QUANTUM INTERNATIONAL INCOME CORP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED NOVEMBER 30, 2015

GENERAL

The following Management Discussion and Analysis ("MD&A") should be read in conjunction with the 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, 2015 and 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 2015 audited consolidated financial statements and the notes thereto, and the 2015 MD&A filed with Canadian regulatory agencies. The documents are available at www.sedar.com.

This MD&A was prepared effective January 31, 2015.

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FORWARD LOOKING INFORMATION

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

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

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

Quantum cautions that the list and description of Forward-Looking Statements, risks, assumptions and uncertainties set out above is not exhaustive. Quantum will update the Forward-Looking Statements as required by securities law. All Forward-Looking Statements contained in this MD&A are qualified by these cautionary statements.

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

BUSINESS OVERVIEW

Quantum International Income Corp. (“Quantum” or the “Company”) intends to seek opportunities to acquire and grow businesses in order to generate stable distributions for its shareholders, along with capital appreciation. The Company will seek to acquire operating businesses with a proven track record, an opportunity for growth and whose management wishes to continue to operate the business going forward. The Company’s investment approach will be to grow through the acquisition of “platform” businesses that are consistent with its business strategy and acquisition criteria and then to continue to build revenues and earnings within these businesses. Potential acquisition targets may be private or public companies in a variety of industries, including US Healthcare, thereby allowing for diversification. Acquisition of all or a majority of the ownership of each such business is preferred. Value will be created by seeking out high growth, high margin opportunities where the acquired businesses can maintain and develop the deep knowledge, expertise and understanding of their customers’ needs required to deliver superior service and command higher pricing and margins than the competition.

RECENT DEVELOPMENTS

Bought deal financing and LTACH acquisition

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 CAD $0.42 per subscription receipt for gross proceeds of CAD $20,000,400.

The balance of the proceeds were to be released upon the Company meeting certain conditions including i) securing debt financing to close the LTACH purchase ii) meet all closing conditions to purchase the LTACH iii) internalize the management agreement.

On October 28, 2015 the Company announced that the Company was not able to satisfy the release conditions as specified by Mackie Research prior to the release deadline. Accordingly, the Company is not in a position to close the proposed LTACH acquisition and is obligated to return to the holders of 38,096,000 Subscription Receipts an amount equal to the Offering Price per Subscription Receipt.

The Company currently owes the Subscription Receipt Holders the equivalent of $973,000 which was a result of unpaid commission fees payable to the agent and their legal counsel.

Corporate Restructuring and Cost Reduction Plans

As part of its effort to restructure its business, the Company has taken steps to reduce corporate costs by over CAD $500,000 on an annual basis by introducing organizational changes. As previously stated, the Company has elected not to proceed with internalizing the management services provided by Quantum International Asset Management Corp. and appointed Manu Sekhri as Chief Executive Officer who will be entering into an employment agreement with the Company. Streamlining the corporate office structure and reducing executive compensation is expected to allow the Company to reduce its annual corporate costs and ensure sufficient cash remains available to focus on existing operations and evaluating future strategic options.

As part of the Company’s restructuring plan, the Company also intends to grant incentive stock options (“Options”) under its stock option plan to its directors, officers and employees. All of such Options will be exercisable for a period of five years at a price of $0.05 per Common Share.

Shares for Debt Settlement

On November 11, 2015, the Company announced plans to implement a shares for debt exchange with existing creditors whereby creditors will be offered common shares in the capital of the Company at a deemed price of CAD $0.05 in exchange for settlement of various debts.

Anesthesia

On January 19, 2016, the Company announced that it had entered into a definitive agreement with DGAT Partners, LLC and certain other affiliates, pursuant to which the Company will sell, and affiliates of DGAT will acquire, the entirety of the Company's 100% indirect interest in DA Management NJ Inc., the subsidiary through which the Company indirectly administered anesthesia services at its Centers for Special Surgery, LLC ("CSS) subsidiary and other locations. Through its wholly-owned subsidiary Quantum Anesthesia Management Corp., the Company will receive, in consideration for the sale, a cash payment of US$600,000 and the irrevocable option to cancel, for no additional consideration payable, 9,000,000 common shares of the Company which had been previously issued to affiliates of DGAT. The Company and the purchasers have further agreed to reduce the cash portion payable to the Company by US$362,000, which reduction reflects an aggregate amount the purchasers have agreed to pay to satisfy certain expenses of CSS that would otherwise have been ultimately funded by the Company.

Management Changes

On January 19, 2016 the Company announced that Geoff Boothe resigned from the Board of Directors of the Company effective immediately, and that Roy Booth, Chief Financial Officer, resigned from the Company effective February 15, 2016.

FINANCIAL REVIEW

INCOME STATEMENT

	Three months ended November 30, 2015 $	Three months ended November 30, 2014 $	Nine months ended November 30, 2015 $	Nine months ended November 30, 2014 $
Revenue				
Net patient revenue	520,130	94,773	1,832,344	94,773
Net management fees	(160,929)	-	-	-
	359,201	94,773	1,832,344	94,773
Operating and other expenses				
General and administrative expenses (Note 11)	(4,884,824)	(1,201,144)	(11,548,015)	(2,751,411)
Finance income	-	1,138	-	2,395
Finance costs	(92,647)	(2,018)	(150,910)	(9,631)
Gain (loss) on foreign exchange	24	18,701	58,248	15,158
	(4,977,447)	(1,183,323)	(11,640,677)	(2,743,489)
LOSS FROM CONTINUING OPERATIONS BEFORE TAXES	(4,618,246)	(1,088,550)	(9,808,333)	(2,648,716)
Income taxes (Note 13)				
Current	-	-	-	-
NET LOSS FROM CONTINUING OPERATIONS	(4,618,246)	(1,088,550)	(9,808,333)	(2,648,716)
Net gain (loss) from discontinued operations (Note 5)	(263,258)	-	(845,310)	-
NET LOSS	(4,881,504)	(1,088,550)	(10,653,643)	(2,648,716)
Attributable to:				
Owners (Note 4)	(4,794,003)	(769,627)	(10,384,784)	(2,263,516)
Non-controlling interest	(87,501)	(318,923)	(268,859)	(385,200)
	(4,881,504)	(1,088,550)	(10,653,643)	(2,648,716)
Earnings (loss) per share attributable to owners (Note 4)				
Basic and diluted (Note 14)	(0.06)	(0.02)	(0.14)	(0.07)
Weighted average common shares issued and outstanding (Note 14)	85,624,233	44,522,733	74,613,390	30,293,340

Revenue

Revenue was $359,201 and $1,832,344 for the three and nine month period ended November 30, 2015 respectively and $94,773 and $94,773 for the three and six month period ended November 30, 2014. Revenue generated in the three month period was attributable to CSS operations and anesthesia administrative services performed. Surgical procedures commenced at CSS-Essex in December 2014.

General & administrative expenses

	Three months ended		Nine months ended	
	November 30, 2015	November 30, 2014	November 30, 2015	November 30, 2014
	$	$	$	$
Professional and advisory fees	2,267,341	282,687	3,344,666	1,325,462
Management fees	193,360	149,993	804,694	443,553
Management relocation	-	-	76,010	-
Regulatory and filing fees	29,572	15,241	130,898	69,942
Salaries and benefits	243,418	186,108	879,653	210,275
Depreciation and amortization	126,908	114,171	468,226	114,171
General administrative expenses	268,459	452,944	1,017,940	588,008
Bad debt expenses	160,929		160,929	
Medical supplies used during the period	81,346	-	262,170	-
Impairment of assets (Note 12)	1,513,491	-	4,116,377	-
Stock based compensation	0	-	286,452	-
	4,884,824	1,201,144	11,548,015	2,751,411

The increase in general and administrative expenses compared to the comparative three and nine months ended November 30, 2014 is primarily related to the operations at CSS-Essex, the Anesthesia business, professional fees, financing activities and impairments related to potential acquisitions and intangible assets.

Finance income and finance costs

Finance income includes $0 interest earned on cash balances during the three and nine months ended November 30, 2015 respectively and $1,138 and $2,395 for the three and nine months ended November 30, 2014.

The Company incurred interest and bank charges of $92,647 and $150,910 for the three and nine months ended November 30, 2015 respectively compared to $2,018 and $9,631 for the three and nine months ended November 30, 2014.

Net Loss from Continuing Operations

As a result of the foregoing factors, the net loss from continuing operations for the three and nine months ended November 30, 2015 was $4,618,246 and $9,808,333 respectively and $1,088,550 and $2,648,716 for the three and nine months ended November 30, 2014 respectively. $87,501 and $268,859 of the net loss for the three months and nine months ended November 30, 2015 is attributable to non-controlling interests.

Net Loss from Discontinued Operations

The net loss from discontinued operations for the three months ended November 30, 2015 was $263,258 and the net loss from discontinued operations for the nine months ended November 30, 2015 was $845,310. The net loss for discontinued operations for the three and nine months ended November 30, 2014 was $nil. $12,631 and $111,822 of the net loss for the three months and nine months ended November 30, 2015 is attributable to non-controlling interests.

Net Loss

The net loss for the three and nine months ended November 30, 2015 was $4,618,246 and $9,808,333 respectively and $1,088,550 and $2,648,716 for the three and nine months ended November 30, 2014 respectively. Net loss attributable to non-controlling interest for the three and nine months ended November 30, 2015 was $87,501 and $268,859 respectively and $nil for the three and nine months ended November 30, 2014.

Other Comprehensive Loss

Other comprehensive loss for the three and nine months ended November 30, 2015 was $1,254 and $9,182 respectively. The other comprehensive gain (loss) for the three and nine months ended November 30, 2014 was ($30,410) and $31,042. ($20,273) and $20,695 of the other comprehensive income (loss) for the three and nine months ended November 30, 2015 respectively is attributable to the non-controlling interests.

Net Comprehensive Loss

Net comprehensive loss for the three and nine months ended November 30, 2015 was $4,882,758 and $10,662,825 respectively, and $1,118,960 and $2,617,674 for the three and nine months ended November 30, 2014 respectively. $87,523 and $256,153 of the net comprehensive loss for the three and nine months ended November 30, 2015 respectively is attributable to the non-controlling interests.

CASH FLOW

	Three months ended	
CASH FLOW FROM (USED IN)	**November 30, 2015 $**	**November 30, 2014 $**
Operating activities	(3,319,593)	(1,672,639)
Investing activities	(1,263,636)	(3,583,789)
Financing activities	4,173,002	6,388,833
Increase (decrease) in cash and cash equivalents	(410,227)	1,132,405

Cash flows used in operating activities during the nine months ended November 30, 2015 were primarily for payment of operating expenses in the new subsidiaries and corporate expenses, compared to operating expenses of a non-operating company actively pursuing acquisitions during the same period in the prior year.

Cash flows used in investing activities consists of $1,189,070 of deposits and loans in relation to potential acquisitions which were impaired during the nine month period ended November 30, 2015. As well, the Company spent $27,209 on acquisition of equipment during the period and $47,357 of cash was classified as held for sale.

Cash flows from financing activities includes proceeds from exercise of warrants of $1,471,641, and $3,094,462 proceeds from issuance of subscription receipts in relation to the bought deal offering.

Net cash spent during the nine months ended November 30, 2015 was $410,227 with foreign exchange impact on cash of a loss of $9,182 as compared to cash generated of $1,132,405 and foreign exchange impact on cash of gain of $31,042 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 invest in healthcare companies focused on delivering integrated health solutions.

Working capital

Working capital as at November 30, 2015 was negative $5,079,060, compared to negative working capital of $967,348 as at February 28, 2015. The decrease in working capital is primarily due to incurring additional professional fees in relation to the bought deal financing and due diligence fees in respect to the potential acquisitions. The current working capital requirements consist of transaction related payables, trade payables and labour at the operating company level. The Company will need to rely on its ability to raise funds from capital markets to be able to meet its obligations.

Share capital

During the nine months ended November 30, 2015, 18,577,500 warrants were exercised for total proceeds of $1,471,641, 9,000,000 shares were issued as part of a business acquisition valued at $2,972,313, and 9,524,000 subscription receipts were issued as part of the bough deal financing for proceeds of $3,094,462.

The Company incurred $1,133,634 of share issuance costs associated with the bought deal financing announced June 17, 2015.

Capital management

As the Company continues to assess and seek to acquire an interest in additional businesses, the Company will continue to rely on capital markets and debt financing to support continued growth.

There were no changes in the Company's approach to capital management during the period ended November 30, 2015.

SELECT QUARTERLY INFORMATION (UNAUDITED)

	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 $	Quarter Ended February 28, 2015 $	Quarter Ended May 31, 2015 $	Quarter Ended August 31, 2015 $	Quarter Ended November 30, 2015 $
Net loss before special items	(26,902)	(305,712)	(285,338)	(1,274,829)	(1,088,550)	(1,165,330)	(867,095)	(4,848,475)	(4,618,246)
Basic and diluted loss per share	(0.01)	(0.16)	(0.01)	(0.05)	(0.02)	(0.02)	(0.01)	(0.06)	(0.06)
Total assets	97,072	55,177	677,154	6,315,997	5,591,316	4,763,059	6,315,449	6,637,708	4,767,883
Total long term liabilities	Nil	Nil	Nil	Nil	Nil	$42,701	$37,481	$30,817	$28,954
Dividends	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

SEGMENTED INFORMATION

Management has identified four reportable business segments. Each of these reporting segments are managed separately and their results are based on internal management information that is regularly reviewed by the chief operating decision maker.

The Company's three reportable business segments are:

- Medical center operation in the USA, operated through CSS ("CSS")
- Corporate expenses and office of the CEO ("Quantum")

Assets of Quantum are held in Canada, all other assets are held in the United States.

				Three Months Ended November 30, 2015	
	Quantum	Provmark	CSS	Discontinued Operations	Total
	$	$	$	$	$
Net patient revenue	-	-	520,130	-	520,130
Management Fees	-	-	(160,929)	-	(160,929)
Operating expenses	(2,955,308)	-	(1,929,515)	-	(4,884,824)
Net gain (loss) from operations	(2,955,308)	-	(1,570,314)	-	(4,525,622)
Interest and finance charges	(91,785)	-	(861)	-	(92,647)
Gain (loss) on foreign exchange	24	-	-	-	24
Net income (loss) from continuing operations	(3,047,070)	-	(1,571,176)	-	(4,618,246)
Net income (loss) from discontinued operations	-	-	-	(263,258)	(263,258)
Net income (loss)	(3,047,070)	-	(1,571,176)	(263,258)	(4,881,504)
Total assets	97,314 -	11,897	4,530,584	151,882	4,767,883
Total liabilities	5,148,444	185,325	544,921	221,071	6,099,761

				Nine Months Ended November 30, 2015	
	Quantum	Provmark	CSS	Discontinued Operations	Total
	$	$	$	$	$
Net patient revenue	-	-	1,832,344	-	1,832,344
Management fees	-	-	-	-	-
Operating expenses	(6,383,704)	-	(5,164,310)	-	(11,548,015)
Net gain (loss) from operations	(6,383,704)	-	(3,331,967)	-	(9,715,671)
Interest and finance charges	(147,981)	-	(2,930)	-	(150,910)
Gain (loss) on foreign exchange	58,248	-	-	-	58,248
Net income (loss) from continuing operations	(6,473,437)	-	(3,334,896)	-	(9,808,333)
Net income (loss) from discontinued operations	-	-	-	(845,310)	(845,310)
Net income (loss)	(6,473,437)	-	(3,334,896)	(845,310)	(10,653,643)
Total assets	97,314 -	11,897	4,530,584	151,882	4,767,883
Total liabilities	5,148,444	185,325	544,921	221,071	6,099,761

	Nine Months Ended November 30, 2014				
	Quantum	Provmark	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

RELATED PARTY TRANSACTIONS

As at November 30, 2015, the Company has accrued management fees payable to corporations controlled by officers and directors of the Company in the amount of $56,417 (November 30, 2014 - $29,573). The management fees are included in administrative expenses.

Rent incurred to a corporation controlled by a director of the Company during the three and nine months ended November 30, 2015 in the amount of $33,317 and $90,679 respectively (three and nine months ended November 30, 2014 was $19,301 and $59,868 respectively). The terms of the rental agreement are month to month and pricing is set at arm’s length.

MANAGEMENT COMPENSATION

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:

	Three months ended		**Nine months ended**	
	November 30, 2015	**November 30, 2014**	**November 30, 2015**	**November 30, 2014**
	$	**$**	**$**	**$**
Management fees paid to corporations controlled by officers	133,360	89,465	424,694	382,960
Management relocation	-	-	76,010	-
Salaries and short term benefits	61,574	-	153,596	-
Director fees	25,275	-	67,364	-
Share based compensation	-	-	286,451	-

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.

On October 28, 2015 the Company announced the termination of the asset management agreement.
The Board of Directors has approved an employment arrangement with a senior officer which contained a severance provision which would amount to CAD $50,000 payable upon termination without cause.

SUBSEQUENT EVENTS

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On November 11, 2015, the Company announced a corporate restructuring plan, a proposal to implement a debt settlement agreement with creditors of the Company in order to settle certain obligations, proposed stock options grant, and a proposed financing.

Corporate Restructuring and Cost Savings

As part of its effort to restructure its business, the Company has taken steps to reduce corporate costs by over CAD $500,000 on an annual basis by introducing the following organizational changes:

1. Termination of the external manager
2. Appointment of new Chief Executive Officer
3. Streamlined corporate office structure
4. Reduction in executive compensation

The Company has (i) elected not to proceed with internalizing the management services provided by Quantum International Asset Management Corp. and (ii) appointed Manu Sekhri as Chief Executive Officer, who has entered into an employment agreement with the Company. Streamlining the corporate office structure and reducing executive compensation is expected to allow the Company to reduce its annual corporate costs and ensure sufficient cash remains available to focus on existing operations and evaluating future strategic options.

These changes were implemented as of November 1, 2015 and management is now focusing on managing the performance of the businesses already in the Company's portfolio in order to achieve profitability and to drive growth in shareholder value.

As part of the Company's restructuring plan, the Company also intends to grant incentive stock options ("Options") under its stock option plan to its directors, officers and employees. All of such Options will be exercisable for a period of five years at a price of $0.05 per Common Share.

Shares for Debt Settlement

In addition to the corporate restructuring, and in order to preserve cash balances, the Company also plans to implement a shares for debt exchange with existing creditors whereby creditors will be offered common shares in the capital of the Cornpany ("Common Shares") at a deemed price of CAD $0.05 in exchange for settlement of various debts.

These Common Shares that will be issued to the creditors of the Company will be subject to a four-month hold period and all Common Shares issued pursuant to the settlement agreement will be in accordance with applicable securities law and subject to the prior approval of the TSX Venture Exchange ("TSX-V").

Proposed Financing

The Company intends to proceed with a financing of up to CAD $3,000,000 (the "Financing"). The Company expects that the Financing will take place through a combination of debt and equity. The Company expects the equity component to be priced at a deemed price of $0.05 per share in the form of a private placement. The net proceeds of the Financing will be used for general working capital purposes.

The Company may pay finder's fees in respect of the Financing to eligible parties (the "Finders"). The Finders may be paid a cash commission as well as finders warrants.

Anesthesia

On January 19, 2016, the Company announced that it has entered into a definitive agreement with DGAT Partners, LLC and certain other affiliates, pursuant to which the Company will sell, and affiliates of DGAT will acquire, the entirety of the Company's 100% indirect interest in DA Management NJ Inc., the subsidiary through which the Company indirectly administered anesthesia services at its Centers for Special Surgery, LLC ("CSS) subsidiary and other locations. Through its wholly-owned subsidiary Quantum Anesthesia Management Corp., the Company will receive, in consideration for the sale, a cash payment of US$600,000 and the irrevocable option to cancel, for no additional consideration payable, 9,000,000 common shares of the Company which had been previously issued to affiliates of DGAT. The Company and the purchasers have further agreed to reduce the cash portion payable to the Company by US$362,000, which reduction reflects an aggregate amount the purchasers have agreed to pay to satisfy certain expenses of CSS that would otherwise have been ultimately funded by the Company.

Management Changes

On January 19, 2016 the Company announced that Geoff Boothe resigned from the Board of Directors of the Company effective immediately, and that Roy Booth, Chief Financial Officer, resigned from the Company effective February 15, 2016.

OUTSTANDING SHARE DATA

	November 30, 2014	February 28, 2015	November 30, 2015
Common shares outstanding	44,522,733	48,522,733	85,624,233
Warrants outstanding	23,611,494	19,611,494	5,795,994
Share options outstanding	-	500,000	8,425,000
Total	**68,134,227**	**68,634,227**	**99,845,227**

As of November 30 2015, there are 85,624,233 common shares issued and outstanding.

As at November 30, 2015, the Company had outstanding warrants as follows:

Number of warrants	Exercise price	Exercise price (CAD)	Expiry
1,033,994	$0.32	$0.35	8/28/2016
4,762,000	$0.50	$0.65	7/28/2017

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

There are 8,425,000 stock options issued and outstanding. 2,758,333 of the stock options outstanding have vested as at November, 2015.

The below table summarizes options granted by the Company:

Number Outstanding	Number Vested	Grant Date	Expiry Date	Exercise Price ($CAD)	Fair value at Grant Date	Fair value of Vested Options	Expected Volatility	Expected Life	Expected Divided Yield	Risk Free Interest Rate
500,000	166,667	December 10, 2014	December 10, 2019	$ 0.35	$ 55,147	$ 23,065	44.45%	5	0%	1.37%
200,000	50,000	August 21, 2015	August 21, 2020	$ 0.35	$ 22,687	$ 7,122	71.28%	5	0%	0.65%
7,325,000	2,441,667	August 21, 2015	August 21, 2020	$ 0.42	$ 768,791	$ 256,264	71.28%	5	0%	0.65%
400,000	100,000	August 21, 2015	August 21, 2020	$ 0.35	$ -	$ -	0.00%	0.08	0%	0.00%
8,425,000	2,758,333									

RISK FACTORS

Risks related to the businesses and industries of the Company

General economic conditions

The Company’s subsidiaries operate in the U.S. healthcare market. The profitability of the Company is therefore dependent on favorable economic conditions to prevail in the U.S. for its successful operations. Decrease of employment rates in the U.S. could significantly impact potential patient population and thus can negatively impact our business.

Business risks related to operating healthcare facilities

The Company is subject to general business risks inherent in the operation of healthcare facilities, notably changes in payor mix, changes in physician and patient preference of elective surgery, changes in reimbursement by third-party payors, increases in labor costs and other operating costs, competition from or the oversupply of other similar surgical facilities, disease outbreaks and control risks, the imposition of increased taxes or new taxes, capital expenditure requirements. Moreover, there is no assurance that the performance expected to be achieved at CSS-Essex will be achieved. Any one of, or a combination of, these factors may adversely affect our business, results of operations and financial condition.

Fluctuations in revenues and payor mix

The Company's business is significantly affected by variability of payments from third-party payors, including private insurers and government healthcare programs. We are dependent on private, and governmental third-party sources of payment for the procedures performed at CSS-Essex. Our success may depend in part on our ability to attract privately insured patients. The Medicare and Medicaid programs are subject to statutory and regulatory changes, possible retroactive and prospective rate adjustments, administrative rulings, freezes and funding reductions, all of which may adversely affect our revenues and results of operations.

Net patient revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and is recognized upon performance of the patient service. In determining net patient revenue, management periodically reviews and evaluates historical payment data, payor mix and current economic conditions and adjusts, as required, the estimated collections as a percentage of gross billings in subsequent periods based on final settlements and collections. Management continues to monitor historical collections and market conditions to manage and report the effects of a change in estimates.

Key personnel

Our success depends, in part, on our ability to attract and retain quality physicians. There can be no assurance that we can continue to attract high quality physicians, facility staff and technical staff to our facilities. There can be no assurances that our current physicians will continue to practice at our facilities at their current levels, if at all. An inability to attract and retain physicians may adversely affect our business, results of operations and financial condition.

Our success also depends on the efforts and abilities of our management, as well as our ability to attract additional qualified personnel to manage operations and future growth. Also, at this time, we do not maintain any key employee life insurance policies on any management personnel or partners, but may do so in the future. The loss of a member of management, other key employee, partners or other physicians who use our facilities could have an adverse effect on our business, operating results and financial condition.

Regulatory risks

ASC's operating in the U.S. are subject to numerous federal, state and local laws, rules and regulations. Regulations that have the most significant effect on our business are: Licensure and Accreditation Healthcare facilities are subject to professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements imposed by Medicare, Medicaid, state licensing authorities, voluntary accrediting organizations and third-party private payors. Receipt and renewal of such licenses, certifications and accreditations are often based on inspections, surveys, audits, investigations or other reviews, some of which require affirmative compliance actions by the ASCs that could be burdensome and expensive. We believe that the Company's ASC is currently in material compliance with all applicable licensing, certification and accreditation requirements. However, the applicable standards may change in the future. There can be no assurance that the ASC will be able to maintain all necessary licenses or certifications in good standing or that it will not be required to incur substantial costs in doing so. The failure to maintain all necessary licenses, certifications and accreditations in good standing, or the expenditure of substantial funds to maintain them, could have an adverse effect on our business, results of operations and financial condition. Professional nurses and technical staff must also be licensed under state law. There can be no assurance that any particular physician, nurse or technical staff member who has medical staff privileges at the ASC will not have his or her license suspended or revoked by the governing body. If a license is suspended or revoked such physician, nurse or technical staff member may not be able to perform surgical procedures at the Company's ASC, which may have an adverse effect on our operations and business.

i) Anti-Kickback Statute

The United States Medicare/Medicaid Fraud and Abuse Anti-kickback Statute (the "Anti-Kickback Statute") prohibits "knowingly or willfully" paying money or providing remuneration of any sort in exchange for federally funded referrals. We believe that the business operations of the Company are structured to substantially comply with applicable anti-kickback laws.

ii) False Claims Legislation

Under the United States Criminal False Claims Act, individuals or entities that knowingly file false or fraudulent claims that are payable by the Medicare or Medicaid programs are subject to both criminal and civil liability. While the Company's ASC have a compliance program and policies to create a corporate culture of compliance with these laws, failure to comply could result in monetary penalties (up to three times the amount of damages), fines and/or imprisonment, which could have an adverse effect on our business, results of operations and financial condition.

iii) HIPAA

The Company's ASC is subject to the Health Insurance Portability and Accountability Act ("HIPAA"), which mandates industry standards for the exchange of protected health information, including electronic health information. While we believe that we have implemented privacy and security systems to bring us into material compliance with HIPAA, we cannot ensure that the business associates to whom we provide information will comply with HIPAA standards. In addition, because Congress continues to amend HIPAA to keep pace with evolving recordkeeping technologies, we cannot guarantee compliance with future amendments. If we, for whatever reasons, fail to comply with the standards, or any state statute that governs an individual's right to privacy that are not pre-empted by HIPAA, we could be subject to criminal penalties and civil sanctions, which could have an adverse effect on our business, financial condition and results of operations.

iv) Patient Protection and Affordable Care Act

The Company's ASC may be affected by the Patient Protection and Affordable Care Act ("PPACA"), which began taking effect June, 21, 2010. The impact on the Company's ASC remains uncertain. By mandating that residents obtain minimum levels of health insurance coverage, the PPACA has expanded the overall number of insured patients. However, it remains to be seen whether the cost born by employers of providing insurance coverage will result in a shift away from the types of policies that have historically provided the coverage that the Company has relied upon in the past. Further, the impact that value-based purchasing initiatives could have on the Company's revenues remains unclear. The Company continues to review the potential impact of PPACA's provisions on its business as the out of-network reimbursement under the policies issued by the state exchange might be substantially lower than those by the employer-sponsored polices.

Acquisition strategy and concentration risk

The Company currently operates a single ASC, CSS-Essex. Therefore, all of the risks are currently concentrated in a single facility. In order to diversify the exposure to the risks, the Company will have to execute on its strategy of growth through acquisition in various geographic markets in the U.S.

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

Professional liability claims

As a healthcare provider, CSS-Essex is subject to professional liability claims both directly and vicariously through the malpractice of members of our medical staff. As a healthcare facility, CSS-Essex has direct responsibility and legal liability for the standard of care provided in its facility by its staff. The ASC has legal responsibility for the physical environment and appropriate operation of equipment used during surgical procedures. In addition, CSS-Essex has vicarious liability for the negligence of its credentialed medical staff under circumstances where it either knew or should have known of a problem leading to a patient injury. Although the ASC neither controls the practice of medicine by physicians nor have responsibility for compliance with certain regulatory and other requirements directly applicable to physicians and their services, the Company may still become subject to medical malpractice claims under various legal theories. Claims of this nature, if successful, could result in damage awards to the claimants in excess of the limits of available insurance coverage.