Quantum International Income Corp.

Consolidated Financial Statements

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

For the Years Ended February 28, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Quantum International Income Corp.

We have audited the accompanying consolidated financial statements of Quantum International Income Corp. and its subsidiaries, which comprise the consolidated statements of financial position as at February 28, 2018 and February 28, 2017, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Quantum International Income Corp. and its subsidiaries as at February 28, 2018 and February 28, 2017, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
June 28, 2018
Toronto, Ontario

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

	February 28, 2018	February 28, 2017
Assets		
Current		
Cash	**$ 4,716,731**	$ 3,396,787
Restricted cash (Note 4)	**1,204,785**	855,748
Accounts receivable	**1,422,333**	540,569
Related party balances (Note 19)	**82,354**	-
Current portion of notes receivable	**346,040**	356,952
Prepaid expenses and other assets	**606,574**	31,946
Derivative asset (Notes 10 & 15)	**2,765,000**	-
	11,143,817	5,182,002
Property and equipment (Note 8)	**5,339,896**	2,047,813
Intangible assets and goodwill (Note 7)	**55,702,984**	26,400,255
Notes receivable	**-**	302,548
	$ 72,186,697	$ 33,932,618
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 4,353,063**	$ 7,324,496
Distribution payable (Note 19)	**886,704**	970,318
Current portion of long-term debt	**58,215**	18,061
Related party balances (Note 19)	**1,658,603**	-
Deferred consideration (Note 7)	**-**	500,000
Contingent consideration (Note 7)	**-**	206,142
Derivative liability (Notes 11 & 15)	**2,421,726**	61,391
	9,378,311	9,080,408
Long-term debt (Note 10)	**57,163,626**	8,925,101
	66,541,937	18,005,509
Equity		
Share capital (Note 11)	**33,301,934**	30,695,521
Contributed surplus	**1,836,748**	1,685,627
Deficit	**(37,826,191)**	(29,870,077)
Equity attributable to owners of the parent	**(2,687,509)**	2,511,071
Non-controlling interest (Note 23)	**8,332,269**	13,416,038
Total equity	**5,644,760**	15,927,109
	$ 72,186,697	$ 33,932,618

Commitments and contingencies (Note 21)
Subsequent events (Note 25)

Approved by the Board **Manu K.Sekhri** Director **(Signed)** **Peter Shippen** Director **(Signed)**

Quantum International Income Corp.
Consolidated Statements of Changes in Equity
(Expressed in U.S. dollars, unless otherwise stated)

	Attributable to Owners of the Parent						
	Share Capital	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total	Non-controlling Interest	Total Equity
Balance, as at February 29, 2016 (Note 24)	**$ 22,765,038**	**$ 1,110,740**	**(25,970,524)**	**$ (2,723)**	**$ (2,097,469)**	**$ 17,573**	**$ (2,079,896)**
Warrants exercised (Note 11)	26,516	(5,500)	-	-	21,016	-	21,016
Equity issuance (Note 11)	1,975,765	-	-	-	1,975,765	-	1,975,765
Shares issued for Lucky Bucks, LLC acquisition (Note 7)	3,952,287	-	-	-	3,952,287	14,121,101	18,073,388
Shares issued to settle acquisition costs (Note 11)	75,031	-	-	-	75,031	-	75,031
Shares issued on conversion of credit facility agreement (Note 11)	1,519,649	-	-	-	1,519,649	-	1,519,649
Shares issued on accrued interest on conversion of credit facility agreement (Note 11)	91,863	-	-	-	91,863	-	91,863
Shares issued for credit facility agreement (Note 11)	10,814	29,900	-	-	40,714	-	40,714
Shares issued to settle liabilities (Note 11)	13,540	-	-	-	13,540	-	13,540
Reduction in prior year share issuance cost (Note 11)	265,018	-	-	-	265,018	-	265,018
Net income (loss) for the year from continuing operations	-	-	(4,627,003)	-	(4,627,003)	1,511,364	(3,115,639)
Gain for the year from discontinued operations	-	-	727,450	-	727,450	-	727,450
Stock-based compensation (Note 12)	-	550,487	-	-	550,487	-	550,487
Distribution (Note 19)	-	-	-	-	-	(2,216,427)	(2,216,427)
Reclassification of foreign currency translation amounts and non-controlling interest relating to the divesture	-	-	-	2,723	2,723	(17,573)	(14,850)
Balance, as at February 28, 2017	**$ 30,695,521**	**$ 1,685,627**	**$ (29,870,077)**	**$ -**	**$ 2,511,071**	**$ 13,416,038**	**$ 15,927,109**
Equity issuance (Note 11)	35,305	-	-	-	35,305	-	35,305
Warrants exercised (Note 11)	105,260	(29,900)	-	-	75,360	-	75,360
Options exercised (Note 11)	2,219,743	(1,090,372)	-	-	1,129,371	-	1,129,371
Share transfer options exercised (Note 11)	246,105	(135,000)	-	-	111,105	-	111,105
Stock based compensation (Note 12)	-	1,406,393	-	-	1,406,393	-	1,406,393
Distributions (Note 19)	-	-	-	-	-	(8,532,353)	(8,532,353)
Net income (loss) for the year from continuing operations	-	-	(7,956,114)	-	(7,956,114)	3,448,584	(4,507,530)
Balance, as at February 28, 2018	**$ 33,301,934**	**$ 1,836,748**	**$ (37,826,191)**	**$ -**	**$ (2,687,509)**	**$ 8,332,269**	**$ 5,644,760**

Quantum International Income Corp.
Consolidated Statements of Comprehensive Loss
(Expressed in U.S. dollars, unless otherwise stated)
For the Years Ended

	February 28, 2018	February 28, 2017
Revenue		
Gaming revenue	**$ 51,488,496**	$ 10,372,496
Location cost	**(25,744,248)**	(5,186,248)
Revenue after location costs	**25,744,248**	5,186,248
Operating expenses		
Amortization of property, equipment and intangible assets (Notes 7 and 8)	**6,756,431**	1,564,911
General and administrative expenses (Note 13)	**10,900,324**	5,388,493
Impairment of intangible assets	**212,000**	-
Write down of note receivable	**-**	126,217
	17,868,755	7,079,621
Other expenses		
Finance costs	**11,973,602**	1,169,505
Other income	**(122,000)**	-
Finance income	**(31,192)**	-
Gain (loss) on foreign exchange	**3,531**	(22,188)
Gain on settlement of accounts payable (Note 14)	**(309,678)**	(416,013)
Fair value loss on derivative liability (Note 15)	**1,440,760**	490,962
Fair value gain on derivative asset (Note 15)	**(572,000)**	-
	12,383,023	1,222,266
Net loss from continuing operation	**(4,507,530)**	(3,115,639)
Gain (loss) for the year from discontinued operations attributable to owners of the parent, net of tax	**-**	727,450
Net loss and comprehensive loss	**$ (4,507,530)**	$ (2,388,189)
Net income (loss) and comprehensive income (loss) attributable to:		
Owners of the parent	**$ (7,956,114)**	$ (3,899,553)
Non-controlling interest	**3,448,584**	1,511,364
	$ (4,507,530)	$ (2,388,189)
Loss per share (Note 17)		
From continuing operations - basic and diluted	**$ (0.120)**	$ (0.082)
From discontinued operations - basic	**$ -**	$ 0.019
From discontinued operations - diluted	**$ -**	$ 0.017

Quantum International Income Corp.
Consolidated Statements of Cash Flows
(Expressed in U.S. dollars, unless otherwise stated)
For the Years Ended

	February 28, 2018	February 28, 2017
Cash provided by (used in)		
Operations		
Net loss from continuing operations	$ (4,507,530)	$ (3,115,639)
Items not affecting cash		
Amortization of property, equipment and intangible assets	6,756,431	1,564,911
Impairment	212,000	-
Fair value change in derivative asset	(572,000)	-
Fees settled in shares	-	115,769
Accrued interest on notes payable	-	91,863
Accretion expense	6,297,594	346,256
Gain on settlement of accounts payable	(309,678)	(416,013)
Fair value change in derivative liability	1,440,760	490,962
Write down of note receivable	-	126,217
Stock-based compensation	1,406,393	550,487
Operating activities from discontinued operations	-	41,206
Contingent consideration	75,017	-
	10,798,987	(203,981)
Net changes in non-cash working capital (Note 20)	(2,569,434)	590,891
	8,229,553	386,910
Investing		
Cash paid for acquisition (Note 7)	(36,583,024)	(10,039,043)
Cash paid for individual contracts	(70,000)	-
Proceeds from the disposition of CSS (Note 6)	-	2,400,000
Cash paid for deferred and contingent consideration	(781,159)	-
Additions to property and equipment	(2,910,086)	(581,204)
	(40,344,269)	(8,220,247)
Financing		
Proceeds from loans payable	227,335	761,177
Repayments of loans payable	(500,000)	-
Proceeds from unit issuance	446,253	1,500,000
Proceeds from options exercised	1,129,371	-
Proceeds from warrants exercised	75,360	21,016
Debt transaction costs	(2,438,797)	(1,913,772)
Cash distributions paid to non-controlling interest	(8,615,967)	(1,246,111)
Advances from long-term debt	43,000,000	11,956,521
Proceeds from share transfer option	111,105	-
	33,434,660	11,078,831
Net change in cash from continuing operations	1,319,944	3,245,494
Cash, beginning of year	3,396,787	151,293
Cash, end of year	$ 4,716,731	$ 3,396,787

Supplemental Information

Accounts payable settled in shares (Note 14)	$ -	$ 39,599
Interest paid in cash	5,539,327	630,736

See accompanying notes to the consolidated financial statements

1. CORPORATE INFORMATION

Quantum International Income Corp ("Quantum" or the "Company") is a gaming company. Quantum's vision is to build a diversified portfolio of world class gaming operations. The Company looks to enhance the shareholder value by growing organically and through acquisitions.

On October 21, 2016, the Company acquired Lucky Bucks, LLC ("LB"), which owns and operates coin operated amusement machines ("COAMs") in the State of Georgia, United States of America through arrangements with location owners. The Company plans to execute its acquisition strategy in Georgia, United States of America through LB with a particular focus on cash-flows and high margins.

Quantum is a publicly listed company incorporated on August 15, 1995 under the laws of Ontario. The Company changed its name from E.G. Capital Inc. to its present name on March 14, 2014. The Company trades on the TSX Venture Exchange (TSX V) under the symbol QIC.

The primary office is located at 79 Wellington St. West, Suite 1630, Toronto ON, M5K 1H1.

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements of the Company were authorized for issue by the Board of Directors on June 28, 2018.

Basis of Measurement

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

Share Consolidation

On March 17, 2017, the Company had a share consolidation, whereby each common share holder received one post-consolidation share for every three pre-consolidation shares held.

Functional and Presentation Currency

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

Entity	Functional Currency
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

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

2. BASIS OF PREPARATION (Cont'd)

Basis of Consolidation

The consolidated financial statements of the Company as at February 28, 2018 and February 28, 2017 comprise the Company and its subsidiaries (collectively the “Group”). The Company’s subsidiaries and ownership interests are as follows for the year ended:

	2018 Ownership interest	2017 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")	51%	51%
Lucky Bucks, LLC (“LB”)	51%	51%
Multiple Media Entertainment Inc. ("MME") (Disposed of October 17, 2016)	-	66.7%

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.

Prior to the disposal of the Company's investment in the following business, it was accounted for using the equity method during the year ended February 28, 2017:

	Ownership interest
Center for Special Surgery, LLC (Disposed of February 28, 2017)	20%

During the year ended February 28, 2017, the Company divested its interest in Multiple Media Entertainment Inc, and Center for Special Surgery, LLC. (Notes 5 & 6). Subsequent to the divesture of MME and CSS, the Company's only operating business is LB.

Business Combination

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

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.

2. BASIS OF PREPARATION (Cont'd)

Basis of Consolidation (Cont'd)

Subsidiaries

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

Use of Estimates and Judgments

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

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

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

Significant estimates:

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

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

iii) Inputs in determining the fair value of the derivative asset, which include expected interest rate differential, the Company’s own credit risk and probability of successful refinancing.

iv) Inputs in determining the fair value of options and warrants, such as the volatility and estimated life of the instrument.

2. BASIS OF PREPARATION (Cont'd)

Use of Estimates and Judgments (Cont'd)

Significant judgments:

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Restricted cash is cash where specific restrictions (Note 4) 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.

On consolidation, earnings of operations whose functional currency differs from the USD are translated using the average rate of exchange prevailing during the period. Assets and liabilities are translated at the exchange rate in effect at each period end. The difference between translating assets and liabilities of operations whose functional currency is not the USD at period end rates, and the exchange rates on the date of acquisition of those assets and liabilities is included in Other Comprehensive Income as a foreign currency translation adjustment.

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. Nonmonetary 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 nonmonetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

Current Income tax

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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.

Property and Equipment

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

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

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

The estimated useful lives for depreciation purposes are as follows:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Leases

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

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

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

The lease of the floor space at the store locations, included in location costs, are treated as an operating lease and are recognized based on a percentage of revenue, as per the terms of the agreements.

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.

The estimated useful lives of intangible assets are as follows:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Goodwill and Indefinite Life Intangible Assets

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

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

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

Impairment of Long-Lived Assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Debt Transaction Costs

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

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

Discontinued Operations

A discontinued operation is a component of the Company’s business that represents a separate major line of business or a geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or earlier, if the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation the comparative statement of comprehensive loss and cash flow information is represented as if the operation had been discontinued from the start of the comparative period.

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 Corporation 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 Corporation. The Corporation measures the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, except when that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign Currency Warrants

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

Accounting for Units

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

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

Provisions

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

Revenue

Gaming revenue includes revenues from COAMs which are recorded by the Company when the customer’s game play is complete/credits are used. Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity and when the amount can be reliably measured.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Segment Reporting

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

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

Financial Instruments

(a) Financial assets

Financial assets are classified in one of the following categories: financial assets at fair value through profit and loss, loans and receivables, held to maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets are initially recognized at fair value plus directly attributable transaction costs in the case of financial assets not at fair value through profit and loss. Subsequent remeasurement of financial assets is determined by their designation, which is reassessed at each reporting date.

(i) Financial assets at fair value through profit or loss

A financial asset is classified as fair value through profit and loss ("FVTPL") if acquired principally for the purpose of selling in the short-term.

Subsequent to initial measurement, they are carried at fair value and all gains and losses realized and unrealized are recognized in the consolidated statement of comprehensive loss.

(ii) Held to maturity and loans and receivables

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the intention and ability to hold to maturity. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Financial instruments classified as held-to-maturity or loans and receivables are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method.

Transaction costs associated with held-to-maturity and loans and receivables are included in the initial carrying amount of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

(a) Financial assets (Cont'd)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are either designated in this category or not classified in any of the other categories.

Financial assets classified as available-for-sale are measured at fair value, with the unrealized changes in fair value recorded each reporting period in other comprehensive income ("OCI"). Investments in equity instruments classified as available-for-sale, whose fair value cannot be reliably measured, are recorded at cost. Available-for-sale assets are written down to fair value in finance costs on the statements of income and comprehensive income if there is objective evidence that impairment exists.

(b) Financial liabilities

Financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to initial measurement, non-derivative financial liabilities are measured based on their classification as follows:

(i) Fair value through profit or loss

Financial liabilities recognized at fair value through net loss include those designated as held-for-trading and as fair value through net loss upon initial recognition.

(ii) Other financial liabilities

Trade and other payables and long-term debt are classified as "other financial liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

Financial liabilities at amortized cost are further classified as current or non-current depending on whether these fall due within twelve months after the balance sheet date or beyond. Financial liabilities are derecognized when either the Company is discharged from its obligation or the liability expires, is cancelled or replaced by a new liability with substantially modified terms.

(c) Embedded Derivatives

Embedded derivatives are derivatives embedded in a host contract. They are recorded separately from the host contract if all of the following are met: (1) their economic characteristics and risks are not closely related to the host contract; (2) a separate instrument with similar terms as the embedded derivative would meet the definition of a derivative; and (3) the hybrid instrument is not measured at fair value. The Company has identified a derivative asset for a repayment option which requires separate recognition and measurement.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

Financial Instrument	Classification
Cash	Loans and receivables
Restricted cash	Loans and receivables
Accounts receivable	Loans and receivables
Related party balances	Loans and receivables
Notes receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Distribution payable	Other financial liabilities
Long-term debt	Other financial liabilities
Deferred consideration	Other financial liabilities
Contingent consideration	Fair value through profit or loss
Derivative asset	Fair value through profit or loss
Derivative liability	Fair value through profit or loss

Future Changes in Accounting Policies

(a) Standards issued and adopted

The Company adopted amendments to IAS 7, Statement of Cash Flows (“IAS 7”) which are effective for annual periods beginning on or after January 1, 2017. The amendment clarifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Implementation of the amendment has not had a material effect on the consolidated financial statements.

(b) Standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after February 28, 2018. Many are not applicable or do not have a significant impact to the Company and have been excluded from the list below. The following has not yet been adopted and is being evaluated to determine its impact on the Company:

(i) IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement and IFRIC 9 Reassessment of Embedded Derivatives. The final version of this new standard supersedes the requirements of earlier versions of IFRS 9. The main features introduced by this new standard compared with predecessor IFRS are as follows:

- Classification and measurement of financial assets: Debt instruments are classified and measured on the basis of the entity's business model for managing the asset and its contractual cash flow characteristics as either: "amortized cost", "fair value through other comprehensive income", or "fair value through profit or loss" (default). Equity instruments are classified and measured as "fair value through profit or loss" unless upon initial recognition elected to be classified as "fair value through other comprehensive income".

- Classification and measurement of financial liabilities: When an entity elects to measure a financial liability at fair value, gains or losses due to changes in the entity's own credit risk is recognized in other comprehensive income (as opposed to previously profit or loss).

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Future Changes in Accounting Policies (Cont'd)

(b) Standards issued but not yet effective (Cont'd)

(i) (Cont'd)

- Impairment of financial assets: An expected credit loss impairment model replaced the incurred loss model and is applied to financial assets at "amortized cost" or "fair value through other comprehensive income", lease receivables, contract assets or loan commitments and financial guarantee contracts. An entity recognizes twelve-month expected credit losses if the credit risk of a financial instrument has not increased significantly since initial recognition and lifetime expected credit losses otherwise.

- Hedge accounting: Hedge accounting remains a choice, however, is now available for a broader range of hedging strategies. Voluntary termination of a hedging relationship is no longer permitted. Effectiveness testing now needs to be performed prospectively only. Entities may elect to continue to applying IAS 39 hedge accounting on adoption of IFRS 9 (until the IASB has completed its separate project on the accounting for open portfolios and macro hedging).

The Company will adopt this standard on March 1, 2018 and is expected to have no material impact on the Company's financial position or results of operations. The Company's financial assets and financial liabilities continue to be measured on the same basis as was previously applied under IAS 39. The standard will have a nominal impact on the Company's disclosures.

(ii) Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2018, the IASB issued IFRS 15, Revenue from Contracts with Customers to replace the detailed standards on revenue recognition requirements that currently exists under IFRS. The new standard provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

Management has evaluated each of the five steps in the new revenue recognition model for the Company's revenue stream. Through its evaluation, management does not expect the new revenue guidance will have a significant impact to the Company's consolidated statement of financial position or the consolidated statement of comprehensive loss in comparison to the current revenue recognition guidance.

The Company will adopt this guidance effective March 1, 2018 using the retrospective approach with cumulative effect, resulting in no expected adjustment to opening retained earnings. IFRS 15 is not expected to materially impact the timing or the amounts recognized in the Company's operating results due to the nature of the contracts it has in place.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Future Changes in Accounting Policies (Cont'd)

(b) Standards issued but not yet effective (Cont'd)

(iii) Effective for annual periods beginning on or after January 1, 2019, IFRS 16 Leases was issued by the IASB in January 2016 and will replace IAS 17 Leases. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognize a right of use asset, representing its right to use the underlying asset, and a lease liability, representing its obligation to make lease payments. The accounting treatment for lessors will remain largely the same as under IAS 17. Earlier application is permitted only if the Company early adopts IFRS 15. As the Company is still in the process of assessing the full impact of the application of IFRS 16 on the Company's financial statements, it is not yet possible to provide a reliable financial estimate of the effect until the Company completes the detailed assessments.

(iv) IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The IASB has reached the consensus that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. IFRIC 22 is effective for annual reporting periods beginning on or after January 1, 2018. The Company is evaluating the impact on its financial statements.

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

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

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

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

4. RESTRICTED CASH

	2018	2017
Cash sweep (a)	**$ 916,720**	$ -
Cash restricted for transfer fee (b)	**96,030**	-
Aggregate retained amount (c)	**100,035**	-
FarEast Amusement Games holdback amount	**92,000**	-
Cash placed in escrow (d)	**-**	855,748
	$ 1,204,785	$ 855,748

(a) Cash sweep amount for the month of February is related to the restrictions placed by the lender on the long-term debt (Note 10). The amount the lender could sweep was calculated based on the cash held at February 28, 2018 subject to some adjustments. The lender then has the option to sweep up to seventy percent of the adjusted cash balance until March 15, 2018. The lender did not exercise this option and the funds became unrestricted on March 16, 2018.

(b) Due to acquisitions, the Company is required to pay the applicable transfer fee of $96,030 to a supplier in connection with transfer of games in the supplier's internal system. The lender advanced these funds under the senior first lien facility for the sole purpose of the transfer fee.

(c) The Company is required to retain $100,000 under the senior secured first lien facility at all times.

(d) Under the Senior Secured term loan (Note 10), the Company was required to have bank accounts with control agreements in place. There was a delay in opening these accounts and as a result, the lender required that any amounts owed to the Company or the Company's subsidiary were deposited into the lenders bank account in escrow. The bank accounts with control agreements became operational in March 2017 and the funds that were held in the lender's bank account were transferred to the Company's control account at that time.

5. DIVESTURE OF MULTIPLE MEDIA ENTERTAINMENT

On October 17, 2016 the Company closed a transaction with an arm’s length third party to sell its 66.7% investment in Multiple Media Entertainment Inc. The proceeds of the sale were CAD$150,000 which was settled through of a secured promissory note due in August 17, 2018 at a rate of 12% interest per annum. As of February 28, 2017 the Company determined the balance was uncollectible and has written off the secured promissory note.

Accordingly, the operating results and operating cash flows for the previously reported subsidiary are presented as discontinued operations separate from the Company’s continuing operations.

Proceeds from sale	**$ 114,217**
Net assets disposed	**(95,453)**
Gain on divesture	**$ 209,670**

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

5. DIVESTURE OF MULTIPLE MEDIA ENTERTAINMENT (Cont'd)

The assets and liabilities disposed of were as follows:

Cash	$	**5,624**
Accounts receivable		**137,811**
Advances to related parties		**1,486**
Accounts payable and accrued liabilities		**(222,801)**
Non-controlling interest		**(17,573)**
Net assets	$	**(95,453)**

		For the period ended October 21, 2016
Revenue	$	**72,741**
Expenses		**(54,514)**
Income for period from discontinued operations before sale transaction		**18,227**
Attributable to the shareholders of the Company		**18,227**
Income for period from discontinued operations before sale transaction attributable to the shareholders of the Company		**18,227**
Reclassification of foreign currency translation amounts from accumulated other comprehensive income		**(2,723)**
Gain on divesture		**209,670**
Gain from discontinued operations	$	**225,174**

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

6. INVESTMENT IN AND DIVESTURE OF CENTERS FOR SPECIAL SURGERY

The Company, through its wholly-owned subsidiary, Quantum CSS Holdings Corp., owned 20% of the membership interest in Centers for Special Surgery, LLC ("CSS"), a limited liability company based in New Jersey. The Company has determined that it exercised significant influence over CSS and has accounted for its investment in CSS's shares using the equity method.

On February 1, 2017 the Company entered into an agreement with an arm's length third party to sell its 20% investment in CSS. The proceeds of the sale were $3,000,000 which comprised cash of $2,400,000 and a promissory note in the amount of $600,000 due in monthly instalments, maturing on November 30 2018 at a rate of 6.5% interest per annum.

Accordingly, the operating results and operating cash flows for the investment in associate are presented as discontinued operations separate from the Company's continuing operations.

Cash	**$ 2,400,000**
Promissory Note	**600,000**
Total proceeds from sale	**3,000,000**
Investment in associate	**3,120,385**
Loss on divesture	**$ (120,385)**

The assets and liabilities disposed of were as follows:

Current asset	**$ 2,047,899**
Non-current assets	**2,089,857**
Accounts payable and accrued liabilities	**(995,639)**
Due to affiliate	**1,329**
Long-term liabilities	**(23,061)**
Investment in associate	**$ 3,120,385**

	For the year ended February 28, 2017
Revenue	$ 3,889,034
Expenses	3,266,373
Income from equity accounted investment for the period from discontinued operations before sale transaction	622,661
Loss on divesture	(120,385)
Gain from discontinued operations	$ 502,276

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

7. ACQUISITIONS

During fiscal 2017, the Company completed the acquisition of a controlling interest of 51% in the business of Lucky Bucks, LLC, a skill-based gaming terminal operators based in the U.S. state of Georgia.

During fiscal 2018, the Company completed acquisitions of certain operating assets of skill-based gaming terminal operators based in the U.S. state of Georgia. These operators assemble, distribute, own and operate skill-based digital gaming terminals in multiple locations throughout Georgia.

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

** Goodwill for the acquisitions represent the historical relationship with the location owner 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 except for the Lucky Bucks, LLC acquisition.

*** Non-controlling interest is measured at its fair value.

The details of the acquisitions are as follows for the year ended February 28, 2017:

		Lucky Bucks (a)
Acquisition date		Oct 21, 16
Purchase cash consideration	$	10,039,043
Deferred consideration		500,000
Contingent consideration		206,142
Shares issued		3,952,287
Total purchase price		14,697,472
Allocation of purchase price:		
Property and equipment		1,204,075
Owner/operator gaming machine contracts		18,290,000
Brand		190,000
Master license		1,770,000
Goodwill**		7,589,159
Accounts payable and other liabilities		(224,661)
Non-controlling interest***		(14,121,101)
	$	14,697,472
Acquisition costs	$	1,011,321

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

7. ACQUISITION (Cont'd)

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

	Triple 7s Amusement (b)	Lucky Star Amusement (c)	AM PM Management (d)	American Amusement (e)	Fun Games (f)	FarEast Amusement (g)	WildHorse Amusement (h)	Lee Caudell (i)	Wise Amusement (j)	Total
Acquisition date	May 17, 17	May 17, 17	Jun 30, 17	Jun 30, 17	Oct 6, 17	Nov 27, 17	Nov 27, 17	Dec 15, 17	Dec 15, 17	
Purchase cash consideration	$ 4,200,000	$ 1,620,000	$11,923,599	$ 4,000,000	$ 5,069,504	$ 3,190,006	$ 2,229,915	$ 4,000,000	$ 350,000	$36,583,024
Allocation of purchase price:										
Property and equipment	98,858	99,746	189,208	140,706	262,539	69,128	82,082	137,284	9,034	1,088,585
Owner/operator gaming machine contracts	2,510,000	590,000	8,220,000	2,600,000	2,970,000	1,640,000	930,000	2,150,000	200,000	21,810,000
Brand	30,000	10,000	70,000	20,000	30,000	20,000	10,000	20,000	2,000	212,000
Master license	700,000	700,000	700,000	700,000	700,000	-	-	-	-	3,500,000
Goodwill**	861,142	220,254	2,744,391	539,294	1,106,965	1,460,878	1,207,833	1,692,716	138,966	9,972,439
	$ 4,200,000	$ 1,620,000	$11,923,599	$ 4,000,000	$ 5,069,504	$ 3,190,006	$ 2,229,915	$ 4,000,000	$ 350,000	$36,583,024
Acquisition costs	$ 370,590	$ 251,091	$ 454,485	$ 338,190	$ 536,601	$ 258,843	$ 225,019	$ 147,824	$ 64,542	$ 2,647,185

7. ACQUISITION (Cont'd)

(a) Acquisition of Lucky Bucks, LLC ("Lucky Bucks")

On October 21, 2016, the Company completed the acquisition of a controlling interest of 51% in the business of Lucky Bucks, LLC.

The purchase cash consideration was paid and shares were issued on closing date of the acquisition.

As additional consideration for the acquisition, the Company will pay in cash an amount equal to the sum of (i) $500,000 plus (ii) an amount equal to the aggregate new COAM location revenue after location costs determined pursuant to the membership interest purchase agreement. The amount is calculated based on revenue from each new COAM location between the 91st day subsequent to the installation date and 180th day subsequent to the installation date, annualized over 365 days, multiplied by 64% and multiplied by a range of factors depending on the length of the contract term of the new COAM location, less any capital expenditures attributable to the new COAM location within the first 180 days and multiplied by the ownership interest of 51%. This amount is to be paid within 30 days following the first anniversary of the closing date. The Company paid $781,159 on October 26, 2017 to settle this liability.

The Company followed guidance provided by IFRS 3 - Business Combinations, which allows the Company one year to finalize the purchase price allocation of an acquired company's tangible assets, assumed liabilities, non-controlling interest, intangible assets and goodwill. The Company analyzed the acquired assets, liabilities, non-controlling interest, contingent consideration, intangibles and goodwill in the period allowed and determined that no amendments were required to the preliminary purchase price allocation.

Included in the consolidated statement of comprehensive income is gaming revenue of $11,175,038 and net income of $4,523,321 from Lucky Bucks, LLC, for the period between October 21, 2016 to February 28, 2017. The Company issued shares valued at $3,952,287 and warrants valued at $153,728 relating to the business acquisition and debt financing respectively.

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

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

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

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

7. ACQUISITION (Cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. ACQUISITION (Cont'd)

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

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

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

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

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

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

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

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

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

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

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

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

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

8. PROPERTY AND EQUIPMENT

Cost	**Gaming Equipment**	**Furniture and equipment**	**Computers**	**Automobiles**	**Leasehold improvements**	**Total**
Balance March 1, 2016	$ 11,126	$ 1,636	$ -	$ -	$ -	$ 12,762
Acquired through business combination (a)	1,102,435	1,930	2,656	68,768	28,286	1,204,075
Additions	921,263	5,562	-	33,000	-	959,825
Balance February 28, 2017	2,034,824	9,128	2,656	101,768	28,286	2,176,662
Acquired through business combinations	1,088,585	-	-	-	-	1,088,585
Additions	2,651,974	24,422	6,916	226,907	-	2,910,219
Balance February 28, 2018	**$ 5,775,383**	**$ 33,550**	**$ 9,572**	**$ 328,675**	**$ 28,286**	**$ 6,175,466**

Accumulated Amortization	**Gaming Equipment**	**Furniture and equipment**	**Computers**	**Automobiles**	**Leasehold improvements**	**Total**
Balance March 1, 2016	$ 2,842	$ -	$ -	$ -	$ -	$ 2,842
Additions	110,166	286	295	6,235	9,025	126,007
Balance at February 28, 2017	113,008	286	295	6,235	9,025	128,849
Additions	650,513	5,568	2,141	42,886	5,613	706,721
Balance February 28, 2018	**$ 763,521**	**$ 5,854**	**$ 2,436**	**$ 49,121**	**$ 14,638**	**$ 835,570**

Net Carrying Amounts	**Gaming Equipment**	**Furniture and equipment**	**Computers**	**Automobiles**	**Leasehold improvements**	**Total**
As at February 28, 2017	$ 1,921,816	$ 8,842	$ 2,361	$ 95,533	$ 19,261	$ 2,047,813
As at February 28, 2018	**$ 5,011,862**	**$ 27,696**	**$ 7,136**	**$ 279,554**	**$ 13,648**	**$ 5,339,896**

(a) The assets acquired through business combination relate to the acquisitions (Note 7).

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

9. INTANGIBLE ASSETS AND GOODWILL

Cost	**Owner/ operator gaming machine contracts**	**Brand**	**Master license**	**Total intangible assets**	**Goodwill**	**Total intangible assets and goodwill**
Balance March 1, 2016	$ -	$ -	$ -	$ -	$ -	$ -
Acquired through business combination (a)	18,290,000	190,000	1,770,000	20,250,000	7,589,159	27,839,159
Balance at February 28, 2017	18,290,000	190,000	1,770,000	20,250,000	7,589,159	27,839,159
Acquired through business combinations (a)	21,810,000	212,000	3,500,000	25,522,000	9,972,439	35,494,439
Additions	70,000	-	-	70,000	-	70,000
Impairment	-	(212,000)	-	(212,000)	-	(212,000)
Balance February 28, 2018	**$ 40,170,000**	**$ 190,000**	**$ 5,270,000**	**$ 45,630,000**	**$ 17,561,598**	**$ 63,191,598**

Accumulated Amortization	Owner/ operator gaming machine contracts	Brand	Master license	Total intangible assets	Goodwill	Total intangible assets and goodwill
Balance March 1, 2016	$ -	$ -	$ -	$ -	$ -	$ -
Additions	1,438,904	-	-	1,438,904	-	1,438,904
Balance at February 28, 2017	1,438,904	-	-	1,438,904	-	1,438,904
Additions	6,049,710	-	-	6,049,710	-	6,049,710
Balance February 28, 2018	**$ 7,488,614**	**$ -**	**$ -**	**$ 7,488,614**	**$ -**	**$ 7,488,614**

Net Carrying Amount	Owner/ operator gaming machine contracts	Brand	Master license	Total intangible assets	Goodwill	Total intangible assets and goodwill
As at February 28, 2017	$ 16,851,096	$ 190,000	$ 1,770,000	$ 18,811,096	$ 7,589,159	$ 26,400,255
As at February 28, 2018	**$ 32,681,386**	**$ 190,000**	**$ 5,270,000**	**$ 38,141,386**	**$ 17,561,598**	**$ 55,702,984**

(a) The assets acquired through business combination relate to the acquisitions (Note 7).

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

9. INTANGIBLE ASSETS AND GOODWILL (Cont'd)

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

The Company concluded it has one CGU as of February 28, 2018 and February 28, 2017. 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) working capital and capital expenditures were estimated considering industry benchmarks as a percentage of revenue. The discount rate applied in the discounted cash flow model was 32% (2017 - 27%). The inputs used in determining their fair values are level 3 inputs.

10. LONG-TERM DEBT

	2018	2017
Senior Secured first lien term loan ("credit facility") net of unamortized transaction costs of $403,384 (2017- 3,140,267)[(a)(c)(d)]	**$ 11,170,552**	$ 8,854,958
Incremental term loan under the credit facility net of unamortized transaction costs and repayment option $141,789[(b)(c)(e)]	**9,858,212**	-
Incremental term loan under the credit facility net of unamortized transaction costs and repayment option $249,651[(b)(c)(f)]	**18,337,304**	-
Incremental term loan under the credit facility net of unamortized transaction costs and repayment option $158,219[(b)(c)(g)]	**5,983,087**	-
Incremental term loan under the credit facility net of unamortized transaction costs and repayment option $217,395[(b)(c)(h)]	**6,793,476**	-
Incremental term loan under the credit facility net of unamortized transaction costs and repayment option $166,186[(b)(c)(i)]	**4,833,814**	-
Vehicle finance loans [(j)]	**245,396**	88,204
	57,221,841	8,943,162
Less: current portion of long-term debt	**(58,215)**	(18,061)
Long-term debt	**$ 57,163,626**	$ 8,925,101

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

10. LONG-TERM DEBT (Cont'd)

	Transaction costs
Balance, as at March 1, 2016	**$ -**
Additions	3,486,523
Accretion	(346,256)
Balance, as at February 28, 2017	**3,140,267**
Additions	4,493,951
Accretion	(6,297,594)
Balance, as at February 28, 2018	**$ 1,336,624**

(a) After the one year anniversary of the closing date, the Company has the option to repay the term loan in full.

(b) If the voluntary prepayment is exercised for the incremental term loans the Company would be subject to pay the full original issue discount amount and interest up to the one year anniversary date. The repayment options resulted in embedded derivatives that required separation from the host loan. The aggregate fair value of the repayment options at initial recognition of $2,193,000 was determined based on expected interest rate differential, the Company's own credit risk and probability of successfully refinancing. The derivatives were revalued at February 28, 2018 at $2,765,000 with the increase in value of $572,000 recognized in the statement of comprehensive loss (Note 22).

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

- Maturity of 30 months from the date when the loan is funded.
- 8% original issue discount over the term of the loan
- Fixed rate of 16% per annum
- The lender has the option to sweep monthly amounts, which shall not exceed 1) 70% (2017 - 75%) of the monthly excess cash amount, plus 2) 70% (2017 - 75%) of the monthly overage amount.
  - "Monthly Excess Cash Amount" means, for any month, the sum of (i) the monthly end date cash and cash equivalents amount minus (ii) any expense distribution amounts not yet distributed for such month minus (iii) the amount of interest due on the term loans during such month and the amount of fees and expenses (other than interest) due and payable with respect to all the term loans minus (iv) amounts held in the segregated bank account.
  - “Monthly Overage Amount” means, for any month, the sum of 100% of any Monthly Budget Overage Amount, minus any portion of such Monthly Budget Overage Amount that was approved in writing by the lender.
- The Company may request additional incremental term loans at the discretion of the lender with the same terms. No incremental loan will be made for amounts less than $1,000,000.

10. LONG-TERM DEBT (Cont'd)

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

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

As at February 28, 2018, the Company was in compliance with its financial covenants under the terms of its senior secured first lien term loan agreement.

Subsequent to year end, on April 9, 2018, the Company closed a $75,000,000 multi draw credit facility (Note 25). The proceeds from this multi-draw credit facility were used to fully repay the senior secured first lien term loan and incremental loans.

(d) On October 21, 2016 ("Closing Date"), the Company obtained a senior secured first lien term loan in the amount of $11,956,521 to fund the acquisition of Lucky Bucks, LLC (Note 7)

The transactions costs of $3,486,523 consists of $956,521 for original issue discount, $1,900,509 for legal fees and commissions, $115,351 of warrants of the Company and $475,765 of shares of the Company.

The annual effective interest rate was 42.67% in 2018 (2017 - 31.76%).

(e) On May 17, 2017, the Company obtained an incremental term loan under the senior secured first lien facility of $9,200,000 to fund the acquisition of certain assets of Triple 7s Amusement LLC, Lucky Star Amusement, Inc (Note 7) and to fund capital expenditures. In connection to the additional advance, the Company and the lender amended and restated the financing agreement dated May 17, 2017.

The transactions cost relating to the additional advance were $743,834 which consists of $686,245 for legal fees and commissions and $57,588 of warrants of the Company and a premium of $500,000 relating to the derivative asset setup for the prepayment option.

The annual effective interest rate was 27.99% in 2018 (2017 - Nil).

(f) On June 30, 2017, the Company obtained an incremental term loan under the senior secured first lien facility of $17,100,000 to fund the acquisition of certain assets of AM/PM Management, Inc. and American Amusements LLC (Note 7). In connection to the additional advance, the Company and the lender amended and restated the financing agreement dated June 30, 2017.

The transactions cost relating to the additional advance were $1,062,472 which consists of $902,824 for legal fees and commissions and $159,648 of warrants of the Company and a premium of $929,000 relating to the derivative asset setup for the prepayment option.

The annual effective interest rate was 27.28% in 2018 (2017 - Nil).

(g) On October 6, 2017, the Company obtained an incremental term loan under the senior secured first lien facility of $5,650,000 to fund the acquisition of certain assets of Fun Games Inc (Note 7). In connection to the additional advance, the Company and the lender amended and restated the financing agreement dated October 6, 2017.

The transactions cost relating to the additional advance were $413,050 which consists of $329,188 for legal fees and commissions and $83,862 of warrants of the Company and a premium of $223,000 relating to the derivative asset setup for the prepayment option.

10. LONG-TERM DEBT (Cont'd)

(g) (Cont'd)

The annual effective interest rate was 39.06% in 2018 (2017 - Nil).

(h) On November 27, 2017, the Company obtained an incremental term loan under the senior secured first lien facility of $6,450,000 to fund the acquisition of certain assets of FarEast Amusement Games, LLC and WildHorse Amusement Company L.L.C. (Note 7). In connection to the additional advance, the Company and the lender amended and restated the financing agreement dated November 27, 2017.

The transactions cost relating to the additional advance were $425,652 which consists of $301,469 for legal fees and commissions and $124,183 of warrants of the Company and a premium of $298,000 relating to the derivative asset setup for the prepayment option.

The annual effective interest rate was 44.15% in 2018 (2017 – Nil).

(i) On December 15, 2017, the Company obtained an incremental term loan under the senior secured first lien facility of $4,600,000 to fund the acquisition of certain assets from Lee Caudell, Inc and Wise Amusement LLC (Note 7). In connection to the additional advance, the Company and the lender amended and restated the financing agreement dated December 15, 2017.

The transactions cost relating to the additional advance were $302,831 which consists of $219,047 for legal fees and commissions and $83,784 of warrants of the Company and a premium of $243,000 relating to the derivative asset setup for the prepayment option.

The annual effective interest rate was 46.32% in 2018 (2017 – Nil).

(j) The Company has two vehicle finance loans that are non-interest bearing with monthly principal payments of $557 and $560 and will mature on July 30, 2021. The remaining seven vehicle finance loans bear interest ranging from 4.40% to 6.49% annually with monthly blended payments between $491 and $547 and mature between November 8, 2022 and February 19, 2024.

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

11. SHARE CAPITAL AND WARRANTS

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 29, 2016		**28,678,911**	**2,115,331**	**$22,765,038**
Equity and warrant issuance relating to senior secured term loan	(a)	7,314,174	500,000	1,975,765
Equity issuance as part of business acquisition (Note 7)		14,628,348	-	3,952,287
Equity issuance to acquisition costs	(b)	372,023	-	75,031
Equity issuance as part of credit facility conversion	(h)	8,361,600	-	1,519,649
Equity issuance for settlement of accrued interest		499,883	-	91,863
Equity issuance as part of credit facility issuance	(h)	275,000	652,827	10,814
Equity issuance to settle debt	(c)	356,356	-	13,540
Reduction in share issuance costs		-	-	265,018
Warrants exercised		183,333	(183,333)	26,516
Warrants expired		-	(344,665)	-
Balance as at, February 28, 2017		**60,669,628**	**2,740,160**	**$30,695,521**
Equity and warrant issuance relating to private placements	(d)	3,529,404	3,529,404	35,305
Warrant issuance relating to senior term loan	(e)	-	1,956,500	-
Share transfer option common shares exercised	(f)	3,000,000	-	246,105
Share transfer option common shares cancelled	(f)	(3,000,000)	-	-
Options exercised	(g)	5,469,350	-	2,219,743
Warrants exercised		652,825	(652,825)	105,260
Warrants expired		-	(1,587,335)	-
Balance as at, February 28, 2018		**70,321,207**	**5,985,904**	**$33,301,934**

(a) Concurrent to the senior secured first lien term loan described in Note 10, the lenders subscribed to 7,314,174 common shares of the Company. The purchase price of the common shares was CAD$0.2688 per share, for an aggregate gross proceeds of USD$1,500,000. The lenders received a discount of $475,765 based on the difference between the agreed price of the shares and the fair value of the Company's common shares on the date of the issuance. The amount was included as a transaction cost on the term loan. In addition, 500,000 common share purchase warrants were issued to the lender with an exercise price of CAD$0.4032 per share and an expiry of 30 months from the date of issuance.

(b) As part of the Lucky Bucks acquisition described in Note 7, the Company issued 372,023 common shares of the Company for a finder's fee of CAD$100,000 (USD$75,031).

11. SHARE CAPITAL AND WARRANTS (Cont'd)

(c) In March and April 2016, the Company settled $39,559 worth of outstanding liabilities for 356,356 common shares of the Company. An aggregate gain of $26,019 has been recorded in the statement of comprehensive loss.

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

The value was allocated to the units using the residual method resulting in a value allocation of CAD $0.0135 per share and CAD $0.1565 per warrant.

(e) Concurrent to the additional advance described in Note 10 (e), the company issued 418,600 warrants to the lender with an exercise price of CAD $0.3068 and an expiry of 30 months from the date of issuance.

Concurrent to the additional advance described in Note 10 (f), the company issued 778,050 warrants to the lender with an exercise price of CAD $0.3828 and an expiry of 30 months from the date of issuance.

Concurrent to the additional advance described in Note 10 (g), the company issued 257,075 warrants to the lender with an exercise price of CAD $0.65 and an expiry of 30 months from the date of issuance.

Concurrent to the additional advance described in Note 10 (h), the company issued 293,475 warrants to the lender with an exercise price of CAD $1.041 and an expiry of 30 months from the date of issuance.

Concurrent to the additional advance described in Note 10 (i), the company issued 209,300 warrants to the lender with an exercise price of CAD $0.9423 and an expiry of 30 months from the date of issuance.

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

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

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

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

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

11. SHARE CAPITAL AND WARRANTS (Cont'd)

(g) (Cont'd)

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

(h) During the year ended February 28, 2017, the Company issued 275,000 common shares of the Company and 652,827 broker warrants relating to the commission paid to the agents. On January 17, 2017, the notes payable were converted into 8,361,600 common shares of the Company.

The deemed issue price for the 8,361,600 of common shares that were exchanged with holders of principal amount of CAD$1,254,240 was determined in accordance with the facility agreement, which defined the exchange price to be the greater of:

(a) The volume weighted average trading price of the common shares on the TSXV for the ten trading days preceding the date of issuance of the applicable Note (provided trading has occurred on any such day), and

(b) The trading price of the common shares on the TSXV for the trading day immediately preceding the date of issuance of the applicable Notes.

The notes were issued in multiple instalments with the first instalment being February 15, 2016 and the last one being August 19, 2016. During this period, the stock price was trading below $0.05. In accordance with TSXV rules, a Note may not be exchanged by a lender for exchange shares at an exchange price that is less than $0.05 per common share. Post consolidation, the exchange price of $0.05 represents a share price of $0.15.

Warrants

As at February 28, 2018, the Company had outstanding warrants as follows:

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

As of February 28, 2018, there are 5,985,904 (2017 - 2,087,333) warrants outstanding recorded as a derivative liability with a value of $2,421,726 (2017 - $61,391)

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

11. SHARE CAPITAL AND WARRANTS (Cont'd)

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

	2018	2017
Exercise price (CAD)	**$ 0.55**	$ 0.27
Expected volatility	**174 %**	203 %
Risk-free interest rate	**1.12 %**	0.56 %
Expected life	**2.6**	2.1
Share price (CAD)	**$ 0.40**	$ 0.21

The fair value of the warrants outstanding at year end is estimated at February 28, 2018 and 2017 using the Black-Scholes option pricing model with the following weighted average inputs and assumptions:

	2018	2017
Exercise price (CAD)	**$ 0.64**	$ 0.36
Expected volatility	**102 %**	196 %
Risk-free interest rate	**1.74 %**	0.71 %
Expected life	**2.1**	2.2
Share price (CAD)	**$ 0.72**	$ 0.15

12. SHARE OPTION PLAN

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

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

12. SHARE OPTION PLAN (Cont'd)

The stock options were only awarded to employee, officers, directors and consultants; therefore it is recognized as an expense with a corresponding increase in contributed surplus. The Company had the following stock options outstanding:

	2018		2017	
	Number of Options	**Weighted Average Exercise Price (CAD)**	Number of Options	Weighted Average Exercise Price (CAD)
Beginning balance	**3,497,907**	**$0.24**	2,675,000	$1.23
Issued	**9,045,214**	**$0.34**	2,281,240	$0.24
Exercised	**(5,469,350)**	**$0.26**	-	$ NIL
Expired	**-**	**$ NIL**	(325,000)	$1.14
Forfeited	**(41,666)**	**$0.18**	(1,133,333)	$1.26
Ending balance	**7,032,105**	**$0.35**	3,497,907	$0.24
Exercisable	**7,032,105**	**$0.35**	3,092,351	$0.24

The following table summarizes information about share purchase options granted and outstanding as at February 28, 2018:

Number of Options	**Exercisable**	**Exercise Price (CAD)**	**Time to Maturity**
66,667	66,667	$ 1.260	2.48 years
16,667	16,667	$ 1.050	2.48 years
625,000	625,000	$ 0.180	3.49 years
83,333	83,333	$ 0.270	3.70 years
1,969,475	1,969,475	$ 0.154	4.18 years
1,574,983	1,574,983	$ 0.353	4.37 years
2,695,979	2,695,979	$ 0.503	4.71 years

The fair value of the options granted in 2018 and 2017 was estimated at the time of the grant using the Black-Scholes with the following weighted average inputs.

	2018	2017
Exercise price (CAD)	**$ 0.39**	$ 0.24
Expected volatility	**97 %**	190 %
Risk-free interest rate	**1.50 %**	0.77 %
Expected life	**0.6**	5.0
Share price (CAD)	**$ 0.53**	$ 0.21

Please refer to note 11 (f) for details on the options that were exercised on July 5, 2017, July 24 2017, and October 20, 2017.

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

13. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative costs incurred by nature are as follows:

	February 28, 2018	February 28, 2017
Acquisition costs	**$ 2,722,099**	$ 566,944
Professional and advisory fees	**3,842,485**	3,322,885
Regulatory and filing fees	**91,684**	100,911
Salaries and benefits	**1,514,832**	449,091
Share based compensation	**1,406,393**	415,487
Administrative fees	**1,322,831**	533,175
	$ 10,900,324	$ 5,388,493

14. GAIN AND LOSS ON SETTLEMENT OF PAYABLE

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

During the year ended February 28, 2017, the Company settled $39,559 of accounts payable with the issuance of $13,540 worth of common shares of the Company. The gain recognized through the statement of comprehensive income during the year was $26,019. During the year ended February 28, 2017, the Company settled $884,994 of accounts payable through settlement claims. The total gain recognized through the statement of comprehensive income during the year was $389,994.

15. FAIR VALUE GAIN/LOSS

Derivative asset

	February 28, 2018	February 28, 2017
Acquired during the period (Note 10)	**$ 2,193,000**	$ -
Change in fair value	**572,000**	-
	$ 2,765,000	$ -

Derivative liability

	February 28, 2018	February 28, 2017
Opening balance	**$ 61,391**	$ 13,920
Issued during the period (Note 11)	**919,575**	115,787
Revaluation before exercise	**-**	(559,278)
Change in fair value	**1,440,760**	490,962
	$ 2,421,726	$ 61,391

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

16. 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:

	February 28, 2018	February 28, 2017
Loss before income taxes	**$ (4,507,530)**	$ (3,115,639)
Statutory rate	**26.5 %**	26.5 %
Expected income tax recovery	**$ (1,194,495)**	$ (825,644)
Effect on income taxes of:		
Effect of tax rates in foreign jurisdictions	**271,047**	274,329
Permanent differences	**767,960**	281,370
Prior year true-up and other changes	**(12,800)**	(41,953)
NCI adjustment	**(1,379,433)**	(884,061)
Deferred tax asset not recognized	**1,547,721**	1,195,959
Income tax expense (recovery)	**$ -**	$ -

(b) Deferred income Taxes

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

	February 28, 2018	February 28, 2017
Deferred Income tax asset		
Deductible temporary differences	**$ 1,587,493**	$ 1,275,468
Tax losses	**4,834,373**	3,954,467
Deferred income tax asset	**6,421,866**	5,229,935
Less: deferred tax asset not recognized	**(6,421,866)**	(5,229,935)
	$ -	$ -

(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 February 28, 2018, the Company has cumulative non-capital losses available to be carried forward in the following jurisdictions: Canada – CAD $4,179,110 (2017 - CAD $3,081,862), United States – $212,053 (2017 - 212,053), before non-controlling interests. The non-capital losses in Canada begin to expire in 2025. The net operating losses in the U.S. begin to expire in 2037. The Company also has net capital losses in Canada of CAD $660,552 (2017 - CAD $660,552) and in United States of $nil (2017 - $nil).

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

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

16. INCOME TAXES (Cont'd)

(c) Loss and Tax Credit Carryforwards (Cont'd)

The Company has accumulated deductible research and development expenses of CAD $1,495,251 (2017 - CAD $1,495,251) in Canada that can be carried forward indefinitely.

17. LOSS PER SHARE

As the Company incurred a net loss during the year ended February 28, 2018 and February 28, 2017, the loss and diluted loss per common share are based on the weighted-average common shares outstanding during the period. As the effect of all outstanding stock options and warrants are anti-dilutive during a year when the Company incurs a loss, diluted earnings per share do not differ from basic loss per share.

	February 28, 2018	February 28, 2017
Common shares issuable on exercise of warrants	**$ 5,985,904**	2,740,160
Common shares issuable on exercise of stock options	**7,032,105**	3,092,351
	$ 13,018,009	5,832,511

Earnings per share from continuing and discontinued operations attributable to owners of the parent during the year:

	February 28, 2018	February 28, 2017
Weighted average shares outstanding - basic	66,555,241	38,010,640
Weighted average shares outstanding - diluted	79,573,250	43,843,151
From continuing operations - basic and diluted	$ (0.120)	$ (0.082)
From discontinued operations - basic	$ -	$ 0.019
From discontinued operations - diluted	$ -	$ 0.017

18. OPERATING SEGMENTS

Management has identified the following reportable business segments in 2018 and 2017. Each of these reporting segments are managed separately and their results are based on internal management information that is regularly reviewed by the chief operating decision maker.

The Company's reportable business segments are:

- Multiple Media Entertainment Inc. ("MME") - divested in fiscal year 2017
- Centers for Special Surgery, LLC ("CSS") - divested in fiscal year 2017
- Quantum Gaming, Southern Star Gaming, and Lucky Bucks, LLC (acquired in 2017) collectively known as "LBL"

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

18. OPERATING SEGMENTS (Cont'd)

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

	Corporate	LBL	Total 2018
Revenue			
Gaming revenue	$ -	$51,488,496	$51,488,496
Location costs	-	(25,744,248)	(25,744,248)
Revenue after location costs	-	25,744,248	25,744,248
Operating expenses			
Amortization of property, equipment and intangible assets	-	(6,756,431)	(6,756,431)
General and administrative expense	(6,869,340)	(4,030,984)	(10,900,324)
Impairment of intangible assets	-	(212,000)	(212,000)
	(6,869,340)	(10,999,415)	(17,868,755)
Other expenses			
Finance costs	(42,377)	(11,931,225)	(11,973,602)
Other income	-	122,000	122,000
Finance income	31,192	-	31,192
Gain (loss) on foreign exchange	(3,531)	-	(3,531)
Gain on settlement of accounts payable	309,678	-	309,678
Fair value gain (loss) on derivative liabilities	(1,440,760)	-	(1,440,760)
Fair value gain on derivative assets	-	572,000	572,000
	(1,145,798)	(11,237,225)	(12,383,023)
Net gain (loss) and comprehensive gain (loss)	$ (8,015,138)	$ 3,507,608	$ (4,507,530)
Total current assets	$ 922,164	$10,221,653	$11,143,817
Total non-current assets	$ 13,568	$61,029,312	$61,042,880
Total liabilities	$ 6,254,934	$60,287,003	$66,541,937

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

18. OPERATING SEGMENTS (Cont'd)

	Corporate	MME	CSS	LBL	Total 2017
Revenue					
Gaming revenue	$ -	-	-	$ 10,372,496	$ 10,372,496
Location costs	-	-	-	(5,186,248)	(5,186,248)
Revenue after location costs	-	-	-	5,186,248	5,186,248
Operating expenses					
Amortization of property, equipment and intangible assets	(2,205)	-	-	(1,562,706)	(1,564,911)
General and administrative expense	(4,900,585)	-	-	(487,908)	(5,388,493)
Write down of note receivable	-	-	-	(126,217)	(126,217)
	(4,902,790)	-	-	(2,176,831)	(7,079,621)
Other expenses					
Finance costs	(192,156)	-	-	(977,349)	(1,169,505)
Gain (loss) on foreign exchange	22,188	-	-	-	22,188
Gain on settlement of accounts payable	416,013	-	-	-	416,013
Fair value gain (loss) on derivative liabilities	(490,962)	-	-	-	(490,962)
	(244,917)	-	-	(977,349)	(1,222,266)
Net gain (loss) from continued operations	(5,147,707)	-	-	2,032,068	(3,115,639)
Net loss from discontinued operations	-	225,134	502,316	-	727,450
Net gain (loss) and comprehensive gain (loss)	$ (5,147,707)	225,134	502,316	$ 2,032,068	$ (2,388,189)
Total current assets	$ 2,959,762	-	-	$ 2,222,240	$ 5,182,002
Total non-current assets	$ 312,003	-	-	$ 28,438,613	$ 28,750,616
Total liabilities	$ 6,672,430	-	-	$ 11,333,079	$ 18,005,509

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

19. RELATED PARTY TRANSACTIONS AND BALANCES

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

	February 28, 2018	February 28, 2017
Director fees	**$ 107,238**	$ 25,408
Salaries and short term benefits and bonus	**387,874**	-
Stock-based compensation	**3,071,024**	443,739
Consulting fees	**3,910,824**	1,163,985
	$ 7,476,960	$ 1,633,132

As at February 28, 2018, the Company owed $86,686 relating to the director fees (February 28, 2017 – $31,324).

During the year ended February 28, 2018, the Company paid consulting fees of $662,267 (February 28, 2017 - $850,929) and reimbursed Company expenses to a corporation controlled by a director and officer of the Company. In addition, the Company accrued or paid performance incentives of $1,145,828 directly tied to the business acquisitions closed in the fiscal 2018 year end to the same corporation controlled by a director and officer of the Company. The Company also accrued an annual discretionary performance incentive of $1,611,864 to the same corporation controlled by a director and officer of the Company. Lastly, the Company accrued or paid a performance incentive of $398,368 that relates to the 3 for 1 share consolidation that occurred in fiscal 2018. This officer and director of the Company used $1,427,137 of the amounts paid in fiscal 2018 to exercise stock options in the Company and to participate in the Company's private placement that occurred in May 2017.

During the year ended February 28, 2018, the Company incurred no consulting fees from an accounting firm which carried out duties of the CFO prior to October 31, 2016 (February 28, 2017 - $274,539). These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at February 28, 2018, $268,244 was owed relating to these consulting fees (February 28, 2017 - $254,939).

During the year ended February 28, 2018, the Company incurred consulting fees of $92,496 (February 28, 2017 – $38,517) from an accounting firm which carried out duties of the CFO. These services were incurred in the normal course of operations for general accounting and financial reporting matters. As at February 28, 2018, $15,879 was owed relating to these consulting fees (February 28, 2017 – $8,529).

During the year ended February 28, 2018, the Company paid rent of $154,325 (February 28, 2017 – $132,582) to a corporation controlled by a director and officer of the Company.

Total distributions declared by Lucky Bucks Holdco, LLC to its 49% shareholder totaled $8,532,353 (2017 - $2,216,427), of which $7,645,649 (2017 - $1,246,109) were paid and the remaining balance of $886,704 (2017 - $970,318) is recorded as a distribution payable. The distribution payable was fully paid on March 16, 2018.

As at February 28, 2018 $54,853 (2017- $59,853) is due from the CEO of Lucky Bucks, LLC and 49% shareholder of Lucky Bucks Holdco, LLC. As at February 28, 2018, $27,500 (2017- $27,500) is due from 27th Group, a company controlled by the CEO of Lucky Bucks, LLC and 49% shareholder of Lucky Bucks Holdco, LLC. All amounts due from related parties are non-interest bearing, unsecured and due on demand.

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

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

20. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash operating working capital:

	February 28, 2018	February 28, 2017
Accounts receivable	**$ (881,764)**	$ (615,027)
Notes receivable	**313,460**	(20,000)
Due from related parties	**(82,354)**	-
Prepaid and other expenses	**(106,415)**	4,349
Accounts payable and other liabilities	**(3,121,927)**	2,077,317
Due to related parties	**1,658,603**	(855,748)
Restricted cash	**(349,037)**	-
	$ (2,569,434)	$ 590,891

21. COMMITMENTS AND CONTINGENCIES

(a) Operating Lease Commitment

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

Less than 1 year	$ 239,771
1 to 5 years	644,549
Greater than 5 years	71,170
	$ 955,490

21. COMMITMENTS AND CONTINGENCIES (Cont'd)

(b) Litigation

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

(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. Quantum 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 Quantum'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. Quantum 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 Quantum, and a dismissal of Count IV as to both Quantum 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 Quantum, and on Count IV as to both Quantum 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 Quantum and the current CEO of the Company, in his personal capacity, will convert to with prejudice. The Company has accrued $630,000.

(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 Quantum 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. Quantum has filed a statement of defense and intends to defend the claim. The Company has accrued CAD $702,941

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

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities were as follows:

Loans and receivables	February 28, 2018	February 28, 2017
Cash	$ 4,716,731	$ 3,396,787
Restricted cash	1,204,785	855,748
Accounts receivable	1,422,333	540,569
Notes receivable	346,040	659,500
Related party balances	82,353	-
	$ 7,772,242	$ 5,452,604

Other financial liabilities		
Accounts payable and accrued liabilities	$ 4,353,063	$ 7,324,496
Distribution payable	886,704	970,318
Related party balances	1,658,603	-
Long-term debt	57,221,841	8,943,162
Deferred consideration	-	500,000
	$ 64,120,211	$ 17,737,976

Fair value through profit and loss, assets (liabilities)		
Contingent consideration	$ -	$ (206,142)
Derivative asset	2,765,000	-
Derivative liability	(2,421,726)	(61,391)
	$ 343,274	$ (267,533)

A fair value hierarchy prioritizes the methods and assumptions used to develop fair value measurements for those financial assets where fair value is recognized on the statement of financial position. These have been prioritized into three levels.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 - Inputs for the asset or liability that are not based on observable market data.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. As at February 28, 2018, and 2017 the Group had derivative asset and derivative liability measured at fair value.

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

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

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

If LIBOR-based interest rates would have been higher by 100 basis points as of February 28, 2018, the change would have decreased the fair values of the derivative asset by $245,000.

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

Financial Risk Factors

Credit Risk

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

Credit risk associated with cash is minimized substantially by ensuring that the assets are placed primarily with major financial institutions that have minimum grade “A” credit ratings. The Company is exposed to credit risk with respect to its accounts receivable. For the year ended February 28, 2018, all of the Company's gaming revenue is collected from the GLC after location costs. These amounts 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.

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 shareholder and related companies.

The Company’s cash flow is generated from its interest in Lucky Bucks, LLC.

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.

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

Liquidity Risk (Cont'd)

As at February 28, 2018, the Company had cash balance of $4,716,731 (February 28, 2017 - $3,396,787). The following table summarizes amounts and maturity dates of the Company's contractual obligations as of February 28, 2018:

	Within 1 year	2 - 3 years	4 -5 years	Total
Accounts payable and accrued liabilities	$ 4,353,063	$ -	$ -	$ 4,353,063
Distribution payable	886,704	-	-	886,704
Long-term debt	58,215	58,312,009	112,692	58,482,916
Related parties payable	1,658,603	-	-	1,658,603
	$ 6,956,585	$ 58,312,009	$ 112,692	$ 65,381,286

Interest Rate Risk

The Company has no interest-bearing assets, other than cash, fixed-interest rate note receivable and only fixed-interest liabilities. Accordingly, the Company is not exposed to significant cash flow interest rate risk.

Fair Value Risk

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

The carrying amounts of long-term debt and derivative asset approximate their fair value given the likelihood of early repayment on the long-term debt. On initial recognition, the fair value of long-term debt was established based on current interest rates, market values and pricing of financial instruments with comparable terms.

The Company measures the derivative asset and derivative liability at fair value at the end of the reporting period.

Foreign Currency Risk

The Company's functional currency is the United States dollar and major purchases are transacted in United States dollars. However, the Company is exposed to currency risk with fluctuations in the United States dollar relative to the Canadian dollar as the Company, 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.

Sensitivity Analysis

The Company does not hold interest-bearing debt at interest rates subject to market fluctuations to give rise to interest rate risk.

Based on the Company's net monetary liabilities denominated in Canadian dollars, a 10% fluctuation in the exchange rate from CAD to USD will generate increases or decreases in income of approximately $181,398 (February 28, 2017 - $239,500).

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

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

Capital Management

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

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

The Company monitors its capital structure and must comply with certain financial covenants related to its long-term debt. The Company intends to manage its capital by operating at a level that provides a conservative margin compared to the limits of its covenants. For the year ended February 28, 2018, and 2017 the Company was in compliance with the financial covenants related to its senior secured first lien term loan.

23. NON-CONTROLLING INTEREST

Non-controlling interests represent ownership interest by third parties in businesses that are consolidated by the Company.

The Company's non-controlling interest is as follows:

	MME	LB
Balance, March 1, 2016	**$ 17,573**	$ -
NCI acquired as part of a business combination (Note 7)	**-**	14,121,101
Portion of net income	**-**	1,511,364
Portion of distributions	**-**	(2,216,427)
NCI reversed on divesture (Note 5)	**(17,573)**	-
Balance, February 28, 2017	**$ -**	$ 13,416,038
Portion of net income	**-**	3,448,584
Portion of distributions	**-**	(8,532,353)
Balance, February 28, 2018	**$ -**	$ 8,332,269

24. COMPARATIVE INFORMATION

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

25. SUBSEQUENT EVENTS

(a) On April 9, 2018, the Company announced that Lucky Bucks LLC ("LB"), Quantum's 51% owned portfolio company, has closed the $75,000,000 multi-draw credit facility. Goldman Sachs Specialty Lending Group, L.P. ("GSSLG") is acting as sole lead arranger and administrative agent under the credit facility. The multi draw credit facility will consist of a term loan ("Term Loan Facility") and a multi-draw term facility ("MTDL Facility"). The proceeds will be used for refinancing the Company's existing debt facility, financing future acquisitions, working capital and other general corporate purposes.

The credit facility will be available to the Company upon the following agreed upon terms:

The full amount of the Term Loan Facility will be drawn on the initial funding date.

The MDTL Facility will be 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 will be 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 under the Credit Facilities is based on a pricing grid tied to the LB's leverage ratio. The interest rate will be calculated at LIBOR plus 7% (with LIBOR subject to a floor of 1% per annum).

The Maturity Date is expected to be 5 years after the Initial Funding Date.

The principal amount of the initial Term Loan Facility shall be repaid in equal consecutive quarterly installments on the last day of each calendar quarter commencing June 30, 2018, with each instalment to be equal to $1,612,733. The principal amount on the MTDL facility shall be repaid in equal consecutive quarterly instalments on the last day of each calendar quarter.

LB may voluntary prepay in whole or in part in an aggregate minimum amount of 250,000 and integral multiples of $50,000 in excess of that amount. However, LB may not prepay loans unless the remaining unused delayed draw commitments plus outstanding term loans is equal to at least $37.5 million (i.e., 50% of (A) the aggregate principal amount of delayed draw commitments at the closing date (i.e., $10,490,651.42) plus (B) the original principal amount of term loans funded at closing (i.e., $64,509,348.58)).

In connection with the arrangement of the credit facility, LB paid 3,703,198 transaction costs of $3,703,198 and will also pay GGSLG an un drawn facility commitment fee under the MDTL Facility and an annual administration fee, all of which are typical to these arrangements.

(b) On June 28, 2018, the Company signed a binding letter of agreement to acquire an additional 9% of the membership interest in Lucky Bucks Holdco, LLC from Lucky Bucks Ventures, Inc. and Anil Damani for cash consideration of $6,000,000.

On the closing date of the Additional Lucky Bucks Interest Acquisition, Lucky Bucks Ventures, Inc. will receive consideration of $3.75 million, with the remaining cash consideration of $2.25 million to be held by Lucky Bucks Ventures, Inc. in the form of an unsecured non-interest bearing promissory note due and payable in tranches no later than December 31, 2018. The Company expects to close this transaction in July 2018.