAD)**	**Time to maturity**
66,667	66,667	$ 1.260	0.64 years
16,668	16,668	$ 1.050	0.64 years
121,341	121,341	$ 0.180	1.65 years
83,333	83,333	$ 0.270	1.87 years
1,344,475	1,344,475	$ 0.154	2.34 years
206,025	206,025	$ 0.353	2.53 years
218,884	218,884	$ 0.503	2.87 years
1,396,108	1,396,108	$ 1.000	3.88 years
3,686,522	3,686,522	$ 1.050	4.88 years
7,140,023	7,140,023		

The fair value of the options issued during the periods ended December 31, 2019 and December 31, 2018 is determined using the Black-Scholes option pricing model with the following weighted average inputs and assumptions:

	December 31, 2019	December 31, 2018
Exercise price (CAD)	**$1.05**	$1.00
Expected volatility	**97%**	132%
Risk-free interest rate	**1.50%**	2.31%
Expected life	**5.00**	5.00
Share price (CAD)	**$1.10**	$0.96

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

14. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative costs incurred by nature are as follows:

		For the year ended December 31, 2019		For the ten months ended December 31, 2018
Acquisition costs	**$**	**4,098,356**	$	1,109,644
Professional and advisory fees		**4,404,752**		3,847,284
Regulatory and filing fees		**55,612**		12,701
Salaries and benefits		**2,183,488**		1,404,768
Share based compensation		**2,257,917**		919,567
Administrative and corporate expenses		**6,115,786**		1,938,262
	$	**19,115,911**	$	9,232,226

15. FINANCE COSTS

Finance costs consist of the following:

		For the year ended December 31, 2019		For the ten months ended December 31, 2018
Previous long-term debt				
Accretion expense	**$**	**-**	$	1,219,207
Interest expense		**-**		946,849
Make whole payment		**-**		2,373,786
	$	**-**	$	4,539,842
Existing long-term debt				
Accretion expense	**$**	**3,131,097**	$	815,733
Cash interest expense		**6,644,173**		3,411,156
Accrued interest expense		**1,149,559**		1,146,009
Commitment fee		**86,451**		48,111
Interest expense on lease liability		**60,390**		-
	$	**11,071,670**	$	5,421,009
Other		**-**		15,689
Total finance costs	**$**	**11,071,670**	$	9,976,540

16. GAIN ON SETTLEMENT OF PAYABLE

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

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

17. INCOME (LOSS) PER SHARE

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

	December 31, 2019	December 31, 2018
Common shares issuable on exercise of warrants	**4,188,022**	5,985,904
Stock options	**7,140,023**	7,165,068
	11,328,045	13,150,972

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

		For the year ended December 31, 2019		For the ten months ended December 31, 2018
Weighted average shares outstanding - basic		**70,513,106**		70,676,210
Weighted average shares outstanding - diluted		**81,841,151**		83,827,182
Basic	**$**	**0.007**	$	(0.082)
Diluted	**$**	**0.006**	$	(0.082)

18. 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, 2019		December 31, 2018
Income (loss) before income taxes	**$**	**4,432,387**	$	(979,897)
Statutory rate		**26.5%**		26.5%
Expected income tax expense (recovery)		**1,174,583**		(259,673)
Effect on income taxes of:				
Potential tax exposure		**-**		672,954
Effect of tax rates in foreign jurisdictions		**27,864**		23,192
True up of prior year		**265,728**		304,551
Non-deductible differences		**(1,231,113)**		1,051,519
Change in deferred tax asset not recognized or utilized		**(549,337)**		815,733
NCI adjustment		**(1,101,835)**		(670,723)
Other		**6,624**		424,349
Income tax expense (recovery)	**$**	**(1,407,486)**	$	2,361,902

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

18. INCOME TAXES (Cont'd)

(b) Deferred Income Taxes

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

Deferred income tax asset	**December 31, 2019**	December 31, 2018
Non-capital losses	**3,124,909**	4,061,653
Capital losses	**719,201**	660,552
Intangible assets	**75,086**	417,207
Research and developmentShare	**-**	396,242
issue costs - equityAccrued	**15,914**	70,479
liabilities and other assets	**67,885**	-
	$ 4,002,995	$ 5,606,133
Less: deferred tax not recognized	**(4,002,995)**	(5,606,133)
	$ -	$ -

Deferred income tax asset (liability)	**December 31, 2019**	December 31, 2018
Property and equipment	**(1,207,786)**	(785,798)
Intangible assets	**707,956**	(1,185,678)
Business interest limitation	**155,591**	717,873
Accrued liabilities and other assets	**827,007**	14,431
	$ 482,768	$ (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, 2019, the Company has cumulative non-capital losses available to be carried forward in the following jurisdictions: Canada – CAD $11,792,110 (2018 – CAD $3,883,322), United States - $Nil (2018 – $212,053), before non-controlling interests. The non-capital losses in Canada begin to expire in 2025. The net operating losses in the United States begin to expire in 2037. The Company also has net capital losses in Canada of CAD $5,427,929 (2018 – CAD $660,552) and in the United States of $Nil (2018 – $Nil).

The income tax benefits relating to the losses in Canada and the United States 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 $Nil (2018 – CAD $1,495,251) in Canada that can be carried forward indefinitely.

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

19. OPERATING SEGMENT

Management has identified one reportable business segment which is comprised of three subsidiaries; QGC, SSG and LB (collectively known as “LBL”).Its 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.

	Year ended December 31, 2019			Ten months ended December 31, 2018		
	Corporate	**LBL**	**Total**	**Corporate**	**LBL**	**Total**
Revenue						
Gaming revenue	$ -	$ 79,294,996	$ 79,294,996	$ -	$ 59,713,046	$ 59,713,046
Location costs	-	(39,647,498)	(39,647,498)	-	(29,856,523)	(29,856,523)
Revenue after location costs	-	39,647,498	39,647,498	-	29,856,523	29,856,523
Operating expenses						
Amortization of property, equipment and intangible assets	-	(12,217,755)	(12,217,755)	-	(7,988,908)	(7,988,908)
Amortization of right-of-use asset	(67,078)	(31,471)	(98,549)	-	-	-
Impairment	-	(119,269)	(119,269)	-	(68,982)	(68,982)
General and administrative expense	(5,438,593)	(13,677,318)	(19,115,911)	(5,484,646)	(3,747,580)	(9,232,226)
	(5,505,671)	(26,045,813)	(31,551,484)	(5,484,646)	(11,805,470)	(17,290,116)
Other expenses						
Finance costs	(14,462)	(11,057,208)	(11,071,670)	(59,752)	(9,916,788)	(9,976,540)
Finance income	-	-	-	10,745	-	10,745
Gain on settlement of accounts payable	-	-	-	85,400	-	85,400
Gain on settlement of litigation	455,000	-	455,000	-	-	-
Fair value loss on derivative liabilities	(723,433)	-	(723,433)	(932,936)	-	(932,936)
Fair value gain on derivative asset	-	7,690,123	7,690,123	-	-	-
Extinguishment of derivative asset	-	-	-	-	(2,765,000)	(2,765,000)
Gain (loss) on foreign exchange	(13,647)	-	(13,647)	32,027	-	32,027
	(296,542)	(3,367,085)	(3,663,627)	(864,516)	(12,681,788)	(13,546,304)
Income (loss) before tax for the year	(5,802,213)	10,234,600	4,432,387	(6,349,162)	5,369,265	(979,897)
Current tax expense	-	(314,454)	(314,454)	-	(1,122,730)	(1,122,730)
Deferred tax expense	-	1,721,940	1,721,940	-	(1,239,172)	(1,239,172)
Net income (loss) after tax for the year	$ (5,802,213)	$ 11,642,086	$ 5,839,873	$ (6,349,162)	$ 3,007,363	$ (3,341,799)
Total current assets	$ 135,704	$ 15,640,811	$ 15,776,515	$ 269,168	$ 7,122,060	$ 7,391,228
Total non-current assets	$ 259,572	$ 68,594,168	$ 68,853,740	$ 13,744	$ 65,079,183	$ 65,092,927
Total liabilities	$ 5,792,021	$ 92,625,163	$ 98,417,184	$ 8,017,868	$ 72,959,796	$ 80,977,664

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

20. 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, 2019		December 31, 2018
Salaries and short term benefits	**$**	**815,000**	$	400,000
Director fees		**338,428**		254,529
Share based compensation		**2,227,294**		888,456
Consulting fees		**5,417,436**		3,204,290
	$	**8,798,158**	$	4,747,275

As at December 31, 2019, the Company owed $93,300 relating to director fees (December 31, 2018 - $94,550).

During the year ended December 31, 2019, the Company incurred consulting fees of $1,152,959 (ten month period ended December 31, 2018 - $913,417), paid performance incentives of $409,341 (ten month period ended December 31, 2018 - $516,537) directly tied to business acquisitions, paid a discretionary annual performance incentive of $1,400,000 (ten month period ended December 31, 2018 – $1,582,000) 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 December 31, 2019, $1,948,963 (2018 - $2,098,536) was owed relating to these consulting fees.

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. 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 4, 2019 (Note 12(a) and (b)) and the remaining $1,018,279 will be paid in equal, pro-rated monthly installments during 2020.

During the year ended December 31, 2019, the Company paid rent of $Nil (ten month period ended December 31, 2018 - $60,222) to a corporation controlled by a director and officer of the Company.

During the year ended December 31, 2019, the Company incurred consulting fees of $155,636 (ten month period ended December 31, 2018 - $192,336) 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, 2019, $17,894 (2018 - $8,283) was owed relating to these consulting fees.

During the year ended December 31, 2019, total distributions declared by Lucky Bucks Holdco, LLC to its 30% (ten month period ended December 31, 2018 - 40%) shareholder totaled $5,643,272 (ten month period ended December 31, 2018 - $5,931,906). As at December 31, 2019, $294,461 (2018 - $436,272) was owed relating to these distributions.

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

20. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

During the year ended December 31, 2019, the Company incurred salaries and short-term benefits of $240,000 (ten month period ended December 31, 2018 - $200,000) and paid discretionary performance bonuses of $575,000 (ten month period ended December 31, 2018 - $200,000) to the CEO of Lucky Bucks, LLC. As at December 31, 2019, $Nil (2018 - $200,000) was owed relating to these salaries and short-term benefits.

As at December 31, 2019, $32,853 (2018 - $44,853) is due from the CEO of Lucky Bucks, LLC and 30% (2018 – 40%) shareholder of Lucky Bucks Holdco, LLC.

During the ten month period 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.

In connection with the transaction summarized in Note 4(b), SSG has committed to reduce the balance owing to Lucky Bucks Holdco, LLC in an effort to ensure Lucky Bucks Venture, Inc receives its entitled share of 30% and is the same economic position prior to this transaction. As of December 31, 2019, SSG paid $425,000 to Lucky Bucks Holdco, LLC to reduce the intercompany balance, which was then advanced to Lucky Bucks Ventures, Inc. Also, during the year ended December 31, 2019, SSG reimbursed interest of $104,455 to Lucky Bucks Ventures, Inc.

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

21. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash operating working capital:

	December 31, 2019	December 31, 2018
Accounts receivable	**$ (264,822)**	$ (643,538)
Restricted cash	**832,706**	(1,530,801)
Prepaid expenses and other assets	**(1,083,474)**	528,075
Due from related party balances	**12,000**	37,501
Notes receivable	**-**	346,040
Accounts payable and other liabilities	**(819,183)**	1,370,781
Contingent liability	**474,737**	-
Due to related party balances	**1,966,675**	734,483
Income tax payable	**(438,405)**	588,707
	$ 680,234	$ 1,431,248

Changes in liabilities arising from financing activities:

	December 31, 2019	December 31, 2018
Opening balance	**$ 67,327,321**	$ 57,221,841
Net cash from financing activities	**14,762,207**	8,094,092
Other changes	**3,131,096**	2,011,388
	$ 85,220,624	$ 67,327,321

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

22. COMMITMENTS AND CONTINGENCIES

(a) Lease Commitment

The Company is committed to undiscounted future minimum lease rental payments payable under non-cancellable operating leases in respect of its premises as follows:

Less than 1 year	$	154,974
1 to 5 years		532,900
Greater than 5 years		399,708
	$	1,087,582

(b) Litigation

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

(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.

22. COMMITMENTS AND CONTINGENCIES (Cont'd)

(b) 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. The Company had accrued $630,000, which represented the Company's best estimate of expected payment.

On December 5, 2019, the Company settled this litigation for $175,000. As at December 31, 2019, $50,000 of this balance has been paid and the remaining $125,000 is to be paid evenly over the period from January to May 2020. The Company recorded a net gain on settlement of litigation for $455,000.

(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.

(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.

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

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities were as follows:

Financial assets at amortized cost	**December 31, 2019**	December 31, 2018
Cash	**$ 2,253,170**	$ 2,466,419
Restricted cash	**2,902,880**	2,735,586
Accounts receivable	**2,330,693**	2,065,871
Related party receivable	**457,853**	44,853
	$ 7,944,596	$ 7,312,729

Financial liabilities at amortized cost	**December 31, 2019**	December 31, 2018
Accounts payable and accrued liabilities	**$ 5,153,654**	$ 5,638,444
Distribution payable	**294,461**	436,272
Related party payable	**3,060,542**	2,393,086
Long-term debt	**85,220,624**	67,327,321
	$ 93,729,281	$ 75,795,123

Fair value through profit and loss, assets (liabilities)	**December 31, 2019**	December 31, 2018
Derivative asset	**$ 7,690,123**	-
Derivative liability	**(3,248,304)**	(3,354,662)
Contingent liability	**(474,737)**	-
	$ 3,967,082	$ (3,354,662)

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. The maximum exposure to credit risk as at December 31, 2019 is $7,486,743 (2018 – $8,267,876).

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 year ended December 31, 2019 and ten month period ended December 31, 2018, all of the Company's gaming revenue is collected from Georgia Lottery Corporation (“GLC”) after location costs. All trade accounts receivable are current at year 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.

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

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

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, 2019, the Company had cash balance of $2,253,170 (2018 - $2,446,419). The following table summarizes amounts and maturity dates of the Company's contractual obligations as of December 31, 2019:

	Within 1 Year	2-4 years	5+ years	Total
Accounts payable and accrued liabilities	$ 5,153,654	$ -	$ -	$ 5,153,654
Distribution payable	294,461	-	-	294,461
Contingent liability	474,737	-	-	474,737
Related party payable	3,060,542	-	-	3,060,542
Lease liability	99,505	320,761	394,294	814,560
Long-term debt	8,852,784	77,023,010	1,137	85,876,931
	$ 17,935,683	$ 77,343,771	$ 395,431	$ 95,674,885

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. The derivative asset was classified as a level 2 instrument because the inputs are derived from observable market data. The contingent liability was classified as a level 3 instrument because the inputs used are not based on observable market data.

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

Fair Value Risk (Cont'd)

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.

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 $153,957.

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 11). 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 $858,769.

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 year ended December 31, 2019 the Company was in compliance with the financial covenants related to its long-term debt.

24. SUBSEQUENT EVENTS

Acquired Four Gaming Contracts from J&G Amusement, Inc ("J&G")

On January 16, 2020, the Company acquired four location contracts from J&G, a digital skill-based gaming terminal operator based in the U.S. State ofGeorgia.

The respective purchase price was $1,464,956, of which, $137,668 will be paid upon the satisfaction of certain post-closing obligations.

The financing was provided by the lender pursuant to the financing agreement dated November 14, 2018 (Note 11).

Signed $165M Credit and Security Agreement

On January 29, 2020, the Company closed a $165,000,000 credit facility agreement with a syndicate of lenders led by KeyBank National Association. KeyBank National Association and KeyBanc Capital Markets Inc. are acting as a joint lead arranger and joint bookrunner, and as administrative agent and collateral agent under the credit facility.

The Company used this new credit facility to settle all its liabilities under the credit facility described in Note 11.

The credit facility has the following terms:

- The credit facility is comprised of a revolving credit facility in an aggregate principal committed amount of $50,000,000, an initial term loan facility in an aggregate principal funded amount of $100,000,000, and a delayed draw term loan facility in an aggregate principal committed amount of $15,000,000.

- On the initial date of funding, $11,150,000 of the revolving credit facility, the full $100,000,000 of the initial term loan facility, and $15,000,000 delayed draw term loan were drawn by the Company.

- The interest rate under the credit facility is LIBOR plus a margin between 2.0% and 2.75% (or a base rate equivalent) based on the Company's total leverage ratio.

- The maturity date of the credit facility is five years after closing.

- The principal amount of the credit facility shall be repaid in quarterly installments commencing on June 30, 2020. Each installment will be equal to the product of the aggregate principal funded, multiplied by 1.875%. Commencing June 30, 2023, the factor is increased to 2.5%

In connection with the arrangement of the credit facility, the Company paid $1,754,800 of transaction costs and will also pay an annual administration fee.

The credit facility is secured by substantially all of the assets of the Company and a pledge of the equity instruments in the Company's immediate parent company and is to be guaranteed by any of the Company's future subsidiaries.

24. SUBSEQUENT EVENTS (Cont'd)

Acquired 160 Gaming Contracts from Shivbhakti, Inc

On January 29, 2020, the Company acquired 160 location contracts from Shivbhakti, Inc, a digital skill-based gaming terminal operator based in the U.S. State of Georgia.

The respective purchase price was $32,500,000, of which the Company has paid a deposit of $1,000,000, as at December 31, 2019 and $750,000 will be paid upon the satisfaction of certain post-closing obligations.

As at April 29, 2020, the purchase price allocation has not been finalized.

The financing was provided by the lender pursuant to the financing agreement dated January 29, 2020.

Acquired Three Gaming Contracts from Topaz Amusement, LLC ("Topaz")

On February 26, 2020, the Company acquired three location contracts from Topaz, a digital skill-based gaming terminal operator based in the U.S. State of Georgia.

The respective purchase price was $1,850,135, of which, $173,450 will be paid upon the satisfaction of certain post-closing obligations.

The financing was provided by the lender pursuant to the financing agreement dated January 29, 2020.

Acquired Four Additional Gaming Contracts from J&G Amusement, Inc ("J&G2")

On February 26, 2020, the Company acquired four location contracts from J&G2, a digital skill-based gaming terminal operator based in the U.S. State of Georgia.

The respective purchase price was $1,527,488 of which, $143,202 will be paid upon the satisfaction of certain post-closing obligations.

The financing was provided by the lender pursuant to the financing agreement dated January 29, 2020.

Acquired Three Additional Gaming Contracts from Topaz Amusement, LLC ("Topaz 2")

On March 24, 2020, the Company acquired three location contracts from Topaz 2, a digital skill-based gaming terminal operator based in the U.S. State of Georgia.

The respective purchase price was $1,220,465, of which, $110,951 will be paid upon the satisfaction of certain post-closing obligation

The financing was provided by the lender pursuant to the financing agreement dated January 29, 2020.

24. SUBSEQUENT EVENTS (Cont'd)

Acquired Four Additional Gaming Contracts from J&G Amusement, Inc ("J&G3")

On March 24, 2020, the Company, acquired four location contracts from J&G3, a digital skill-based gaming terminal operator based in the U.S. State of Georgia.

The respective purchase price was $2,475,000, of which, $375,000 will be paid upon the satisfaction of certain post-closing obligations. Pursuant to the terms of the J&G acquisition, the aggregate purchase price payable to J&G will be adjusted up or down based on the actual performance for the six month period of February 1, 2020 to July 31, 2020 for the acquired location contracts.

The financing was provided by the lender pursuant to the financing agreement dated January 29, 2020.

COVID-19

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19," has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

Based on the operational results up to April 29, 2020, the financial impact of COVID-19 on the Company has been minimal as many of the location are gas stations and convenience stores which are considered essential services. The Governor of Georgia announced on April 20, 2020 that some businesses were permitted to reopen their doors on April 24, 2020 to the public with more following on April 27, 2020.

The future developments of COVID-19 are still highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to contain the COVID-19 virus or remedy its impact, among others. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.