QUANTUM INTERNATIONAL INCOME CORP

CONSOLIDATED FINANCIAL STATEMENTS
For the years ended February 28, 2015 and 2014

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
QUANTUM INTERNATIONAL INCOME CORP

We have audited the accompanying consolidated financial statements of **QUANTUM INTERNATIONAL INCOME CORP**, which comprise the consolidated statements of financial position as at February 28, 2015 and February 28, 2014 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

MAZARS HAREL DROUIN, LLP

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CHARTERED PROFESSIONAL ACCOUNTANTS

MAZARS

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **QUANTUM INTERNATIONAL INCOME CORP** as at February 28, 2015 and February 28, 2014, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Mazars Harel Drouin, LLP [1]

Montréal, June 23, 2015

1. CPA auditor, CA, public accountancy permit no. A108185

QUANTUM INTERNATIONAL INCOME CORP

Consolidated Statements of Financial Position

(All amounts in U.S. dollars)

	February 28, 2015 $	February 28, 2014 $	March 1, 2013 $
ASSETS			
Current assets			
Cash and cash equivalents (Note 5)	520,594	46,017	200,638
Accounts receivable (Note 6)	513,117	9,160	22,307
Medical supplies	59,238	-	-
Prepaid expenses and other	38,347	-	-
Total current assets	1,113,296	55,177	222,945
Non-current assets			
Advances to related parties (Note 17)	9,713	-	-
Long term deposits	169,404	-	-
Property and equipment (Note 7)	1,532,556	-	-
Intangible assets (Note 8)	1,788,714	-	-
Goodwill (Note 8)	131,376	-	-
Total non-current assets	3,631,763	-	-
TOTAL ASSETS	4,763,059	55,177	222,945
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other liabilities (Note 9)	2,058,122	508,318	260,890
Current portion of lease obligation (Note 10)	19,908	-	-
Income tax payable	2,614	-	-
Total current liabilities	2,080,644	508,318	260,890
Lease obligation net of current portion (Note 10)	42,701	-	-
Total liabilities	2,123,345	508,318	260,890
Equity			
Share capital (Note 11)	13,405,158	6,752,638	6,752,638
Contributed surplus (Note 11)	732,342	657,731	657,731
Accumulated other comprehensive income	2,107,318	2,096,581	2,080,176
Deficit	(13,117,661)	(9,960,091)	(9,528,490)
Equity attributable to owners	3,127,157	(453,141)	(37,945)
Non-controlling interest	(487,443)	-	-
Total equity	2,639,714	(453,141)	(37,945)
TOTAL LIABILITIES AND EQUITY	4,763,059	55,177	222,945

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 consolidated financial statements

QUANTUM INTERNATIONAL INCOME CORP
Consolidated Statements of Comprehensive Income
(All amounts in U.S. dollars)

	February 28, 2015 $	February 28, 2014 $
Revenue		
Patient revenue	223,674	-
Net licensing revenue	89,374	-
	313,048	-
		-
Operating and other expenses		
General and administrative expenses (Note 13)	(4,152,411)	(419,208)
Finance income	2,885	-
Finance costs	(11,250)	(10,967)
Gain (loss) on foreign exchange	33,682	(1,426)
	(4,127,094)	(431,601)
LOSS BEFORE TAXES	(3,814,046)	(431,601)
Income taxes (Note 14)		
Current	-	-
NET LOSS	(3,814,046)	(431,601)
Attributable to:		
Owners	(3,157,570)	(431,601)
Non-controlling interest	(656,476)	-
	(3,814,046)	(431,601)
Other comprehensive income (loss)		
Foreign currency translation reserve	(14,620)	16,405
NET LOSS AND COMPREHENSIVE LOSS	(3,828,666)	(415,196)
Attributable to:		
Owners	(3,146,833)	(415,196)
Non-controlling interest	(681,833)	-
	(3,828,666)	(415,196)
Earnings (loss) per share attributable to owners		
Basic and diluted (Note 15)	(0.09)	(0.23)
Weighted average common shares issued and outstanding (Note 15)	34,017,026	1,900,105

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

QUANTUM INTERNATIONAL INCOME CORP
Consolidated Statements of Changes in Equity
(All amounts in U.S. dollars)

	Attributable to Owners						
	Share Capital $	Contributed Surplus $	Deficit $	Accumulated Other Comprehensive Income $	Total $	Non-controlling Interest $	Total Equity $
Balance as at February 28, 2013	6,752,638	657,731	(9,528,490)	2,080,176	(37,945)	-	(37,945)
Net loss for the period	-	-	(431,601)	-	(431,601)	-	(431,601)
Foreign currency translation reserve	-	-	-	16,405	16,405	-	16,405
Balance as at February 28, 2014	6,752,638	657,731	(9,960,091)	2,096,581	(453,141)	-	(453,141)
Equity issuance (Note 11)	6,939,844	-	-	-	6,939,844	-	6,939,844
Share based payments (Note 11)	15,998	74,611	-	-	90,609	-	90,609
Warrants exercised (Note 11)	376,845	-	-	-	376,845	-	376,845
Share issuance costs (Note 11)	(680,167)	-	-	-	(680,167)	-	(680,167)
Acquisitions (Note 4)	-	-	-	-	-	194,390	194,390
Net loss for the period	-	-	(3,157,570)	-	(3,157,570)	(656,476)	(3,814,046)
Foreign currency translation reserve	-	-	-	10,737	10,737	(25,357)	(14,620)
Balance as at February 28, 2015	13,405,158	732,342	(13,117,661)	2,107,318	3,127,157	(487,443)	2,639,714

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

QUANTUM INTERNATIONAL INCOME CORP

Consolidated Statements of Cash Flows

(All amounts in U.S. dollars)

	February 28, 2015 $	February 28, 2014 $
OPERATING ACTIVITIES		
Net loss	(3,814,046)	(431,601)
Items not affecting cash		
Amortization of property and equipment and intangible assets	234,670	-
Net loss on disposal of assets	72,000	-
Net change in non-cash operating working capital (Note 18)	949,489	294,085
Stock based compensation	18,387	-
Cash flows used in operating activities	(2,539,500)	(137,516)
INVESTING ACTIVITIES		
Acquisition of MME interest, net of cash acquired (Note 4)	27,546	-
Purchase of Roseland Assets (Note 4)	(3,300,000)	-
License transfer costs (Note 4)	(58,000)	-
Long term deposit	(169,404)	-
Additions to property and equipment	(199,198)	-
Cash flows used in investing activities	(3,699,056)	-
FINANCING ACTIVITIES		
Finance lease repayment	(1,591)	-
Cash held in trust	-	(681)
Proceeds from equity issuance (Note 11)	6,939,844	-
Share issuance costs (Note 11)	(607,944)	-
Proceeds from warrants exercised (Note 11)	376,845	-
Cash flows from (used in) financing activities	6,707,154	(681)
Net change in cash and cash equivalents	468,598	(138,197)
Cash and cash equivalents, beginning of period	46,017	200,638
Foreign exchange impact on cash	5,979	(16,424)
Cash and cash equivalents, end of period	520,594	46,017
Supplemental information		
Interest paid	(145,391)	-
Interest received	2,885	-

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

1. REPORTING ENTITY

Quantum is a Healthcare company focused on delivering national integrated health solutions in the United States. The Company seeks to back management teams with strong operational track records and deep healthcare experience. The Company intends for acquired businesses or assets to fit synergistically within a strategic framework, have a proven operating history, opportunities for standalone growth and, potentially in some cases, national expansion. Potential acquisition targets will be in various related areas of the US healthcare industry in different geographic regions to allow for diversification. Overall, Quantum seeks to integrate and grow business in order to generate capital appreciation and, potentially in the future, stable distributions to its shareholders.

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”) occurred on September 24, 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 consolidated financial statements of the Company as at February 28, 2015 comprise the Company and its subsidiaries (collectively the “Group”). The Company’s operating subsidiaries and ownership interests are as follows:

	Ownership interest
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 is a Delaware company, CSS is a Delaware limited liability company and CSS-Essex is a New Jersey limited liability company.

2. BASIS OF PREPARATION

(a) Statement of compliance

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

These consolidated financial statements were approved by the Board of Directors on June 23, 2015.

(b) Basis of measurement

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

(c) Functional and presentation currency

The Company’s consolidated financial statements are presented in United States dollars, which is also the group’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.

2. BASIS OF PREPARATION (CONT'D)

(d) Basis of consolidation
The Company uses the direct method 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 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 consolidated 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 11), 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
iv) useful lives and recoverable values of property plant and equipment and intangible assets
v) Control over CSS and CSS-Essex due to reasons other than percentage of ownership (Note 3)
vi) Patient revenue is estimated in the period in which the related services are rendered. The amount is adjusted as required in subsequent periods based on final settlements and collections.
vii) valuation of stock based compensation

3. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

These consolidated financial statements include the accounts of the Company and all domestic and foreign subsidiary companies. Subsidiaries are those entities which the Company controls by having the power to direct the financial and operating activities and has exposure, or rights, to variable returns from those activities. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash and cash equivalents

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

Change in functional currency and presentation currency

Following Quantum becoming the parent company of CSS, on September 1, 2014, management have concluded that the most appropriate functional currency of the Company would be the US dollar ("USD"). This reflects the fact that the majority of the Group's business is influenced by economic environment denominated in USD currency as well as, the Company will retain distributable in USD. The previous functional currency of the Company was the Canadian dollar ("CAD").

In accordance with IAS 21 - The Effects of Changes in Foreign Exchange Rates, a change in functional currency is accounted for prospectively. Therefore, on the date of the change of functional currency all assets and liabilities were translated into USD at the exchange rate on that date. Income and expenses were translated into USD at an average rate for the period. Share capital, contributed surplus and other components of equity were translated at the rate of exchange prevailing at date of each equity transaction.

As a result of the functional currency change, the Company has decided to change its presentation currency to USD. Presentation currency change represents a voluntary change in accounting policy and in accordance to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, is accounted for retrospectively. As a result, the Company has restated its comparative periods to USD.

The comparative periods translation procedures were as follows:

- assets and liabilities were translated into USD at each period-end closing rate of exchange;
- income and expenses were translated into USD at average rates of exchange for each period as the average rate was considered a suitable proxy for the prevailing rates at the date of the transactions;
- differences resulting from the retranslation on the opening net assets and the results for each period have been taken to other comprehensive income ("OCI");
- share capital, contributed surplus and other reserves were translated at the rate of exchange prevailing at each equity transaction date; and
- accumulated retained losses were translated at the average rates of exchange for each period from the IFRS changeover date.

The CAD to USD exchange rates used were:

	February 28, 2015	**February 28, 2014**	**March 1, 2013**
	$	**$**	**$**
Average rate	0.8904	0.9565	-
Closing rate	0.7995	0.9029	0.9723

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Translation of foreign currencies
Earnings of operations are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency at the average rate of exchange prevailing during the month the transaction occurs. Monetary assets and liabilities are translated at the period end rate and any resulting gains and losses are included in the net earnings of the foreign operations.

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

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.

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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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
Vehicles	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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether 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.

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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

Revenue

Patient revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

Revenue is recognized when performance of services has been complete and collection of amounts billed is reasonably assured.

Revenue from licensing in relations to broadcast agreements of media content is recognized when the risks and rewards of ownership of the goods are transferred, no continuing managerial involvement or control exists and when the revenue can be measured reliably. The Company records revenue on a net basis for licensing as they are acting as an agent.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Medical supplies

Medical supplies consist of various surgical supplies and medications and are valued at the lower of cost or market value.

Financial assets

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

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

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

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the balance sheet date, which are classified as non-current assets.

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

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

Financial liabilities
Financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to initial measurement, financial liabilities are recognized at amortized cost. The difference between the initial carrying amount of the financial liabilities and their redemption value is recognized in the consolidated statement of income over the contractual term using the effective interest rate method.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

New standards and interpretations not yet adopted

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended February 28, 2015, and have not been applied in preparing these 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 2018. Early adoption is permitted under IFRS. The Company is currently assessing the impact of IFRS 15 on its consolidated financial statements.

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 11 on its consolidated financial statements.

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

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 $459,850.

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 purchase price allocation is presented below:

	$
Cash and cash equivalents	487,396
Trade and other receivables	222,629
Equipment	7,448
Other non-current assets	12,763
Goodwill	151,071
Trade and other payables	(267,067)
Non-controlling interest	(154,390)
Fair value of net assets acquired	459,850

Cash and cash equivalents includes the Quantum investment in MME of $459,850.

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 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 $213,234 to the Group's revenue for the year ended February 28, 2015. The impact on the Group's net loss would have been immaterial. These amounts have been determined by applying the Group's accounting policies.

4. ACQUISITIONS (CONT'D)

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 $3,300,000.

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

	$
ASC License	1,815,891
Medical Equipment	1,092,583
Leasehold Improvements	250,000
Computer and Electronics	56,726
Office Furniture and Equipment	54,800
Plant and Equipment	30,000
Consideration paid	3,300,000

In addition the Company paid license transfer costs of $58,000 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 $4,000,000 comprised of $3,950,000 debt from Quantum (the "Debt Advance") and equity from both Quantum and DGAT of $10,000 and $40,000 respectively, which was used to complete the acquisition of the Roseland Assets and fund initial working capital requirements of CSS-Essex.

5. CASH AND CASH EQUIVALENTS

	February 28, 2015 $	February 28, 2014 $
Cash	480,621	45,374
Cash held in trust, contracted in CDN dollars	-	643
Guaranteed investment certificates	39,973	-
	520,594	46,017

Guaranteed investment certificates generate an interest rate of 0.8% and are maturing on April 23, 2015.

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

6. ACCOUNTS RECEIVABLE

	February 28, 2015 $	**February 28, 2014 $**
Trade receivables	484,654	-
Sales taxes recoverable	28,463	9,160
	513,117	9,160

Current	385,830	-
Past due 0 to 3 months	51,952	-
Past due 3 to 6 months	46,872	-
Past due more than 6 months	-	-
Trade receivables	484,654	-

The amounts actually collected by the Company from third-party payors are subject to variability due to the nature of out of network payor environment.

Management reviews and evaluates historical final settlements on a periodic basis and adjusts the estimated collections on an individual billings basis as required in subsequent periods.

7. PROPERTY AND EQUIPMENT

February 28, 2015

	Leasehold improvements	Machinery & equipment	Medical equipment	Vehicles	Office furniture & fixtures	Computers	Total
Cost							
Opening balance	-	-	-	-	-	-	-
Additions	-	55,489	195,128	16,741	7,724	42,317	317,398
Business acquisitions	250,000	30,000	1,092,583	-	61,341	56,726	1,490,650
Disposals	-	-	(140,000)	-	-	-	(140,000)
Ending balance	250,000	85,489	1,147,711	16,741	69,065	99,043	1,668,049
Accumulated Depreciation							
Opening balance	-	-	-	-	-	-	-
Depreciation	(11,364)	(7,094)	(115,618)	(1,395)	(5,040)	(8,982)	(149,493)
Disposals	-	-	14,000	-	-	-	14,000
Ending balance	(11,364)	(7,094)	(101,618)	(1,395)	(5,040)	(8,982)	(135,493)
Net book value	238,636	78,395	1,046,093	15,346	64,025	90,061	1,532,556

Property and equipment as at February 28, 2014 amounted to $nil.

The net loss on disposal of property and equipment is included in general and administrative expenses.

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

8. GOODWILL AND INTANGIBLES

			February 28, 2015
	Goodwill	ASC License	Total
Cost			
Opening balance	-	-	-
Business acquisitions	151,071	1,873,891	2,024,962
Foreign exchange	(19,695)	-	(19,695)
Ending balance	131,376	1,873,891	2,005,267
Accumulated Depreciation			
Opening balance	-	-	-
Depreciation	-	(85,177)	(85,177)
Ending balance	-	(85,177)	(85,177)
Net book value	131,376	1,788,714	1,920,090

Goodwill and intangibles as at February 28, 2014 amounted to $nil. Please refer to Note 4 for further details of business acquisition.

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	February 28, 2015 $	**February 28, 2014 $**
Trade payables	1,928,780	157,640
Accrued liabilities	129,342	350,678
	2,058,122	508,318

10. LEASE OBLIGATION

Property and equipment includes medical equipment assets under finance lease with a cost of $118,200 (February 28, 2014 - $nil) and a net book value of $116,230 (February 28, 2014 - $nil).

Lease Commitments	**$**
Less than 1 year	24,034
Between 2 and 5 years	46,064
Total lease commitments	70,098
Less interest	(7,489)
Present value of commitment	62,609

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

11. 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, 2013	19,014,974	-	$ 6,752,638
Balance as at February 28, 2014	19,014,974	-	$ 6,752,638
Share consolidation	(17,114,869)	-	-
Equity issuance	41,640,128	24,233,994	6,939,844
Warrants exercised	4,622,500	(4,622,500)	376,845
Share issuance costs	-	-	(680,167)
Stock based payments	360,000	-	15,998
Balance as of February 28, 2015	**48,522,733**	**19,611,494**	**$ 13,405,158**

2,700,000 shares remain in escrow as at February 28, 2015.

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 CAD (0.04 USD) per Unit for gross cash proceeds of $1,037,620. 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 CAD ($0.09 USD) 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 $5,902,224 comprising 18,440,128 subscription receipts exercisable into 18,440,128 common shares at $0.35 CAD ($0.32 USD) per share.

Share issuance costs

The Company incurred $41,063 of share issuance costs associated with the March 2014 equity issuance. $25,065 was paid in cash and $15,998 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 $639,104 of share issuance costs associated with the August 2014 equity issuance. $582,880 was paid in cash and 1,033,994 warrants were granted in settlement of $56,224 of agent's commissions. Each warrant allows the holder to purchase one common shares at $0.35 CAD ($0.32 USD) 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 March 2014 private placement in the amount of $15,998 which was paid through the issuance of 360,000 additional common shares.

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

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

The fair market value of warrants issued in settlement of agent's commission in the amount of $56,224 was charged to contributed surplus during the period.

The fair market values of options granted to certain employees of the corporation, in the amount of $18,387 were charged to contributed surplus during the period.

Warrants

During the period 4,622,500 warrants were exercised for the purchase of 4,622,500 common shares for total proceeds of $376,845.

As at February 28, 2015, the Company had outstanding warrants as follows:

Number of warrants	Exercise price (CAD)		Expiry
18,577,500	$	0.10	3/19/2015
1,033,994	$	0.35	8/11/2016

12. SHARE OPTION PLAN

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

The Company granted a total of 500,000 stock options during the year ended February 28, 2015. Of the granted options 166,667 vested immediately upon issuance and the remaining 333,333 vest over a 2 year period.

On December 9, 2014, the Board of Directors has approved the issuance of 200,000 stock options to certain employees and directors of the corporation. These options have not been granted as of February 28, 2015. Options will be granted following the expiry of a blackout period.

As at February 28, 2015, the Company had the following stock options outstanding:

Value	Outstanding	Exercisable	Exercise Price (CAD)	Expiry Date
$	#	#	$	
55,147	500,000	166,667	0.35	12/10/2019

The value of the stock based compensation was calculated using the black-scholes model, the following major assumptions were used as inputs in the model:

Expected volatility	**44.45%**
Risk free rate	**1.37%**
Expected option term	**5**
Grant date fair value per option	**$0.13**

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

13. GENERAL AND ADMINISTRATIVE EXPENSES

Components of general and administrative expenses:

	February 28, 2015 $	**February 28, 2014 $**
Professional and advisory fees	1,592,358	300,441
Management fees	623,831	-
Regulatory and filing fees	118,584	65,313
Salaries and benefits	485,646	-
Depreciation and amortization	234,670	-
General administrative expenses	946,557	53,454
Medical supplies expensed	60,378	-
Loss on disposal of equipment	72,000	-
Stock based compensation	18,387	-
	4,152,411	419,208

Management fees include $503,831 expense to related parties, see Note 17.

14. INCOME TAXES

The reported income tax provision differs from the amount computed by applying the Canadian statutory rate to the net income for the following reasons:

	February 28, 2015 $	**February 28, 2014 $**
Net accounting loss before income tax	(3,814,046)	(431,601)
Rate	**26.5%**	**26.5%**
Expected Canadian income tax expense (recovery)	(1,010,722)	(114,374)
Difference resulting from:		
Effect of tax rates in foreign jurisdictions	(180,126)	-
Permanent differences	47,728	5,498
Foreign exchange on opening deferred tax assets	144,433	-
Valuation allowance	996,618	108,976
Other	2,069	-
Total income tax expense	-	-

The expected income tax rate reflects the combined Federal and Provincial income tax rate.

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

14. INCOME TAXES (CONT'D)

The Company's deferred income tax assets and liabilities include the following significant components.

	February 28, 2015 $	February 28, 2014 $
Deferred income tax assets		
Non-capital losses	1,704,265	817,586
Share issue costs	144,195	-
Intangible and other assets	139,848	-
Property and equipment	1,506	6,459
Unclaimed R&D expenses	316,917	440,826
R&D tax credits	81,165	-
Income and expense reserves	39,820	-
	2,427,716	1,264,872
Deferred income tax liabilities		
Property and equipment	(522)	-
R&D tax credits	(21,509)	-
	(22,031)	-
Net deferred income tax assets (liabilities)	2,405,685	1,264,872
Less: valuation allowance	(2,405,685)	(1,264,872)
	-	-

As at February 28, 2015, the Company has cumulative non-capital losses available to be carried forward in the following jurisdictions: Canada – $4,707,427, United States – $1,141,995, before non-controlling interests. The non-capital losses in Canada begin to expire in 2026. The net operating losses in the U.S. begin to expire in 2035. The Company also has net capital losses in Canada of $4,110,250.

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

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

15. EARNINGS (LOSS) PER SHARE

As the Company incurred a net loss during the year ended February 28, 2015 and 2014, 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 February 28, 2015
Common shares issuable on exercise of warrants	19,611,494
Common shares issuable on exercise of stock options	166,667

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

16. 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:
- Healthcare 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")

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

				February 28, 2015
	Quantum	CSS	MME	Total
	$	$	$	$
Patient revenue	-	223,674	-	223,674
Net licensing revenue	-	-	89,374	89,374
Operating expenses	(2,492,935)	(1,470,942)	(188,534)	(4,152,411)
Net loss from operations	(2,492,935)	(1,247,267)	(99,160)	(3,839,363)
Interest and finance charges	(7,953)	(412)	-	(8,365)
Gain (loss) on foreign exchange	32,434	-	1,248	33,682
Net loss	(2,468,454)	(1,247,679)	(97,912)	(3,814,046)
Total assets	111,468	3,781,712	869,878	4,763,059
Total liabilities	1,314,332	379,391	429,622	2,123,345

				February 28, 2014
	Quantum	CSS	MME	Total
	$	$	$	$
Revenue	-	-	-	-
Operating expenses	(419,208)	-	-	(419,208)
Net loss from operations	(419,208)	-	-	(419,208)
Interest and finance charges	(10,967)	-	-	(10,967)
Loss on foreign exchange	(1,426)	-	-	(1,426)
Net loss	(431,601)	-	-	(431,601)
Total assets	55,177	-	-	55,177
Total liabilities	508,318	-	-	508,318

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

17. RELATED PARTY TRANSACTIONS AND BALANCES

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

Key management personnel compensation:

	February 28, 2015 $	February 28, 2014 $
Management fees paid to corporations controlled by officers	503,831	-
Salaries and short term benefits	70,153	-
Director fees	10,580	7,030
Share based compensation	18,387	-

During the period the Board approved an employment arrangement with a senior officer which contained a severance provision which would amount to $50,000 CAD payable upon termination without cause.

As at February 28, 2015, 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 - $104,151). The management fees are included in administrative expenses.

Rent paid to a corporation controlled by a director of the Company for the year ended February 28, 2015 was $88,663 (February 28, 2014 - $16,213). 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 $9,713 as at February 28, 2015. The advances are non-interest bearing with no specific terms of repayment and are not expected to be repaid within one year.

18. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash operating working capital:

	February 28, 2015 $	February 28, 2014 $
Accounts receivable	(286,506)	12,241
Prepaid expenses and other	(31,576)	-
Medical supplies	(59,238)	-
Accounts payable and other liabilities	1,326,809	281,844
	949,489	294,085

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

19. COMMITMENTS

Leases and maintenance contracts

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

	February 28, 2015 $
Less than 1 year	635,970
Between 2 and 5 years	2,373,424
Greater than 5 years	3,074,296
	6,062,090

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 CAD 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.

As part of the formation of CSS, CSS has entered into an operating agreement with DGAT to manage certain undertakings, business and affairs of CSS. Included in the operating agreement are provisions for a monthly management fee of $20,000, which commenced on September 1, 2014 and remains in effect for a 7 year term.

Rockland acquisition

On January 9, 2015, the Company announced that its subsidiary, CSS, has signed a definitive agreement to acquire a 90% interest in Advanced Surgery Center, LLC. (“Advanced”) by use of Nominee Agreements, whereby the individual members of CSS will become licensed by the New York State Department of Health in their individual capacity.

Under the terms of the Agreement, CSS will acquire a 90% interest in Advanced for $4,000,000 payable in cash subject to adjustment. Completion of the transaction is subject to the approval of New York State’s Public Health and Health Planning Council and the New York State Department of Health.

Advanced is also applying to the New York State Department of Health to become licensed for an additional operating room, which would fit within the existing floorplan of the facility operated by Advanced. Upon receipt of that approval, an additional $600,000 would be payable to the seller. It is anticipated that the transaction will close within 12 months, depending on the time required for New York State Department of Health’s approval.

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

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities were as follows:

	February 28, 2015	February 28, 2014
Loans and receivables	$	$
Cash and cash equivalents	520,594	46,017
Accounts receivables	484,654	-
Advances to related parties	9,713	-
Other liabilities		
Accounts payable and other liabilities	2,058,122	508,318

The fair values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities approximate fair value due to the short term nature of the financial instruments.

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3 – Inputs for the asset or liability that are not based on observable market data.

Fair value amounts represent point-in-time estimates and may not reflect fair value in the future. The measurements are subjective in nature, involve uncertainties and are a matter of significant judgment. As at February 28, 2015, the Group did not have any financial assets and liabilities measured at fair value.

Financial risk factors
The Group's activities expose it to a variety of financial risks:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currencies risk

The following describes the Group's objectives, policies and processes for managing these risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

Credit risk
The Group's credit risk is primarily attributable to cash equivalents and amounts receivable. Cash equivalents consist of cashable GIC certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable consist of receivables from unrelated companies. Accounts receivable are reported at estimated collectible amounts which are based on management's evaluation of historical account collection determined for each individual customer. As at February 28, 2015 the Group's top three receivable balances represented 67.0% of total receivables.

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

Liquidity risk
The Company's approach to managing liquidity risk is to endeavour to ensure that it will have sufficient liquidity to meet liabilities when due. As at February 28, 2015, the Group had cash and cash equivalents balance of $520,594 ($46,017 as at February 28, 2014) to settle current liabilities of $2,055,661 ($508,318 as at February 28, 2014). Please refer to Note 21 for details of cash proceeds as a result of warrants exercise subsequent to year end.

Interest rate risk
The Group has cash balances subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.
Management believes that interest rate risk is remote as investments are cashable and the Group currently does not carry interest bearing debt at floating rates, finance lease interest rate is fixed for the term of the lease.

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 and its subsidiary, MME, incurs certain revenues and 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.

Sensitivity analysis
Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the period:

- The Company does not hold interest-bearing debt at interest rates subject to market fluctuations to give rise to interest rate risk.
- Based on the Company's net monetary liabilities denominated in Canadian dollars, a 10% fluctuation in the exchange rate from CAD to USD will generate increases or decreases in income of approximately $72,880.

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 and warrants. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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

21. SUBSEQUENT EVENTS

Warrants exercise

Following the year end, 18,577,500 warrants were exercised for the purchase of 18,577,500 common shares for total proceeds of $1,471,641.

LTACH

On June 9, 2015, the Company signed a definitive agreement to acquire Columbus Hospital LTACH, LLC ("LTACH"), a company operating a long term acute care hospital in New Jersey.

The Company will acquire 100% of the membership interest in LTACH for US$29,000,000. The Company also has entered into a consulting agreement with an entity which will provide LTACH consultants with extensive experience in long term acute care hospital operations. Pursuant to such agreement, the Company will pay such entity a monthly fee of US$25,833. In addition, the Company has agreed to acquire the consulting entity on the first anniversary of the closing of the Acquisition for (i) a convertible promissory note with a face value of US$6,400,000, which note will be issued concurrent with the commencement of the consulting arrangement and will be convertible into a 16% membership interest in LTACH, at the option of either the holder or the Company, and (ii) an additional payment that is dependent on LTACH EBITDA, the maximum amount of which shall be US$22,200,000 (of which US$5,400,000 will be paid concurrent with the commencement of the consulting arrangement), which amount would be payable if LTACH produced EBITDA of US$15,000,000 or greater for such one year period, with lesser amounts payable on pro rata basis for a lower EBITDA result.

The transaction is subject to Department of Health and TSX Venture Exchange approval and is expected to close in August of 2015.

Anesthesia

On May 27, 2015, the Company announced that it has created a purpose built subsidiary, Quantum Anesthesia Management LLC., to acquire all the common shares of DA Management Corp. DA Management Corp. is an anesthesia company with anesthesia administration contracts at all NYCSA in New York, New Jersey and the initial CSS facility in Essex County.

The company will issue 9 million shares as consideration for this transaction.

Bought deal offering

On June 17, 2015, the Company announced that it has entered into an agreement with Mackie Research Capital Corporation ("Mackie"), as lead underwriter and sole bookrunner on behalf of a syndicate, for the sale on a "bought deal" basis of 47,620,000 subscription receipts of the Company at a price of $0.42 CAD per subscription receipt for gross proceeds of $20,000,400 CAD.

Following the satisfaction or waiver of the Release Conditions (as defined below), each Subscription Receipt shall automatically, on a pro-rata basis based on the Release Schedule (defined below), and for no further consideration, convert into one (1) common share (a "Common Share") and one-half (1/2) of one common share purchase warrant (each whole common share purchase warrant a "Warrant") of Quantum International. Each Warrant entitles the holder thereof to acquire one common share (a "Warrant Share") for an exercise price of $0.65 per Warrant Share for a period of 24 months following the Closing (defined below). The expiry date of the Warrants may be accelerated by the Company at any time following the date on which all Release Conditions have been satisfied or waived (the "Release Date"), and prior to the

21. SUBSEQUENT EVENTS (CONT'D)

expiry date of the Warrants if the volume-weighted average trading price of the Company's common shares is greater than $0.80 for any 20 consecutive trading days following the Release Date, at which time the Company may accelerate the expiry date by issuing a press release announcing the reduced warrant term whereupon the Warrants will expire thereafter on the 20th calendar day after the date of such press release.

The Company has also granted the Underwriters an over-allotment option (the "Over-Allotment Option"), exercisable at any time up to 30 days following closing, in whole or in part, to purchase up to an additional 15% of the Subscription Receipts sold pursuant to the Offering, to cover over-allotments and for market stabilization purposes.

Upon closing of the Offering, the gross proceeds from the sale of the Subscription Receipts, less half the Underwriters' Commission and any Offering expenses (the "Escrowed Proceeds"), will be deposited into escrow ("Escrow") with an escrow agent (the "Subscription Receipt Agent") appointed in respect of the Subscription Receipts under an agreement between the Company, the Underwriters and the Subscription Receipt Agent.

The Escrowed Proceeds will be released from Escrow upon satisfaction of the Release Conditions according to the escrow release schedule set out below (the "Release Schedule"). No interest earned on the Escrowed Proceeds will be payable to the holders of the Subscription Receipts. Upon the satisfaction of the Release Conditions, the Subscription Receipt Agent will deliver an amount representing the balance of the Escrowed Proceeds to the Company. The "Release Conditions" are as follows: (i) The Company has secured the necessary additional debt financing required to fund the acquisition of LTACH, under terms that are to the satisfaction of the Underwriter, acting reasonably; (ii) All conditions precedent to the closing of the acquisition of LTACH have been satisfied or waived; (iii) The Company has made the following amendments to the management agreement dated August 28, 2014 between Quantum International Income Corp. and Quantum International Asset Management Corp. (the "Management Agreement"), with such amendments being satisfactory to the Underwriter, acting reasonably: (a) the base annual management fee shall convert to a fixed amount (that will be capped), similar to a salary, paid by Quantum International, in exchange for common shares of the Company to be agreed upon between the Company and the Board of Directors, and (b) the M&A advisory fee shall be paid in common shares of Quantum International at a price equal to the Offering Price; and (iv) Receipt by the Company of all applicable regulatory approvals.

The Escrowed Proceeds will be released from Escrow in such proportions according to the following Release Schedule:

1) $4,000,080 immediately upon closing of the Offering;
2) $4,000,080 upon satisfaction of Release Condition (i);
3) and the balance upon satisfaction of all remaining Release Conditions.

In the event that the Release Conditions have not been satisfied or waived prior to 5:00 p.m. (Toronto time) on the date which is 90 days after the closing of the Offering, the Escrowed Proceeds shall be returned to the holders of the Subscription Receipts on a pro-rata basis, without any interest earned thereon and excluding such proportions that have been released according to the Release Schedule set out above, and such Subscription Receipts shall be automatically cancelled and be of no further force and effect. To the extent that the Escrowed Proceeds (plus accrued interest) are not sufficient to refund the original purchase price of the Subscription Receipts which remain outstanding, the Company shall contribute such amounts as are necessary to satisfy any shortfall. For greater clarity, the Company shall not have any obligation to return to the former holder of any Subscription Receipt, an amount on account of any proceeds released from Escrow in accordance with the Release Schedule in connection with the

21. SUBSEQUENT EVENTS (CONT'D)

conversion of such Subscription Receipt for one (1) Common Share and one-half (1/2) of one common share purchase warrant of Quantum International.

The net proceeds to be received by the Company will be used to fund the acquisition of Columbus Hospital LTACH, LLC and for general corporate purposes.

Closing of the Offering is expected to occur on or about July 21, 2015 and is subject to certain conditions and approvals including, but not limited to, the receipt of approval by the TSX Venture Exchange.

Bridge loan

On May 25, 2015, the Company borrowed, on an unsecured basis, $1,000,000 from Sprott Bridging Income Fund, which amount was used to make a refundable deposit in connection with the potential acquisition of a healthcare facility in the southeastern United States. Such loan is to be repaid on the earlier of: (i) demand; and (ii) July 6, 2015, bearing interest at a rate of 36% after the maturity date. An interest amount of $30,000 was prepaid by the Company. The amount of the deposit becomes non-refundable on June 30, 2015.