QUANTUM INTERNATIONAL INCOME CORP

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended November 30, 2016 and November 30, 2015

(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 and nine months period ended November 30, 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.

The company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Chartered Professional Accountants of Ontario for a review of interim financial statements by an entity's auditors.

January 30, 2017

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)

	November 30, 2016 $	February 29, 2016 $
ASSETS		
Current assets		
Cash and cash equivalents (Note 6)	1,203,996	143,773
Cash held in trust	17,520	7,520
Accounts receivable (Note 7)	407,259	108,068
Loan receivable (Note 4)	150,000	-
Prepaid expenses and other	28,583	34,927
Receivable from divesture of Anesthesia	59,500	39,500
Assets held for sale (Notes 4 and 5)	3,606,544	3,096,917
Total current assets	5,473,402	3,430,705
Non-current assets		
Property and equipment	2,892,333	9,920
Goodwill and intangible assets (Note 4)	11,037,054	-
Deferred tax asset (Note 4)	1,221,750	-
Total non-current assets	15,151,137	9,920
TOTAL ASSETS	20,624,539	3,440,625
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and other liabilities	6,562,501	4,494,045
Loans payable (Note 8)	1,413,064	513,363
Current portion of long term debt	19,291	-
Liabilities held for sale (Notes 4 and 5)	1,302,195	499,193
Total current liabilities	9,297,051	5,506,601
Long-term debt (Note 9)	11,116,805	-
Total liabilities	20,413,856	5,506,601
Equity		
Share capital (Note 10)	24,187,646	19,532,556
Contributed surplus	1,839,813	1,110,740
Accumulated other comprehensive income	2,096,142	2,093,858
Deficit	(29,661,224)	(24,820,703)
Equity attributable to owners	(1,537,623)	(2,083,549)
Non-controlling interest	1,748,306	17,573
Total equity	210,683	(2,065,976)
TOTAL LIABILITIES AND EQUITY	20,624,539	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 Income and Comprehensive Income
(Unaudited)
(All amounts in U.S. dollars)

	Three months ended		Nine months ended	
	November 30, 2016 $	November 30, 2015 $	November 30, 2016 $	November 30, 2015 $
Revenue				
COAM revenue	1,514,489	-	1,514,489	-
Net licensing revenue	32,323	39,037	72,741	52,873
	1,546,812	39,037	1,587,230	52,873
Operating and other expenses				
General and administrative expenses (Note 12)	(3,560,235)	(3,257,603)	(5,481,598)	(7,281,888)
Finance costs	(359,910)	(91,786)	(423,042)	(147,980)
Gain (loss) on foreign exchange	-	24	(20,318)	58,248
Gain on sale of subsidiary (Note 4)	227,648	-	227,648	-
	(3,692,497)	(3,349,365)	(5,697,310)	(7,371,620)
LOSS FROM CONTINUING OPERATIONS BEFORE TAXES	(2,145,685)	(3,310,328)	(4,110,080)	(7,318,747)
Income taxes				
Current	-	-	-	-
NET LOSS FROM CONTINUING OPERATIONS	(2,145,685)	(3,310,328)	(4,110,080)	(7,318,747)
Net gain (loss) from discontinued operations (Note 5)	384,530	(1,571,176)	(193,373)	(3,334,896)
NET LOSS	(1,761,155)	(4,881,504)	(4,303,453)	(10,653,643)
Attributable to:				
Owners	(2,300,503)	(4,794,003)	(4,840,521)	(10,384,784)
Non-controlling interest	539,348	(87,501)	537,068	(268,859)
	(1,761,155)	(4,881,504)	(4,303,453)	(10,653,643)
Other comprehensive loss				
Foreign currency translation reserve	-	(1,254)	-	(9,182)
NET LOSS AND COMPREHENSIVE LOSS	(1,761,155)	(4,882,758)	(4,303,453)	(10,662,825)
Attributable to:				
Owners	(2,300,503)	(4,795,235)	(4,840,521)	(10,406,672)
Non-controlling interest	539,348	(87,523)	537,068	(256,153)
	(1,761,155)	(4,882,758)	(4,303,453)	(10,662,825)
Earnings (loss) per share attributable to owners				
Basic and diluted (Note 13)	(0.02)	(0.06)	(0.05)	(0.14)
Weighted average common shares issued and outstanding (Note 10)	125,865,528	85,624,333	93,431,999	74,613,390

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	(13,701,500)	2,107,318	2,543,318	96,396	2,639,714
Equity issuance (Note 10)	6,066,775	-	-	-	6,066,775	-	6,066,775
Share based payments (Note 11)	-	286,451	-	-	286,451	-	286,451
Warrants exercised (Note 10)	1,471,641	-	-	-	1,471,641	-	1,471,641
Share issuance costs (Note 10)	(1,133,634)	-	-	-	(1,133,634)	-	(1,133,634)
Net loss for the period	-	-	(10,384,784)	-	(10,384,784)	(268,859)	(10,653,643)
Foreign currency translation reserve	-	-	-	(21,888)	(21,888)	12,706	(9,182)
Balance as at November 30, 2015	19,809,940	1,018,793	(24,086,284)	2,085,430	(1,172,121)	(159,757)	(1,331,878)
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)
Equity issuance	1,500,000	-	-	-	1,500,000	-	1,500,000
Share issued for purchase of Lucky Bucks, LLC	3,100,000	-	-	-	3,100,000	-	3,100,000
Shares issued for settlement of debt (Note 10)	39,559	-	-	-	39,559	-	39,559
Shares issued for credit facility agreement (Note 10)	15,531	-	-	-	15,531	-	15,531
Share based payments (Note 11)	-	709,488	-	-	709,488	-	709,488
Warrants issued for credit facility agreement (Note 10)	-	19,585	-	-	19,585		19,585
Acquisition	-	-	-	-	-	1,192,522	1,192,522
Net loss for the period	-	-	(4,840,521)	-	(4,840,521)	537,068	(4,303,453)
Foreign currency translation reserve	-	-	-	2,284	2,284	1,143	3,427
Balance as at November 30, 2016	24,187,646	1,839,813	(29,661,224)	2,096,142	(1,537,623)	1,748,306	210,683

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

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

	November 30, 2016 $	November 30, 2015 $
OPERATING ACTIVITIES		
Net loss	(4,303,453)	(10,653,643)
Items not affecting cash		
Amortization of property and equipment and intangible assets	319,546	468,226
Amortization of transaction costs on short term debt	-	30,000
Impairment of MME net of impairment reversal	-	131,376
Impairment of assets	-	4,116,377
Accretion on long term debt	41,953	-
Share based payments	115,531	-
Stock based compensation	729,073	286,451
Gain on sale of subsidiary	(227,648)	-
Bad debt expense	6,000	-
Net change in non-cash operating working capital of discontinued operation	293,375	32,654
Net change in non-cash operating working capital (Note 16)	1,332,053	2,268,966
Cash flows used in operating activities	(1,693,570)	(3,319,593)
INVESTING ACTIVITIES		
Cash classified as held for sale	-	(47,357)
Deposit on potential acquisitions	-	(1,080,000)
Loan advances to IHS Haileah	-	(109,070)
Cash paid on acquisitions	(10,000,000)	-
Acquisition of property and equipment	(715,011)	(27,209)
Cash flows used in investing activities	(10,715,011)	(1,263,636)
FINANCING ACTIVITIES		
Proceeds from loans payable	930,868	1,620,000
Repayment of loans payable	(31,167)	-
Cash held in trust	(17,520)	-
Repayments of short term debt	-	(2,000,000)
Proceeds from share issuance	1,500,000	3,094,462
Proceeds from long term debt	11,099,727	-
Repayment of long term debt	(5,584)	-
Proceeds from warrants exercised	-	1,471,641
Finance lease repayment	-	(13,101)
Cash flows from financing activities	13,476,324	4,173,002
Net change in cash and cash equivalents	1,067,743	(410,227)
Cash and cash equivalents, beginning of period	136,253	520,594
Foreign exchange impact on cash	-	(21,888)
Cash and cash equivalents, end of period	1,203,996	88,479
Supplemental information		
Interest received	-	531
Interest paid	(384,052)	(60,432)

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. 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 November 30, 2016 comprise the Company and its subsidiaries (collectively the "Group"). The Company's operating subsidiaries and ownership interests are as follows:

	Ownership interest
Quantum Gaming Corp.	100 %
Southern Star Gaming, LLC	100 %
Lucky Bucks HoldCo, LLC	51 %

Quantum Gaming Corp is a Delaware corporation, Southern Star Gaming, LLC is a Delaware limited liability company and Lucky Bucks HoldCo, LLC is a Delaware limited liability company.

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 November 30, 2016, the Company had a working capital deficiency of $3,823,649 (February 29, 2016 – $2,075,896) and an accumulated deficit of $29,661,224 (February 29, 2016 - $24,820,703).

The continuation of the Company as a going concern is dependent upon its ability to ultimately attain profitable operations and to obtain additional financing or by other means. Whether and when 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).

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.

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

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. ACQUISITIONS AND DIVESTITURES

Acquisition of controlling interest in Lucky Bucks, LLC
On October 21, 2016, the Company's wholly-owned subsidiary acquired a controlling interest of 51% in the business of Lucky Bucks, LLC, a highly profitable digital skill-based gaming terminal operator based in and incorporated under the laws of the U.S. State of Georgia. Lucky Bucks, LLC assembles, distributes, owns and operates skill-based digital gaming terminals in multiple locations throughout Georgia. The total purchase price for the acquisition was $13,500,000.

The company has allocated the purchase price as follows:

Cash and cash equivalent	$	10,134
Accounts receivables		403,802
Property plant and equipment		2,528,587
Goodwill and intangible assets		11,037,054
Deferred tax asset		1,221,750
Accounts payables and other liabilities		(508,805)
Non-controlling interest		(1,192,522)
	$	13,500,000

Consideration is comprised of:

Cash payment	$	10,000,000
Deferred liability		500,000
Shares issued of the Company		3,000,000
	$	13,500,000

The Company has followed guidance provided by IFRS 3 - Business Combinations, which allows the Company one year to finalize the purchase price allocation of an acquired companies' fixed assets, liabilities, non-controlling interest, fair values of intangibles and goodwill. Over the next year, the Company will analyze the acquired assets, liabilities, non-controlling interest, fair values of intangibles and goodwill and will make the final allocation at this time.

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

Divestiture from Multi Media Entertainment Inc
On October 17, 2016, MME agreed to buy back the Company's 400 Class B common shares. The Company received a promissory note of CAD $150,000. The promissory note bears an annual interest rate of twelve percent (12%) accrued daily and compounded annually. There is a general security agreement providing for a first charge and secured interest on all assets of MME. The Company received 120 warrants of MME with an expiry date of August 17, 2018.

5. DISCONTINUED OPERATIONS

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or earlier, if the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of earnings and cash flow information is re-presented as if the operation had been discontinued from the start of the comparative period.

The Company plans to sell all of the issued common shares of Quantum CSS Holdings Corp., the wholly-owned subsidiary of the Corporation through which it holds its interest in Centers for Special Surgery, LLC. Centers for Special Surgery, LLC is the sole member of Center for Special Surgery of Essex County, LLC, a New Jersey limited liability company that owns and operates certain surgery centers in the New Jersey area.

The Company has classified its interest in the operations of Center for Special Surgery of Essex County, LLC, a New Jersey limited liability company that owns and operates certain surgery centers in the New Jersey area as discontinued operations in the period ending November 30, 2016.

The Company has presented the group of assets and liabilities of Center for Special Surgery of Essex County, LLC as held for sale as per IFRS 5, and the results of operations as discontinued operations are as follows:

a) Results of discontinued operations

	Three months ended		Nine months ended	
	November 30, 2016	November 30, 2015	November 30, 2016	November 30, 2015
	$	$	$	$
Revenue	1,468,042	359,200	2,367,724	1,832,344
Operating expenses	(1,083,512)	(1,930,376)	(2,561,097)	(5,167,240)
Net income (loss)	384,530	(1,571,176)	(193,373)	(3,334,896)

b) Net assets held for sale:

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

	November 30, 2016	February 29, 2016
Cash and cash equivalent	101,890	60,213
Accounts receivable	1,270,420	526,565
Medical supplies	161,582	115,644
Prepaid expenses	27,570	34,938
Deposits	96,672	96,672
Property and equipment	1,030,640	1,256,525
Intangibles	917,770	1,006,360
Total assets held for sale	3,606,544	3,096,917
Trade and other payables held for sale	1,302,195	449,193
Nets assets	2,304,349	2,647,724

6. CASH AND CASH EQUIVALENTS

	November 30, 2016 $	February 29, 2016 $
Cash	1,203,996	143,773

7. ACCOUNTS RECEIVABLE

	November 30, 2016 $	February 29, 2016 $
Trade receivables	407,259	92,211
Other	-	15,857
	407,259	108,068

8. LOANS PAYABLE

	November 30, 2016 $	February 29, 2016 $
Notes payable (1)	955,731	203,363
Promissory note (2)	310,000	310,000
Property and equipment promissory note #1 (3)	62,333	-
Property and equipment promissory note #2 (4)	85,000	-
	1,413,064	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.

Additional loans in the aggregate principal amount of up to $5,175,000 CDN were 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 were evidenced by the issuance of Notes to 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 Facility, for each drawdown, the Company paid finders and agents a commission equal to 10% of the Proceeds (75% of which was 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.

As at November 30, 2016, the total interest that has been accrued is $118,923.

(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 November 30, 2016, the total interest that has been accrued is $41,004.

(3) On September 14, 2016, the Company obtained a $93,500 promissory note from a third party. The promissory note is non-interest bearing and is payable in six consecutive monthly payments of $15,583 starting October 29, 2016.

(4) On November 9, 2016, the Company obtained a $85,000 promissory note from a third party. The promissory note is non-interest bearing and is payable in six consecutive monthly payments of $14,167 starting February 1, 2017.

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

9. LONG-TERM DEBT

	November 30, 2016 $
Term loan (1)	11,041,953
Vehicle finance loan #1 (2)	30,474
Vehicle finance loan #2 (3)	30,669
Vehicle finance loan #3 (4)	33,000
	11,136,096
Less: current portion	(19,291)
	11,116,805

(1) Southern Star Gaming, LLC a wholly-owned subsidiary of the Company obtained a senior secured first lien term loan in the amount of $11,000,000 to the fund acquisition of Lucky Bucks, LLC (Note 4). The term loan was issued with an 8% original issue discount, bears interest at a fixed rate of 16% per annum and will mature on April 21, 2019.

The term loan is secured by first priority mortgage liens and first priority security interests in all of the tangible and intangible assets of Southern Star Gaming, LLC and the Company, including the equity interest in Lucky Bucks, LLC the Company will acquire pursuant to the acquisition (Note 4), but excluding the surgery center assets of Centers for Special Surgery, LLC (a subsidiary of the Corporation), as well as all permits and contracts with the State of Georgia and all owner/operator gaming machine contracts.

(2) Vehicle finance loan #1 is non-interest bearing with monthly principal payments of $557 and will mature on June 30, 2021.

(3) Vehicle finance loan #2 is non-interest bearing with monthly principal payments of $560 and will mature on June 30, 2021

(4) Vehicle finance loan #3 bears interest of 4.40% with monthly blended payments of $491 and will mature on January 8, 2023.

10. 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.

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

	Common Shares	Warrants	Share Capital
Balance as of Febrauary 28, 2015	**48,522,733**	**19,611,494**	**$ 13,405,158**
Warrants exercised	18,577,500	(18,577,500)	1,471,641
Equity issuance	9,524,000	4,762,000	3,094,462
Equity issuance as a part of a business acquisition	9,000,000	-	2,972,313
Share issuance costs	-	-	(1,133,634)
Balance as of November 30, 2015	**85,624,233**	**5,795,994**	**$ 19,809,940**
Balance as of February 29, 2016	**86,036,733**	**6,345,994**	**19,532,556**
Equity issuance	65,827,567	1,500,000	4,500,000
Warrants expired	-	(1,033,994)	-
Share based payments	3,010,137	1,958,480	155,090
Balance as of November 30, 2016	**154,874,437**	**8,770,480**	**$ 24,187,646**

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.

In October 2016, the Company issued 21,942,522 common shares at $0.07 to the lender for the term loan mentioned in Note 9. Also, the Company issued 43,885,045 common shares at $0.07 as a part of consideration for the Lucky Bucks, LLC acquisition (Note 4).

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 November 30, 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 November 30, 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 contribute surplus.

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, May 17, 2016, June 15, 2016, July 15, 2016 and August 19, 2016. The finder's fee included cash commission of $43,516, 825,000 common shares valued at $15,531 and 1,958,480 warrants valued at $19,585. 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 a separate shares for debt arrangement 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 a separate shares for debt arrangement 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.

In October 2016, the Company paid James Boyden a consulting fee of $100,000 by issuing 1,116,070 common shares of the Company representing an implied price of CAD $0.09 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 November 30, 2016, the Company had outstanding warrants as follows:

Number of warrants	Excerise price(CAD)		Expiry
4,762,000	$	0.65	28-Jul-17
550,000	$	0.05	18-Feb-07
220,000	$	0.05	21-Mar-17
220,000	$	0.05	28-Apr-17
220,000	$	0.05	20-May-17
220,000	$	0.05	20-Jun-17
220,000	$	0.05	26-Jul-17
858,480	$	0.05	29-Aug-17
1,500,000	$	0.13	21-Apr-19
8,770,480			

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.

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

11. 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.

The Company announced the grant of 500,000 options on December 14, 2014 to the CFO. The options vest one third at issuance, one third at the first anniversary of the grant, and one third 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 one third at issuance, one third at the first anniversary of the grant, and one third at the second anniversary.

The Company repurchased 3,400,000 of options from Grant White (former CEO) On March 16, 2016.

The Company announced the grant of 3,246,000 options on August 26, 2016 to the directors, CEO and an employee. The options vest immediately at issuance.

The Company announced the grant of 3,597,180 options on November 11, 2016 to the CEO and an employee. The options vest immediately at issuance.

As at November 30, 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	500,000	December 10, 2014	December 10, 2019	0.35	55,147	-	44.45	5	0%	1.37%
150,000	100,000	August 21, 2015	August 21, 2020	0.35	22,687	2,121	71.28	5	0%	0.65%
3,875,000	2,583,333	August 21, 2015	August 21, 2020	0.42	768,791	136,563	71.28	5	0%	0.65%
3,246,540	3,246,540	August 26,2016	August 26,2021	0.06	194,792	194,792	177.05	5	0%	0.66%
3,597,180	3,597,180	November 11, 2016	November 11, 2021	0.09	241,011	241,011	179.37	5	0%	0.75%
11,368,720	10,027,053									

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

12. GENERAL AND ADMINISTRATIVE EXPENSES

Components of general and administrative expenses:

	Three months ended		Nine months ended	
	November 30, 2016	**November 30, 2015**	**November 30, 2016**	**November 30, 2015**
	$	**$**	**$**	**$**
Professional and advisory fees	2,415,922	1,590,958	3,697,606	2,158,738
Consulting fees	263,946	135,677	236,775	519,371
Management relocation	-	-	-	49,059
Regulatory and filing fees	12,746	20,750	75,143	84,485
Salaries and benefits	112,274	170,803	149,849	567,751
Depreciation and amortization	317,210	89,049	319,546	302,206
General administrative expenses	105,898	188,373	287,191	657,006
Impairment of assets	-	1,061,993	-	2,656,820
Bad debt	45,000	-	6,000	-
Stock based compensation	287,239	-	709,488	286,452
	3,560,235	3,257,603	5,481,598	7,281,888

13. EARNINGS (LOSS) PER SHARE

As the Company incurred a net loss during the three months and nine months ended November 30, 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 November 30, 2016
Common shares issuable on exercise of warrants	8,770,480
Vested stock options	10,027,053

14. OPERATING SEGMENTS

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 reportable business segments are:
- Lucky Bucks HoldCo, LLC ("LB")
- Southern Star Gaming, LLC ("SSG")
- Multiple Media Entertainment Inc. ("MME")
- Other, including head office expenses and office of the CEO ("Quantum")

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

					Three Months Ended November 30, 2016	
	Quantum	SSG	LB	MME	Discontinued Operations	Total
	$	$	$	$	$	$
COAM revenue	-	-	1,514,489	-	-	1,514,489
Net licensing revenue	-	-	-	32,323	-	32,323
Operating expenses	(2,176,447)	(996,293)	(380,235)	(7,260)		(3,560,235)
Net gain (loss) from operations	(2,176,447)	(996,293)	1,134,254	25,063	-	(2,013,423)
Gain on sale of subsidiary	-	-	-	227,648	-	227,648
Interest and finance charges	(120,769)	(239,141)	-	-	-	(359,910)
Ner income (loss) from continuing operations	(2,297,216)	(1,235,434)	1,134,254	252,711	-	(2,145,685)
Net income from discontinued operations	-	-	-	-	384,530	384,530
Net income (loss)	(2,297,216)	(1,235,434)	1,134,254	252,711	384,530	(1,761,155)

			Three Months Ended November 30, 2015	
	Quantum	MME	Discontinued Operations	Total
	$	$	$	$
Net licensing revenue	-	39,037	-	39,037
Management Fees	-	-	-	-
Operating expenses	(2,955,308)	(302,295)	-	(3,257,603)
Net loss from operations	(2,955,308)	(263,258)		(3,218,566)
Interest and finance charges	(91,786)	-	-	(91,786)
Gain on foreign exchange	24	-	-	24
Net loss from continuing operations	(3,047,070)	(263,258)	-	(3,310,328)
Net loss from discontinued operations	-	-	(1,571,176)	(1,571,176)
Net loss	(3,047,070)	(263,258)	(1,571,176)	(4,881,504)

					Nine Months Ended November 31, 2016	
	Quantum	SSG	LB	MME	Discontinued Operations	Total
	$	$	$	$	$	$
COAM revenue	-	-	1,514,489	-	-	1,514,489
Net licensing revenue	-	-	-	72,741	-	72,741
Operating expenses	(4,050,553)	(996,293)	(380,235)	(54,517)	-	(5,481,598)
Net loss from operations	(4,050,553)	(996,293)	1,134,254	18,224	-	(3,894,368)
Gain on sale of subsidiary				227,648		227,648
Interest and finance charges	(183,901)	(239,141)	-	-	-	(423,042)
Loss on foreign exchange	(20,318)	-	-	-	-	(20,318)
Net income (loss) from continuing operations	(4,254,772)	(1,235,434)	1,134,254	245,872	-	(4,110,080)
Net loss from discontinued operations	-	-	-	-	(193,373)	(193,373)
Net income (loss)	(4,254,772)	(1,235,434)	1,134,254	245,872	(193,373)	(4,303,453)

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

	Nine Months Ended November 30, 2015			
	Quantum	MME	Discontinued Operations	Total
	$	$	$	$
Net licensing revenue	-	52,873	-	52,873
Operating expenses	(6,383,705)	(898,183)	-	(7,281,888)
Net loss from operations	(6,383,705)	(845,310)	-	(7,229,015)
Interest and finance charges	(147,980)	-	-	(147,980)
Gain on foreign exchange	58,248	-	-	58,248
Loss from continuing operations	(6,473,437)	(845,310)	-	(7,318,747)
Net loss from discontinued operations	-		(3,334,896)	(3,334,896)
Net loss	(6,473,437)	(845,310)	(3,334,896)	(10,653,643)

15. 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:

	Three months ended		Nine months ended	
	November 30, 2016 $	November 30, 2015 $	November 30, 2016 $	November 30, 2015 $
Management fees paid to corporations controlled by officers	-	133,360	(27,171)	424,694
Management relocation	-	-	-	76,010
Salaries and short term benefits	-	61,574	-	153,596
Director fees	5,000	25,275	15,000	67,364
Share based compensation	255,490	-	677,738	286,451
Consulting fees	327,967	-	514,922	-

Included in accounts payable and other liabilities is $26,671 (February 28, 2016 - $81,298) due to related parties as of November 30, 2016 for management fees paid to corporations controlled by officers and directors fees.

During the three and nine month period ended November 30, 2016, the Company paid consulting fees of $263,946 and $349,739 to a corporation controlled by a director and officer of the Company (November 30, 2015 - $nil). 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 November 30, 2016, Ascendant Group Holdings Inc. was owed $nil (February 28, 2016 – $59,439).

During the three and nine month period ended November 30, 2016, the Company paid consulting fees of $64,031 and $165,183 (November 30, 2015 – $nil) to an accounting firm of which the prior 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 November 30, 2016, Forbes Andersen LLP was owed $150,000 (February 28, 2016 – $19,712).

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

During the three and nine month period ended November 30, 2016, the Company paid rent of $33,636 and $98,805 (three and six month ended November 30, 2015 in the amount of $33,317 and $90,679) to a corporation controlled by a director and officer of the Company.

During the period ended November 30, 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 November 30, 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.

16. SUPPLEMENTAL CASH FLOWS INFORMATION

Changes in non-cash operating working capital:

	Nine months ended	
	November 30, 2016 $	November 30, 2015 $
Accounts receivable	104,611	(453,398)
Balance receivable from divesture of Anesthesia	(20,000)	-
Prepaid expenses and other	6,344	(20,129)
Advances to related parties	-	163
Accounts payable and other liabilities	1,241,098	2,742,330
	1,332,053	2,268,966

17. COMMITMENTS AND CONTINGENCIES

Columbus LTACH, LLC filed a Complaint on August 31, 2016 against Quantum LTACH Holdings, LLC and Quantum International Income Corp. which alleges that the defendants collectively owe Columbus LTACH $630,000 for breach of that certain Membership Interest Purchase Agreement (“MIPA”), dated June 9, 2015, by and among Columbus LTACH Management, LLC, Columbus LTACH, Quantum LTACH Holdings, LLC and Richard Lipsky. The MIPA transaction did not close, and the plaintiff alleges that it is owed a breakup fee. An order to Show Cause in a Summary Action was entered against Quantum LTACH Holdings, LLC and Quantum International Income Corp. to compel arbitration. A hearing on the order occurred on October 14, 2016. Quantum International Income Corp. does not believe it will be liable for any of the claims in the case, but out of an abundance of caution it has accrued $630,000.

Napier Park Global Capital (US) LP (“Napier”) filed a Motion on March 9, 2016, against Quantum International Income Corp. in the Supreme Court of the State of New York, County of New York. The motion alleges that Quantum International Income Corp. owes Napier $396,325 for breach of a Commitment Letter, dated October 7, 2015 by and between Napier and Quantum International Income Corp. for a purchase transaction that did not close. Napier was an advisor and potential financing party for the proposed acquisition of relating to LTACH. Napier was retained by Quantum International Income Corp. to provide transactional services and to provide funding. Napier made a determination that the conditions for providing the funding were not met, and did not provide the funding. Subsequently, Napier filed suit claiming that Quantum International Income Corp. is obligated to reimburse Napier for out of pocket expenses including U.S. and Canadian counsel. Napier filed a motion for summary judgment, and

Quantum International Income Corp. has submitted a response. There is no ruling yet on the motion. Quantum International Income Corp. does not believe it will be liable for any of the claims in the case, but of an abundance of caution Quantum International Income Corp. has accrued $396,325.

In January 2015, Ultra-Group of Companies ("Ultra") filed suit in the Superior Court of Cobb County, Georgia against Lucky Bucks, LLC, as successor in interest to Lucky Bucks, Inc. ("Lucky Bucks"). The plaintiff has alleged a variety of business torts and other claims against Lucky Bucks and is seeking monetary damages and equitable relief. Discovery is ongoing, and the Superior Court has not yet scheduled an arbitration or trial date. Lucky Bucks believes it has various defenses in the action. Although management believes those claims will not result in a material adverse effect on the consolidated results of operations, cash flows, or financial position, it is not feasible to predict the final outcome at this time, and there can be no assurance that these claims will not ultimately be resolved adversely to Lucky Bucks or result in material liability. Lucky Bucks intends to vigorously defend against the claims asserted in the aforementioned action.

18. SUBSEQUENT EVENTS

Exchange of certain notes to common shares
On January 25, 2016, the company announced that holders representing $1,254,240 of principal amount of Notes payable of Quantum US Healthcare Corp., a wholly-owned subsidiary of the Company, have exchanged their Notes for a total of 25,084,800 common shares of the Company pursuant to the terms mentioned in Note 8. The accrued interest of $119,972 on the Principal Amount has also become payable, and, pursuant to the Facility Agreement, the Company has elected to pay this amount through the issuance to the Note Holders of 1,499,650 additional common shares of the Company at a deemed issue price of $0.08 per Interest Share.

Two Additional Acquisitions
On January 30, 2016, the Company announced that it entered into separate letter agreements with Triple 7's Amusement LLC and Lucky Star Amusement ("Lucky Star" and together with Triple 7, the "Targets"), in each case, date January 17, 2017 pursuant to which the Company, or its designated affiliate, will acquire 100% of the businesses of the Targets, which are each highly profitable digital skill-based gaming terminal operators based in the U.S. State of Georgia. Lucky Star and Triple 7 assemble, distribute, own and operate over 110 skill-based digital gaming terminals in over 20 locations and over 130 skill-based digital gaming terminals in over 25 locations throughout Georgia, respectively. Both Lucky Star and Triple 7 terminals are fully licensed and governed by the Georgia State Lottery and offer players a variety of skill-based coin-operated amusement machines.

Completion of these acquisitions is subject to a number of conditions, including but not limited to the negotiation and execution of separate definitive purchase and sale agreements (each, a "PSA") between the Corporation and the Vendors, and the completion of due diligence of each of the Targets to the Corporation's satisfaction in its sole discretion. Each PSA will contain provisions customary for transactions of this nature, including payment of purchase price, transaction structure, representations, warranties, covenants, closing conditions, indemnities and non-competition provisions in favour of the applicable Target. The Corporation currently expects that it (or its designated affiliate) will acquire 100% of the assets of each of the Targets, but the definitive structure for the Acquisitions to be set out in the PSAs is subject to change based on relevant corporate, tax, regulatory or securities law considerations.

The purchase price for the acquisition of the Triple 7 assets is expected to be US$5.73M. The purchase price for the acquisition of the Lucky Star assets is expected to be US$2.26M. While a portion of each such purchase price is expected to be satisfied through the issue to the vendors of common shares of the

Corporation, the Corporation does not expect any such issuance of common shares to result in the creation of a new Insider (as such term is defined in the policies of the TSXV) of the Corporation.

The Corporation expects to finance the cash portion of the purchase price of these acquisitions with the previously announced available financing of up to US$20,000,000 from Trive Capital.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.