QUANTUM INTERNATIONAL INCOME CORP

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2016

(in U.S. Dollars)

(Unaudited)

QUANTUM INTERNATIONAL INCOME CORP
Condensed Interim Consolidated Financial Statements
(Unaudited)

Management Comments

These Condensed Interim Consolidated Financial Statements of Quantum International Income Corp. for the three month period ended May 31, 2016 and all the information contained in this interim financial report are the responsibility of management and have been approved by the Board of Directors.

July 29, 2016

Signed: (signed) Manu Sekhri
Manu Sekhri
Chief Executive Officer

QUANTUM INTERNATIONAL INCOME CORP

Condensed Interim Consolidated Statements of Financial Position

(Unaudited)

(All amounts in U.S. dollars)

	May 31, 2016 $	February 29, 2016 $
ASSETS		
Current assets		
Cash and cash equivalents (Note 4)	103,173	203,986
Cash held in trust	17,520	7,520
Accounts receivable (Note 5)	486,206	634,631
Medical supplies	226,025	115,645
Prepaid expense and other	44,052	69,865
Balance receivable from divesture of Anesthesia	-	39,500
Total current assets	876,976	1,071,147
Non-current assets		
Long term deposits	96,672	96,672
Property and equipment	1,175,753	1,266,445
Intangible assets	975,129	1,006.361
Total non-current assets	2,247,554	2,369,478
TOTAL ASSETS	3,124,530	3,440,625
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and other liabilities	5,094,150	4,948,819
Loans payable (Note 6)	771,857	513,363
Current portion of lease obligation	21,772	21,358
Total current liabilities	5,887,779	5,483,540
Lease obligation net of current portion	17,461	23,061
Total liabilities	5,905,240	5,506,601
Equity		
Share capital (Note 7)	19,581,045	19,532,556
Contributed surplus	1,298,568	1,110,740
Accumulated other comprehensive income	2,096,248	2,093,858
Deficit	(25,766,034)	(24,820,703)
Equity attributable to owners	(2,790,173)	(2,083,549)
Non-controlling interest	9,463	17,573
Total equity	(2,780,710)	(2,065,976)
TOTAL LIABILITIES AND EQUITY	3,124,530	3,440,625

ON BEHALF OF THE BOARD

(signed) Manu Sekhri
Manu Sekhri, Director

(signed) Peter Shippen
Peter Shippen, Director

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

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

	May 31, 2016 $	May 31, 2015 $
Revenue		
Patient revenue	383,714	802,955
Net licensing revenue	2,208	(22,337)
	385,922	780,618
Operating and other expenses		
General and administrative expenses (Note 9)	(1,252,255)	(1,688,490)
Finance income	-	329
Finance costs	(28,511)	(3,715)
Gain (loss) on foreign exchange	(59,792)	44,163
	(1,340,558)	(1,647,713)
LOSS BEFORE TAXES	(954,636)	(867,095)
Income taxes		
Current	-	-
NET LOSS	(954,636)	(867,095)
Attributable to:		
Owners	(945,331)	(846,655)
Non-controlling interest	(9,305)	(20,440)
	(954,636)	(867,095)
Other comprehensive income (loss)		
Foreign currency translation reserve	3,585	75
NET LOSS AND COMPREHENSIVE LOSS	(951,051)	(867,020)
Attributable to:		
Owners	(942,941)	(846,605)
Non-controlling interest	(8,110)	(20,415)
	(951,051)	(867,020)
Earnings (loss) per share attributable to owners		
Basic and diluted (Note 10)	(0.01)	(0.01)
Weighted average common shares issued and outstanding (Note 10)	86,705,190	65,579,984

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

QUANTUM INTERNATIONAL INCOME CORP

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited)

(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, 2015	13,405,158	732,342	(13,117,661)	2,107,318	3,127,157	(487,443)	2,639,714
Share based payments (Note 8)	-	17,055	-	-	17,055	-	17,055
Warrants exercised (Note 7)	1,471,641	-	-	-	1,471,641	-	1,471,641
Share issuance costs (Note 7)	(10,500)	-	-	-	(10,500)	-	(10,500)
Net loss for the period	-	-	(846,655)	-	(846,655)	(20,440)	(867,095)
Foreign currency translation reserve	-	-	-	50	50	25	75
Balance as at May 31, 2015	14,866,299	749,397	(13,964,316)	2,107,368	3,758,748	(507,858)	3,250,890
Balance as at February 29, 2016	19,532,556	1,110,740	(24,820,703)	2,093,858	(2,083,549)	17,573	(2,065,976)
Shares issued for settlement of debt (Note 7)	39,559	-	-	-	39,559	-	39,559
Shares issued for credit facility agreement (Note 7)	8,930	-	-	-	8,930	-	8,930
Share based payments (Note 8)		181,228	-	-	181,228	-	181,228
Warrants issued for credit facility agreement (Note 7)		6,600	-	-	6,600		6,600
Net loss for the period	-	-	(945,331)	-	(945,331)	(9,305)	(954,636)
Foreign currency translation reserve	-	-	-	2,390	2,390	1,195	3,585
Balance as at May 31, 2016	19,581,045	1,298,568	(25,766,034)	2,096,248	(2,790,173)	9,463	(2,780,710)

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

QUANTUM INTERNATIONAL INCOME CORP
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
(All amounts in U.S. dollars)

	May 31, 2016 $	May 31, 2015 $
OPERATING ACTIVITIES		
Net loss	(954,636)	(867,095)
Items not affecting cash		
Amortization of property and equipment and intangible assets	121,924	118,386
Amortization of transaction costs on short term debt	-	8,858
Impairment of MME	-	182,787
Share based payments	48,489	-
Stock based compensation	187,828	17,055
Net change in non-cash operating working capital (Note 13)	248,689	(540,756)
Cash flows used in operating activities	(347,706)	(1,080,765)
INVESTING ACTIVITIES		
Deposit on potential acquisition	-	(1,080,000)
Cash flows used in investing activities	-	(1,080,000)
FINANCING ACTIVITIES		
Net proceeds from loans payable	258,494	970,000
Cash held in trust	(10,000)	
Finance lease repayment	(5,186)	(4,835)
Proceeds from warrants exercised (Note 7)	-	1,471,641
Cash flows from financing activities	243,308	2,436,806
Net change in cash and cash equivalents	(104,398)	276,041
Cash and cash equivalents, beginning of period	203,986	520,594
Foreign exchange impact on cash	3,585	101
Cash and cash equivalents, end of period	103,173	796,736
Supplemental information		
Interest received	-	(329)
Interest paid	14,282	3,715

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

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

1. REPORTING ENTITY

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.

The investment in Multiple Media Entertainment Inc. ("MME") and the acquisition of the Roseland assets 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 May 31, 2016 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 %
Provmark, LLC ("Provmark")	100 %
DA Management NJ Inc.	100 %

MME is incorporated in Ontario, CSS is a Delaware limited liability company, CSS-Essex is a New Jersey limited liability company, Provmark is a Florida limited liability company, and DA Management NJ, Inc. is a New Jersey corporation.

2. BASIS OF PREPARATION

Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than in the normal course of business and at amounts that may differ from those shown in these financial statements.

As at May 31, 2016, the Company had a working capital deficiency of $5,010,803 (February 29, 2016 – $4,412,393) and an accumulated deficit of $25,766,034 (February 29, 2016 - $24,820,703) and during the year the company failed to satisfy the release conditions prior to the release deadline of the bought deal financing (Note 7).

The continuation of the Company as a going concern is dependent upon its ability to ultimately attain profitable operations and to obtain financing under the credit facility agreement (Note 6). Whether and when the company the Company can attain profitability and positive cash flow is uncertain. While the company has been successful in securing financing, there is uncertainty whether financing will be available in the future in terms acceptable to the Company. Accordingly, there is a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34).

The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended February 29, 2016.

The interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as at February 29, 2016.

Recent accounting pronouncements

IFRS 9, *Financial instruments* ("IFRS 9")

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption 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).

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

Application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted under IFRS. The Company is currently assessing the impact of IFRS 15 on its consolidated financial statements.

IFRS 16, *Leases* ("IFRS 16")

In January 2016, the IASB issued IFRS 16, *Leases* ("IFRS 16") which replaces IAS 17, *Leases* and its associated interpretative guidance.

IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice.

The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

	May 31, 2016 $	February 29, 2016 $
Cash	95,474	203,986
Guaranteed investment certificates	7,699	-
	103,173	203,986

5. ACCOUNTS RECEIVABLE

	May 31, 2016 $	February 29, 2016 $
Trade receivables	468,863	618,774
Other	17,343	15,857
	486,206	634,631

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.

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

6 LOANS PAYABLE

	May 31, 2016 $	February 29, 2016 $
Notes payable (1)	461,857	203,363
Promissory note (2)	310,000	310,000
	771,857	513,363

(1) On February 10, 2016, the Company and its wholly owned subsidiary Quantum US Healthcare Corp (the “Borrower”), together entered into a definitive facility agreement with a syndicate of lenders (the "Facility"), pursuant to which the Borrower is entitled to borrow up to an aggregate of $825,000 CDN. The lenders are also shareholders of the Company.

As at May 31, 2016, the remaining amount available under this credit facility is $220,000 CDN.

Additional loans in the aggregate principal amount of up to $5,175,000 CDN may be made available to the Company by the lenders pursuant to the Facility, but only on a discretionary basis at the option of the lenders, to fund potential acquisitions of the Company.

Advances to the Borrower under the Facility will be evidenced by the issuance of Notes of the Borrower in like principal amounts, which Notes will bear interest at 15% per annum, payable at maturity on January 31, 2017. Each Note will be exchangeable into common shares of the Company at the option of the holding lender thereof, at an exchange price that will be determined at the time of issuance of such common shares and will be based on the prevailing market price for the Company’s common shares at the time of this issuance, subject to customary adjustments and subject in all cases to the minimum pricing rules of the TSX Venture Exchange. The Borrower and the Company will also have the right to force exchange of any or all outstanding Notes concurrently with, or any time following, the closing by the Company, directly or indirectly, of an acquisition that meets certain criteria specified in the agreement governing the Facility.

The Notes are secured by a pledge by the Company of the entirety of its 100% interest in Quantum CSS Holdings Corp.

In connection with the securing of the Facility, the Company expects to pay finders and agents a commission equal to 10% of the Proceeds (75% of which is expected to be paid in common shares of the Company at a price per share equal to $0.05) and broker warrants to acquire such number of common shares of the issuer as is equal to 10% of the number of common shares which may be issuable upon the exchange of outstanding Notes.

(2) On October 2, 2015 the Company obtained a $300,000 unsecured promissory note from a third party. The note was issued at a discount for consideration of $250,000. The principal was to be repaid on October 31, 2015. The Company did not repay the principal amount to the Lender on or before October 31, 2015, therefore the Principal Amount was deemed to be $310,000. If the Company repaid the principal amount on or before the maturity date, the interest rate was to be 0% per annum.

After the maturity date, the principal amount outstanding at any time, and from time to time, and any overdue interest, shall bear interest at 15% per annum, both before and after demand, default, and judgment. Such interest shall be calculated monthly not in advance when not in default and, after default, payable on demand.

As at May 31, 2016, the total interest that has been accrued is $27,125.

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

7. 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 of February 28, 2015	**48,522,733**	**19,611,494**	**$ 13,405,158**
Warrants exercised	18,577,500	(18,577,500)	1,471,641
Share issuance costs	-	-	(10,500)
Balance as of May 31, 2015	**67,100,233**	**1,033,994**	**$ 14,866,299**
Balance as of February 28, 2016	**86,036,733**	**6,345,994**	**19,532,556**
Share based payments	1,564,067	660,000	48,489
Balance as of May 31, 2016	**87,600,800**	**7,005,994**	**$ 19,581,045**

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.

In July 2015, the Company issued 9,000,000 common shares at CAD $0.41 ($0.33 USD) for consideration of the Anesthesia Acquisition.

Bought deal offering

On June 17, 2015, the Company announced that it 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. Each subscription receipt converts into one common share and one-half of one common share purchase warrant of the Company. Each warrant entitles the holder thereof to acquire one common share for an exercise price of CAD $0.65 per warrant for a period of 24 months following the closing. The Company will pay the underwriter a cash commission equal to 6.5% of the gross proceeds of the offering, as additional compensation for the services of the underwriter the Company will grant the underwriter compensation options exercisable at any time up to 24 months following the closing to purchase that number of securities of the Company such number of subscription receipts that is equal to 6.5% of the number of subscription receipts issued pursuant to the bought deal offering.

As part of the bought deal offering, the underwriter agreement included a clause requiring the release of the first tranche of funds to the Company upon the filing of the final prospectus with the regulatory bodies. On July 28, 2015, the Company announced that it has filed the final prospectus in relation to the bought deal offering and obtained the first tranche of proceeds of $3,094,462 to be used for working capital purposes with the issuance of 9,524,000 shares and 4,762,000 warrants.

On October 28, 2015, the Company announced that further to its prospectus offering (the "Offering") of 47,620,000 subscription receipts of the Company ("Subscription Receipts") at a price of CAD $0.42 per Subscription Receipt (the "Offering Price"), which closed on July 28, 2015 (the "Closing Date"), the Company was not able to satisfy the release conditions prior to the release date of October 26, 2015. Accordingly, the Company 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 is currently working with the subscription receipt agent to satisfy this obligation but does not expect to be in position to return an amount equal to the full Offering Price per Subscription Receipt.

The Company currently owes the subscription receipt holders the equivalent of $975,000 CDN and is reflected in accounts payable and accrued liabilities as at May 31, 2016.

As a result of not satisfying the release conditions of this bought deal financing, the Company was not in a position to complete the Proposed LTACH Acquisition.

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 share at CAD $0.35 ($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.

The Company incurred $1,284,268 of share issuance costs associated with the bought deal financing announced June 17, 2015. The share issuance costs include 619,060 of underwriter options valued at $30,000. These underwriter options have not been issued as of May 31, 2016.

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.

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 Company paid a finder's fee in relation to the drawdowns on of the credit facility agreement on February 9, 2016 and February 18, 2016. The finder's fee included cash commission of $4,975, 412,500 common shares valued at $8,250 and 550,000 warrants valued at $5,500. The fair value of the warrants was charged to contributed surplus.

The Company paid a finder's fee in relation to the drawdowns on of the credit facility agreement on March 16, 2016, April 25, 2016 and May 17, 2016. The finder's fee included cash commission of $6,298, 495,000 common shares valued at $8,930 and 660,000 warrants valued at $6,600. The fair value of the warrants was charged to contributed surplus.

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

On March 16, 2016, the Company entered into an agreement with Merrill Corporation pursuant to which Merrill has agreed to accept, in full satisfaction of an outstanding liability of the Company, an issuance of 123,446 common shares of the Company, representing an implied price of $0.05 CDN per common share.

On April 1, 2016, the Company entered into separate shares for debt arrangements with Roy L. Booth, former Chief Financial Officer of the Company. Mr. Booth agreed to accept, in full satisfaction of an outstanding liability of the Company, an issuance of 164,000 common shares of the Company, representing an implied price of $0.05 CDN per common share.

On April 1, 2016, the Company entered into separate shares for debt arrangements with Richardson GMP Limited. Richardson GMP Limited agreed to accept, in full satisfaction of an outstanding liability of the Company, an issuance of 781,621 common shares of the Company, representing an implied price of $0.05 CDN per common share.

Warrants

During the year ended February 28, 2015, 4,622,500 warrants were exercised for the purchase of 4,622,500 common shares for the total proceeds of $376,845.

During the year ended February 29, 2016, 18,577,500 warrants were exercised for the purchase of 18,577,500 common shares for total proceeds of $1,471,641.

As at May 31, 2016, the Company had outstanding warrants as follows:

Number of warrants	Exercise price (CAD)		Expiry
1,033,994	$	0.35	8/28/2016
4,762,000	$	0.65	7/28/2017
550,000	$	0.05	8/18/2017
220,000	$	0.05	9/14/2017
220,000	$	0.05	10/25/2017
220,000	$	0.05	11/17/2017

Option to cancel shares relating to Anesthesia

The Company received an irrevocable option to cancel 9,000,000 common shares for no additional consideration. This option is valued at the estimated fair value of $135,000 and is charged against share capital.

8. 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.

As part of investor relations agreement with KIN Communications, the Company has agreed to grant 400,000 stock options to the company for its services. The Company ended its investor relations agreement with KIN Communications on November 30, 2015 and the stock options expired following the termination of the agreement.

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

The company announced the grant of 500,000 options on December 14, 2014 to the CFO. The options vest 1/3 at issuance, 1/3 at the first anniversary of the grant, and 1/3 at the second anniversary.

The Company announced the grant of 7,525,000 options on August 21, 2015. Of the 7,525,000 options granted, 200,000 were previously approved but not granted due to the Company being under a blackout period. The options vest 1/3 at issuance, 1/3 at the first anniversary of the grant, and 1/3 at the second anniversary.

As at May 31, 2016, the Company had the following stock options outstanding:

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 Dividend Yield	Risk free Interest Rate
500,000	333,333	December 10, 2014	December 10, 2019	0.35	55,147	-	44.45	5	0%	1.37%
200,000	66,667	August 21, 2015	August 21, 2020	0.35	22,687	707	71.28	5	0%	0.65%
7,325,000	2,441,667	August 21, 2015	August 21, 2020	0.42	768,791	45,521	71.28	5	0%	0.65%
8,025,000	2,481,667									

9. GENERAL AND ADMINISTRATIVE EXPENSES

Components of general and administrative expenses:

	May 31, 2016 $	May 31, 2015 $
Professional and advisory fees	255,200	373,304
Management fees	32,829	152,479
Regulatory and filing fees	23,056	31,815
Salaries and benefits	211,514	341,175
Depreciation and amortization	121,924	118,386
General administrative expenses	368,357	388,289
Medical supplies expensed	58,147	83,200
Impairment of assets	-	182,787
Stock based compensation	181,228	17,055
	1,252,255	1,688,490

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

10. EARNINGS (LOSS) PER SHARE

As the Company incurred a net loss during the three months ended May 31, 2016, 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 May 31, 2016
Common shares issuable on exercise of warrants	7,005,994
Vested stock options	2,481,667

11. OPERATING SEGMENTS

Management has identified three 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:

- Healthcare operation in the USA, operated through CSS ("CSS")
- Multiple Media Entertainment Inc. ("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.

					May 31, 2015
	Quantum	Provmark	CSS	MME	Total
	$	$	$	$	$
Patient revenue	-	-	802,956	-	802,956
Net licensing revenue	-	-	-	(22,337)	(22,337)
Operating expenses	(639,145)	(43,226)	(736,024)	(87,308)	(1,505,703)
Impairment of MME	-	-	-	(182,787)	(182,787)
Net gain (loss) from operations	(639,145)	(43,226)	66,931	(292,432)	(907,871)
Interest and finance charges	(3,386)	-	-	-	(3,386)
Gain (loss) on foreign exchange	44,763	-	-	(601)	44,162
Net income (loss)	(597,766)	(43,226)	66,931	(293,033)	(867,095)
Total assets	1,635,142	-	4,224,970	455,337	6,315,449
Total liabilities	2,335,036	40,728	380,758	308,037	3,064,559

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

					May 31, 2016
	Quantum	**CSS**	**MME**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
Net patient revenue	-	383,714	-	-	383,714
Net licensing revenue	-	-	2,208	-	2,208
Management fees	-	-	-	-	-
Operating expenses	(451,848)	(770,283)	(30,124)	-	(1,252,255)
Net gain (loss) from operations	(451,848)	(386,569)	(27,916)	-	(866,333)
Interest and finance charges	(28,511)	-	-	-	(28,511)
Gain (loss) on foreign exchange	(59,792)	-	-	-	(59,792)
Net loss from continuing operations	(540,151)	(386,569)	(27,916)	-	(954,636)
Total assets	167,969	2,856,682	97,652	2,227	3,124,530
Total liabilities	4,782,261	645,527	221,282	256,170	5,905,240

12. 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:

	May 31, 2016	**May 31, 2015**
Management fees paid to corporations controlled by officers	(27,171)	92,479
Salaries and short term benefits	-	41,420
Director fees	6,000	21,147
Share based compensation	181,228	17,055
Consulting fees	53,151	-

Included in accounts payable and other liabilities is $46,571 (February 28, 2015 - $nil) due to related parties as of May 31, 2016 for management fees paid to corporations controlled by officers and directors fees.

During the period ended May 31, 2016, the Company paid consulting fees of $44,163 (May 31, 2015 - $nil) and reimbursed Company expenses to a corporation controlled by a director and officer of the Company. These services were incurred in the normal course of operations. All services were made on terms equivalent to those that prevail with arm's length transactions. As at May 31, 2016, Ascendant Group Holdings Inc. was owed $17,067 (February 28, 2016 – $59,439).

During the period ended May 31, 2016, the Company paid consulting fees of $8,989 (May 31, 2015 – $nil) to an accounting firm of which the CFO is the managing partner. These services were incurred in the normal course of operations for general accounting and financial reporting matters. All services were made on terms equivalent to those that prevail with arm's length transactions. As at May 31, 2016, Forbes Andersen LLP was owed $15,396 (February 28, 2016 – $19,712).

During the period ended May 31, 2016, the Company paid rent of $33,683 (May 31, 2015 – 22,307) to a corporation controlled by a director and officer of the Company.

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

During the period ended May 31, 2016, the Company settled a debt owing to the prior CEO for $7,484. The original debt was $34,655 and the gain on settling the debt is recorded in management fees paid to corporations controlled by officers of the Company.

During the period ended May 31, 2016, the Company assigned the option to acquire 9,000,000 common shares of the Company, to an entity controlled by a director and officer of the Company. The option is valued at the estimated fair value of $135,000 and is recorded under share based compensation.

13. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash operating working capital:

	Three months ended	
	May 31, 2016 $	**May 31, 2015 $**
Accounts receivable	148,425	(452,588)
Prepaid expenses and other	25,813	(34,654)
Balance receivable from divesture of Anesthesia	39,500	-
Medical Supplies	(110,380)	(10,177)
Accounts payable and other liabilities	145,331	(43,337)
	248,689	(540,756)

14. SUBSEQUENT EVENTS

Note Facility Drawdown

On June 15, 2016, the Company's wholly-owned subsidiary Quantum US Healthcare Corp., completed a drawdown under its previously announced credit facility in the principal amount of $110,000 CDN.

In connection with this drawdown, the Borrower expects to pay finders and agency cash commission equal to 11,000 CDN, of which $8,250 CDN is expected to be paid in common shares of the Company value at $0.05 CDN per Common Share, as well as broker warrants to acquire 220,000 common shares of the Company at a price of $0.05 CDN per common share at any time during the 12 months following the date of issuance of such broker warrants.

On July 15, 2016, the Company's wholly-owned subsidiary Quantum US Healthcare Corp., completed a drawdown under its previously announced credit facility in the principal amount of $110,000 CDN.

In connection with this drawdown, the Borrower expects to pay finders and agency cash commission equal to 11,000 CDN, of which $8,250 CDN is expected to be paid in common shares of the Company value at $0.05 CDN per Common Share, as well as broker warrants to acquire 220,000 common shares of the Company at a price of $0.05 CDN per common share at any time during the 12 months following the date of issuance of such broker warrants.

Amendments to the exercise price of certain outstanding stock options

On June 15, 2016, the Company announced that it completed amendments to the exercise price of 3,400,000 stock options granted to Manu Sekhri, CEO from $0.42 CDN per common share to $0.05 CDN per common share.

Cease trade order

On July 5, 2016 trading in the Company's shares was halted by the TSX Venture Exchange pursuant to a Cease Trade Order issued by the Ontario Securities Commission. The cease trade order was issued due to the non-filing of the Company's audited annual financial statements and other related documents on June 27, 2016. Those required documents were filed by the Company on July 15, 2016.

On July 21, 2016, the Ontario Securities Commission revoked this cease trade order.