

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 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 and nine months ended November 30, 2014.*

*The unaudited condensed interim consolidated financial statements are prepared by management and reported in U.S. dollars, in accordance with International Accounting Standard "IAS" 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board (“IASB”). The unaudited condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's 2014 audited consolidated financial statements and the notes thereto, and 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 January 29, 2015.*

**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 and demand for services provided by Quantum

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.

**BUSINESS OVERVIEW**

The business of the Company is to identify, evaluate, acquire and develop businesses or assets with sustainable and growing cash flows across multiple sectors. Various transactions were completed effective August 28, 2014 in connection with a change of business transaction. The Company reactivated on the TSX Venture Exchange (the “Exchange”) on September 24, 2014.

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

On August 28, 2014, Quantum completed a subscription for securities in the capital of Multiple Media Entertainment Inc. (“MME”) that carry a voting interest in MME equivalent to two-thirds of the issued and outstanding voting securities of MME. MME is a full service media content and distribution company headquartered in Toronto, Ontario. The consideration paid by Quantum for the controlling interest in MME was CAD \$500,000 (USD \$ 459,850) in the form of a capital contribution to MME. The business combination with MME is being accounted for by applying the acquisition method.

On August 28, 2014, Quantum completed a transaction with Roseland Ambulatory Surgery Center, LLC pursuant to which Quantum purchase assets (“Roseland Assets”) including its exclusive Ambulatory Surgery Center (“ASC”) license, surgical equipment and supplies on site. The purchase price for the Roseland Assets was USD \$3,300,000.

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.

### **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 dollars (“USD”). This reflects the fact that the majority of the Group's business is influenced by economic environment denominated in the USD currency as well as, the company will retain distributable reserves and declare dividends 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. Presentational 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 2013 comparative period 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 closing rate of exchange prevailing at the date of each capital transaction; 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:

	November 30, 2014	February 28, 2014	March 1, 2013
	\$	\$	\$
Average rate	0.9362	0.9565	-
Closing rate	0.8741	0.9029	0.9723

## FINANCIAL REVIEW

	Three months ended		Nine months ended	
	November 30, 2014	November 30, 2013	November 30, 2014	November 30, 2013
	\$	\$	\$	\$
<b>REVENUE</b>	94,773	-	94,773	-
Administrative expenses (Note 10)	(1,201,144)	(26,867)	(2,751,411)	(124,727)
Finance income	1,138	-	2,395	-
Finance costs	(2,018)	(35)	(9,631)	(70)
Gain (loss) on foreign exchange	18,701	-	15,158	(1,093)
<b>Administrative and other expenses</b>	<b>(1,183,323)</b>	<b>(26,902)</b>	<b>(2,743,489)</b>	<b>(125,890)</b>
<b>LOSS BEFORE TAXES</b>	<b>(1,088,550)</b>	<b>(26,902)</b>	<b>(2,648,716)</b>	<b>(125,890)</b>
<b>Income taxes</b> (Note 11)				
Current	-	-	-	-
<b>NET LOSS</b>	<b>(1,088,550)</b>	<b>(26,902)</b>	<b>(2,648,716)</b>	<b>(125,890)</b>
<b>Other comprehensive income (loss)</b>				
Foreign currency translation reserve	(30,410)	1,091	31,042	3,969
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>(1,118,960)</b>	<b>(25,811)</b>	<b>(2,617,674)</b>	<b>(121,921)</b>
<b>Attributable to:</b>				
Owners	(791,127)	(25,811)	(2,236,988)	(121,921)
Non-controlling interest	(327,833)	-	(380,686)	-
	<b>(1,118,960)</b>	<b>(25,811)</b>	<b>(2,617,674)</b>	<b>(121,921)</b>
<b>Earnings (loss) per share attributable to owners</b>				
Basic and diluted (Note 12)	(0.02)	(0.01)	(0.07)	(0.06)
<b>Weighted average common shares issued and outstanding</b> (Note 12)	<b>44,522,733</b>	<b>1,900,105</b>	<b>30,293,340</b>	<b>1,900,105</b>

### Revenue

Revenue was \$94,773 for the three and nine month periods ended November 30, 2014 and \$nil for the three and nine month periods ended November 30, 2013. Revenue generated in the current period was attributable entirely to MME. Surgical procedures at CSS-Essex did not commence until December 2014.

### ***Administrative expenses***

Administrative expenses were \$1,201,144 for the three months ended November 30, 2014 as compared to \$26,867 for the same period last year. The increase in administrative expenses compared to the prior year is primarily related to the operations of MME and CSS.

For the three months ended November 30, 2014, administrative expenses included \$282,687 in professional and advisory expenses, \$149,993 in management fees, \$15,241 in regulatory related expenses, \$186,108 in salaries and benefits, \$114,171 in depreciation and amortization, and \$452,944 in general and other administrative expenses. For the three months ended November 30, 2013, the Company incurred \$13,599 in professional and advisory expenses, \$4,716 in regulatory related expenses and \$8,552 in general administrative expenses.

Administrative expenses were \$2,751,411 for the nine months ended November 30, 2014 as compared to \$124,727 for the same period last year. The increase in administrative expenses compared to the prior year is primarily related to the reactivation transaction and acquisitions.

For the nine months ended November 30, 2014, administrative expenses included \$1,325,462 in professional and advisory expenses, \$443,553 in management fees, \$69,942 in regulatory related expenses, \$210,275 in salaries and benefits, \$114,171 in depreciation and amortization, and \$588,008 in general and other administrative expenses. For the nine months ended November 30, 2013, the Company incurred \$99,663 in professional and advisory expenses, \$15,946 in regulatory related expenses and \$9,118 in general administrative expenses.

### ***Finance income and finance costs***

Finance income includes \$1,138 interest on cash balances received during the three months ended and \$2,395 during the nine months ended November 30, 2014. There was no interest income received in the same periods in the prior year.

The Company incurred interest and bank charges of \$2,018 for the three months ended November 30, 2014 compared to \$35 for the same period in the prior year.

The Company incurred interest and bank charges of \$9,631 for the nine months ended November 30, 2014 as compared to interest expense of \$70 for the same period in the prior year. The interest was largely due to accrued interest on outstanding Ontario capital tax which was paid in full as of March 24, 2014.

### ***Net Loss***

As a result of the foregoing factors, the loss for the three and nine months ended November, 2014 was \$1,088,550 and \$2,648,716, respectively. \$317,696 and \$370,549 of the net loss for the three and nine months ended November 30, 2014 is attributable to the non-controlling interests.

The net loss for the three and nine months ended November 30, 2013 was \$26,902 and \$125,890, respectively.

### ***Other Comprehensive Income (loss)***

Due to the change in presentation currency, other comprehensive income (loss) for the three and nine months ended November 30, 2014 was (\$30,410) and \$31,042, respectively. The other comprehensive income (loss) for the three and nine months ended November 30, 2013 was \$1,091 and \$3,969,

respectively. (\$10,137) of the other comprehensive income (loss) for the three and nine months ended November 30, 2014 is attributable to the non-controlling interests.

### ***Net Comprehensive Loss***

Net comprehensive loss for the three and nine months ended November 30, 2014 was \$1,118,960 and \$2,617,674, respectively, and \$25,811 and \$121,921 for the three and nine months ended November 30, 2013 respectively. \$327,833 and \$380,686 of the net comprehensive loss for the three and nine months ended November 30, 2014 is attributable to the non-controlling interests.

### **CASH FLOW**

<b>CASH FLOW FROM (USED IN)</b>	<b>Nine months ended</b>	
	<b>November 30, 2014</b>	<b>November 30, 2013</b>
	<b>\$</b>	<b>\$</b>
Operating activities	(1,672,639)	(120,056)
Investing activities	(3,583,789)	-
Financing activities	6,388,833	-
<b>Increase (decrease) in cash and cash equivalents</b>	<b>1,132,405</b>	<b>(120,056)</b>

Cash flows used in operating activities during the nine months ended November 30, 2014 was primarily for payment of expenses related to the reactivation transaction as well as the operations of the two new subsidiaries, compared to operating expenses of an inactive company during the same period in the prior year.

Cash flows used in investing activities includes the purchase of the Roseland Assets and the acquisition of MME. The \$459,850 investment in MME was a capital contribution in MME resulting in net cash acquired of \$27,546. Cash outflows for the purchase of the Roseland Assets and related license transfer costs were \$3,358,000.

Cash flows from financing activities includes proceeds from private placements of \$6,939,844, net of share issuance costs of \$607,945, and proceeds from the exercise of share purchase warrants of \$56,934.

Net cash generated during the nine months ended November 30, 2014 was \$1,132,405 with foreign exchange impact on cash of \$38,530 as compared to cash consumed of \$120,056 and foreign exchange impact on cash of \$3,478 for the same period in the prior year.

### **LIQUIDITY AND CAPITAL RESOURCES**

The Company's objective when managing liquidity and capital resources is to ensure that it has sufficient liquidity to support its financial obligations and fund its operating and strategic objectives.

The Company intends to continue to acquire and develop businesses with sustainable and growing cash flow across multiple sectors.

#### ***Working capital***

Working capital as at November 30, 2014 was negative \$146,401, compared to negative working capital of \$453,141 as at February 28, 2014. The increase in working capital is primarily due to proceeds from private placements and cash and cash equivalents and accounts receivable of the acquired business, partially offset by liabilities relating to the reactivation transaction and operations of acquisitions.

### *Share capital*

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 were consolidated to approximately 1,900,105 common shares.

In March 2014, 23,200,000 units of the Company (the "Units") were sold at a price of \$0.04 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 entitles the holder thereof to purchase one common share of the Company at a price of \$0.10 CAD 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 of 18,440,128 common shares at a price of \$0.32 per share for gross proceeds of \$5,902,224.

### *Capital management*

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.

There were no changes in the Company's approach to capital management during the nine months ended November 30, 2014.

## **QUARTERLY INFORMATION**

<i>(Unaudited)</i>	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 \$	Quarter Ended August 31, 2014 \$	Quarter Ended November 30, 2014 \$
Net loss before special items	(23,642)	(15,852)	(83,136)	(26,902)	(305,712)	(285,338)	(1,274,830)	(1,088,550)
Basic and diluted loss per share	(0.01)	(0.01)	(0.04)	(0.01)	(0.16)	(0.01)	(0.05)	(0.02)
Total assets	222,945	209,992	142,335	97,072	55,177	677,154	6,315,997	5,591,316
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
Revenue	\$nil	\$nil	\$nil
Net Income (Loss) before Special items	\$(431,601)	\$(93,564)	\$(111,825)
Basic	(0.23)	(0.05)	(0.06)
Diluted	(0.23)	(0.05)	(0.06)
Net income (Loss) including Special items	\$(431,601)	\$(93,564)	\$(111,825)
Basic	(0.23)	(0.05)	(0.06)
Diluted	(0.23)	(0.05)	(0.06)
Total Assets	\$55,177	\$222,945	\$314,741
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.

## SEGMENTED INFORMATION

Management has identified three reportable business segments subsequent to the acquisitions described the Business Overview section of this MD&A. 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")

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

November 30, 2014				
	Quantum	CSS	MME	Total
	\$	\$	\$	\$
Revenue	-	-	94,773	94,773
Operating expenses	(1,912,447)	(739,789)	(99,175)	(2,751,411)
Net loss from operations	(1,912,447)	(739,789)	(4,402)	(2,656,638)
Interest and finance charges	(7,236)	-	-	(7,236)
Gain (loss) on foreign exchange	15,180	-	(22)	15,158
Net loss	(1,904,503)	(739,789)	(4,424)	(2,648,716)
Total assets	837,304	3,794,001	960,011	5,591,316
Total liabilities	1,370,936	183,789	524,183	2,078,908

  

November 30, 2013				
	Quantum	CSS	MME	Total
	\$	\$	\$	\$
Revenue	-	-	-	-
Operating expenses	(124,727)	-	-	(124,727)
Net loss from operations	(124,727)	-	-	(124,727)
Interest and finance charges	(70)	-	-	(70)
Loss on foreign exchange	(1,093)	-	-	(1,093)
Net loss	(125,890)	-	-	(125,890)
Total assets	97,072	-	-	97,072
Total liabilities	256,937	-	-	256,937

## OUTSTANDING SHARE DATA

	November 30, 2014	February 28, 2014	November 30, 2013
Common shares outstanding	44,522,733	1,900,105	1,900,105
Warrants outstanding	23,611,494	-	-
Share options outstanding	-	-	-
<b>Total</b>	<b>68,134,227</b>	<b>1,900,105</b>	<b>1,900,105</b>

As of January 28, 2015, there are 44,522,733 common shares issued and outstanding.

There are 22,577,500 warrants to purchase common shares at a price of \$0.10 CAD per common share at any time prior to March 19, 2015, and 1,033,994 warrants to purchase common shares at a price of \$0.35 CAD at any time prior to August 11, 2016.

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 three and nine months ended November 30, 2014 totalling \$nil (nine months ended November 30, 2013 - \$6,739).

During the three and nine months ended November 30, 2014, management fees of \$89,993 and \$380,261, respectively, were incurred in relation to services performed by officers and directors of the Company (three and nine months ended November 30, 2013 - \$nil). As at November 30, 2014, the Company has accrued management fees payable to corporations controlled by officers and directors of the Company in the amount of \$29,573 (February 28, 2014 - \$49,157). The management fees are included in administrative expenses.

Rent paid to a corporation controlled by a director of the Company during the three and nine months ended November 30, 2014 in the amount of \$19,301 and \$59,868, respectively (three and nine months ended November 30, 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 \$10,616 as at November 30, 2014. The advances are non-interest bearing with no specific terms of repayment and are not expected to be repaid within one year

## **MANAGEMENT COMPENSATION**

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. Quantum International Asset Management Corp is 100% owned by two directors and officers of the Company.

Under the management agreement, the external manager is entitled to the following fees for its asset management services:

- base annual management fee calculated and payable on a monthly basis, equal to the greater of \$33,333.33 and 0.1666% of the market capitalization of the Company, which market capitalization shall be determined using a 90-day volume-weighted average market price, calculated on the final day of the month in question;
- annual incentive fee calculated and payable on a monthly basis, equal to 20% of the amount, if any, by which the total distributions made by the Company to shareholders in the year in question exceeds 8% of the level of total equity capital raised (as such concept is defined in the management agreement), averaged across the year in question;
- M&A advisory fee equal to:
  - in the case of an acquisition: (i) 2.0% of the aggregate consideration payable, where the aggregated consideration payable is less than \$50 million; (ii) 1.5% of the aggregate consideration payable, where the aggregated consideration payable is equal to or greater than \$50 million and less than \$100 million; and (iii) 1.0% of the aggregate consideration payable, where the aggregated consideration payable is equal to or greater than \$100 million; and
  - in the case of a disposition of an asset provided that the total proceeds from such disposition exceed the aggregate consideration paid for such asset: (i) 0.75% of the aggregate consideration received by the Company in the event the Company retains a third party financial advisor or investment dealer; and (ii) 1.50% of the aggregate consideration received by the Company in the event the Company does not retain a third party financial advisor or investment dealer.

In the event that the management agreement is terminated, the external manager is entitled to all accrued and unpaid management, incentive and M&A advisory fees, plus a termination fee designed to compensate the external manager for the approximate quantum of fees it would otherwise have been paid during the three years following termination, provided that if the management agreement is terminated within two years of the completion of the reactivation, such three year compensatory period shall be extended to five years.

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.