

## ***QUANTUM INTERNATIONAL INCOME CORP***

### ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

***FOR THE THREE MONTH PERIOD ENDED MAY 31, 2014***

#### **GENERAL**

*The following Management Discussion and Analysis ("MD&A") should be read in conjunction with unaudited condensed interim consolidated financial statements (the "Financial Statements") and the notes contained therein of Quantum International Income Corp (the "Company" or "Quantum") for the three months ended May 31, 2014.*

*The unaudited condensed interim consolidated financial statements are prepared by management and reported in Canadian dollars, in accordance with International Accounting Standard "IAS" 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The unaudited condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's 2014 Audited Consolidated Financial Statements and the notes thereto, the 2014 MD&A filed with Canadian regulatory agencies. The documents are available at [www.sedar.com](http://www.sedar.com).*

*This MD&A was prepared effective July 31 2014.*

#### **FORWARD LOOKING INFORMATION**

Certain information in the MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. Forward-looking statements may contain words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue", and similar expressions and statements relating to matters that are not historical facts. These may include, without limitation, statements based on current expectations involving a number of risks and uncertainties.

These risks and uncertainties include, but are not limited to, overall economic environment, the success of integrating and realizing the potential of acquisitions, ability to attract and retain key personnel, technological change, demand for services provided by Quantum, and fluctuations in the value of the Canadian dollar relative to the US dollar.

These risks and uncertainties may cause actual results to differ from information contained herein. There can be no assurance that such forward-looking information will prove to be accurate. Actual results and future events could differ materially from those anticipated in such forward-looking information. The forward-looking information is based on the estimates and opinions of management on the dates they are made and are expressly qualified in their entirety by this notice. The Company assumes no obligation to update forward-looking information should circumstances or management's estimates or opinions change as a result of new information or future events. Readers should not place undue reliance on forward-looking information.

#### **DESCRIPTION OF BUSINESS**

The Company is an inactive Corporation listed on the NEX board of the TSX Venture Exchange Inc ("the Exchange"). The business of the Company is to identify and evaluate businesses or assets with a view to completing a reactivation transaction on the Exchange. The Company intends to acquire and develop businesses with sustainable and growing cash flow across multiple sectors.

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

## **RESULTS OF OPERATIONS**

### **Comparison of the three months ended May 31, 2014 and May 31, 2013**

#### *Revenue*

Revenue was \$nil for the three month period ended May 31, 2014 as compared to \$nil for the same period last year.

#### *Administrative Expenses*

Administrative Expenses were \$306,386 for the three months ended May 31, 2014 as compared to \$16,165 for the same period last year. For the three months ended May 31, 2014, the \$306,386 included approximately \$123,301 in professional and advisory expenses, approximately \$102,419 in Consulting Fees, approximately \$27,185 in regulatory related filing expenses, and approximately \$53,481 in sundry administrative costs. For the three months ended May 31, 2013, the \$16,165 included approximately \$12,000 in professional and advisory expenses and approximately \$4,165 in regulatory related filing expenses, consulting, and sundry administrative costs.

Of the \$102,419 in Consulting Fees for the three months ended May 31, 2014, \$40,000 remains outstanding at year end as an accrued liability payable to directors and officers of the Company for their consulting services related to a reactivation transaction.

#### *Interest and Finance Charges*

The Company incurred interest and bank charges of \$7,385 for the three months ended May 31, 2014 as compared to interest expense of \$18 for the same period last year. The interest was largely due to accrued interest on outstanding Ontario capital tax for which management paid in full as of March 24, 2014.

#### *Net Income (Loss)*

As a result of the foregoing factors, the loss for the three months ended May 31, 2014 was \$313,771 as compared to a loss of \$16,183 for the same period last year.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company is to identify and evaluate businesses or assets with a view to completing a reactivation transaction on the Exchange. Once reactivated, the Company intends to acquire and develop businesses with sustainable and growing cash flow across multiple sectors.

Although the consolidated financial statements have been prepared on a going concern basis, certain facts and circumstances raise doubts as to this assumption. The Company incurred major operating losses in recent years and its cash flows from operations were negative for the last 5 years.

The Company's continued operations depend on management's ability to successfully complete a reactivation transaction on the exchange. As outlined below in the Business Acquisition section, the Company has entered into two (2) separate agreements as part of its reactivation strategy. Management expects that upon successful completion of the reactivation transaction, the revenues and net income generated will be sufficient to meet the obligations of the Company to continue as a going concern. There is no assurance that these measures implemented by management will provide results. The consolidated financial statements do not include any adjustments that would be required if the Company was unable to continue operating. Should the Company be required to realize the value of its assets in other than the ordinary course of business, the net realizable value of its assets may be materially less than the amounts shown in the consolidated financial statements.

### **Comparison of the three months ended May 31, 2014 and May 31, 2013**

During the three months ended May 31, 2014, the Company's operations (before providing for changes in working capital balances) consumed cash of \$313,771 as compared to \$16,183 consumed during the same period last year. Cash flows consumed by operating activities after the net change in working capital balances was \$545,910 for the three months ended May 31, 2014 as compared to cash consumed of \$2,373 for the same period last year. Cash flow consumed by investing activities was \$363,660 for the three months ended May 31, 2014 as compared to cash consumed of \$nil for the same period last year. Cash flow generated by financing activities was \$1,131,800 for the three months ended May 31, 2014 as compared to cash consumed of \$nil for the same period last year. Net cash generated during the three months ended May 31, 2014 was \$222,230 as compared to cash consumed of \$2,373 for the same period last year.

## QUARTERLY INFORMATION

<i>(Unaudited)</i>	Quarter Ended August 31, 2012	Quarter Ended November, 30, 2012	Quarter Ended February 28, 2013	Quarter Ended May 31, 2013	Quarter Ended August 31, 2013	Quarter Ended November, 30, 2013	Quarter Ended February 28, 2014	Quarter Ended May 31, 2014
Net income (loss) before Special items	(46,888)	(16,401)	(23,566)	(16,183)	(86,258)	(27,971)	(332,434)	(313,771)
Basic	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)	(0.01)
Diluted	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.02)	-
Total Assets	256,702	238,604	229,297	217,113	150,206	102,885	61,111	734,201
Total Long Term liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Dividends	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

The Company believes that period to period comparisons is not necessarily meaningful and should not be relied upon as an indicator of future operating performance.

## SELECTED ANNUAL INFORMATION

	Year Ended February 28, 2014	Year Ended February 28, 2013	Year Ended February 29, 2012
Revenues	\$nil	\$nil	\$nil
Net Income (Loss) before Special items	\$(462,847)	\$(93,422)	\$(110,806)
Basic	(0.02)	(0.01)	(0.01)
Diluted	(0.02)	(0.01)	(0.01)
Net income (Loss) including Special items	\$(462,847)	\$(93,422)	\$(110,806)
Basic	(0.02)	(0.01)	(0.01)
Diluted	(0.02)	(0.01)	(0.01)
Total Assets	\$61,111	\$229,297	\$310,524
Total Long Term liabilities	Nil	Nil	Nil
Dividends	Nil	Nil	Nil

The Company believes that period to period comparisons is not necessarily meaningful and should not be relied upon as an indicator of future operating performance.

## OUTSTANDING SHARE DATA

	May 31, 2014	February 28, 2014	May 31, 2013
Common shares outstanding	25,460,105	19,014,974	19,014,974
Warrants outstanding	23,200,000	-	-
Stock options outstanding	-	-	-
<b>Total</b>	<b>48,660,105</b>	<b>19,014,974</b>	<b>19,014,974</b>

As of July 30, 2014, there are 25,460,105 common shares issued and outstanding, as well as 23,200,000 warrants to purchase common shares at a price of \$0.10 per common share at any time prior to March 19, 2015.

The exercise of all outstanding warrants would generate cash flow of approximately \$2,320,000.

Authorized share capital: An unlimited number of common shares without nominal or par value.

## RELATED PARTY TRANSACTIONS

The Company paid fees to some officers and directors during the period totalling \$nil (\$3,073 in 2013).

During the period, Consulting Fees of \$120,000 were paid to corporations controlled by officers and directors of the Company (\$nil in 2013). Of the \$120,000 paid, \$60,000 related to services provided in the prior year and \$60,000 related to services provided in the current period. As of May 31, 2014, the Company has accrued Consulting Fees payable to corporations controlled by officers and directors of the Company in the amount of \$90,752 (\$nil in 2013). The Consulting Fees were 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 in the amount of \$36,847 was paid during the period to a corporation controlled by a director of the Company (\$nil in 2013). Of the \$36,847, \$16,950 related to prior year and \$19,897 relates to the current period. The terms of the rental agreement are month to month and pricing is set at arm's length.

No other compensation is paid to officers and directors.

## OTHER ITEMS:

### Reactivation Transaction:

On May 30, 2014, the Company signed a definitive asset purchase agreement with the Roseland Ambulatory Surgery Center, LLC ("Roseland") in Roseland, New Jersey for a purchaser price of \$3,300,000 USD. The definitive agreement provides for, among other things, the acquisition of certain assets of Roseland, all located in Roseland, New Jersey, including its exclusive operating license issued by the New Jersey Department of Health, surgical equipment and inventory on site, and Roseland's interest in the lease of the building. The Transaction is expected to close on or before August 31, 2014.

A deposit of \$363,000 (US\$330,000) has been paid into escrow by the Company. The deposit will be released from escrow to the vendor on closing, and the Company will pay the balance of the purchase price in the amount of US\$2,970,000, in cash upon closing of the acquisition.

Separately, the Company has entered into an agreement to make a \$500,000 investment resulting in two-thirds ownership of Multiple Media Entertainment Inc. ("MME"), a full service media content creation and distribution company based in Toronto, Ontario.

The Company expects to finance the transactions by way of a \$6,002,500 offering of subscription receipts, at a price of \$0.35 per subscription receipt.

The Roseland and MME transactions are in connection with a proposed change of business transaction (within the meaning of the policies of the TSX Venture Exchange (the "Exchange")) (collectively, the "Transaction"). Upon completion of the Transaction, subject to certain conditions, it is intended that the Company will complete its reactivation from the NEX board of the Exchange (the "Reactivation"). The Company expects the closing of the Transaction to take place not later than August 31, 2014. Completion of the proposed Transaction is subject to, among other things, receipt of all necessary regulatory approvals and approval of the shareholders of the Company.