Quantum International Income Corp.

Consolidated Financial Statements

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

For the years ended February 28, 2017 and February 29, 2016

COLLINS BARROW

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Quantum International Income Corp.

We have audited the accompanying consolidated financial statements of Quantum International Income Corp. which comprise the consolidated statement of financial position as at February 28, 2017 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 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. as at February 28, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Restated Comparative Information

The consolidated financial statements of Quantum International Income Corp. for the year ended February 29, 2016 (prior to the restatement described in Note 25 to the consolidated financial statements) were audited by another auditor who expressed an unmodified opinion on those financial statements on July 15, 2016.

As part of our audit of the consolidated financial statements of Quantum International Income Corp. for the year ended February 28, 2017, we also audited the adjustments described in Note 25 that were applied to restate the consolidated financial statements for the year ended February 29, 2016 and statement of

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financial position as at March 1, 2015. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of Quantum International Income Corp. for the year ended February 29, 2016 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended February 29, 2016 taken as a whole.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
June 28, 2017
Toronto, Ontario

COLLINS BARROW

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

	February 28, 2017	February 29, 2016 (Restated - Note 25)	March 1 2015 (Restated - Note 25)
Assets			
Current			
Cash and cash equivalents	**$ 3,396,787**	$ 151,293	$ 462,597
Restricted cash	**855,748**	-	-
Accounts receivable	**540,569**	108,068	338,871
Current portion of notes receivable (Note 6)	**356,952**	-	-
Balance receivable from divesture of Anesthesia	**-**	39,500	-
Prepaid expenses and other assets	**31,946**	34,927	17,779
	5,182,002	333,788	819,247
Related party balances	**-**	**-**	9,713
Property and equipment (Note 8)	**2,047,813**	9,920	21,011
Provisional goodwill and intangible assets (Notes 7 and 9)	**26,400,255**	-	131,376
Notes receivable (Note 6)	**302,548**	-	-
Investment in associate (Note 6)	**-**	2,497,684	3,402,321
	$ 33,932,618	$ 2,841,392	$ 4,383,668
Liabilities			
Current			
Accounts payable and accrued liabilities	**$ 6,724,079**	$ 4,394,005	$ 1,741,340
Distribution payable (Note 20)	**970,318**	-	-
Income tax payable (Note 17)	**-**	-	2,614
Current portion of long-term debt (Note 12)	**18,061**	-	-
Short-term promissory notes (Note 11)	**290,417**	-	-
Deferred consideration (Note 7)	**500,000**	-	-
Contingent consideration (Note 7)	**206,142**	-	-
Derivative liability	**61,391**	13,920	1,857,041
Loans payable (Note 10)	**310,000**	513,363	-
	9,080,408	4,921,288	3,600,995
Long-term debt (Note 12)	**8,925,101**	-	-
	18,005,509	4,921,288	3,600,995
Equity			
Share capital (Note 13)	**30,695,521**	22,765,038	15,321,095
Contributed surplus	**1,685,627**	1,110,740	732,342
Deficit	**(29,870,077)**	(25,970,524)	(15,377,897)
Accumulated other comprehensive income	**-**	(2,723)	10,737
Equity attributable to owners of the parent	**2,511,071**	(2,097,469)	686,277
Non-controlling interest (Note 24)	**13,416,038**	17,573	96,396
Total equity	**15,927,109**	(2,079,896)	782,673
	$ 33,932,618	$ 2,841,392	$ 4,383,668

Commitments and contingencies (Note 22)
Subsequent events (Note 26)

Approved by the Board ______________________ ______________________
Director Director

See accompanying notes to the consolidated financial statements

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 March 1, 2015 (Note 25)	**$ 15,321,095 $**	**732,342 $**	**(15,377,897)$**	**10,737**	**686,277 $**	**96,396 $**	**782,673**
Equity issuance	3,094,462	-	-	-	3,094,462	-	3,094,462
Warrants exercised	3,313,827	-	-	-	3,313,827	-	3,313,827
Shares issued for Anethesia Acquisition	2,446,672	-	-	-	2,446,672	-	2,446,672
Shares issued for credit facility agreement	8,250	-	-	-	8,250	-	8,250
Warrants issued for credit facility agreement	-	5,500	-	-	5,500	-	5,500
Stock-based compensation	-	372,898	-	-	372,898	-	372,898
Option to cancel shares relating to Anesthesia	(135,000)	-	-	-	(135,000)	-	(135,000)
Share issuance costs	(1,284,268)	-	-	-	(1,284,268)	-	(1,284,268)
Net loss for the year	-	-	(10,592,627)	-	(10,592,627)	(81,940)	(10,674,567)
Foreign currency translation reserve	-	-	-	(13,460)	(13,460)	3,117	(10,343)
Balance, as at February 29, 2016 (Note 25)	**22,765,038**	**1,110,740**	**(25,970,524)**	**(2,723)**	**(2,097,469)**	**17,573**	**(2,079,896)**
Warrants exercised (Note 13)	26,516	(5,500)	-	-	21,016	-	21,016
Equity issuance (Note 13)	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 13)	75,031	-	-	-	75,031	-	75,031
Shares issued on conversion of credit facility agreement (Note 10)	1,519,649	-	-	-	1,519,649	-	1,519,649
Shares issued on accrued interest on conversion of credit facility agreement (Note 10)	91,863	-	-	-	91,863	-	91,863
Shares issued for credit facility agreement (Note 10)	10,814	29,900	-	-	40,714	-	40,714
Shares issued to settle liabilities (Note 13)	13,540	-	-	-	13,540	-	13,540
Reduction in prior year share issuance cost (Note 13)	265,018	-	-	-	265,018	-	265,018
Net 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 (Notes 5 and 6)	-	-	727,450	-	727,450	-	727,450
Stock-based compensation	-	550,487	-	-	550,487	-	550,487
Distribution (Note 20)	-	-	-	-	-	(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**

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

	February 28, 2017	February 29, 2016 (Restated - Note 25)
Revenue		
Gaming revenue	**$ 11,175,038**	$ -
Management fees	**-**	160,929
Location costs	**5,988,790**	-
Revenue after location costs	**5,186,248**	160,929
Operating and other expenses		
Fair value loss (gain) on derivative liabilities (Note 16)	**490,962**	(526,576)
Finance cost	**1,169,505**	173,577
Amortization of property, equipment and intangible assets (Notes 8 and 9)	**1,564,911**	-
Gain on foreign exchange	**(22,188)**	(93,112)
Gain on settlement of accounts payable (Note 16)	**(416,013)**	-
General and administrative costs (Note 15)	**5,388,493**	9,479,607
Write down of note receivable	**126,217**	-
	8,301,887	9,033,496
Loss from continuing operations before income taxes	**(3,115,639)**	(8,872,567)
Income tax recovery (expense) (Note 17)	**-**	6,767
Net loss from continuing operations	**(3,115,639)**	(8,865,800)
Gain (loss) for the year from discontinued operations attributable to owners of the parent, net of tax (Notes 5 and 6)	**727,450**	(1,808,767)
Net loss	**(2,388,189)**	(10,674,567)
Other Comprehensive Loss		
Foreign currency translation reserve	-	(10,343)
Comprehensive Loss	**$ (2,388,189)**	$ (10,684,910)
Net loss attributable to:		
Owners of the parent	**$ (3,899,553)**	$ (10,592,627)
Non-controlling interest	**$ 1,511,364**	$ (81,940)
Comprehensive loss attributable to:		
Owners of the parent	**$ (3,899,553)**	$ (10,606,087)
Non-controlling interest	**$ 1,511,364**	$ (78,823)
Loss per share (Note 18)		
From continuing operations - basic and diluted	$ (0.082)	$ (0.368)
From discontinued operations - basic	$ 0.019	$ (0.075)
From discontinued operations - diluted	$ 0.017	$ (0.075)

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

	February 28, 2017	February 29, 2016 (Restated - Note 25)
Cash provided by (used in)		
Operations		
Net loss from continuing operations	$ (3,115,639)	$ (8,865,800)
Items not affecting cash		
Amortization of property, equipment and intangible assets	1,564,911	104,035
Impairment of goodwill	-	131,376
Impairment of loans and advance deposits	-	1,172,629
Net loss on divesture of Anesthesia	-	2,357,061
Change in investment in associate	-	(904,637)
Fees settled in shares	115,769	-
Accrued interest on notes payable	91,863	-
Accretion expense	346,256	-
Gain on settlement of accounts payable	(416,013)	-
Fair value change in derivative liability	490,962	(526,576)
Write down of note receivable	126,217	-
Stock-based compensation	550,487	386,648
Net loss of disposal of equipment	-	3,679
Operating activities from discontinued operations	41,206	-
	(203,981)	(6,141,585)
Net changes in non-cash working capital (Note 21)	590,891	2,372,591
	386,910	(3,768,994)
Investing		
Cash paid for acquisition (Note 7)	(10,039,043)	-
Proceeds from disposition of property and equipment	-	13,476
Proceeds from the disposition of CSS (Note 6)	2,400,000	-
Deposit on acquisition	-	(1,163,141)
Additions to property and equipment	(581,204)	-
Advanced to related parties	-	(8,981)
Proceeds from disposition of Anesthesia	-	341,675
	(8,220,247)	(816,971)
Financing		
Cash held in trust	-	(7,520)
Proceeds from loans payable	761,177	1,549,478
Repayments of loans payable	-	(1,036,115)
Proceeds from equity issuance	1,500,000	3,094,462
Share issuance costs	-	(786,942)
Proceeds from warrants exercised	21,016	1,471,641
Debt transaction costs	(1,913,772)	-
Cash distributions paid to non-controlling interest	(1,246,111)	-
Advances from long-term debt	11,956,521	-
	11,078,831	4,285,004
Net change in cash from continuing operations	3,245,494	(300,961)
Cash, beginning of year	151,293	462,597
Foreign exchange impact on cash	-	(10,343)
Cash, end of year	$ 3,396,787	$ 151,293

Supplemental Information

Accounts payable settled in shares	$ 39,559	$ -
Interest paid	(630,736)	(75,767)
Interest received	-	891

1. CORPORATE INFORMATION

Quantum International Income Corp ("Quantum" or the "Company") intends to seek opportunities to acquire and grow businesses in order to generate stable distributions for its shareholders, along with capital appreciation. The Company seeks to acquire operating businesses with a proven track record, an opportunity for growth and whose management wishes to continue to operate the business going forward. The Company's investment approach will be to grow through the acquisition of "platform" businesses that are consistent with its business strategy and acquisition criteria and then to continue to build revenues and earnings within these businesses. Potential acquisition targets may be private or public companies in a variety of industries. Acquisition of all or a majority of the ownership of each such business is preferred. Value will be created by seeking out high growth, high margin opportunities where the acquired businesses can maintain and develop the deep knowledge, expertise and understanding of their customers' needs required to deliver superior service and command higher pricing and margins than the competition.

In the current year, the Company acquired Lucky Bucks, LLC, which owns and operates coin operated amusement machines ("COAMs") in the state of Georgia, United States of America through arrangements with location owners. The gaming industry is regulated by the Georgia Lottery Corporation ("GLC").

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, 2017.

Basis of Measurement

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

Share Consolidation

On March 17, 2017, the Company had a share consolidation, each common share holder will received one post-consolidation share for every three pre-consolidation shares held. These consolidated financial statements retrospectively reflect the impact of the consolidation.

2. BASIS OF PREPARATION (Cont'd)

Functional and Presentation Currency

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

Entity	Functional Currency
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
Multiple Media Entertainment Inc. ("MME")	Canadian dollar

Basis of Consolidation

The consolidated financial statements of the Company as at February 28, 2017 and February 29, 2016 comprise the Company and its subsidiaries (collectively the "Group"). The Company's subsidiaries and ownership interests are as follows for the year ended February 28, 2017:

	2017 Ownership interest	2016 Ownership interest
Quantum US Healthcare Corp. ("QHC")	100%	100%
Columbus LTACH Holdings Corp. ("LTACH")	100%	100%
Quantum Gaming Corp ("QGC")	100%	-
Southern Star Gaming, LLC ("SSG")	100%	-
Lucky Bucks HoldCo, LLC ("LBH")	51%	-
Lucky Bucks, LLC ("LB")	51%	-
Multiple Media Entertainment Inc. ("MME")	-	66.7%
Quantum CSS Holdings Corp ("CSS-H")	-	100%
Provmark, LLC ("Provmark")	-	100%
DA Management NJ Inc.	-	100%

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, LB is a Georgia limited liability company, MME is incorporated in Ontario, CSS-H is a Delaware limited liability company, Provmark is a Florida limited liability company, and DA Management NJ, Inc. is a New Jersey corporation.

2. BASIS OF PREPARATION (Cont'd)

Basis of Consolidation (Cont'd)

The Company's investment in the following business was accounted for using the equity method for the year ended February 29, 2016:

	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 MME and CSS-H (Note 5 & 6).

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.

Entities in which the Company has significant influence and which are neither subsidiaries, nor joint arrangements, are accounted for using the equity method of accounting in accordance with IAS 28, “Investments in Associates and Joint Ventures.” Under the equity method of accounting, the investment in the associate is carried on the balance sheet at cost plus post acquisition changes in the Company’s share of profit or loss of the associate. Distributions received from an investee reduce the carrying amount of the investment.

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. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. The inputs used in determining their fair value of financial instruments are level 3 inputs.

Use of Estimates and Judgments

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

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

2. BASIS OF PREPARATION (Cont'd)

Use of Estimates and Judgments (Cont'd)

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

Significant estimates:

i) 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. The purchase price allocation (Note 7) is provisional and subject to change;

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) The amount of provision to be taken on notes receivable; and

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

Significant judgments:

i) Determining whether an acquisition meets the definition of a business combination or represents an asset purchase requires judgment on a case-by-case basis. As outlined 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;

2. BASIS OF PREPARATION (Cont'd)

Use of Estimates and Judgments (Cont'd)

Significant judgments: (Cont'd)

iv) In recognizing revenue, the Company determines if 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;

vi) The Company is subject to a number of uncertainties associated with the Company's ability to defer payables and cash sweep by its lender. Management exercises judgment relating to the above factors in its determination of the Company's ability to continue as a going concern and its analysis covers the Company's prospects for at least 12 months from the end of the reporting period;

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 machine rental and floor space.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents and Restricted Cash

Cash includes cash on hand and deposits held with banks. The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents and excludes cash held in trust. Restricted cash is comprised of cash placed in escrow with the lender of the senior secured first lien loan (Note 12 (a)).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Translation of Foreign Currencies (Cont'd)

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

Current Income Tax

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

Deferred Tax

Deferred 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 re-assessed 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 straight-line method over the estimated useful lives of the related assets.

Property and Equipment (Cont'd)

The estimated useful lives for depreciation purposes are as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Gaming equipment	5 - 10 years
Office furniture and equipment	5 - 10 years
Vehicles	5 years
Computer equipment	2 - 5 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.

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.

Leases

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

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

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

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.

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.

Intangible Assets (Cont'd)

The estimated useful lives of intangible assets are as follows:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Goodwill and Indefinite Life Intangible Assets

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

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

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

Impairment of Long-Lived Assets

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

Impairment of Long-Lived Assets (Cont'd)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Debt Transaction Costs

Debt transaction costs relate to the costs associated with securing long-term financing and credit facilities, and are recorded net to the debt instrument. 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 reduction of debt. These costs are recorded as finance costs on the consolidated 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 finance costs on the consolidated 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.

Business Combinations

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially 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. Acquisition costs are expensed as incurred, unless they qualify to be treated as debt issue costs, or as cost of issuing equity securities.

Goodwill is measured at cost being the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest held in the acquiree over the value of the Company’s share of the identifiable net assets acquired.

Business Combinations (Cont'd)

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

During the measurement period, not to exceed on year beyond the acquisition date, fair values of the net assets acquired are estimated on a provisional basis and are subject to change.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment in Associate

The Company’s investment in Centers for Special Surgery, has been accounted for using the equity method. An associate is an entity in which the Company has significant influence. Under the equity method, the investment in the associate is carried on the balance sheet at cost plus post acquisition changes in the Company’s share of profit or loss of the associate. The statement of comprehensive loss reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes. If an entity's share of losses of an associate equals or exceeds its interest in the associate, the entity discontinues recognizing its share of further losses. The interest in an associate is the carrying amount of the investment in the associate determined using the equity method together with any long term interest that, in substance, form part of the entity's net investment in the associate. After the entity's interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associates are eliminated to the extent of the interest in the associate.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company’s investment in its associates. The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the statement of comprehensive loss. Upon loss of significant influence over the associate, the Company measures and recognizes the remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognized in the statement of comprehensive loss.

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 re-presented 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 is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance 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 true-up for differences between expected and actual outcomes.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The Company uses a fair value-based method of accounting for stock options granted to employees, directors, and non-employees. The fair value of the award is determined using the Black-Scholes option pricing model on the date of the grant for employees and fair market value of services rendered for non-employees. For awards with graded vesting, the fair value of each tranche, adjusted for expected forfeitures, is recognized over its respective vesting period as an increase in stock-based compensation expense and the contributed surplus account. When such stock options are exercised, the proceeds received by the Company, together with the respective amount previously recorded in contributed surplus, are credited to share capital.

Share based payments issued for consideration other than cash are valued at the fair value of assets received or services rendered or the estimated fair value of the equity instruments at the date of issuance, whichever is determined to be the more reliable measured, any gain or loss is recognized in the statement of comprehensive loss.

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 on the statements of comprehensive income. Provisions are not recorded for future operating losses.

Revenue

Gaming revenue, which includes revenues from COAMs, are recorded when earned by the Company. 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.

Management fee revenue is recognized when performance of services has been completed and collection of amounts billed is reasonably assured.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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) Loans and receivables

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 twelve months after the balance sheet date, which are classified as non-current assets.

Loans and receivables are initially recognized at the amount expected to be received less a discount to reflect the time value of money. Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method less appropriate allowances for doubtful accounts.

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, financial liabilities are recognized at amortized cost. The difference between the initial carrying amount of the financial liabilities and their redemption value is recognized in the consolidated statement of comprehensive loss over the contractual term using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 Group is discharged from its obligation or the liability expires, is cancelled or replaced by a new liability with substantially modified terms.

Financial Instrument	Classification
Cash and cash equivalents	Loans and receivables
Restricted cash	Loans and receivables
Accounts receivable	Loans and receivables
Notes receivable	Loans and receivables
Balance receivable from divesture of Anesthesia	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Distribution payable	Other financial liabilities
Short-term promissory notes	Other financial liabilities
Loan payable	Other financial liabilities
Long-term debt	Other financial liabilities
Deferred consideration	Other financial liabilities
Contingent consideration	Fair value through profit or loss
Derivative liability	Fair value through profit or loss

Future Changes in Accounting Policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2016 or later periods. 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:

Future Changes in Accounting Policies (Cont'd)

(a) IFRS 9 Financial Instruments was issued in final form in July 2014 by the IASB and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Future Changes in Accounting Policies (Cont'd)

(b) In May 2014, IASB issued IFRS 15 Revenue from Contracts with Customers. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

(c) 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.

4. ACQUISITION AND DIVESTURE OF ANESTHESIA

On May 27, 2015, the Company announced that it created a purpose built subsidiary, Quantum Anesthesia Management LLC., to acquire all the common shares of DA Management NJ Inc.

DA Management NJ Inc. is an anesthesia company with anesthesia administration contracts at all of NYCSA's New York and New Jersey office based clinics as well as the initial CSS facility in Essex County.

The Company issued 3,000,000 common shares as consideration for this transaction on July 23, 2015, the fair value of consideration paid was CAD$1.23 (USD$0.99) per share which was the price of the Company's shares on July 2, 2015 the date when all conditions for the transaction had been met. The entire purchase price was allocated to the single intangible asset purchased with DA Management NJ Inc. – the administration service agreement in the amount of $2,972,313. The transaction took effect on July 1, 2015.

It was impractical to determine what the revenue and expenses of the acquisition would have been had the transaction taken place on March 1, 2015.

On January 15, 2016, the Company entered into a definitive agreement with DGAT Partners, LLC and certain other affiliates, pursuant to which the Company sold, and affiliates of DGAT acquired, the entirety of the Company's 100% indirect interest in DA Management NJ Inc., the subsidiary through which the Company indirectly administered anesthesia services at its CSS subsidiary and other locations. Through its wholly-owned subsidiary Quantum Anesthesia Management Corp., the Company received, in consideration for the sale, a cash payment of $238,000, $182,175 for CSS expenses and an irrevocable option to cancel, for no additional consideration payable, 3,000,000 common shares of the Company which had been previously issued to affiliates of DGAT. The option to cancel is valued at the estimated fair value of $135,000 and is charged against share capital.

As at February 29, 2016, $39,000 was written off the sale price balance as it was deemed uncollectible.

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.

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. Prior period information has been reclassified to present the subsidiary Multiple Media Entertainment Inc. as a discontinued operation.

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

The assets and liabilities disposed of were as follows:

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

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		For the year ended February 29, 2016
Revenue	**$**	**72,741**	$	67,970
Expenses		**(54,514)**		(415,005)
Income (loss) for period from discontinued operations before sale transaction		**18,227**		(347,035)
Attributable to non-controlling interest		**-**		(81,940)
Attributable to the shareholders of the Company		**18,227**		(265,095)
Income (loss) for period from discontinued operations before sale transaction attributable to the shareholders of the Company		**18,227**		(265,095)
Reclassification of foreign currency translation amounts from accumulated other comprehensive income		**(2,723)**		-
Gain on divesture		**209,670**		-
Gain (loss) from discontinued operations	**$**	**225,174**	**$**	**(265,095)**

6. INVESTMENT IN AND DIVESTURE OF CENTERS FOR SPECIAL SURGERY

The Company, through its wholly-owned subsidiary, Quantum CSS Holdings Corp., owns 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 exercises 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. Prior period information has been reclassified to present the investment in CSS, as a discontinued operation. The transaction closed on February 28, 2017.

6. INVESTMENT IN AND DIVESTURE OF CENTERS FOR SPECIAL SURGERY (Cont'd)

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 period ended February 28, 2017	For the year ended February 29, 2016
Revenue	**$ 3,889,034**	$ 2,346,313
Expenses	**(3,266,373)**	(3,808,045)
Income (loss) from equity accounted investment for the period from discontinued operations before sale transaction	**622,661**	(1,461,732)
Loss on divesture	**(120,385)**	-
Gain (loss) from discontinued operations	**$ 502,276**	**$ (1,461,732)**

7. ACQUISITION OF LUCKY BUCKS, LLC

On October 21, 2016, the Company completed the acquisition of a controlling interest of 51% in the business of Lucky Bucks, LLC, a skill-based gaming terminal operator based in the U.S. state of Georgia. Lucky Bucks, LLC assembles, distributes, owns and operates skill-based digital gaming terminals in multiple locations throughout Georgia. The total purchase price for the acquisition was $14,697,472.

7. ACQUISITION OF LUCKY BUCKS, LLC (Cont'd)

The Company has preliminarily allocated the purchase price as follows:

Property and equipment		$ 1,204,075
Owner/operator gaming machine contracts		18,290,000
Brand		190,000
Master license		1,770,000
Goodwill	(a)	7,589,159
Accounts payable and other liabilities		(224,661)
Non-controlling interest	(b)	(14,121,101)
		$ 14,697,472

Provisional consideration is comprised of:

Cash payment		$ 10,039,043
Deferred consideration	(c)	500,000
Contingent consideration	(c)	206,142
Shares issued (Note 13)		3,952,287
		$ 14,697,472

(a) Goodwill for this acquisition represents the acquired employee knowledge of the Georgia gaming market.

(b) Non-controlling interest is measured at its fair value.

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

Included in the consolidated statements of comprehensive income is revenue of $11,175,038 and net income of $4,523,321 resulting from the operating results of Lucky Bucks, LLC, from October 21, 2016 to February 28, 2017. The Company issued shares valued at $3,952,287 and warrants valued at $153,728 related to the business acquisition and debt financing, respectively. Transaction costs incurred related to the acquisition totaled $1,011,321 which is recorded in the statement of comprehensive income.

8. PROPERTY AND EQUIPMENT

Cost	Gaming Equipment	Furniture and equipment	Computers	Automobiles	Leasehold improvements	Total
Balance March 1, 2015	$ 11,126	$ 1,636	$ -	$ 16,741	$ -	$ 29,503
Disposals	-	-	-	(16,741)	-	(16,741)
Balance February 29, 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**

Accumulated Amortization	Gaming Equipment	Furniture and equipment	Computers	Automobiles	Leasehold improvements	Total
Opening balance	$ 7,097	$ -	$ -	$ 1,395	$ -	$ 8,492
Additions	-	89	-	2,944	-	3,033
Disposals	(4,255)	(89)	-	(4,339)	-	(8,683)
Balance February 29, 2016	**2,842**	**-**	**-**	**-**	**-**	**2,842**
Additions	110,166	286	295	6,235	9,025	126,007
Balance February 28, 2017	**$ 113,008**	**$ 286**	**$ 295**	**$ 6,235**	**$ 9,025**	**$ 128,849**

Net Carrying Amounts	Gaming Equipment	Furniture and equipment	Computers	Automobiles	Leasehold improvements	Total
As at February 29, 2016	$ 8,284	$ 1,636	$ -	$ -	$ -	$ 9,920
As at February 28, 2017	**$ 1,921,816**	**$ 8,842**	**$ 2,361**	**$ 95,533**	**$ 19,261**	**$ 2,047,813**

(a) The assets acquired through business combination relate to the acquisition of Lucky Bucks, LLC. These estimate costs are provisional and subject to change .

9. PROVISIONAL GOODWILL AND INTANGIBLES ASSETS

Provisional Cost	Acquired through business combination (a)	Additions	Disposals	Balance February 28, 2017
Owner/operator gaming machine contracts	**$ 18,290,000**	**$ -**	**$ -**	**$ 18,290,000**

9. GOODWILL AND INTANGIBLES ASSETS (Cont'd)

Brand	$ 190,000	$ -	$ -	$ 190,000
Master license	$ 1,770,000	$ -	$ -	$ 1,770,000
Goodwill	$ 7,589,159	$ -	$ -	$ 7,589,159
Total provisional intangible assets and goodwill	$ 27,839,159	$ -	$ -	$ 27,839,159

Provisional Accumulated Amortization	Acquired through business combination (a)	Additions	Disposals	Balance February 28, 2017
Owner/operator gaming machine contract	$ -	$ 1,438,904	$ -	$ 1,438,904
Total accumulated amortization	$ -	$ 1,438,904	$ -	$ 1,438,904

Provisional Carrying Amount	Balance February 28, 2017
Owner/operator gaming machine contracts	$ 16,851,096
Brand	$ 190,000
Master license	$ 1,770,000
Goodwill	$ 7,589,159
Total provisional intangible assets and goodwill	$ 26,400,255

(a) The assets acquired through business combination relate to the acquisition of Lucky Bucks, LLC. These estimate costs are provisional and subject to change .

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

The Company concluded it has one CGU as of 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 27%. The inputs used in determining their fair values are level 3 inputs.

10. LOANS PAYABLE

	February 28, 2017	February 29, 2016
Notes payable[(a)]	-	203,363
Promissory note[(b)]	310,000	310,000

10. LOANS PAYABLE (Cont'd)

	310,000	**513,363**

(a) On February 10, 2016, the Company and its wholly owned subsidiary Quantum US Healthcare Corp (the "Borrower"), together entered into a definitive facility agreement with a syndicate of lenders (the "Facility"), pursuant to which the Borrower is entitled to borrow up to an aggregate of CAD$825,000. The lenders are also shareholders of the Company.

As at February 29, 2016, the remaining amount available under this credit facility was CAD$550,000.

Additional loans in the aggregate principal amount of up to CAD$5,175,000 may be made available to the Company by the lenders pursuant to the Facility, but only on a discretionary basis at the option of the lenders, to fund potential acquisitions of the Company.

Advances to the Borrower under the Facility were evidenced by the issuance of Notes of the Borrower in like principal amounts, which notes will bear interest at 15% per annum, payable at maturity on January 31, 2017. Each Note was exchangeable into common shares of the Company at the option of the holding lender thereof, at an exchange price that was determined at the time of issuance of such notes and was based on the prevailing market price for the Company's common shares at the time of this issuance, subject to customary adjustments and subject in all cases to the minimum pricing rules of the TSX Venture Exchange. The Borrower and the Company also had the right to force exchange any or all outstanding Notes concurrently with, or any time following, the closing by the Company, directly or indirectly, of an acquisition that meets certain criteria specified in the agreement governing the Facility.

The Notes are secured by a pledge by the Company of the entirety of its 100% interest in Quantum CSS Holdings Corp.

In connection with the securing of the Facility, the Company paid finders and agents a commission equal to 10% of the Proceeds (75% of which was paid in common shares of the Company at a price per share equal to $0.15) and broker warrants to acquire such number of common shares of the issuer as is equal to 10% of the number of common shares which were issuable upon the exchange of outstanding Notes.

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, along with 499,883 shares for the accrued interest.

(b) On October 2, 2015 the Company obtained a $300,000 unsecured promissory note from a third party. The note was issued at a discount for consideration of $250,000. The principal was to be repaid on October 31, 2015. The Company did not repay the principal amount to the Lender on or before October 31, 2015, therefore the Principal Amount was deemed to be $310,000. If the Company repaid the principal amount on or before the maturity date, the interest rate was to be 0% per annum.

After the maturity date, the principal amount outstanding at any time, and from time to time, and any overdue interest, shall bear interest at 15% per annum, both before and after demand, default, and judgment. Such interest shall be calculated monthly not in advance when not in default and, after default, payable on demand.

As at February 29, 2017, the total interest that has been accrued is $68,166 (2016 - $15,500).

11. SHORT-TERM PROMISSORY NOTES

The Company assumed a short-term promissory note through the acquisition of Lucky Bucks, LLC (Note 7). The short-term promissory note is for $93,500, and is repayable in monthly principal amounts of $15,583 beginning October 29, 2016. The note is non-interest bearing and will mature on March 29, 2017. On March 29, 2017, the note was fully repaid.

On November 9, 2016 and December 29, 2016, the Company entered into short-term promissory note agreements with an arms-length party for $85,000 and $72,000, for equipment purchases. The promissory notes are repayable in monthly principal amounts of $14,167 and $12,000 respectively, beginning February 1, 2017. The notes are non-interest bearing and will mature on July 1, 2017.

On January 27, 2017, the Company entered into a short-term promissory note agreement with an arms-length party for $72,000, for equipment purchases. The promissory note is repayable in monthly principal amounts of $12,000, beginning March 1, 2017. The note is non-interest bearing and will mature on August 1, 2017.

On February 21, 2017, the Company entered into a short-term promissory note agreement with an arms-length party for $72,000, for equipment purchases. The promissory note is repayable in monthly principal amounts of $12,000, beginning May 23, 2017. The note is non-interest bearing and will mature on October 23, 2017.

12. LONG-TERM DEBT

Senior Secured first lien term loan, net of unamortized costs of $2,145,042 [(a)]	8,854,958
Vehicle finance loans [(b)]	88,204
	8,943,162
Less: current portion of long-term debt	(18,061)
Long-term debt	**8,925,101**

(a) On October 21, 2016 ("Closing Date"), the Company obtained a senior secured first lien term loan in the amount of $11,956,521 to the fund acquisition of Lucky Bucks, LLC (Note 7). The term loan was issued with an 8% original issue discount over the term of the term loan, bears interest at a fixed rate of 16% per annum and will mature on April 21, 2019. The lenders have the option to sweep monthly amounts, which shall not exceed the sum of, for the month covered by such monthly cash and cash equivalents balance report, 1) 75% of the monthly excess cash amount, plus 2) 75% of the monthly overage amount. After the one year anniversary of the Closing Date, the Company has the option to repay the initial term loan in full. If the voluntary prepayment is exercised the Company would be subject to pay the full original issue discount amount.

The Company may request additional incremental term loans up to an aggregate principal amount of $20,000,000. Each incremental term loan will have a final maturity of 30 months from the date when the loan is funded. The interest rate applicable to incremental term loans will be the same as the initial term loan. No incremental loan will be made for amounts less than $1,000,000.

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. The loan is guaranteed by the Company.

12. LONG-TERM DEBT (Cont'd)

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. These transaction costs are amortized and recorded as finance costs over the term of the senior secured first lien term loan using the effective interest method.

Throughout the period ending February 28, 2017, the Company was in compliance with its financial covenants under the terms of its senior secured first lien term loan agreement (Note 23).

(b) The Company has three vehicle finance loans that are non-interest bearing with monthly principals payments of $557 and $560 and will mature on June 30, 2021. The Company has a third vehicle finance loan bearing interest at 4.40% with monthly blended payments of $491 and will mature on November 8, 2023.

13. 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 28, 2015 (restated - Note 25)		**16,174,244**	**6,537,165**	**$15,321,095**
Equity issuance	(a)	3,174,667	1,587,333	3,094,462
Share issuance costs	(b)	-	-	(1,284,268)
Equity issuance as part of business acquisition (Note 4)		3,000,000	-	2,446,672
Option to cancel shares relating to Anesthesia (Note 4)		-	-	(135,000)
Stock based payments	(c)	137,500	183,333	8,250
Warrants exercised		6,192,500	(6,192,500)	3,313,827
Balance as at, February 29, 2016 (restated - Note 25)		**28,678,911**	**2,115,331**	**$22,765,038**
Equity and warrant issuance relating to senior secured term loan	(d)	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	(e)	372,023	-	75,031
Equity issuance as part of credit facility conversion (Note 10 (a))		8,361,600	-	1,519,649
Equity issuance for settlement of accrued interest (Note 10 (a))		499,883	-	91,863
Equity issuance as part of credit facility issuance (Note 10 (a))		275,000	652,827	10,814
Equity issuance to settle debt	(f)	356,356	-	13,540
Reduction in share issuance costs	(a)	-	-	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**

13. SHARE CAPITAL AND WARRANTS (Cont'd)

(a) Bought Deal Offering

On June 17, 2015, the Company announced that it entered into an agreement with Mackie Research Capital Corporation (“Mackie”), as lead underwriter and sole bookrunner on behalf of a syndicate, for the sale on a “bought deal” basis of 15,873,333 subscription receipts of the Company at a price of CAD$1.26 per subscription receipt for gross proceeds of CAD$20,000,400. Each subscription receipt converts into one common share and one-half of one common share purchase warrant of the Company. Each warrant entitles the holder thereof to acquire one common share for an exercise price of CAD$1.95 per warrant for a period of 24 months following the closing. The Company incurred a payable with the underwriter which included a cash commission equal to 6.5% of the gross proceeds of the offering, as additional compensation for the services of the underwriter, the Company granted the underwriter compensation options exercisable at any time up to 24 months following the closing to purchase that number of securities of the Company such number of subscription receipts was equal to 6.5% of the number of subscription receipts issued pursuant to the bought deal offering.

As part of the bought deal offering, the underwriter agreement included a clause requiring the release of the first tranche of funds to the Company upon the filing of the final prospectus with the regulatory bodies. On July 28, 2015, the Company announced that it filed the final prospectus in relation to the bought deal offering and obtained the first tranche of proceeds of $3,094,462 to be used for working capital purposes with the issuance of 3,174,667 shares and 1,587,333 warrants.

On October 28, 2015, the Company announced that further to its prospectus offering (the "Offering") of 15,873,333 subscription receipts of the Company ("Subscription Receipts") at a price of CAD$1.26 per Subscription Receipt (the "Offering Price"), which closed on July 28, 2015 (the "Closing Date"), the Company was not able to satisfy the release conditions prior to the release date of October 26, 2015. Accordingly, the Company was obligated to return to the holders of 12,698,667 Subscription Receipts an amount equal to the Offering Price per Subscription Receipt. The Company is currently working with the subscription receipt agent to satisfy this obligation but does not expect to be in position to return an amount equal to the full Offering Price per Subscription Receipt.

The Company currently owes the subscription receipt holders the equivalent of CAD$682,467 (USD$515,126) and is reflected in accounts payable and accrued liabilities as at February 28, 2017 (2016 - CAD$975,000). The reduction in the payable to the subscription receipt holders is reflected in the current year as a reduction in share issuance costs.

As a result of not satisfying the release conditions of this bought deal financing, the Company was not in a position to complete a proposed acquisition.

(b) Share Issuance Costs

The Company incurred $1,284,268 of share issuance costs associated with the bought deal financing announced June 17, 2015. The share issuance costs include 206,353 of underwriter options valued at $30,000. These underwriter options have not been issued as of February 28, 2017.

13. SHARE CAPITAL AND WARRANTS (Cont'd)

(c) Share Based Payments

The Company paid a finder's fee in relation to the drawdowns on of the credit facility agreement on February 9, 2016 and February 18, 2016. The finder's fee included cash commission of $4,975, 137,500 common shares valued at $8,250 and 183,333 warrants valued at $5,500, with an exercise price of CAD$0.15. The fair value of the warrants was charged to contributed surplus.

(d) Concurrent to the senior secured first lien term loan described in Note 12 (a), the lenders subscribed to 7,314,174 common shares of the Company. The purchase price of the common shares were 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.

(e) As part of the 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).

(f) 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.

Warrants

As at February 29, 2017, the Company had outstanding warrants as follows:

Number of Warrants	Exercise Price in CAD	Expiry
1,587,333	$ 1.95	July 28, 2017
500,000	$ 0.39	April 19, 2019
73,333	$ 0.15	March 21, 2017
73,333	$ 0.15	April 28, 2017
73,333	$ 0.15	May 20, 2017
73,334	$ 0.15	June 20, 2017
73,334	$ 0.15	July 26, 2017
286,160	$ 0.15	August 19, 2017
2,740,160	$ 1.23	

As of February 28, 2017, there are 2,087,333 warrants outstanding recorded as a derivative liability.

13. 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 inputs and assumptions:

	2017	2016
Exercise price (CAD	$ 0.27	$ 1.95
Expected volatility (based on historical)	203 %	100 %
Risk-free interest rate	0.56 %	0.44 %
Expected life	2.1	2.0
Share price (CAD)	$ 0.21	$ 1.11

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

	2017	2016
Exercise price (CAD)	$ 0.36	$ 1.95
Expected volatility (based on historical)	196 %	208 %
Risk-free interest rate	0.71 %	0.51 %
Expected life	2.2	1.4
Share price (CAD)	$ 0.15	$ 0.05

14. 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.

As part of an investor relations agreement with KIN Communications, the Company has agreed to grant 400,000 stock options to the company for its services. The Company ended its investor relations agreement with KIN Communications on November 30, 2015 and the stock options expired following the termination of the agreement.

The Company announced the grant of 166,667 options on December 14, 2014 to the Chief Financial Officer. The options vest 1/3 at issuance, 1/3 at the first anniversary of the grant, and 1/3 at the second anniversary.

The Company announced the grant of 2,508,333 options to certain key management and directors on August 21, 2015. Of the 2,508,333 options granted, 66,666 were previously approved but not granted due to the Company being under a blackout period. These options vest 1/3 at issuance, 1/3 at the first anniversary of the grant, and 1/3 at the second anniversary.

During the year ended February 28, 2017, the Company granted 2,281,240 options to certain key employees, management and directors, which vest immediately.

14. SHARE OPTION PLAN (Cont'd)

As at February 29, 2017, the Company had the following stock options outstanding:

	2017		2016	
	Number of Options	**Weighted Average Exercise Price**	Number of Options	Weighted Average Exercise Price
Beginning balance	**2,675,000**	**$1.23**	166,667	$1.05
Issued	**2,281,240**	**$0.24**	2,508,333	$1.26
Expired	**(325,000)**	**$1.14**		
Forfeited	**(1,133,333)**	**$1.26**		
Ending balance	**3,497,907**	**$0.24**	2,675,000	$1.23
Exercisable	**3,092,351**	**$0.24**	827,222	$0.39

The Company had the following options issued at February 28, 2017:

Number of Options	**Exercisable**	**Exercise Price**	**Time to Maturity**
1,133,333	755,556	$ 0.15	3.48 years
66,667	44,444	$ 1.26	3.48 years
16,667	11,111	$ 1.05	3.48 years
1,082,180	1,082,180	$ 0.18	4.49 years
1,199,060	1,199,060	$ 0.27	4.70 years

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

	2017	2016
Exercise price (CAD)	$ 0.24	$ 0.78
Expected volatility (based on historical)	190 %	71 %
Risk-free interest rate	0.77 %	0.65 %
Expected life	5.0	5.0
Share price (CAD)	$ 0.21	$ 0.60

15. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative costs incurred by nature are as follows:

	February 28, 2017	February 29, 2016
Professional and advisory fee	$ 3,213,204	$ 1,820,221
Deal charge and break fee	272,805	1,026,325
Management fee	403,820	476,499
Regulatory and filing fee	100,978	98,546
Salaries and benefits	884,038	1,145,964
Administrative fees	513,648	1,126,713
Depreciation and amortization	-	103,123
Bad debt expense	-	160,929
Impairment	-	1,163,141
Loss on disposal	-	2,358,146
	$ 5,388,493	**$ 9,479,607**

16. GAIN AND LOSS ON SETTLEMENT OF PAYABLES AND FAIR VALUE GAIN AND LOSS

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

The fair value gain or loss recognized during the year relates to the fair value change in warrant derivative liability.

17. INCOME TAXES

(a) Income Tax Expense

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

	February 28, 2017	February 29, 2016
Loss before income taxes	**$ (3,115,639)**	$ (8,865,800)
Statutory rate	**26.5 %**	26.5 %
Expected income tax recovery	**$ (825,644)**	$ (2,349,437)
Effect on income taxes of:		
Effect of tax rates in foreign jurisdictions	**274,329**	(487,039)
Permanent differences	**281,370**	315,849
Prior year true-up and other changes	**(41,953)**	(502,187)
NCI adjustment	**(884,061)**	-
Tax asset (liability) not recognized	**1,195,959**	3,016,047
Income tax expense (recovery)	**$ -**	$ (6,767)

17. INCOME TAXES (Cont'd)

(b) Deferred Income Taxes

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

	February 28, 2017	February 29, 2016
Deferred Income tax asset		
Deductible temporary differences	**$ 1,275,468**	$ 1,767,212
Tax losses	**3,954,467**	2,263,764
Deferred income tax asset	**5,229,935**	4,030,976
Less: deferred tax asset not recognized	**(5,229,935)**	(4,030,976)
	$ -	$ -

(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 financial statements.

As at February 28, 2017, the Company has cumulative non-capital losses available to be carried forward in the following jurisdictions: Canada – $3,081,862, United States – $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 $660,552 and in United States of $nil.

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

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

18. LOSS PER SHARE

As the Company incurred a net loss during the year ended February 28, 2017 and February 29, 2016, the loss and diluted loss per common share are based on the weighted-average common shares outstanding during the period. The following outstanding instruments could have a dilutive effect in the future:

	February 28, 2017	February 29, 2016
Common shares issuable on exercise of warrants	2,740,160	2,115,331
Common shares issuable on exercise of stock options	3,092,351	827,222
	5,832,511	2,942,553

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

18. LOSS PER SHARE (Cont'd)

Weighted average shares outstanding - basic	38,010,640	24,141,867
Weighted average shares outstanding - diluted	43,843,151	27,084,420
From continuing operations - basic and diluted	$ (0.082)	$ (0.368)
From discontinued operations - basic	$ 0.019	$ (0.075)
From discontinued operations - diluted	$ 0.017	$ (0.075)

19. OPERATING SEGMENTS

Management has identified the following reportable business segments in 2017 and 2016. 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
- DA Management NJ Inc ("DA") - divested in fiscal year 2016
- Other, including head office expenses and office of the CEO ("Quantum")
- Lucky Bucks, LLC ("LB") - acquired in fiscal year 2017

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

	Quantum	MME	CSS	LB	Total 2017
Gaming revenue	**$ -**	**$ -**	**$ -**	**$11,175,038**	**$11,175,038**
Operating expenses	**(4,902,791)**	**-**	**-**	**(8,165,621)**	**(13,068,412)**
Net gain (loss) from operations	**(4,902,791)**	**-**	**-**	**3,009,417**	**(1,893,374)**
Interest and finance charges	**(192,156)**	**-**	**-**	**(977,349)**	**(1,169,505)**
Gain on Settlement of accounts payable	**416,013**	**-**	**-**	**-**	**416,013**
Warrant FV adjustment	**(490,961)**	**-**	**-**	**-**	**(490,961)**
Gain (loss) on foreign exchange	**22,188**	**-**	**-**	**-**	**22,188**
Net loss from continuing operations	**(5,147,707)**	**-**	**-**	**2,032,068**	**(3,115,639)**
Net loss from discontinued operations	**$ -**	**$ 225,134**	**$ 502,316**	**$ -**	**$ 727,450**
Total assets	**$ 3,271,764**	**$ -**	**$ -**	**$30,660,854**	**$33,932,618**
Total liabilities	**$ 6,672,430**	**$ -**	**$ -**	**$11,333,079**	**$18,005,509**

19. OPERATING SEGMENTS (Cont'd)

	Quantum	MME	DA	CSS	Total 2016
Management fees	$ -	$ -	$ 160,929	$ -	$ 160,929
Operating expenses	(6,255,821)	-	(860,006)	-	(7,115,827)
Net gain (loss) from operations	(6,255,821)	-	(699,077)	-	(6,954,898)
Loss on disposal	-	-	(2,357,061)	-	(2,357,061)
Interest and finance charges	(173,578)	-	-	-	(173,578)
Gain on foreign exchange	93,161	-	-	-	93,161
Fair value gain on derivative liability	526,576	-	-	-	526,576
Net loss from continuing operations	(5,809,662)	-	(3,056,138)	-	(8,865,800)
Net loss from discontinued operations	$ -	$ (347,035)	$ -	$ (1,461,732)	$ (1,808,767)
Total assets	$ 2,667,045	$ 134,847	$ 39,500	$ -	$ 2,841,392
Total liabilities	$ 3,787,142	$ 234,146	$ -	$ -	$ 4,021,288

20. 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, 2017	February 29, 2016
Management fees paid to corporations controlled by officers	-	393,449
Salaries and short term benefits	-	186,412
Director fees	25,408	45,610
Stock-based compensation	443,739	369,258
Consulting fees	1,163,985	44,280

Included in accounts payable and accrued liabilities is $Nil (February 29, 2016 - $81,298) due to related parties as of February 28, 2017 for management fees paid to corporations controlled by officers, directors fees and salaries and short benefits.

During the year ended February 28, 2017, the Company paid consulting fees of $850,929 (February 29, 2016 - $20,476) and reimbursed Company expenses to a corporation controlled by a director and officer of the Company. These services were incurred in the normal course of operations. As at February 28, 2017, $226,000 was owed relating to these consulting fees (February 29, 2016 – $59,439).

During the year ended February 28, 2017, the Company incurred consulting fees of $274,539 (February 29, 2016 – $23,804) 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, 2017, $254,939 was owed relating to these consulting fees (February 29, 2016 – $19,172).

During the year ended February 28, 2017, the Company incurred consulting fees of $38,517 (February 29, 2016 – $Nil) 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, 2017, $8,529 was owed relating to these consulting fees (February 29, 2016 – $Nil).

During the year ended February 29, 2016, the Company paid fees to a corporation controlled by the prior CEO for relocation of $82,822.

During the year ended February 29, 2016, a company controlled by a director and officer of the Company assigned the Company all the rights, title and interest in three operating leases for the remainder of the term of the operating lease. These operating leases are included in the commitment note (Note 22). During the year ended February 28, 2017, the Company paid rent of $132,582 (February 29, 2016 – $122,032) to a corporation controlled by a director and officer of the Company.

During the year ended February 29, 2016, the Company acquired equipment of $11,023 from a corporation controlled by a director and officer of the Company.

During the year ended February 28, 2017, the Company settled a debt owing to the prior CEO for $7,484. The original debt was $34,655 and the gain on settling the debt is recorded in management fees paid to corporations controlled by officers of the Company.

Total distributions declared by Lucky Bucks Holdco, LLC to its 49% shareholder totaled $2,216,427, of which $1,246,109 were paid and the remaining balance of $970,318 is recorded as a distribution payable. The amount is non-interest bearing, unsecured and due on demand.

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

As at February 28, 2017, $59,853 is due from the CEO of Lucky Bucks, LLC and 49% shareholder of Lucky Bucks Holdco, LLC. As at February 28, 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.

21. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash operating working capital:

	February 28, 2017	February 29, 2016
Accounts receivable	(615,027)	230,803
Notes receivable	(20,000)	-
Prepaid and other expenses	4,349	(17,148)
Income taxes payable	-	(2,614)
Accounts payable and other liabilities	2,077,317	2,161,550
Restricted cash	(855,748)	-
	590,891	**2,372,591**

22. 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	$	35,473
Between 2 and 3 years		11,935
	$	**47,408**

(b) Litigations

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.

Columbus LTACH, LLC filed a Complaint on August 31, 2016 against Quantum LTACH Holdings, LLC and Quantum International Income Corp. which alleges that the defendants collectively owe Columbus LTACH $630,000 for breach of that certain Membership Interest Purchase Agreement ("MIPA"), dated June 9, 2015, by and among Columbus LTACH Management, LLC, Columbus LTACH, Quantum LTACH Holdings, LLC and Richard Lipsky. The MIPA transaction did not close, and the plaintiff alleges that it is owed a breakup fee. An order to Show Cause in a Summary Action was entered against Quantum LTACH Holdings, LLC and Quantum International Income Corp. to compel arbitration. A hearing on the order occurred on October 14, 2016. The Company does not believe it will be liable for any of the claims in the case, but out of an abundance of caution it has accrued $630,000."

22. COMMITMENTS AND CONTINGENCIES (Cont'd)

(b) Litigations (Cont'd)

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, the Company is entitled to indemnification for all damages relating to any claims arising from the above mentioned litigation against Lucky Bucks, LLC.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities were as follows:

	February 28, 2017	February 29, 2016
Loans and receivables		
Cash and cash equivalents	3,396,787	151,293
Restricted cash	855,748	-
Accounts receivable	540,569	108,068
Notes receivable	659,500	-
Balance receivable from divesture of Anesthesia	-	39,500
	$ 5,452,604	$ 298,861
Other financial liabilities		
Accounts payable and accrued liabilities	6,724,079	4,394,005
Distribution payable	970,318	-
Short-term promissory notes	290,417	-
Loans payable	310,000	513,363
Long-term debt	8,943,162	-
Deferred consideration	500,000	-
	$17,737,976	$ 4,907,368
Fair value through profit and loss		
Contingent consideration	206,142	-
Derivative liability	61,391	13,920
	$ 267,533	$ 13,920

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

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

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 29, 2017, the Group had contingent consideration and derivative liability measured at fair value.

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, 2017, all of the Company's revenue is collected from the GLC. 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.

As at February 28, 2017, the Company has net accounts receivable of $Nil that are over 90 days old with no allowance for doubtful accounts.

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 the distributions received from its interest in Lucky Bucks, LLC. Management expects its working capital deficiency will be eliminated by the end of calendar 2017. 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 as set out in Note 23 - Capital Management and management attempts to deploy capital to provide an appropriate investment return to its shareholders.

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

Liquidity Risk (Cont'd)

As at February 28, 2017, the Company had cash and cash equivalents balance of $3,396,787 (February 28, 2016 - $151,293). The Company expects the following maturities of its financial liabilities:

	Within 1 year	2 - 3 years	4 -5 years	Total
Accounts payable and accrued liabilities	$ 6,724,079	$ -	$ -	$ 6,724,079
Distribution payable	970,318	-	-	970,318
Short-term promissory notes	290,417	-	-	290,417
Deferred consideration	500,000	-	-	500,000
Contingent consideration	206,142	-	-	206,142
Long-term debt	18,061	11,495,081	31,583	11,544,725
Loans payable	310,000	-	-	310,000
	$ 9,019,017	$ 11,495,081	$ 31,583	$ 20,545,681

Interest Rate Risk

The Company has no interest-bearing assets, other than cash and cash equivalents, fixed-interest rate note receivable and only fixed-interest liabilities. Accordingly, the Company is not exposed to significant cash flow interest rate risk. When available, the Company invests excess cash in short-term securities with maturities of less than one year, earning nominal interest.

Fair Value Risk

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

The carrying amounts of long-term debt approximate their fair value since the interest rates on these instruments approximate the current market rates offered to the Company. 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 contingent consideration 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 dollar. 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.

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

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 $239,500 (February 29, 2016 - $231,200).

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, 2017, the Company was in compliance with the financial covenants related to its senior secured first lien term loan.

24. NON-CONTROLLING INTEREST

Non-controlling interests represent ownership interest by third parties in businesses consolidate by the Company. Lucky Bucks, LLC and Multiple Media Entertainment non-controlling interests is as follows:

	MME	LB
Balance, March 1, 2015	**$ 96,396**	**$ -**
Portion of net income	(81,940)	-
Portion of other comprehensive income	3,117	-
Balance, February 29, 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**

The summarized financial information for the subsidiaries are disclosed in Note 19.

25. RESTATEMENT OF PRIOR PERIOD

The Company has restated the 2016 consolidated financial statements to reflect the following adjustments:

(a) The balances for CSS were consolidated in the prior year financial statements as management previously concluded that they had exercise control over CSS. The restatement is to adjust the financial statements to reflect the accounting for the investment in CSS using the equity method as control was determined to be jointly exercised. In addition, CSS was disposed of in the current year and the prior year comparatives have been adjusted to present its equity pick up as discontinued operations.

(b) The Company did not previously account for the warrants issued as part of their previous private placements as a derivative liability as the warrants were exercisable in a price that is different than the Company's functional currency and did not meet the fixed-for-fixed condition of an equity instrument.

(c) In the prior year, there was $2,096,581 recorded in accumulated other comprehensive income that relates to the initial foreign exchange translation on the equity items when the Company changed its functional currency from CAD to USD. The equity items should be translated on a prospective basis using the foreign exchange rates on the date the reporting currency changed.

(d) During the current year, the Company disposed of MME. The comparative statement of comprehensive loss and cash flow statement has been reclassified as loss from discontinued operations.

As at February 29, 2016		**As previously stated**	**Amendment**	**Restated**
Assets				
Current				
Cash and cash equivalents	(a)	$ 211,506	$ (60,213)	$ 151,293
Accounts receivable	(a)	634,631	(526,563)	108,068
Medical supplies	(a)	115,645	(115,645)	-
Prepaid expenses and other	(a)	69,865	(34,938)	34,927
Balance receivable from divesture of Anesthesia		39,500	-	39,500
Total current assets		1,071,147	(737,359)	333,788
Non-current assets				
Long-term deposits	(a)	96,672	(96,672)	-
Property and equipment	(a)	1,266,445	(1,256,525)	9,920
Intangible assets	(a)	1,006,361	(1,006,361)	-
Investment in associate	(a)	-	2,497,684	2,497,684
Total non-current assets		2,369,478	138,126	2,507,604
Total Assets		$ 3,440,625	$ (599,233)	$ 2,841,392
Liabilities and Equity				
Current				
Accounts payable and other liabilities	(a)	$ 4,948,819	$ (554,814)	$ 4,394,005
Loans payable		513,363	-	513,363
Current portion of lease obligation	(a)	21,358	(21,358)	-

25. RESTATEMENT OF PRIOR PERIOD (Cont'd)

Derivative liabilities	(b)	-	13,920	13,920
Total current liabilities		5,483,540	(562,252)	4,921,288
Non-current liabilities				
Lease obligation net of current portion	(a)	23,061	(23,061)	-
Total Liabilities		5,506,601	(585,313)	4,921,288
Equity				
Share capital	(b) (c)	19,532,556	3,232,482	22,765,038
Contributed surplus		1,110,740	-	1,110,740
Accumulated other comprehensive income	(c)	2,093,858	(2,096,581)	(2,723)
Deficit	(a) (b)	(24,820,703)	(1,149,821)	(25,970,524)
Equity attributable to owners	(b)	(2,083,549)	(13,920)	(2,097,469)
Non-controlling interest		17,573	-	17,573
Total equity		(2,065,976)	(13,920)	(2,079,896)
Total Liabilities and Equity		$ 3,440,625	$ (599,233)	$ 2,841,392

25. RESTATEMENT OF PRIOR PERIOD (Cont'd)

As at March 1, 2015		As previously stated	Amendment	Restated
Assets				
Current				
Cash and cash equivalents	(a)	$ 520,594	$ (57,997)	$ 462,597
Accounts receivable	(a)	513,117	(174,246)	338,871
Medical supplies	(a)	59,238	(59,238)	-
Prepaid expenses and other	(a)	38,347	(20,568)	17,779
Total current assets		1,131,296	(312,049)	819,247
Non-current assets				
Long-term deposits	(a)	169,404	(169,404)	-
Property and equipment	(a)	1,532,556	(1,511,545)	21,011
Intangible assets	(a)	1,788,714	(1,788,714)	-
Goodwill	(a)	131,376	-	131,376
Advances to related parties	(a)	9,713	-	9,713
Investment in associate	(a)	-	3,402,321	3,402,321
Total non-current assets		3,631,763	(67,342)	3,564,421
Total Assets		$ 4,763,059	$ (379,391)	$ 4,383,668
Liabilities and Equity				
Current				
Accounts payable and other liabilities	(a)	$ 2,058,122	$ (316,782)	$ 1,741,340
Current portion of lease obligation	(a)	19,908	(19,908)	-
Income taxes payable		2,614	-	2,614
Derivative liability	(b)	-	1,857,041	1,857,041
Total current liabilities		2,080,644	1,520,351	3,600,995
Non-current liabilities				
Lease obligation net of current portion	(a)	42,701	(42,701)	-
Total Liabilities		2,123,345	1,477,650	3,600,995
Equity				
Share capital	(b) (c)	13,405,158	1,915,937	15,321,095
Contributed surplus		732,342	-	732,342
Accumulated other comprehensive income	(c)	2,107,318	(2,096,581)	10,737
Deficit	(b)	(13,701,500)	(1,676,397)	(15,377,897)
		2,543,318	(1,857,041)	686,277
Non-controlling interest		96,396	-	96,396
Total equity		2,639,714	(1,857,041)	782,673
Total Liabilities and Equity		$ 4,763,059	$ (379,391)	$ 4,383,668

25. RESTATEMENT OF PRIOR PERIOD (Cont'd)

As at February 29, 2016		As previously stated	Amendment	Restated
Revenue				
Patient revenue	(a)	$ 2,346,313	$ (2,346,313)	$ -
Net licensing revenue	(d)	67,970	(67,970)	-
Management fees		160,929	-	160,929
		2,575,212	(2,414,283)	160,929
Expenses				
General and administrative costs	(a) (d)	13,702,657	(4,223,050)	9,479,607
Finance costs		173,577	-	173,577
Gain on foreign exchange		(93,112)	-	(93,112)
Fair value gain on derivative liabilities	(b)	-	(526,576)	(526,576)
		13,783,122	(4,749,626)	9,033,496
Loss from continuing operations before income taxes		(11,207,910)	2,335,343	(8,872,567)
Income tax recovery		6,767	-	6,767
Net loss from continuing operations		(11,201,143)	2,335,343	(8,865,800)
Net loss from discontinued operations	(a) (d)	-	(1,808,767)	(1,808,767)
Net loss		(11,201,143)	526,576	(10,674,567)
Other Comprehensive Loss				
Foreign currency translation reserve		(10,343)	-	(10,343)
Comprehensive loss		(11,211,486)	526,576	(10,684,910)
Net loss attributable to:				
Owners of the parent		(11,119,203)	526,576	(10,592,627)
Non-controlling interest		(81,940)	-	(81,940)
		(11,201,143)	526,576	(10,674,567)
Comprehensive loss attributable to:				
Owners of the parent		(11,132,663)	526,576	(10,606,087)
Non-controlling interest		(78,823)	-	(78,823)
		$ (11,211,486)	$ 526,576	$ (10,684,910)

25. RESTATEMENT OF PRIOR PERIOD (Cont'd)

As at February 29, 2016		As previously stated	Amendment	Restated
Cash provided by (used in)				
Operations				
Net loss	(a) (b)	$ (11,201,143)	$ 2,335,343	$ (8,865,800)
Items not affecting cash				
Amortization of property, equipment and intangible assets	(a)	577,299	(473,264)	104,035
Impairment of ASC operating license	(a)	612,000	(612,000)	-
Impairment of goodwill		131,376	-	131,376
Impairment of loans and advance deposits	(a)	1,244,854	(72,225)	1,172,629
Net loss on disposal of Anesthesia		2,357,061	-	2,357,061
Net loss on disposal of equipment		3,679	-	3,679
Stock-based compensation		386,648	-	386,648
Fair value gain on derivative liabilities	(b)	-	(526,576)	(526,576)
		(5,888,226)	651,278	(5,236,948)
Net changes in non-cash working capital		2,181,318	191,273	2,372,591
		(3,706,908)	842,551	(2,864,357)
Investing				
Deposit on acquisition		(1,163,141)	-	(1,163,141)
Additions to property and equipment	(a)	(58,913)	58,913	-
Proceeds from disposal of property and equipment		13,476	-	13,476
Advances to related parties	(a)	732	(9,713)	(8,981)
Proceeds from disposition of Anesthesia		341,675	-	341,675
Changes in investment in associate	(a)	-	(904,637)	(904,637)
		(866,171)	(855,437)	(1,721,608)
Financing				
Cash held in trust		(7,520)	-	(7,520)
Net proceeds from loans payable		1,549,478	-	1,549,478
Repayments of loans payable		(1,036,115)	-	(1,036,115)
Finance lease repayment	(a)	(18,190)	18,190	-
Proceeds from equity issuance		3,094,462	-	3,094,462
Share issuance costs		(786,942)	-	(786,942)
Proceeds from warrants exercised		1,471,641	-	1,471,641
		4,266,814	18,190	4,285,004
Net change in cash from continuing operations		(306,265)	5,304	(300,961)
Foreign exchange impact on cash		(10,343)	-	(10,343)
Cash, beginning of year		520,594	(57,997)	462,597
Cash, end of year		$ 203,986	$ (52,693)	$ 151,293

26. SUBSEQUENT EVENTS

(a) On March 7, 2017, the Company entered into a letter agreement with a digital skill based gaming terminal operator based in the U.S. State of Georgia dated March 7, 2017 pursuant to which Lucky Bucks, LLC will acquire certain operating assets of the business. The assets to be acquired primarily include gaming terminals and location contracts. The proposed purchase price is expected to be $4.0M.

(b) On March 9, 2017, the Company entered into a letter agreement with a digital skill based gaming terminal operator based in the U.S. State of Georgia dated March 2, 2017 pursuant to which Lucky Bucks, LLC will acquire certain operating assets of the business. The assets to be acquired primarily include gaming terminals and location contracts. The proposed purchase price is expected to be $2.1M.

(c) On March 20, 2017, the Company entered into a letter agreement with a digital skill based gaming terminal operator based in the U.S. State of Georgia dated March 16, 2017 pursuant to which Lucky Bucks, LLC will acquire certain operating assets of the business. The assets to be acquired primarily include gaming terminals and location contracts. The proposed purchase price is expected to be $6.04M.

(d) On March 22, 2017, the Company entered into a letter agreement with a digital skill based gaming terminal operator based in the U.S. State of Georgia dated March 20, 2017 pursuant to which Lucky Bucks, LLC will acquire certain operating assets of the business. The assets to be acquired primarily include gaming terminals and location contracts. The proposed purchase price is expected to be $7.9M with additional consideration related to contract extensions of approximately $3.84M.

(e) On May 18th, 2017 the Lucky Bucks, LLC, a company controlled by the Company, acquired certain operating assets of Triple 7s Amusement LLC “Triple 7s” and Lucky Star Amusement, Inc. “Lucky Star”.

The respective purchase price was $4.2M in respect of the Triple 7s assets and $1.62M in respect of the Lucky Star assets. $4M of the Triple 7s Purchase Price was paid on the closing of the acquisitions, with the remaining $200,000 being payable to Triple 7s upon the satisfaction of certain post-closing obligations. These post-closing obligations were satisfied and the amount was paid. The total Lucky Star Purchase Price was paid on closing. In addition to the foregoing cash payments, an additional one-time payment is payable to each of the seller 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.

These acquisitions were financed by a $9.2M term-loan with an affiliate of the lender described in Note 12 (a). The financing was provided by the lender pursuant to the financing agreement dated October 21, 2016 to which both the Company and the lender are parties. In connection to the financing, the Company and lender amended and restated the financing agreement dated May 17, 2017.

In connection with the acquisition financing, the Company issued the lender warrants to purchase 418,600 common shares of the Company at an exercise price of $0.3068 per common share until November 17, 2019. The Company also paid World Equity Group, Inc. ("WEG") $368,000 as consideration for the services provided by WEG in connection with the Company receiving the acquisition financing.

(f) On March 17, 2017, the original articles of incorporation for the Company were amended to include the approved share consolidation terms. Each common share holder will receive one post-consolidation share for every three pre-consolidation shares held.

26. SUBSEQUENT EVENTS (Cont'd)

(g) Quantum Gaming Corp. (the "Company"), James Boyden and Southern Gaming Consultants Inc. (the "Consultant") on June 27, 2017 formalized an advisory services agreement which is effective October 21, 2016 (the "Advisory Agreement").

Pursuant to the terms of the Advisory Agreement, the Company will pay the Consultant a monthly fee of US $14,000 to perform certain advisory services to the Company relating to, among other things, sourcing, negotiating and consummating potential transactions, mergers and acquisitions, the provision of required organizational change management assistance and serving as the representative of the Company or an affiliate thereof in licensing and regulatory capacities.

The Advisory Agreement also contains a cash performance component pursuant to which the Consultant can receive a cash award each time the Company makes a cash distribution to its shareholders by way of a dividend or return of capital (excluding the repayment of debt) once the cumulative aggregate net distribution amounts of all equity distributions to the shareholders of the Company equal a 10% or greater internal rate of return ("IRR") to the shareholders of the Company. The cash award amount is based on the excess of the cumulative net distributions amounts to shareholders over the amounts required to achieve such 10% IRR. Additional amounts equal to 5% of the cumulative aggregate net distribution amounts of all equity distributions to the shareholders of the Company are payable by the Company in excess of the amount required to achieve an IRR of 15 %, 25 % and 35% respectively.

(g) (Cont'd)

In addition, a cash payment shall be payable by the Company to the Consultant in the event of a liquidation event, which includes: (i) a share sale which amounts to a change of control of the Company or Quantum International Income Corp.; (ii) a sale of all or substantially all of the assets of the Company or Quantum International Income Corp.; or (iii) an initial public offering of the Company and the amounts which the Consultant can receive on a liquidation event are similar to those set out above.

A termination payment is payable to the Consultant by the Company if: (i) the Advisory Agreement is terminated in certain circumstances; (ii) if James Boyden dies or is disabled; or (iii) the Consultant exercises its right to terminate the Agreement and requires the Company to pay a termination payment or the Company exercises its right to terminate the agreement after October 22, 2018 and make a termination payment. In these situations, if the aggregate net distribution amounts of all equity distributions paid to the Company's shareholders equals a 10% or greater IRR to the shareholders of the Company, an amount equal to 10% of the aggregate net distribution amount for such period in excess of the amount required to achieve a 10% IRR shall be paid by the Company to Consultant. Additional amounts are payable by the Company when the aggregate net distribution amounts of all equity distributions to the shareholders of the Company hit certain thresholds. If the aggregate net distribution amount of all equity distributions paid by the Company equals a 15%, 25% and 35% IRR, or greater, an amount equal to 15%, 20 % and 25%, respectively, of the aggregate net distribution amount for such period in excess of the amount required to achieve a 15%, 25% and 35% IRR, as the case may be, shall be paid by the Company to Consultant. No termination payment is payable if the Consultant consummates a change of control transaction or if there is a fundamental breach by the Consultant which includes matters such as if the Consultant were to engage in acts of dishonesty such as fraud, serious misconduct or is in material breach of the standard of care set out in the Advisory Agreement.

26. SUBSEQUENT EVENTS (Cont'd)

(h) 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 $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.