

QUANTUM INTERNATIONAL INCOME CORP
(Formerly E.G. Capital Inc.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended August 31, 2014

(in Canadian Dollars)

(Unaudited)

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QUANTUM INTERNATIONAL INCOME CORP
(Formerly E.G. Capital Inc.)
Condensed Interim Consolidated Financial Statements
(Unaudited)

Management Comments

These Condensed Interim Consolidated Financial Statements of Quantum International Income Corp. for the period ended August 31, 2014 and all the information contained in this interim financial report are the responsibility of management and have been approved by the Board of Directors.

These Condensed Interim Consolidated Financial Statements of Quantum International Income Corp. for the three and six month periods ended August 31, 2014 as well as the related comparative data have not been reviewed or audited by external auditors.

October 30, 2014

Signed: *(signed) Grant White*
Grant White
Chief Executive Officer

QUANTUM INTERNATIONAL INCOME CORP
(Formerly E.G. Capital Inc.)
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
(All amounts in Canadian dollars)

	August 31, 2014	February 28, 2014
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (Note 5)	2,589,344	50,966
Accounts receivable (Note 6)	313,973	10,145
Prepaid expenses and other	131,543	-
Total current assets	3,034,860	61,111
Non-current assets		
Advances to related parties (Note 14)	12,145	-
Property and equipment (Note 4)	1,620,415	-
Intangible assets (Note 4)	2,035,773	-
Goodwill (Note 4)	164,261	-
Total non-current assets	3,832,594	61,111
TOTAL ASSETS	6,867,454	61,111
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and other liabilities (Note 7)	1,828,550	562,984
Income tax payable	8,808	-
Total liabilities	1,837,358	562,984
Equity		
Share capital (Note 8)	15,889,651	8,935,474
Contributed surplus (Note 8)	1,004,300	943,260
Deficit	(12,017,761)	(10,380,607)
Equity attributable to owners	4,876,190	(501,873)
Non-controlling interest	153,906	-
Total equity	5,030,096	(501,873)
TOTAL LIABILITIES AND EQUITY	6,867,454	61,111

ON BEHALF OF THE BOARD

(signed) Manu Sekhri

 Manu Sekhri, Director

(signed) Grant White

 Grant White, Director

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

QUANTUM INTERNATIONAL INCOME CORP
(Formerly E.G. Capital Inc.)

Condensed Interim Consolidated Statements of Comprehensive Income

(Unaudited)

(All amounts in Canadian dollars)

	Three months ended		Six months ended	
	August 31,	August 31,	August 31,	August 31,
	2014	2013	2014	2013
	\$	\$	\$	\$
REVENUE	-	-	-	-
Administrative expenses (Note 10)	(1,377,355)	(85,106)	(1,683,741)	(101,271)
Finance income	1,361	-	1,361	-
Finance costs	(971)	(18)	(8,356)	(36)
Loss on foreign exchange	(3,837)	(1,134)	(3,837)	(1,134)
LOSS BEFORE TAXES	(1,380,802)	(86,258)	(1,694,573)	(102,441)
Income taxes (Note 11)				
Current	-	-	-	-
NET LOSS AND COMPREHENSIVE LOSS	(1,380,802)	(86,258)	(1,694,573)	(102,441)
Attributable to:				
Owners	(1,323,383)	(86,258)	(1,637,154)	(102,441)
Non-controlling interest	(57,419)	-	(57,419)	-
	(1,380,802)	(86,258)	(1,694,573)	(102,441)
Earnings (loss) per share attributable to owners				
Basic and diluted (Note 12)	(0.05)	(0.00)	(0.07)	(0.00)
Weighted average common shares issued and outstanding (Note 12)	26,173,587	19,014,974	23,255,977	19,014,974

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

QUANTUM INTERNATIONAL INCOME CORP

(Formerly E.G. Capital Inc.)

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

(All amounts in Canadian dollars)

	Attributable to Owners			Total	Non-controlling interest	Total Equity
	Share Capital	Contributed Surplus	Deficit			
	\$	\$	\$	\$	\$	\$
Balance as at February 28, 2013	8,935,474	943,260	(9,917,760)	(39,026)	-	(39,026)
Net comprehensive loss for the period	-	-	(102,441)	(102,441)	-	(102,441)
Balance as at August 31, 2013	8,935,474	943,260	(10,020,201)	(141,467)	-	(141,467)
Balance as at February 28, 2014	8,935,474	943,260	(10,380,607)	(501,873)	-	(501,873)
Equity issuance (Note 8)	7,614,045	-	-	7,614,045	-	7,614,045
Warrant issuance (Note 8)	-	61,040	-	61,040	-	61,040
Warrants exercised (Note 8)	62,250	-	-	62,250	-	62,250
Share issuance costs (Note 8)	(740,118)	-	-	(740,118)	-	(740,118)
Stock based payments (Note 8)	18,000	-	-	18,000	-	18,000
Acquisitions (Note 4)	-	-	-	-	211,325	211,325
Net comprehensive loss for the period	-	-	(1,637,154)	(1,637,154)	(57,419)	(1,694,573)
Balance as of August 31, 2014	15,889,651	1,004,300	(12,017,761)	4,876,190	153,906	5,030,096

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

QUANTUM INTERNATIONAL INCOME CORP**(Formerly E.G. Capital Inc.)****Condensed Interim Consolidated Statements of Cash Flows***(Unaudited)**(All amounts in Canadian dollars)*

	Six months ended	
	August 31, 2014	August 31, 2013
	\$	\$
OPERATING ACTIVITIES		
Net loss	(1,694,573)	(102,441)
Items not affecting cash	-	-
	(1,694,573)	(102,441)
Net change in non-cash operating working capital (Note 15)	835,874	29,163
Cash flows used in operating activities	(858,699)	(73,278)
INVESTING ACTIVITIES		
Recovery of cash held in trust	712	-
Acquisition of MME interest, net of cash acquired (Note 4)	29,951	-
Purchase of Roseland Assets (Note 4)	(3,585,080)	-
License transfer costs (Note 4)	(63,011)	-
Cash flows from investing activities	(3,617,428)	-
FINANCING ACTIVITIES		
Proceeds from share issuance (Note 8)	7,614,045	-
Share issuance costs (Note 8)	(661,078)	-
Proceeds from warrants exercised (Note 8)	62,250	-
Cash flows from financing activities	7,015,217	-
Net change in cash and cash equivalents	2,539,090	(73,278)
Cash and cash equivalents, beginning of period	50,254	206,354
Cash and cash equivalents, end of period	2,589,344	133,076
Supplemental information		
Interest paid	(155,864)	-
Interest received	1,361	-

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

QUANTUM INTERNATIONAL INCOME CORP

(Formerly E.G. Capital Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended August 31, 2014

(amounts in Canadian dollars, unless otherwise stated)

1. REPORTING ENTITY

The business of Quantum International Income Corp. (“the Company” or “Quantum”) is to identify, evaluate, acquire and develop businesses or assets with sustainable and growing cash flows across multiple sectors. The transactions described in Note 4 were completed effective August 28, 2014 in connection with a change of business transaction. Reactivation on the TSX Venture Exchange (the “Exchange”) was conditionally approved effective August 28, 2014.

Effective March 14, 2014, the name of the Company changed from “E.G. Capital Inc.” to “Quantum International Income Corp”.

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

The condensed interim consolidated financial statements of the Company as at August 31, 2014 comprise the Company and its subsidiaries (collectively the “Group”). The Company’s operating subsidiaries and ownership interests are as follows:

	<u>Ownership interest</u>
Multiple Media Entertainment Inc. (“MME”)	66.7 %
Quantum CSS Holdings Corp (“CSS-H”)	100 %
Centers for Special Surgery, LLC (“CSS”)	50 %
Center for Special Surgery of Essex County, LLC (“CSS-Essex”)	50 %

MME is incorporated in Ontario, CSS-H and CSS are Delaware limited liability companies and CSS-Essex is a New Jersey limited liability company.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim consolidated financial statements do not include all of the information required for annual financial statements prepared under International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the Company’s audited consolidated financial statements and the notes thereto for the year ended February 28, 2014.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on October 30, 2014.

(b) Basis of measurement

These condensed interim consolidated financial statements have been prepared on the historical cost basis except as permitted by IFRS and as otherwise indicated within these notes.

(c) Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

QUANTUM INTERNATIONAL INCOME CORP

(Formerly E.G. Capital Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended August 31, 2014

(amounts in Canadian dollars, unless otherwise stated)

2. BASIS OF PREPARATION (CONT'D)

(d) Basis of consolidation

The consolidated financial statements comprise the accounts of the Company and its subsidiaries.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(e) Use of estimates and judgments

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

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

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

- i) the fair value of assets and liabilities acquired (Note 4),
- ii) the fair value of warrants issued in settlement of agent's fees (Note 8), and
- iii) deferred tax assets that are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed interim consolidated financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in the Company's audited consolidated financial statements for the year ended February 28, 2014.

The following accounting policies have become applicable and been applied in the preparation of these condensed interim consolidated financial statements:

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

QUANTUM INTERNATIONAL INCOME CORP

(Formerly E.G. Capital Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended August 31, 2014

(amounts in Canadian dollars, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign currencies

The Company's consolidated financial statements are presented in Canadian dollars, which is also the parent company's functional currency. For each entity the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Company uses the direct method of consolidation.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Company's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into Canadian dollars at the rate of exchange prevailing at the reporting date and their income statements are translated at the monthly average exchange rates as an approximation of the exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Taxes

Current income tax

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

QUANTUM INTERNATIONAL INCOME CORP

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For the Three and Six Months Ended August 31, 2014

(amounts in Canadian dollars, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Property and equipment

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

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value, using the straight-line method over the estimated useful lives of the related assets.

The estimated useful lives for depreciation purposes are as follows:

Medical equipment	5-10 years
Office furniture and equipment	5-10 years
Computer equipment	2-5 years
Leasehold improvements	Lease term

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

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

Leases

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

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

QUANTUM INTERNATIONAL INCOME CORP

(Formerly E.G. Capital Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended August 31, 2014

(amounts in Canadian dollars, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

The estimated useful lives of intangible assets are as follows:

ASC operating licenses	11 years
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Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of loss and comprehensive loss as the expense category that is consistent with the function of the intangible assets.

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

Goodwill

On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds such net assets. Goodwill arising on acquisitions is capitalized and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. Goodwill is allocated to cash generating units for the purpose of this impairment testing.

Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

QUANTUM INTERNATIONAL INCOME CORP

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended August 31, 2014

(amounts in Canadian dollars, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Segment reporting

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

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

New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the period ended August 31, 2014, and have not been applied in preparing these condensed interim consolidated financial statements:

IFRS 9, Financial instruments ("IFRS 9")

IFRS 9 replaces International Accounting Standard 39, Financial Instruments: Recognition and Measurement ("IAS 39"), and establishes principles for the financial reporting of financial assets and financial liabilities to permit users to assess the amounts, timing and uncertainty of an entity's future cash flows. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with earlier application permitted. The Company is currently assessing the impact of IFRS 9 on its consolidated financial statements.

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

In May 2014, the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) issued their joint revenue recognition standard, IFRS 15 Revenue from Contracts with Customers, which replaces all existing IFRS and US GAAP revenue requirements.

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles).

Application is required for annual periods beginning on or after 1 January 2017. Early adoption is permitted under IFRS. The Company is currently assessing the impact of IFRS 15 on its consolidated financial statements.

QUANTUM INTERNATIONAL INCOME CORP

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Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended August 31, 2014

(amounts in Canadian dollars, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

IFRS 11, Joint Arrangements ("IFRS 11")

In May 2014, The International Accounting Standards Board (IASB) published amendments to IFRS 11 Joint Arrangements. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments are effective for annual periods beginning on or after 1 January 2016. The Company is currently assessing the impact of IFRS 9 on its consolidated financial statements.

4. ACQUISITIONS

INVESTMENT IN MME

On August 28, 2014 Quantum completed a subscription for securities in the capital of MME that carry a voting interest in MME equivalent to two-thirds of the issued and outstanding voting securities (the "MME Interest"). The consideration paid by Quantum for the MME Interest was \$500,000.

MME is a full service media content and distribution company headquartered in Toronto, Ontario. As a result of the acquisition, Quantum expects its capital investment to be used to grow the business of MME through acquisition of commercially viable content that can be exploited over and across multiple distribution windows, licensing periods, media, merchandising and licensing platforms.

The business combination is being accounted for by applying the acquisition method. The following table summarizes the consideration paid and the recognized amounts of identifiable assets acquired and liabilities assumed as well as the non-controlling interest in MME at the acquisition date. The non-controlling interest has been measured under the proportionate interest model at one-third of the identifiable net assets.

The MME preliminary purchase price allocation is presented below:

	\$
Cash and cash equivalents	529,951
Trade and other receivables	242,067
Equipment	8,098
Other non-current assets	13,877
Goodwill	164,261
Trade and other payables	(290,384)
Non-controlling interest	(167,870)
Fair value of net assets acquired	500,000

Cash and cash equivalents includes the Quantum investment in MME of \$500,000.

QUANTUM INTERNATIONAL INCOME CORP

(Formerly E.G. Capital Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended August 31, 2014

(amounts in Canadian dollars, unless otherwise stated)

4. ACQUISITIONS (CONT'D)

Goodwill recognized on the acquisition relates to the expected growth and cost synergies which cannot be separately recognized as an intangible asset. None of the goodwill recognized is expected to be deductible for income tax purposes.

Based on management's preliminary assessment, there are no identifiable intangible assets in MME that would be recognized and accounted for independently from goodwill.

Had the acquisition occurred on March 1, 2014, MME would have contributed \$64,525 and \$135,154 to the Group's revenue for the three and six months ended August 31, 2014, respectively. The impact on the Group's net loss would have been immaterial. These amounts have been determined by applying the Group's accounting policies.

ACQUISITION OF ROSELAND ASSETS AND INVESTMENT IN CSS

On August 28, 2014, Quantum closed an asset purchase agreement with Roseland Ambulatory Surgery Center, LLC to purchase assets ("Roseland Assets") including its exclusive ASC license, surgical equipment and supplies on site. The purchase price for the assets was \$3,585,080 (\$3,300,000 USD).

The preliminary purchase price allocation resulting from the Roseland Assets purchase is as follows:

	\$
ASC License	1,972,762
Medical Equipment	1,186,969
Leasehold Improvements	271,597
Computer and Electronics	61,626
Office Furniture and Equipment	59,534
Plant and Equipment	32,592
Consideration paid	3,585,080

In addition the Company paid license transfer costs of \$63,011 which are included in the cost of the ASC license in intangible assets.

On August 5, 2014, Quantum, via its wholly owned subsidiary Quantum CSS Holdings Corp, entered into a limited liability company operating agreement with DGAT Partners ("DGAT"), an affiliate of a medical group ("NYCSA") practice based in New York, to form Centers for Special Surgery, LLC ("CSS"), a Delaware limited liability company. A wholly-owned subsidiary of CSS, Center for Special Surgery of Essex County, LLC ("CSS-Essex"), a New Jersey limited liability company, ultimately completed the acquisition of the Roseland Assets.

Quantum and DGAT initially capitalized CSS with an investment of \$4,345,552 (\$4,000,000USD) comprised of \$4,291,233 (\$3,950,000USD) debt from Quantum (the "Debt Advance") and equity from both Quantum and DGAT of \$10,864 (\$10,000USD) and \$43,455 (\$40,000USD) respectively, which was used to complete the acquisition of the Roseland Assets and fund initial working capital requirements of CSS-Essex.

QUANTUM INTERNATIONAL INCOME CORP

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Notes to the Condensed Interim Consolidated Financial Statements**For the Three and Six Months Ended August 31, 2014***(amounts in Canadian dollars, unless otherwise stated)***5. CASH AND CASH EQUIVALENTS**

	August 31, 2014	February 28, 2014
	\$	\$
Cash	2,189,344	50,254
Cash held in trust, contracted in CDN dollars	-	712
Guaranteed investment certificates	450,000	-
	<u>2,589,344</u>	<u>50,966</u>

Cash includes deposits in a US dollar chequing account in the amount of \$586,403 (US\$539,320).

6. ACCOUNTS RECEIVABLE

	August 31, 2014	February 28, 2014
	\$	\$
Trade receivables	236,438	-
Sales taxes recoverable	34,080	10,145
Membership subscription receivable from DGAT	43,455	-
	<u>313,973</u>	<u>10,145</u>

7. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	August 31, 2014	February 28, 2014
	\$	\$
Trade payables	813,017	174,593
Accrued liabilities	1,015,533	388,391
	<u>1,828,550</u>	<u>562,984</u>

QUANTUM INTERNATIONAL INCOME CORP

(Formerly E.G. Capital Inc.)

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended August 31, 2014

(amounts in Canadian dollars, unless otherwise stated)

8. CAPITAL AND OTHER COMPONENTS OF EQUITY

Share capital

The authorized share capital of the Company consists of an unlimited number of voting common shares without par value.

	Common Shares	Warrants	Share Capital
Balance as at February 28, 2014	19,014,974	-	\$ 8,935,474
Share consolidation	(17,114,869)	-	-
Equity issuance	41,640,128	-	7,614,045
Warrant issuance	-	24,233,994	-
Warrants exercised	622,500	(622,500)	62,250
Share issuance costs	-	-	(740,118)
Stock based payments	360,000	-	18,000
Balance as of August 31, 2014	44,522,733	23,611,494	\$ 15,889,651

Share consolidation

On March 14, 2014, the Company completed a one for ten consolidation of its common shares. The 19,014,974 common shares issued and outstanding prior to the consolidation have been consolidated to approximately 1,900,105 common shares.

Equity issuance

In March 2014, 23,200,000 Units were sold at a price of \$0.05 per Unit for gross cash proceeds of \$1,160,000. Each Unit is comprised of one common share in the capital of the Company ("Unit Shares") and one common share purchase warrant ("Warrants"). Each Warrant will entitle the holder thereof to purchase one common share of the Company at a price of \$0.10 per common share for a period of 12 months after the date of the issue of the Warrants.

In August 2014, the Company closed a private placement for gross proceeds of \$6,454,045 comprising 18,440,128 common shares at \$0.35 per share.

Share issuance costs

The Company incurred \$46,200 of share issuance costs associated with the March 2014 equity issuance. \$28,200 was paid in cash and \$18,000 was paid through common shares of the Company. The value of the shares was determined by the fair market value of the services provided.

The Company incurred \$693,918 of share issuance costs associated with the August 2014 equity issuance. \$632,878 was paid in cash and 1,033,994 warrants were granted in settlement of \$61,040 of agent's commissions. Each warrant allows the holder to purchase one common shares at \$0.35 per share, for a 24 month period from the date of closing of the private placement. The warrants were valued at the estimated fair market value of the services rendered and charged to contributed surplus.

Share based payments

The Company paid a finder's fee in relation to the private placement in the amount of \$18,000 which was paid through the issuance of 360,000 additional common shares.

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8. CAPITAL AND OTHER COMPONENTS OF EQUITY (CONT'D)

Warrants

During the period 622,500 warrants were exercised for the purchase of 622,500 common shares at \$0.10 per share for total proceeds of \$62,250.

As at August 31, 2014, the Company had outstanding warrants as follows:

<u>Number of warrants</u>	<u>Exercise price</u>	<u>Expiry</u>
22,577,500	\$ 0.10	3/19/2015
1,033,994	\$ 0.35	8/11/2016

Contributed surplus

The fair market value of warrants issued in settlement of agent's commission in the amount of \$61,040 was charged to contributed surplus during the period.

9. SHARE OPTION PLAN

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

There has been no change to the number of options granted by the Company during the period ended August 31, 2014 or the fiscal years ending February 28, 2014 and February 28, 2013. There are no outstanding options as of August 31, 2014 and February 28, 2014.

10. ADMINISTRATIVE EXPENSES

Components of administrative expenses:

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>August 31,</u>	<u>August 31,</u>	<u>August 31,</u>	<u>August 31,</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Professional and advisory fees	1,007,734	77,101	1,131,035	89,101
Management fees	217,023	-	319,442	-
Regulatory and filing fees	32,463	7,419	59,648	11,584
Salaries and benefits	16,366	-	26,322	-
General administrative expenses	103,769	586	147,294	586
	<u>1,377,355</u>	<u>85,106</u>	<u>1,683,741</u>	<u>101,271</u>

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11. INCOME TAXES

Deferred tax assets are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. The Company did not recognize deferred tax assets of \$1.8 million. The Company has Canadian non-capital losses of approximately \$5.0 million which will begin to expire in 2016 and U.S. net operating losses of approximately \$57,000 which will begin to expire in 2035.

The Company has also accumulated deductible research and development expenses of \$1.5 million for Federal and Québec purposes, and capital losses of \$4.1 million for Federal, Québec and Ontario purposes. These elements are available to reduce future taxable income without limit of time. The potential tax benefits of these elements have not been recognized in these financial statements.

12. EARNINGS (LOSS) PER SHARE

As the Company incurred a net loss during the three and six months ended August 31, 2014 and 2013, the loss and diluted loss per common share are based on the weighted-average common shares outstanding during the period. The following outstanding instruments could have a dilutive effect in the future:

	As at August 31, 2014
Common shares issuable on exercise of warrants	23,611,494

13. OPERATING SEGMENTS

Management has identified three reportable business segments subsequent to the Acquisitions described in Note 4. 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 three reportable business segments are:

- Medical center operation in the USA, operated through CSS ("CSS")
- Purchase and sale of media content creation and distribution in Canada, operated through MME ("MME")
- Other, including head office expenses and office of the CEO ("Quantum")

There were no revenues from CCS or MME in the three and six months ended August 31, 2014 and 2013.

Assets of CSS are held in the USA, all other assets are held in Canada.

	Quantum \$	CSS \$	MME \$	Total \$
Total assets as at August 31, 2014	2,289,402	3,784,059	793,993	6,867,454
Total assets as at February 28, 2014	61,111	-	-	61,111

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14. RELATED PARTY TRANSACTIONS AND BALANCES

The Company paid fees to some officers and directors during the three and six months ended August 31, 2014 totalling \$nil (six months ended August 31, 2013 - \$5,475).

During the three and six months ended August 31, 2014, management fees of \$196,146 and \$296,146, respectively, were paid to corporations controlled by officers and directors of the Company (three and six months ended August 31, 2013 - \$nil). As of August 31, 2014, the Company has accrued management fees payable to corporations controlled by officers and directors of the Company in the amount of \$Nil (February 28, 2014 - \$54,444). The management fees are included in administrative expenses.

As part of the private placement financing on March 20, 2014, the Company received \$100,000 of contribution by corporations controlled by officers and directors of the Company.

Rent paid to a corporation controlled by a director of the Company during the three and six months ended August 31, 2014 in the amount of \$24,334 and \$44,231, respectively (three and six months ended August 31, 2013 - \$nil). The terms of the rental agreement are month to month and pricing is set at arm's length.

The subsidiary company, MME has advances due from iPowow! Canada Corp., a company indirectly controlled by the minority shareholders, in the amount of \$12,145 as at August 31, 2014. The advances are non-interest bearing with no specific terms of repayment and are not expected to be repaid within one year.

15. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash operating working capital:

	Six months ended	
	August 31, 2014	August 31, 2013
	\$	\$
Accounts receivable	(23,935)	5,812
Prepaid expenses and other	(124,181)	-
Accounts payable and other liabilities	983,990	23,351
	835,874	29,163

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16. COMMITMENTS

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

	August 31, 2014
	\$
Less than 1 year	608,509
Between 2 and 5 years	2,453,946
Greater than 5 years	4,018,883
	<hr/> 7,081,338 <hr/>

On November 21, 2013 the Board approved an asset management agreement granting Quantum International Asset Management Corp the exclusive authority to manage the undertaking, business, and affairs of the Company. Included in the asset management agreement are provisions for a monthly minimum asset management fee of \$33,333 which commences upon regulatory approval and successful completion of a reactivation transaction. The asset management agreement remains in effect for a 7 year term. Quantum International Asset Management Corp is 100% owned by two directors and officers of the Company.