QUANTUM INTERNATIONAL INCOME CORP

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2018

GENERAL

The following Management Discussion and Analysis ("MD&A") should be read in conjunction with the condensed interim consolidated financial statements (the "Financial Statements") and the notes contained therein of Quantum International Income Corp (the "Company" or "Quantum") for the three and nine months ended November 30, 2018.

The unaudited condensed interim consolidated financial statements are prepared by management and reported in U.S. dollars, in accordance with International Accounting Standard "IAS" 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The unaudited condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's 2018 audited consolidated financial statements and the notes thereto, and the 2018 MD&A filed with Canadian regulatory agencies. The documents are available at www.sedar.com.

This MD&A was prepared effective January 29, 2019.

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FORWARD LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking statements and forward-looking information (collectively, "**Forward-Looking Statements**") and Quantum cautions investors about important factors that could cause Quantum's actual results to differ materially from those expressed, implied or projected in any Forward-Looking Statements included in this MD&A. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will likely result", "are expected to", "expects", "will continue", "is anticipated", "anticipates", "may", "could", "believes", "estimates", "intends", "plans", "forecast", "projection" and "outlook") are not historical facts and may be Forward-Looking Statements that involve projections, estimates, assumptions, known and unknown risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such Forward-Looking Statements or otherwise materially inaccurate. No assurance can be given that these expectations or assumptions will prove to be correct and such Forward-Looking Statements included in this MD&A should not be unduly relied upon. These Forward-Looking Statements speak only as of management's beliefs and expectations as of the date of this MD&A. In addition, this MD&A may contain Forward-Looking Statements drawn from or attributed to third party sources. Accordingly, any such statements are qualified in their entirety by reference to the information discussed throughout this MD&A.

In particular, this MD&A contains Forward-Looking Statements regarding anticipated future financial, structural, growth and operating performance of Quantum, including as it pertains to the operations detailed in this MD&A and the deployment of capital into new acquisitions.

Actual results may differ materially due to a number of risks and uncertainties faced by Quantum, including, but not limited to: general economic and business conditions; global financial conditions; the failure of Quantum to identify future acquisition targets; third parties honouring their contractual obligations with Quantum and its subsidiaries; relationships with operating and/or joint venture partners; inaccuracy, incompleteness or omissions in any of the financial and other information upon which management bases its analysis of potential acquisitions; the failure to realize the anticipated benefits of Quantum's current and future acquisitions; factors relating to the gaming industry, including reliance on third-party payors for revenue; licensing, certification and accreditation risk; litigation, liability claims; insurance coverage limitations and uninsured risks; dependence on key personnel at the Quantum and operations level; competition from other gaming companies; including ability to deliver services in a timely manner; changes in technology, consumer markets or demand for gaming; changes in federal, provincial and foreign content laws and regulations; dependence on third party content producers; competition for, among other things, capital, equipment and skilled personnel; the inability to generate sufficient cash flow from operations to meet future obligations; the inability to obtain required debt and/or equity financing for future acquisitions on suitable terms; competition for acquisition targets; fluctuations in results; and limited diversification of Quantum's business industries, structures and operations.

Quantum cautions that the list and description of Forward-Looking Statements, risks, assumptions and uncertainties set out above is not exhaustive. Quantum will update the Forward-

Looking Statements as required by securities law. All Forward-Looking Statements contained in this MD&A are qualified by these cautionary statements.

Unless otherwise specified in this MD&A, information contained in this MD&A is current as of the date of this MD&A. Unless otherwise specified, all dollar amounts herein refer to U.S. dollars. Additional information on these and other factors that could affect the operations or financial results of Quantum and its subsidiaries are included in disclosure documents filed by Quantum with the securities regulatory authorities, available under Quantum's profile on SEDAR at www.sedar.com.

BUSINESS OVERVIEW

Quantum International Income Corp's ("**Quantum**", "**QIIC**" or the "**Company**") mandate is to identify and acquire control positions, provide management oversight, acquisition strategies, and growth capital in gaming, skill gaming, and gaming related markets. Prior to October 2016, Quantum's focus was in the healthcare space in the U.S. as the Company owned a 50% interest in a surgery center in New Jersey, U.S. In February 2017, Quantum divested of this asset and shifted its focus to gaming and gaming related markets. Quantum's vision is to build a diversified portfolio of world class gaming operations. The Company looks to enhance the shareholder value by growing organically and through acquisitions.

On October 21, 2016, the Company acquired a 51% controlling interest in Lucky Bucks, LLC ("**LB**"), which owns and operates coin operated amusement machines ("**COAMs**") in the State of Georgia, United States of America through arrangements with location owners. On August 1, 2018 the Company acquired an additional 9% interest in LB, increasing its ownership interest from 51% to 60%. The Company is executing its acquisition strategy in Georgia, U.S. through LB with a particular focus on cash-flows and high margins. Currently, LB is the largest operator of skill-based gaming machines in State of Georgia based on machine count.

Operating entities as at November 30, 2018:

	Ownership Interest
Quantum Gaming Corp ("**QGC**")	100%
Southern Star Gaming, LLC ("**SSG**")	100%
Lucky Bucks HoldCo, LLC ("**LBH**")	60%
Lucky Bucks, LLC ("**LB**")	60%

Address

The Company's head office/registered and records office is located at 79 Wellington Street West, Suite 1630, Toronto, Ontario, Canada, M5K 1H1.

Overview of the Georgia COAM Route Operator Market

COAMs are, as defined by the Georgia Lottery Corporation ("**GLC**"), redemption devices used by the public to provide amusement or entertainment. It requires the payment of a coin, bill, token, ticket, card or similar object and the result of whose operation depends in whole or in part upon the skill of the player. Redemption of the players' winnings can only be made for non-cash business merchandise (including fuel, etc.) or lottery tickets at the location where the game is played. Alcohol, tobacco, or firearms cannot be redeemed as COAM prizes.

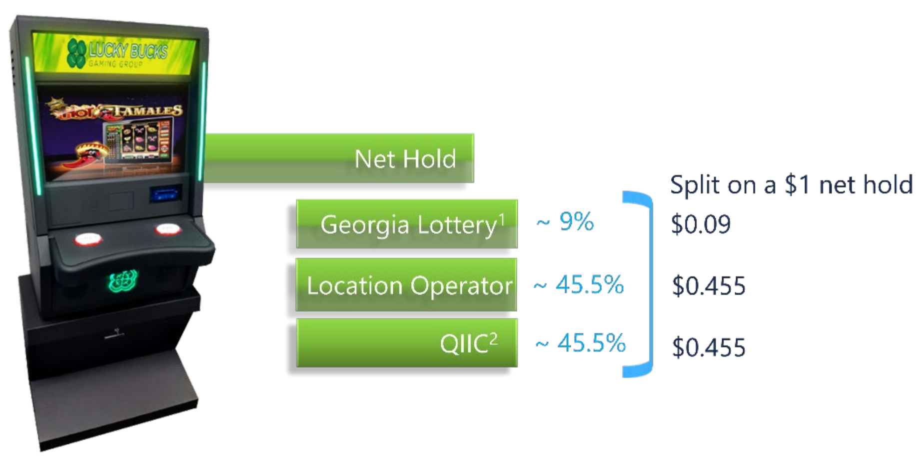
There are two types of COAMs:

1. **Class A machines**: which include jukeboxes, crane machines, coin operated pool tables, arcade games, skee ball or similar machines.
2. **Class B machines:** are line-up or match-up video games requiring some skill with successful players able to accrue points or carry over points won on one play to subsequent plays. The player must utilize his/her own skill level in order to win (i.e. hitting the nudge button). COAMs with poker, card games, or non-Georgia lottery keno are considered illegal under state law. **All of the Company's machines are classified as Class B.**

The Class B COAM Gaming Industry is Comprised of Four Segments:

1. **Manufacturers**: a person or business that manufactures or assembles the video gaming machines or sell major components or parts (including software or hardware or both) to Class B machine distributors or route operators.
2. **Distributor:** a person or business that buys, sells, leases, or distributes Class B machines or major components or parts of machines to or from route operators.
3. **Establishment/Location Owner:** is an owner or operator of business establishments where one or more COAMs are available for commercial use and play by the public (i.e. convenience stores, bars/lounges, fraternal organizations and veterans clubs).
4. **Route Operators:** is a person or business that owns, services, and maintains the gaming machines for placement in the establishments other than their own. **This is the segment of the market that LB's operations are focused on.**

Economics of a typical COAM



Notes:
(1) 9% of the daily hold goes to GLC and increases each fiscal year by 1% to a maximum of 10% on July 1, 2019
(2) Operated by Lucky Bucks

Gaming revenues from COAMs are incurred as follows: The GLC receives a set percentage of the machine's net revenues (i.e. all monies put into a machine minus credits paid out to players). The GLC's share is currently 9% and increases each fiscal year (July 1 to June 30 the following year) by 1% up to a maximum of 10% on July 1, 2019. The Class B master license holder (i.e. COAM route operator) enters into an agreement with the location operator (i.e. establishment) where the COAM route operator acts as a principal as it controls the process before the service is provided to the customer.

OVERALL PERFORMANCE

Highlights – Quarter Ended November 30, 2018

- Generated gaming revenues of $16,819,611, representing a 19% increase compared to revenues of $14,172,534 for the same period in the prior year.
- The Company generated Adjusted EBITDA (defined on page 5 under non-IFRS measures) of $6,950,402, compared to $6,425,749 in Q3 fiscal year 2018; representing an increase of ~8%.
- Generated positive cash flow from operations of $2,970,571 compared to $2,118,010 for the same period last year.
- Net income of $743,998 compared to a net loss of $805,927 for the same period in the prior year.
- Basic and diluted loss per share of $(0.005), compared to a basic and diluted loss per share of $(0.027) in the same period last year.

RECENT DEVELOPMENTS

Closing of credit facility with Goldman Sachs Specialty Lending Group, L.P.

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

On November 14, 2018, the Company, through LB, entered into the first amendment to the multi-draw credit facility. The amendment increases the aggregate principal amount of the multi draw credit facility to $100,000,000 and adds AB Private Credit Investors as an additional lender.

The multi draw credit facility has the following terms:

- The full amount of $64,509,349 of the Term Loan Facility was drawn on the initial funding date.
- The MDTL Facility is available to be drawn for permitted acquisitions from the initial funding date to the date that is 24 months afterwards. Draws under the MDTL Facility are subject to pro forma compliance with, among other things, the financial maintenance covenants set forth in the documentation for the credit facilities.
- The interest rate is based on a pricing grid tied to the LB's leverage ratio. The interest rate is calculated at LIBOR plus 7% (with LIBOR subject to a floor of 1% per annum).
- The maturity date is 5 years after the initial funding date.
- The principal amount of the initial Term Loan Facility is repaid in equal consecutive quarterly installments on the last day of each calendar quarter commencing June 30, 2018, with each instalment to be equal to $1,612,733. The principal amount on the MTDL facility is repaid in equal consecutive quarterly instalments on the last day of each calendar quarter.
- There is an option to prepay subject to certain conditions. If the Company exercises the option to prepay, the Company would be liable to a prepayment premium on the principal amount prepaid, reduced or accelerated of (i) if the loans are prepaid within the first 12 months, 4.00%, (ii) which is reduced to 3.00% in the 2nd year, (iii) 2.00% in the 3rd year and (iv) 0.00% thereafter.

In connection with the arrangement of the multi draw credit facility, the Company paid $3,753,198 of transaction costs and will also pay GGSLG an undrawn facility commitment fee under the MDTL Facility and an annual administration fee, all of which are typical to these arrangements.

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

Additional Lucky Bucks Interest Acquisition

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

The Company paid consideration as follows:

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

(a) Promissory note is unsecured and payable in tranches no later than December 31, 2018. The principal amount outstanding under this promissory note does not bear any interest; provided, however, that if any principal outstanding under this promissory note has not be repaid by the December 31, 2018 , then the outstanding principal amount of this promissory note shall thereafter bear interest at a rate equal to 7% per annum.

As of November 30, 2018, $2,285,000 of the promissory note has been repaid; with a remaining carrying value of $65,000.The remaining balance of $65,000 was paid on December 11, 2018.

Stock option grant

On November 15, 2018 the company announced a grant of stock options pursuant to the stock option plan of the Company, whereby the Company has granted a total of 1,462,589 stock options to officers, directors and employees of the Company. Each of the stock options granted entitles the holder to purchase one common share of the Company at a price of $1.00 until November 15, 2023.

Advisory services agreement

As a result of his appointment to the COAM Advisory Board in Georgia as described in the press release dated December 3, 2018, Mr. James Boyden will become an employee of Lucky Bucks, LLC and as a result will no longer provide services pursuant to the Advisory Services Agreement. As such, the Advisory Services Agreement has been terminated and the Company is in the process of determining if any amount is payable in connection with such termination.

Acquisitions completed in the Georgia gaming market

- On November 15, 2018, the Company through LB acquired nine (9) additional gaming contracts from Goldstar Amusement LLC ("Goldstar"), a digital skill-based gaming terminal operator based in the U.S. State of Georgia.

  The purchase price of Goldstar was $4,439,644, from which $3,963,191 was paid on closing of the transaction. The remaining $476,453 is payable to Goldstar upon the satisfaction of certain post-closing obligations. These post-closing obligations were satisfied and the remaining amount was paid on January 14, 2019.

  The purchase price for the acquisition was funded by LB through proceeds from its multi-draw credit facility.

- On November 21, 2018, the Company through LB acquired eleven (11) additional gaming contracts from Feeling Lucky Amusement, LLC ("Feeling Lucky"), a digital skill-based gaming terminal operator based in the U.S. State of Georgia.

  The purchase price of Feeling Lucky was $4,938,434, from which $4,388,747 was paid on closing of the transaction. The remaining $549,687 is payable to Feeling Lucky upon the satisfaction of certain post-closing obligations. These post-closing obligations were satisfied and the remaining amount was paid on January 16, 2019.

The purchase price for the acquisition was funded by LB through proceeds from its multi-draw credit facility.

KEY PERFORMANCE INDICATORS

Key performance indicators that the Company uses to manage its business and evaluate its' financial results and operating performance include: revenue, net income (loss), adjusted EBITDA, and net debt.

NON-IFRS MEASURES

Adjusted EBITDA

To supplement our condensed interim consolidated financial statements presented in accordance with International Financial Reporting Standards ("**IFRS**"), the Company uses Adjusted EBITDA, a measure the Company believes is appropriate to provide meaningful comparison with, and to enhance an overall understanding of, our past financial performance and prospects for the future. The Company believes Adjusted EBITDA provides useful information to both management and investors by excluding specific expenses and items that we believe are not indicative of our core operating results. Adjusted EBITDA is a financial measure that does not have a standardized meaning under IFRS. Adjusted EBITDA is defined as earnings from continuing operations before financing costs, income taxes, depreciation, amortization of property and equipment and intangible assets, stock-based compensation, foreign exchange, impairment, gain/loss on settlement of accounts payable, financing income, business acquisition costs, warrant fair value adjustment, derivative asset fair value adjustment, gain/loss on disposal of property and equipment, and other one-time expenses.

As there is no standardized method of calculating Adjusted EBITDA, it may not be directly comparable with similarly titled measures used by other companies. The Company considers Adjusted EBITDA to be a relevant indicator for measuring trends in performance and its ability to generate funds to service its debt and to meet its future working capital and capital expenditure requirements. Adjusted EBITDA is not a generally accepted earnings measure and should not be considered in isolation or as an alternative to net income (loss), cash flows or other measures of performance prepared in accordance with IFRS.

The following table presents a reconciliation of the Company's net income (loss) to adjusted EBITDA:

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Net Income (Loss)	$ 743,998	$ 3,098,868	$ (3,975,781)	$ (2,886,497)	$ (805,927)
Adjustments					
Amortization of property and equipment and intangible assets	2,388,296	2,325,621	2,303,469	2,111,634	2,133,187
Financing costs	1,752,517	1,744,905	5,532,377	6,675,901	2,289,379
Business acquisition costs	927,688	355,898	(156,420)	56,620	1,462,778
Stock based compensation	866,519	-	-	(1,748,198)	1,374,851
Impairment	60,000	-	-	212,000	-
Loss on disposal of property and equipment	-	8,982	-	-	-
Financing income	(2,065)	(3,410)	(5,078)	(31,192)	-
Gain on settlement of accounts payable	(85,400)	-	-	-	(297,069)
Warrant fair value adjustment	(298,418)	(472,176)	1,564,372	966,094	273,201
Derivative asset fair value adjustment	-	-	2,765,000	(572,000)	-
Income tax expense	535,957				
Foreign exchange	61,310	(7,670)	9,165	(29,452)	(4,651)
Adjusted EBITDA	$ 6,950,402	$ 7,051,018	$ 8,037,104	$ 4,754,910	$ 6,425,749

Net Debt

The Company uses net debt to illustrate how much debt is attributable to QIIC after taking into account liquid assets such as cash of the parent and LB. The Company uses this as an indicator of overall financial position and leverage.

Net debt is defined as 60% (QIIC's portion) of the face value of the long-term debt including the current portion, net of total cash available less 40% (non-controlling interest) of LB's operating cash.

The following table represents the net debt calculation as at November 30, 2018:

Carrying value of long term debt		$ 68,652,494
Add: Unamortized transaction costs		4,070,871
Face value of the long term debt including current portion		72,723,365
Parent's portion (60%)		43,634,019
Total cash	2,819,200	
Less: 40% of Lucky Bucks, LLC's operating cash	(1,056,804)	1,762,396
QIIC's net debt		$ 41,871,623

SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

The table below summarizes selected unaudited financial data for the Company's last eight quarters. The following information is expressed in USD and is derived from the Company's financial information, using accounting policies consistent with IFRS:

	Q3 2019 30/11/2018	Q2 2019 31/08/2018	Q1 2019 31/05/2018	Q4 2018 28/02/2018
Revenue(1)	$ 16,819,611	$ 17,012,675	$ 19,276,458	$ 16,401,311
Net Income (Loss) and Comprehensive Income (Loss)(2)	743,998	3,098,868	(3,975,781)	(2,886,497)
Basic Earnings (Loss) per share(3)	(0.005)	0.021	(0.049)	(0.041)
Diluted Earnings (Loss) per share(3)	(0.005)	0.018	(0.049)	(0.041)

	Q3 2018 30/11/2017	Q2 2018 31/08/2017	Q1 2018 31/05/2017	Q4 2017 28/02/2017
Revenue(1)	$ 14,172,534	$ 12,143,400	$ 8,771,251	$ 7,343,518
Net Income (Loss) and Comprehensive Income (Loss)(2)	(805,927)	(393,184)	(421,922)	1,895,400
Basic Earnings (Loss) per share(3)	(0.027)	(0.025)	(0.030)	0.035
Diluted Earnings (Loss) per share(3)	(0.027)	(0.025)	(0.030)	0.035

Notes:

1) Revenue in Q3 2019 is slightly lower than Q2 2019. The slight decrease is due to some locations that went temporarily offline as a result of the GLC not renewing the location licenses until the locations rectified any outstanding Georgia Department of Revenue ("DOR") issues. These locations are expected to be back online and generating revenue in the short term once the DOR issues are resolved. Revenue decreased from $19,276,458 in Q1 2019 to $17,012,675 in Q2 2019. The decrease is due to the fact that March, April and May are typically high revenue generating months for the Company, as customers tend to have a higher disposable income in these months due to tax refunds received during this period. Summer months are also traditionally slow months in the COAM market in Georgia.

   The increase in revenue throughout the 2018 quarters is directly related to the 9 acquisitions LB closed during the year. In Q1 2018 the Company closed the acquisition of Triple 7s Amusement LLC and Lucky Star Amusement, Inc, in Q2 2018 the Company closed the acquisition of American Amusement LLC and AM/PM Management Inc., in Q3 2018 the Company closed acquisitions of Fun Games Inc, FarEast Amusement Games and WildHorse Amusement Company L.L.C and in Q4 2018 the company closed the acquisition of Lee Caudell, Inc and Wise Amusement LLC.

   The revenue for part of Q3 2017 was reclassified as discontinued operations. The Company closed the Lucky Bucks, LLC acquisition on October 21, 2016; therefore Q3 2017 includes 41 days of revenue from this acquisition. Q4 2017 includes revenue for the entire quarter from Lucky Bucks, LLC.

(2) Net income for Q3 2019 is $743,998, compared to Q2 2019 net income of $3,098,868. The decrease in income is due to the following:

- In Q3 2019, the Company incurred general and administrative expenses of $3,253,610 compared to $1,820,200 in Q2 2019. The increase is due to share based compensation in Q3 2019 of $866,519 compared to nil in Q2 2019, and an increase in acquisition costs from $355,898 in Q2 2019 to $927,688 in Q3 2019 as the Company closed the acquisitions of Goldstar and Feeling Lucky.
- In Q3 2019, the Company had a fair value gain on the derivative liability of $298,418, compared to a fair value gain of $472,176 in Q2 2019. The change in the fair value of the derivative liability is correlated to the change in the Company's share price.
- In Q3 2019, the Company incurred $535,957 of income tax expense compared to nil in Q2 2019.

The fluctuations in the 2018 quarter over quarter losses stem from the timing of business acquisitions closed. In Q1 2018 LB closed two acquisitions, in Q2 2018 LB closed two acquisitions, in Q3 2018 LB closed three acquisitions and finally in Q4 2018 LB closed two acquisitions. The one time deal expenses are tied to the number of acquisitions closed in a quarter and the spike in Q4 2018 relates to the annual performance incentive accrued to a corporation controlled by the CEO. In Q4 2018 the Company incurred more interest charges associated with its long term debt and accretion expense that was accelerated due to the refinancing that closed in April 2018. There was also an increase in amortization expense which was driven by the increase in COAM machines and gaming contracts. Increases in general administrative costs were largely driven by acquisition costs, salaries and benefits, share based compensation and administrative expenses.

In Q3 2017 the Company closed the LB acquisition and recorded gaming revenue for approximately one month of activity. In Q4 2017 the Company reflected a full quarter of gaming revenue and it did not close any additional acquisitions, hence the Company recorded a net income compared to a net loss in Q3 2017.

(3) Basic and diluted earnings (loss) per share fluctuates from period to period and is impacted by the amount of loss incurred and the number of weighted average number of common shares outstanding.

OPERATING SEGMENTS

Management has identified the following reportable business segments. 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:

- QGC, SSG, and LB (acquired in fiscal 2017) collectively known as "LBL".

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

	Three Months Ended November 30, 2018			Nine Months Ended November 30, 2018		
	Corporate	LBL	Total	Corporate	LBL	Total
Revenue						
Gaming revenue	$ -	$ 16,819,611	$ 16,819,611	$ -	$ 53,108,744	$ 53,108,744
Location costs	-	(8,409,806)	(8,409,806)	-	(26,554,372)	(26,554,372)
Revenue after location costs	-	8,409,805	8,409,805	-	26,554,372	26,554,372
Operating expenses						
Amortization of property, equipment and intangible assets	-	(2,388,296)	(2,388,296)	-	(7,017,386)	(7,017,386)
General and administrative expense	(1,803,311)	(1,450,299)	(3,253,610)	(3,369,978)	(3,139,555)	(6,509,533)
	(1,803,311)	(3,838,595)	(5,641,906)	(3,369,978)	(10,156,941)	(13,526,919)
Other expenses						
Finance costs	(6,894)	(1,745,623)	(1,752,517)	(15,166)	(9,014,632)	(9,029,798)
Finance income	2,065	-	2,065	10,551	-	10,551
Impairment	-	(60,000)	(60,000)	-	(68,982)	(68,982)
Fair value gain (loss) on derivative liabilities	298,418	-	298,418	(793,777)	-	(793,777)
Loss on foreign exchange	(61,310)	-	(61,310)	(62,805)	-	(62,805)
Gain on settlement of accounts payable	85,400	-	85,400	85,400	-	85,400
Derivative asset	-	-	-	-	(2,765,000)	(2,765,000)
	317,679	(1,805,623)	(1,487,944)	(775,797)	(11,848,614)	(12,624,411)
Net Income (loss) and comprehensive income (loss) before tax	$ (1,485,632)	$ 2,765,587	$ 1,279,955	$ (4,145,775)	$ 4,548,817	$ 403,042
Current tax expense	$ -	$ (535,957)	$ (535,957)	$ -	$ (535,957)	$ (535,957)
Net Income (loss) and comprehensive income (loss) after tax	$ (1,485,632)	$ 2,229,630	$ 743,998	$ (4,145,775)	$ 4,012,860	$ (132,915)
Total current assets	$ 213,820	$ 6,945,137	$ 7,158,957	$ 213,820	$ 6,945,137	$ 7,158,957
Total non-current assets	$ 13,744	$ 65,609,436	$ 65,623,180	$ 13,744	$ 65,609,436	$ 65,623,180
Total liabilities	$ 6,205,722	$ 71,065,326	$ 77,271,048	$ 6,205,722	$ 71,065,326	$ 77,271,048

	Three Months Ended November 30, 2017			Nine Months Ended November 30, 2017		
	Corporate	LBL	Total	Corporate	LBL	Total
Revenue						
Gaming revenue	$ -	$ 14,172,534	$ 14,172,534	$ -	$ 35,087,184	$ 35,087,184
Location costs	-	(7,086,267)	(7,086,267)	-	(17,543,592)	(17,543,592)
Revenue after location costs	-	7,086,267	7,086,267	-	17,543,592	17,543,592
Operating expenses						
Amortization of property, equipment and intangible assets	-	(2,133,187)	(2,133,187)	-	(4,644,797)	(4,644,797)
General and administrative expense	(2,043,399)	(1,454,748)	(3,498,147)	(6,148,070)	(2,876,086)	(9,024,156)
	(2,043,399)	(3,587,935)	(5,631,334)	(6,148,070)	(7,520,882)	(13,668,952)
Other expenses						
Finance costs	12,834	(2,302,212)	(2,289,378)	(23,977)	(5,273,723)	(5,297,700)
Fair value gain (loss) on derivative liabilities	(273,202)	-	(273,202)	(474,668)	-	(474,668)
Loss on foreign exchange	4,651	-	4,651	(32,983)	-	(32,983)
Gain on settlemet of accounts payable	297,069		297,069	309,678	-	309,678
	41,352	(2,302,212)	(2,260,860)	(221,950)	(5,273,723)	(5,495,673)
Net Income (loss) and comprehensive income (loss)	$ (2,002,047)	$ 1,196,120	$ (805,927)	$ (6,370,020)	$ 4,748,987	$ (1,621,033)
Total current assets	$ 1,015,793	$ 6,680,121	$ 7,695,914	$ 1,015,793	$ 6,680,121	$ 7,695,914
Total non-current assets	$ 9,455	$ 57,951,076	$ 57,960,531	$ 9,455	$ 57,951,076	$ 57,960,531
Total liabilities	$ 4,019,394	$ 47,397,751	$ 51,417,145	$ 4,019,394	$ 47,397,751	$ 51,417,145

RESULTS OF OPERATIONS

Quarter ended November 30, 2018 ("Q3 2019") compared with the quarter ended November 30, 2017 ("Q3 2018")

Revenue

Q3 2019 revenue was $16,819,611 (Q3 2018 – $14,172,534). The increase in revenue in Q3 2019 is a result of the inclusion of revenue for the entire quarter (three months) from the nine acquisitions that the Company closed throughout the 2018 fiscal year whereas Q3 2018 includes revenue from the four acquisitions that the Company closed in Q1 and Q2 of 2018 (Triple 7s Amusement LLC, Lucky Star Amusement, Inc, American Amusement LLC and AM/PM Management Inc.) but only includes revenue from the date of acquisition for the three acquisitions that the Company closed in Q3 2018 (Fun Games Inc – October 6, 2018, FarEast Amusement Games, and WildHorse Amusement Company L.L.C – November 27, 2018).

Financial Condition

As at November 30, 2018 the Company reported a working capital deficiency of $5,601,061 compared to a positive working capital of $3,349,192 at November 30, 2017.

The working capital deficiency is a result of the requirement to report 12 months of principal debt repayments as a current liability. This did not exist in Q3 2018 as the previous credit facility did not require any instalment payments. If we adjust these instalment payments from current liabilities, the Company has positive working capital of $1,689,491 as of November 30, 2018.

During the three months ended November 30, 2018 the Company generated $2,970,571 cash flow from operations which is derived from the LB distributions. A large portion of the Company's cash flow in the quarter ended November 30, 2018 was used to pay for the additional 9% acquisition of LBH.

Location Costs

Location costs were $8,409,806 and $7,086,267 for the three months ended November 30, 2018 and November 30, 2017 respectively. The increase in location costs is directly correlated to the increase in revenue.

Amortization of property, equipment and intangibles

Amortization of property, equipment, and intangibles for Q3 2019 was $2,388,296 compared to Q3 2018 amortization of $2,133,187. This increase is a direct result of the increase in the value of property, equipment and intangibles due to the nine acquisitions closed in 2018 (an outline of the value of assets acquired in these acquisitions is shown on page 16).

Also, the property and equipment that were acquired by acquisition in fiscal 2018 were subject to half year amortization policy. The intangibles acquired by acquisition in fiscal 2018 were subject to amortization from the date of acquisition. In fiscal 2019, the majority of property, equipment and intangibles were subject to a full year of amortization, therefore resulting in higher amortization expense for property, equipment and intangibles.

General & administrative costs

General and administrative costs incurred by nature are as follows:

	Three Months Ended	
	November 30, 2018	**November 30, 2017**
Acquisition costs (1)	$ 927,688	$ 1,118,269
Professional and advisory fees (2)	561,375	334,621
Regulatory and filing fees	4,496	5,610
Salaries and benefits	353,056	356,722
Share based compensation (3)	866,519	1,374,852
Administrative fees (4)	540,476	308,074
	$ 3,253,610	$ 3,498,147

Notes:

1) Acquisitions costs decreased from $1,118,269 to $927,688, which is due to the Company closing two acquisitions in Q3 2019 compared to the three acquisitions in Q3 2018.
2) Professional and advisory fees increased for the following reasons:
   - The Company engaged additional consultants to advise on corporate affairs, investor relations, and information technology related services.
   - Legal expenses increased as a result of securing legal representation locally in Georgia.
   - Increase in consulting fees to Ascendant Group Holdings Inc., a company controlled by Manu K. Sekhri (CEO and Director of the Company).
3) There was stock based compensation expense of $866,519 in Q3 2019 compared to $1,374,852 in Q3 2018. The decrease in expense is due to fewer options issued in Q3 2019 (1,462,589 options issued) compared to Q3 2018 (2,695,979 options issued).
4) There was an increase in administrative fees due to the growth of the Company, driven by business acquisitions. The increase is attributable to an increase in director fees, travel expenses and donation expenses. Also, the Company incurred additional expenses for marketing in Q3 2019 which did not exist in the Q3 2018.

Fair value loss on derivative liabilities

As of November 30, 2018, there are 5,985,904 (Q3 2018 – 5,776,604) warrants outstanding which are recorded as a derivative liability with a value of $3,215,503 (Q3 2018 – $961,311). In Q3 2018, the Company had a fair value loss on the derivative liability of $273,201, compared to a fair value gain of $298,418 in Q3 2019. The change in the fair value of the derivative liability will fluctuate based on changes in QIIC’s share price.

Financial Performance

Net income for the quarter was $743,998 compared to a net loss of $(805,927) in Q3 2018. This is a result of the increase in revenue being greater than the increase in consoldiated expenses.

Nine months ended November 30, 2018 ("YTD Q3 2019") compared with nine months ended November 30, 2017 ("YTD Q3 2018")

Revenue

YTD Q3 2019 revenue was $53,108,744 (YTD Q3 2018 – $35,087,184). The increase in revenue is due to the fact that YTD Q3 2019 includes revenue from all nine acquisitions that the Company closed throughout the 2018 fiscal year whereas YTD Q3 2018 includes revenue from seven acquisitions that the Company closed from Q1 to Q3 2018.

Location Costs

Location costs were $26,554,372 and $17,543,592 for the nine months ended November 30, 2018 and November 30, 2017 respectively. The increase in location costs is directly correlated to the increase in revenue.

Amortization of property, equipment and intangibles

Amortization of intangibles for nine months ended Q3 2019 was $6,056,106 (Q3 2018 – $4,116,292) and amortization of property and equipment for nine months ended Q3 2019 was $961,280 (Q3 2018 – $528,505).

This increase is a direct result of the increase in the value of property, equipment and intangibles due to the acquisitions closed in 2018.

Also, the property and equipment that were acquired by acquisition in fiscal 2018 were subject to half year amortization policy. The intangibles acquired by acquisition in fiscal 2018 were subject to amortization from the date of acquisition. In fiscal 2019, the majority of property, equipment and intangibles were subject to a full year of amortization, therefore resulting in higher amortization expense for property, equipment and intangibles.

An outline of the value of assets acquired in these acquisitions is as follows:

2019 Acquisitions:

	Goldstar	**Feeling Lucky**	**Total**
Acquisition date	15-Nov-18	21-Nov-08	
Property and equipment	$186,560	$172,140	$358,700
Intangibles			
Owner/operator gaming machine contracts	2,059,462	2,290,379	4,349,841
Brand	30,000	30,000	60,000
Master license	-	-	-
Goodwill	2,163,622	2,445,915	4,609,537
Total intangibles	$4,253,084	$4,766,294	$9,019,378

2018 Acquisitions

	Triple 7s	Lucky Star	AMPM	AA	Fun Games
Acquisition date	17-May-17	17-May-17	30-Jun-17	30-Jun-17	06-Oct-17
Property and equipment	$98,858	$99,746	$189,208	$140,706	$262,539
Intangibles					
Owner/operator gaming machine contracts	2,510,000	590,000	8,220,000	2,600,000	2,970,000
Brand	30,000	10,000	70,000	20,000	30,000
Master license	700,000	700,000	700,000	700,000	700,000
Goodwill	861,142	220,254	2,744,391	539,294	1,106,965
Total intangibles	$4,101,142	$1,520,254	$11,734,391	$3,859,294	$4,806,965

	FarEast	WildHorse	LC	Wise	Total
Acquisition date	27-Nov-17	27-Nov-17	15-Dec-17	15-Dec-17	
Property and equipment	$69,128	$82,082	$137,284	$9,034	$1,088,585
Intangibles					
Owner/operator gaming machine contracts	1,640,000	930,000	2,150,000	200,000	21,810,000
Brand	20,000	10,000	20,000	2,000	212,000
Master license	-	-	-	-	3500000
Goodwill	1,460,878	1,207,833	1,692,716	138,966	9,972,439
Total intangibles	$3,120,878	$2,147,833	$3,862,716	$340,966	$35,494,439

General & administrative costs

General and administrative costs incurred by nature are as follows:

	Nine Months Ended	
	November 30, 2018	November 30, 2017
Acquisition costs (1)	$ 1,127,166	$ 2,320,969
Professional and advisory fees	1,721,355	1,606,324
Regulatory and filing fees	12,701	65,532
Salaries and benefits	1,030,425	959,805
Share based compensation (2)	866,519	3,154,591
Administrative fees (3)	1,751,367	916,934
	$ 6,509,533	$ 9,024,155

Notes:

1) Acquisition costs decreased from $2,320,969 to $1,127,166, a decrease of $1,193,803, which is due to the Company closing three acquisitions during the nine months ended November 30, 2018 compared to seven acquisitions during the nine months ended November 30, 2017.
2) There was stock based compensation expense of $866,519 in the nine months ended November 30, 2018 compared to $3,154,591 in the prior period. The decrease in expense is due to less options issued in 2019 (1,462,589 options issued) compared to 2018 (9,045,214 options issued).

3) There was an increase in administrative fees due to the growth of the Company, driven by business acquisitions. The increase is attributable to an increase in director fees, travel expenses, donation expenses, and higher decal fees due to the increase in number of COAM machines deployed in our footprint. Also, the Company incurred additional expenses for marketing in the nine months ended November 30, 2018 which did not exist in the nine months ended November 31, 2017.

Finance costs

There are two significant components of financing costs; interest expense and financing costs that were initially deferred and charged against the long-term debt balance and are expensed over the term of the loan ("**accretion expense**").

Finance costs increased for the following reasons:

- The Company incurred interest expense of $4,896,097 for nine months ended Q3 2019 compared to $2,109,010 for nine months ended Q3 2018. The increase in interest expense is directly correlated with the increase in long term debt that funded the acquisitions.
- The Company incurred accretion expense of $1,711,589 for nine months ended Q3 2019 compared to $1,431,700 for nine months ended Q3 2018. The Company repaid its prior outstanding long-term debt through a refinance and as a result the unamortized transaction costs relating to the previous long-term debt were expensed, hence the increase in accretion expense in YTD Q3 2019 compared to YTD Q3 2018.
- Additionally, a one-time make whole payment of $2,373,786 was incurred during Q1 2019 related to the refinance. This expense was included as part of finance costs and was incurred as a result of the early repayment of the Company's prior outstanding long-term debt.

Fair value gain (loss) on derivative asset

The early repayment option tied to the prior outstanding long-term debt resulted in an embedded derivative that required separation from the original loan. As at February 28, 2018 the value of the derivative asset was $2,765,000. The previous long-term debt was repaid on April 9, 2018, and as such, the Company recorded a fair value loss of $2,765,000 for the nine month ended November 30, 2018. There was no derivative asset recorded by the Company as of November 30, 2018.

Fair value loss on derivative liabilities

As of November 30, 2018, there are 5,985,904 (Q3 2018 – 5,776,604) warrants outstanding which are recorded as a derivative liability with a value of $3,215,503 (Q3 2018 – $961,311). In Q3 2018, the Company had a fair value loss of $793,777 (Q3 2018 – $474,668). The change in the fair value of the derivative liability will fluctuate based on changes in QIIC's share price.

Financial Performance

The Company incurred a net loss of $(132,915) for the nine months ended November 30, 2018 compared to a net loss of $(1,621,033) for the nine months ended November 30, 2017. This is a result of the increase in revenue being greater than the increase in consolidated expenses.

LIQUIDITY AND CAPITAL RESOURCES

To date, the Company has financed its operations and growth through debt, equity and internally generated cash flows from gaming revenue.

Cash

As at November 30, 2018, the Company's cash decreased by $1,897,531 from year ended February 28, 2018. Management currently believes that the Company's cash, cash flows from operations and borrowing availability under its long-term debt facility will be sufficient to meet its capital requirements during the next 12 months.

Our operating results and performance depend significantly on national, regional and local economic conditions and their effect on consumer spending. Decline in consumer spending would cause revenues generated in our gaming business to be adversely affected.

Cash Used In/Generated from Operating Activities

Cash generated from operating activities during the nine months ended November 30, 2018 was $10,837,463 compared with $3,949,579 of cash generated from operating activities during the nine months ended November 30, 2017.

Cash generated in operating activities during the nine months ended November 30, 2018 consisted of (i) $13,090,338 of cash generated from revenue net of operating, general and administrative, regulatory compliance and professional fees and (ii) there was a $2,252,875 decrease in cash due to an increase in non-cash working capital.

Cash generated from operating activities during the nine months ended November 30, 2017 consisted of (i) $8,084,723 cash was used from revenue net of operating, general and administrative, regulatory compliance and professional fees and (ii) there was $4,135,144 decrease in cash due to an increase in non-cash working capital.

Cash Used In/Generated from Investing Activities

Cash used in investing activities during the nine months ended November 30, 2018 was $15,723,457, compared with $34,157,261 of cash used in investing activities during the nine months ended November 30, 2017.

Cash used in investing activities during the nine months ended November 30, 2018 was a result of additions to property and equipment of $1,311,968, cash paid for acquisition of the additional 9% interest in LBH of $5,935,000 and cash paid for acquisitions of Goldstar and Feeling Lucky of $8,476,489.

Cash used in investing activities during the nine months ended November 30, 2017 included additions to property and equipment for $1,854,237, $70,000 of cash paid for location contracts, and $32,233,024 paid for acquisitions.

Cash Used In/Generated from Financing Activities

Cash generated from financing activities during the nine months ended November 30, 2018 was $2,988,463 compared to $30,076,828 of cash generated from financing activities during the nine months ended November 30, 2017.

Cash generated from financing activities during the nine months ended November 30, 2018 included proceeds from long-term-debt of $75,744,668, $4,561,198 of debt transaction costs, restricted cash requirement of $1,000,000, repayment of long-term debt of $61,471,028, proceeds from options exercised of $215,859, and cash distributions of $5,969,848 paid to non-controlling interest.

Cash generated from financing activities during the nine months ended November 30, 2017 included advances from long-term debt of $38,400,000 for acquisitions, restricted cash requirement of $1,872,632, $2,219,727 of debt transaction costs, proceeds of $447,101 from private placement, proceeds of $75,360 from warrants exercised, proceeds of $1,240,478 from stock options exercised and $5,993,752 of cash distributions paid to non-controlling interest.

Working Capital

As of November 30, 2018, the Company had negative working capital of $5,601,061 compared to positive working capital of $1,422,232 as of February 28, 2018. Working capital is calculated by subtracting current liabilities from current assets without taking into consideration the derivative asset and liability.

There was a working capital deficiency as of November 30, 2018 due to the following reasons:

- Cash was used to pay down the promissory note related to the acquisition of the additional 9% interest in LBH

- The working capital deficiency is a result of the requirement to report 12 months of principal debt repayments as a current liability. This did not exist in Q3 2018 as the previous credit facility did not require any instalment payments. If we adjust these instalment payments from current liabilities, the Company has positive working capital of $1,689,491 as of November 30, 2018.

Recent Financings

Financing	**Purpose of Financing**	**Actual use of proceeds**
On April 9, 2018, LB closed a $75 million multi-draw credit facility, consisting of a term loan and a multi-draw term facility. On November 14, 2018 LB, entered into the first amendment to the multi-draw credit facility. The amendment increased the aggregate principal amount of the multi-draw credit facility to $100 million.	To refinance the Company's previous long-term debt and to finance future acquisitions.	Loan proceeds were used as intended.

Liquidity Outlook

The Company's cash flow is generated from distributions received from its interest in LB. We currently believe that our cash, cash flows from operations and borrowing availability under our credit facility will be sufficient to meet our capital requirements for the next twelve months. Given the cash flowing nature of LB's business there is a clear line of sight into the cash flow from operations and both LB and the Company's cash needs are more than satisfied by the cash generated by LB.

The Company monitors cash on a regular basis and reviews expenses and overhead to ensure costs and commitments are being paid in a timely manner. Management has worked with and negotiated with vendors to ensure payment arrangements are satisfactory for 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. Furthermore, management attempts to deploy capital to provide an appropriate investment return to its shareholders.

Other Items Affecting Liquidity

Items that may affect the liquidity of the Company for the next twelve months include (1) capital requirements pertaining to the maintenance of COAM machines and other capital expenditure requirements, (2) capital expenditure needs to improve the Company's newly acquired warehouse in the state of Georgia, (3) contractual obligations pertaining to the Company's debt covenants.

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 do 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 seeks to acquire 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.

The Company's credit facility with GSSLG contains the following covenants:

- <u>Fixed Charge Coverage Ratio</u>: LB cannot permit the Fixed Charge Coverage Ratio as of the last day of any fiscal quarter, beginning with the fiscal quarter ending June 30, 2018, to be less than 1.25:1.00.

- <u>Leverage Ratio</u>: LB cannot permit the Leverage Ratio as of the last day of any fiscal quarter, beginning with the fiscal quarter ending June 30, 2018, to exceed the correlative ratio indicated below:

Fiscal Quarter Ending	Leverage Ratio
June 30, 2018; and September 30, 2018	3.00:1.00
December 31, 2018; March 31, 2019; June 30, 2019; September 30, 2019; December 31, 2019; March 31, 2020; June 30, 2020; and September 30, 2020	2.75:1.00
December 31, 2020 and each Fiscal Quarter thereafter	2.50:1.00

- <u>Minimum Consolidated Liquidity</u>: LB cannot permit consolidated liquidity at any time to be less than the sum of (x) $1,000,000 plus (y) the Quarterly ECF Holdback at such time.

As at November 30, 2018, the Company was in compliance with the financial covenants related to its multi draw credit facility.

Other Opportunities

We may investigate and pursue expansion opportunities in our existing or new markets. Such expansion will be influenced and determined by a number of factors, which may include licensing availability and approval, suitable investment opportunities and availability of acceptable financing. Investigation and pursuit of such opportunities may require LB to make substantial investments or incur substantial costs, which may be funded through cash flows from operations or borrowing availability under the long-term debt facility. To the extent such sources of funds are not sufficient, LB may also seek to raise additional funds through public or private equity or debt financings or from other sources. No assurance can be given that additional financing will be available or that, if available, such financing will be obtainable on terms favorable to us. Moreover, we can provide no assurances that the investigation or pursuit of an opportunity will result in a completed transaction.

RELATED PARTY TRANSACTIONS

As of November 30, 2018, the Company's related parties and key management personnel consist of the Company's directors and executive officers.

Name/ Corporate Entity	Relationship	Nature of Transaction
Chad Williams/Gray Sky LLC	Chairman & Director	Director's fees and stock-based compensation

Name/ Corporate Entity	Relationship	Nature of Transaction
Manu K. Sekhri/ Ascendant Group Holdings Inc.	CEO & Director	Consulting fees and stock-based compensation
Peter Shippen/ Extra Medium Inc.	Director	Director's fees and stock-based compensation
Mark Lerohl/ Lerohl Consulting Inc.	Director	Director's fees and stock-based compensation
Sheila Ogilvie-Harris/ Ballakilley Property Holdings Limited	Director	Director's fees and stock-based compensation
Anil Damani	CEO, Lucky Bucks, LLC and 40% shareholder of Lucky Bucks Holdco, LLC	Management salaries
Paul Andersen/ Forbes Andersen LLP	Carried out duties of the CFO prior to October 31, 2016	Consulting fees
Ryan Bouskill/ Partner at Durward Jones Barkwell & Company LLP/ 2568646 Ontario Inc.	CFO	Consulting fees and stock-based compensation

Key management personnel are those people that have authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly. As of November 30, 2018, the Company's key management personnel consisted of the Company's directors and senior management. The Company incurred fees and expenses in the normal course of operations in connection with key management and directors. Details are as follows:

	Three Months Ended		Nine Months Ended	
	November 30, 2018	November 30, 2017	November 30, 2018	November 30, 2017
Salaries and short term benefits (1)	60,000	60,000	180,000	180,000
Director fees (2)	83,652	12,000	213,750	36,000
Share based compensation (3)	837,203	1,374,852	837,203	3,154,591
Consulting fees (4)	491,108	510,339	1,318,091	2,086,870

Notes:

(1) Salary and short-term benefits paid to Anil Damani for carrying out the CEO function at LB.

(2) Honorarium for serving as directors of the Board. As at November 30, 2018, the Company owed $66,265 relating to the director fees (February 28, 2018 – $86,686).

(3) To provide meaningful incentives, the Company issues stock-based compensation to directors and senior management.

(4) During the three and nine month period ended November 30, 2018, the Company incurred consulting fees of $212,047 and $727,500 (November 30, 2017 – $101,762 and $382,170), paid performance incentives of $253,005 and $516,537 (2017 -$360,102 and $1,033,205) directly tied to business acquisitions, paid a performance incentive of $Nil and $Nil (2017 - $Nil and $398,368) that related to the 3 for 1 share consolidation, paid a discretionary performance incentive of $Nil and $Nil (2017 - $Nil and $142,864) and reimbursed expenses to a corporation controlled by a director and officer of the Company. These services were incurred in the normal course of operations. As at November 30, 2018, $597,370 was owed relating to these consulting fees (February 28, 2018 – $1,571,917).

> For the three and nine months ended November 30, 2018, the Company incurred consulting fees of $26,056 and $74,054 (November 30, 2017 – $48,475 and $130,263) from Durward Jones Barkwell & Company LLP, an accounting firm at which Ryan Bouskill is a Partner. As at November 30, 2018, nil was owed relating to these consulting fees (February 28, 2018 – $15,879). These consulting fees were incurred by the Company for Ryan Bouskill to carry out the CFO duties.

For the nine months ended November 30, 2018, total distributions declared by Lucky Bucks Holdco, LLC to Anil Damani, 40% shareholder of Lucky Bucks Holdco, LLC totaled $5,083,144 (November 30, 2017 – $4,984,305). As at November 30, 2018, $Nil was owed relating to these distributions (February 28, 2018 – $886,704).

For the three and nine month period ended November 30, 2018, the Company paid rent of $41,192 and $115,263 (November 30, 2017 – $47,995 and $118,049) to Ascendant Group Holdings Inc., a company controlled by Manu K. Sekhri (CEO and Director of the Company)

As at November 30, 2018, $70,853 is due from Anil Damani, CEO of Lucky Bucks, LLC and 40% shareholder of Lucky Bucks Holdco, LLC.

As at November 30, 2018, $27,500 is due from 27th Group, a company controlled by Anil Damani, CEO of Lucky Bucks, LLC and 40% shareholder of Lucky Bucks Holdco, LLC.

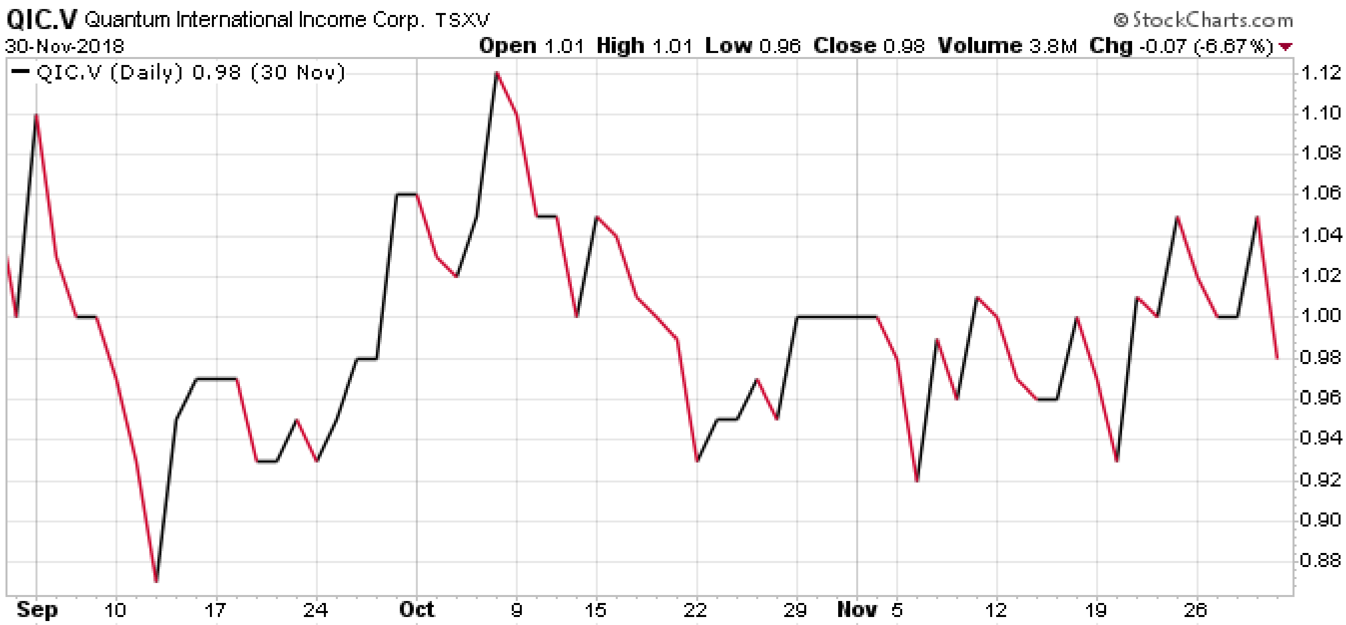
As at November 30, 2018, $172,914 was owed to Forbes Andersen LLP, an accounting firm at which Paul Andersen is the Managing Partner (February 28, 2018 – $268,244). The amount owed relates to Paul Andersen carrying out the CFO duties prior to October 21, 2016.

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

The above transactions occurred in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

STOCK PERFORMANCE FOR THE QUARTER

Time frame: August 31, 2018 – November 30, 2018



CRITICAL ACCOUNTING ESTIMATES AND USE OF JUDGEMENT

There have been no changes in the Company's critical accounting estimates and use of judgements in the three months ended November 30, 2018. Further information on the Company's critical accounting estimates and use of judgements can be found in the notes to the annual consolidated financial statements and MD&A for the year ended February 28, 2018.

RECENT ACCOUNTING PRONOUNCEMENTS

Changes in Accounting Policies Adopted

IFRS 9 Financial Instruments ("IFRS 9")

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

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

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

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

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

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

Financial assets measured at amortized cost are measured at cost using the effective interest method. The amortized cost is reduced by impairment losses at an amount equal to the lifetime expected credit losses that result from all possible default events over the expected life of the financial instrument. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets and the loss is recognized in the Interim Consolidated Statements of Income and Comprehensive Income. When a trade receivable is uncollectible, it is written off against the allowance for doubtful accounts.

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

Financial liabilities – The classification of financial liabilities is determined by the Company at initial recognition. The classification categories are as follows:

- Financial liabilities measured at amortized cost: financial liabilities initially measured at fair value less directly attributable transaction costs and are subsequently measured at amortized cost using the effective interest method. Interest expense is recognized in the interim consolidated statements of income and comprehensive income.

- Financial liabilities measured at fair value through profit or loss: financial liabilities measured at fair value with changes in fair value and interest expense recognized in the interim consolidated statements of income and comprehensive income.

- Financial liabilities are derecognized when the obligation in discharged, cancelled or expired.

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

	Classification Category	
Financial Instruments	**Original (IAS 39)**	**New (IFRS 9)**
Assets		
Cash	Loans and receivables	Financial assets at amortized cost
Restricted cash	Loans and receivables	Financial assets at amortized cost

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

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

Adoption of IFRS 9 did not have a significant impact on the Company's financial statements. Adoption of IFRS 9 did not result in any adjustments to the carrying value of the Company's financial instruments. Based on the assessment of the credit risk related to the Company's financial instruments, there has been no significant increase in the credit risk since initial recognition of the financial instruments and no additional credit loss was recorded on the date of the initial application of IFRS 9.

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

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

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

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

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

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

Recent accounting pronouncements

There were no new accounting pronouncements relevant to the Company's operations issued subsequent to February 28, 2018. For further details please refer to the annual consolidated financial statements of the Company for the year ended February 28, 2018.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

As of November 30, 2018, the Company's financial instruments consists of cash, restricted cash, accounts receivable, related party balances, note receivable, accounts payable and accrued liabilities, long-term debt, promissory note and derivative liability.

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

The carrying amounts of long-term debt approximate its 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 the current interest rates, market values and pricing of financial instruments with comparable terms.

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

The Company's risk exposures and the impact on its financial instruments are summarized below.

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, accounts receivable and note receivable.

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

Company is exposed to credit risk with respect to its accounts receivable. For the period ended November 30, 2018, all of the Company's gaming revenue is collected from GLC after location costs. These amounts are current at year end. Based on historic default rates and the credit quality of the GLC, no provisions have been recorded and no collateral is requested for the Company's receivables related to its gaming revenue.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company actively manages its liquidity through cash and equity management strategies. Such strategies include continuously monitoring forecasted and actual cash flows from operating, financing and investing activities, seeking to obtain financing through its existing shareholder and related companies.

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

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

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

As at November 30, 2018, the Company had cash balance of $2,819,200 (February 28, 2018 – $4,716,731). The Company is also expecting its revenue to continue to increase as a result of existing and new machine placements and future planned acquisitions.

The following table summarizes amounts and maturity dates of the Company's contractual obligations as of November 30, 2018:

	Within 1 Year	2-3 years	4-5 years	Total
Accounts payable and accrued liabilities	$ 4,674,416	$ -	$ -	$ 4,674,416
Related party balances	663,635	-	-	663,635
Promissory note	65,000	-	-	65,000
Long-term debt	7,356,966	15,268,938	50,097,461	72,723,365
	$ 12,760,017	$ 15,268,938	$ 50,097,461	$78,126,416

Interest Rate Risk

As of November 30, 2018, the Company had a multi draw credit facility with a carrying value of $68,407,902, with a face value of $72,478,773 and with a variable annual interest rate of LIBOR plus 7%. LIBOR rates fluctuate over time, new loan agreements may be entered into in the future or existing loans may be renewed at new interest rates, therefore the Company is subject to interest rate risk.

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 also 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.

OUTSTANDING SHARE DATA

The following table summarizes the maximum number of common shares potentially outstanding as at November 30, 2018 and as of the date of this MD&A if all share options outstanding and warrants outstanding were converted to common shares:

	November 30, 2018	January 29, 2018
Common shares outstanding	71,650,833	71,650,833
Warrants outstanding	5,985,904	5,985,904
Share options outstanding	7,165,068	7,165,068
Total	84,801,805	84,801,805

RISK FACTORS

Risks related to the businesses and industries of the Company

General economic conditions

The Company's operating subsidiary operates in the digital skilled-based gaming space in Georgia. The profitability of the Company is therefore dependent on favorable economic conditions to prevail in both countries for its successful operations. Decrease of employment rates in the U.S. could significantly impact potential patient population and thus can negatively impact our business.

Business risks related to operating in the digital skilled-based gaming space

The Company is subject to general business risks inherent in the operation of digital skilled-based gaming terminal locations, notably contract renewal risk, changes in regulation, competition from other operators, capital expenditure requirements, etc. Moreover, there is no assurance that the performance expected to be achieved at LB will be achieved. Any one of, or a combination of, these factors may adversely affect our business, results of operations and financial condition.

Fluctuations in revenues and payor mix

The Company's digital skill-based gaming terminal business is not significantly affected by variability of payments from third-party payors. The revenue cycle is highly regulated by the Georgia Lottery Corporation and the Company can monitor its weekly cash receipts to the Georgia COAM portal.

Key personnel

The Company's success is largely dependent upon retaining key personnel engaged in the digital skilled-based gaming terminal business. An inability to retain key employees may adversely affect our business, results of operations and financial condition.

Our success also depends on the efforts and abilities of our management, as well as our ability to attract additional qualified personnel to manage operations and future growth. Also, we maintain a key employee life insurance policies on the CEO of Quantum and the CEO of LB. The loss of a member of management, other key employee or partners could have an adverse effect on our business, operating results and financial condition.

Regulatory risks

LB's operation in the U.S. is subject to state rules and regulations as monitored by the Georgia Lottery Corporation. In April 2013, the Georgia Lottery Corporation statutorily assumed the regulatory duties of compliance and enforcement of Class A and Class B Coin Operated Amusement Machines (COAMs) in Georgia. The COAM Division of the GLC oversees these duties. Strict licensing standards, financial responsibilities, and connection/communication protocols are governed by GLC rules and state law. Awareness and education are the two most important fundamentals for a COAM license holder in today's industry. We believe that LB is currently in material compliance with all applicable licensing, financial responsibilities and connection/communication protocols. There can be no assurance that LB will be able to maintain all necessary licenses or certifications in good standing or that it will not be required to incur substantial costs in doing so. The failure to maintain all necessary licenses, certifications and accreditations in good standing, or the expenditure of substantial funds to maintain them, could have an adverse effect on our business, results of operations and financial condition.

Gaming Regulation

LB is subject to extensive federal, state, and local regulation. State and local government authorities in Georgia require LB to renew gaming master licenses and require officers, key employees and business entity affiliates to demonstrate suitability to be involved in gaming operations. These are privileged licenses or approvals which are not guaranteed by statute or regulation. State and local government authorities may limit, condition, suspend or revoke a license, impose substantial fines, and take other actions, any of which could have a material adverse effect on LB's business, financial condition, results of operations and prospects. We cannot assure you that LB will be able to obtain and maintain the gaming licenses and related approvals necessary to conduct our gaming operations. Any failure to maintain or renew our existing licenses, registrations, permits or approvals could have a material adverse effect on our business, financial condition, results of operations and prospects. Furthermore, if additional gaming laws or regulations are adopted, these regulations could impose additional restrictions or costs that could have a significant adverse effect on LB's business.

Acquisition strategy and concentration risk

The Company currently owns an interest in one digital skill-based gaming business (LB). Therefore, all of the risks are currently concentrated in a single business. LB owns terminals installed in various locations across the state of Georgia so the risks are diversified. The Company will continue to execute on its aggressive growth strategy through acquisitions in the Georgia digital skill-based gaming space. Failure to identify suitable acquisition targets and negotiate attractive consideration and acceptable financing terms may adversely affect the Company's performance. As of November 30, 2018 LB closed eleven acquisitions of other digital skill-based gaming businesses in Georgia.

Future growth depends on the ability to locate and secure financially attractive targets that meet the acquisition strategy of the Company, as well as the ability of accessing funds through capital markets to finance the transaction. Failure to identify suitable acquisition targets and negotiate attractive consideration and acceptable financing terms my adversely affect the Company's performance.

Any failure to successfully integrate our businesses and businesses we acquire could adversely affect our business, and we may not realize the full benefits of the strategic acquisitions.

Our ability to realize the anticipated benefits of the strategic acquisitions will depend, to a large extent, on our ability to successfully integrate our business and the businesses we acquire. Integrating and coordinating certain aspects of the operations and personnel of multiple businesses and managing the expansion in the scope of our operations and financial systems involves complex operational, technological and personnel-related challenges. The potential difficulties, and resulting costs and delays, relating to the integration of our business and the strategic acquisitions include:

- the difficulty in integrating newly acquired businesses and operations in an efficient and effective manner;
- the challenges in achieving strategic objectives, cost savings and other benefits expected from acquisitions;
- the diversion of management's attention from the day-to-day operations;
- additional demands on management related to the increased size and scope of our company following the acquisitions; and
- challenges in keeping existing customers and obtaining new customers.

There is no assurance that we will successfully or cost-effectively integrate our business and the businesses we acquire. In addition, the integration process may cause an interruption of, or loss of momentum in, the activities of our combined business. If management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, our business could suffer and our results of operations and financial condition may be harmed. Even if the businesses are successfully integrated, we may not realize the full benefits of the strategic acquisitions, including anticipated synergies, cost savings or growth opportunities, within the expected timeframes or at all.

In addition, we have incurred, and may incur additional, significant integration and restructuring expenses to realize synergies. However, many of the expenses that will be incurred are, by their nature, difficult to estimate accurately. These expenses could, particularly in the near term, exceed the savings that we expect to achieve from elimination of duplicative expenses and the realization of economies of scale and cost savings. Although we expect that the realization of efficiencies related to the integration of the businesses may offset incremental transaction and merger-related costs over time, we cannot give any assurance that this net benefit will be achieved in the near term, or at all. Any of these matters could materially adversely affect our businesses or harm our financial condition, results of operations and prospects.

Our business is geographically concentrated, which subjects us to greater risks from changes in local or regional conditions.

We currently conduct our business solely in Georgia. Due to this geographic concentration, our results of operations and financial condition are subject to greater risks from changes in local and regional conditions, such as:

- changes in local or regional economic conditions and unemployment rates;
- adverse weather conditions and natural disasters (including weather or road conditions that limit access to our properties)
- changes in local and state laws and regulations, including laws and regulations
- a decline in the number of residents in or near, or visitors to, our locations; and
- changes in the local or regional competitive environment.

Because of the geographic concentration of our business, we face a greater risk of a negative impact on our business, financial condition, results of operations and prospects in the event that any of the geographic areas in which we operate is more severely impacted by any such adverse condition, as compared to other areas in the United States.

Our business may be adversely affected by economic conditions, acts of terrorism, natural disasters, severe weather, contagious diseases and other factors affecting discretionary consumer spending, any of which could have a material adverse effect on our business.

The demand for gaming, entertainment and leisure activities is sensitive to downturns in the economy and the corresponding impact on discretionary consumer spending. Any actual or perceived deterioration or weakness in general, regional or local economic conditions, unemployment levels, the job or housing markets, consumer debt levels or consumer confidence, as well as any increase in gasoline prices, tax rates, interest rates, inflation rates or other adverse economic or market conditions, may lead to our customers having less discretionary income to spend on gaming and entertainment, any of which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Acts of terrorism, natural disasters, severe weather conditions and actual or perceived outbreaks of public health threats and pandemics could also significantly affect demand for gaming and entertainment, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. Furthermore, our gaming locations are subject to the risk that operations could be halted for a temporary or extended period of time, as a result of casualty, forces of nature, adverse weather conditions, flooding, mechanical failure, or extended or extraordinary maintenance, among other causes. If there is a prolonged disruption at any of our gaming locations due to natural disasters, terrorist attacks or other catastrophic events, our business, financial condition, results of operations and prospects could be materially adversely affected. Additionally, if extreme weather adversely impacts general economic or other conditions in the areas in which our gaming locations are located or from which we draw our customers or prevents customers from easily coming to our gaming locations, our business, financial condition, results of operations and prospects could be materially adversely affected.

We face substantial competition in the Georgia gaming space, and may lose market share.

The coin operated amusement machine market in Georgia, U.S. is highly competitive. LB competes with numerous gaming businesses of varying quality and size. LB faces direct competition from other master license holders in addition to ever-increasing competition from online gaming, including mobile gaming applications for smart phones and tablet computers, state-sponsored lotteries, card clubs, sports books, fantasy sports websites and other forms of legalized gaming.

LB incurred significant indebtedness in connection with the nine business acquisitions closed in fiscal 2018 and our significant indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations.

We incurred significant indebtedness in connection with the nine business acquisitions we closed in fiscal 2018. As of November 30, 2018, the total principal amount of our long term debt, was $75.7M. As a result of the increases in our outstanding debt, demands on our cash resources have increased. The increased level of debt could, among other things:

- require us to dedicate a larger portion of our cash flow from operations to the servicing and repayment of our debt, thereby reducing funds available for working capital, capital expenditures and acquisitions, and other general corporate requirements;

- limit our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements;

- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;

- restrict our ability to make strategic acquisitions or dispositions or to exploit business opportunities;
- increase our vulnerability to general adverse economic and industry conditions and increases in interest rates;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- adversely affect our credit rating or the market price of our common stock

Any of these risks could impact our ability to fund our operations or limit our ability to expand our business, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

LB may incur additional indebtedness, which could further increase the risks associated with our leverage.

LB may incur significant additional indebtedness in the future, which may include financing relating to capital expenditures, potential acquisitions or business expansion, working capital or general corporate purposes. The long term debt facility with the Company's lender includes a $24.3M multi-draw term loan, which was undrawn at November 30, 2018. In addition, our long term debt permits us, subject to specific limitations, to incur additional indebtedness. If new indebtedness is added to our current level of indebtedness, the related risks that we now face could intensify.

LB may not be able to generate sufficient cash flows to service all of the company's indebtedness and fund operating expenses, working capital needs and capital expenditures, and LB may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

LB's ability to make scheduled payments on or refinance our indebtedness will depend upon our future operating performance and our ability to generate cash flow in the future, which are subject to general economic, financial, business, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us in an amount sufficient to enable us to pay our indebtedness or fund our other liquidity needs. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investment and capital expenditures, dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations. LB's long-term debt restrict our ability to dispose of assets and use the proceeds from asset dispositions and may also restrict our ability to raise debt or equity capital to repay or service our indebtedness. If we cannot make scheduled payments on our debt, we will be in default and, as a result, our lenders could declare all outstanding amounts to be due and payable, terminate or suspend their commitments to loan money and foreclose against the assets securing such debt, and we could be forced into bankruptcy or liquidation, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects and could result in you losing your investment in our company.

Covenants in our debt instruments restrict our business and could limit our ability to implement our business plan.

LB's long-term debt facility contain, and any future debt instruments likely will contain, covenants that may restrict our ability to implement our business plan, finance future operations, respond to changing business and economic conditions, secure additional financing, and engage in opportunistic transactions, such as strategic acquisitions. Our long-term debt facility include covenants restricting, among other things, our ability to do the following:

- incur, assume or guarantee additional indebtedness;
- issue redeemable stock and preferred stock;
- grant or incur liens;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- make loans and investments;
- pay dividends, make distributions, or redeem or repurchase capital stock;
- enter into transactions with affiliates; and
- consolidate or merge with or into, or sell substantially all of our assets to, another person.

If LB defaults under any of the long-term debt facilities because of a covenant breach or otherwise, all outstanding amounts thereunder could become immediately due and payable. We cannot assure you that we will be able to comply with the covenants in LB's long-term debt facility or that any covenant violations will be waived. Any violation that is not waived could result in an event of default and, as a result, our lenders could declare all outstanding amounts to be due and payable, terminate or suspend their commitments to loan money and foreclose against the assets securing such debt, and we could be forced into bankruptcy or liquidation, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects and could result in you losing your investment in our company.

Changes to gaming tax laws could increase LB's cost of doing business and have a material adverse effect on LB's financial condition.

The gaming industry represents a significant source of tax revenue, particularly to the State of Georgia. Gaming companies are currently subject to significant state and local taxes and fees in addition to normal federal and state corporate income taxes, and such taxes and fees are subject to increase. From time to time, various federal, state and local legislators and other government officials have proposed and adopted changes in tax laws, or in the administration or interpretation of such laws, affecting the gaming industry. In addition, any worsening of economic conditions and the large number of state and local governments with significant current or projected budget deficits could intensify the efforts of state and local governments to raise revenues through increases in gaming taxes and/or property taxes. It is not possible to determine with certainty the likelihood of changes in tax laws or in the administration or interpretation of such laws. Any material increase, or the adoption of additional taxes or fees, could have a material adverse effect on our business, financial condition, results of operations and prospects.

LB's insurance coverage may not be adequate to cover all possible losses that our operations could suffer. In addition, LB's insurance costs may increase and we may not be able to obtain the same insurance coverage in the future.

Although LB has comprehensive property, automobile and liability insurance policies for our operations, with coverage features and insured limits that we believe are customary in their breadth and scope, each such policy has certain exclusions. Certain types of losses, generally of a catastrophic nature, such as earthquakes, hurricanes, floods or terrorist acts, or certain liabilities may be uninsurable or too expensive to justify obtaining insurance. Market forces beyond our control may also limit the scope of the insurance coverage LB can obtain or its ability to obtain coverage at reasonable rates. As a result, LB may not be successful in obtaining insurance without increases in cost or decreases in coverage levels. In addition, in the event of a major casualty, the insurance coverage LB carries may not be sufficient to pay the full market value or replacement cost of its lost investment or in some cases could result in certain losses being totally uninsured. As a result, LB could lose some or all of the capital we have invested, as well as the anticipated future revenue from operations, and LB could remain obligated for debt or other financial obligations, any of which could have a material adverse effect on LB's business, financial condition, results of operations and prospects. In addition to the damage caused to LB's operation by a casualty loss (such as fire, natural disasters, acts of war or terrorism), LB may suffer business disruption as a result of these events or be subject to claims by third parties injured or harmed. While we carry general liability insurance, this insurance may not be adequate to cover all losses in such event.

LB renews insurance policies on an annual basis. The cost of coverage may become so high that LB may need to reduce policy limits or agree to certain exclusions from coverage. Among other factors, it is possible that regional political tensions, homeland security concerns, other catastrophic events or any change in government legislation governing insurance coverage for acts of terrorism could materially adversely affect available insurance coverage and result in increased premiums on available coverage (which may cause LB to elect to reduce our policy limits), additional exclusions from coverage or higher deductibles.