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QUANTUM INTERNATIONAL INCOME CORP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED AUGUST 31, 2016

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 six months ended August 31, 2015 and 2016.

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 2016 audited consolidated financial statements and the notes thereto, and the 2016 MD&A filed with Canadian regulatory agencies. The documents are available at www.sedar.com.

This MD&A was prepared effective October 21, 2016.

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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

Stock Option Grant

On August 31, 2016, the Company announced the grant of 3,246,000 options to the Directors, CEO and an employee. The options vest immediately at issuance. Each of the stock options granted entitle the holder to purchase one common share of the Company at a price of $0.06 until August 26, 2021.

Potential Acquisition – Lucky Bucks Inc.

On April 26, 2016, the Company entered into a letter agreement in which the Company, or its designated affiliate, will acquire a controlling interest in the business of Lucky Bucks Inc. ("LBI"), a highly profitable digital skill-based gaming terminal operator based in and incorporated under the laws of the U.S. State of Georgia. LBI assembles, distributes, owns and operates over 650 skill-based digital gaming terminals in over 130 locations throughout Georgia. LBI's terminals are fully licensed and governed by the Georgia State Lottery and offer players a variety of skill-based coin-operated amusement machines.

On August 17, 2016 the Company announced that it has entered into a non-binding term sheet with a lender to provide financing to the Company, the proceeds of which would be used to fund the acquisition by the Company of a controlling interest in the business of Lucky Bucks Inc.

The Company has entered into the Term Sheet with a New York based asset management firm. The Term Sheet describes a transaction pursuant to which the Lender would provide a first lien senior secured term loan to a wholly-owned subsidiary of the Company in the amount of USD$11,000,000. Pursuant to the Term Sheet, the Loan would be issued with an 8% original issue discount and bear interest at a fixed rate of 16% per annum based on the funded amount. The Term Sheet also provides for the Lender to be granted warrants to purchase 1,500,000 common shares of the Company at the Reference Price (as defined below) for a period of 30 months from the date of the advance of the Loan.

The Company currently expects that it (or its designated affiliate) will acquire a 51% equity interest in LBI, but the definitive Acquisition structure to be set out in the PSA is subject to change based on relevant corporate, tax, regulatory or securities law considerations.

The purchase price for the Acquisition is expected to be US$13.5 million, comprised of US$10.0 million payable in cash at closing of the Acquisition, US$3.0 million payable in common shares of the Company, to be valued based on the volume weighted average trading price of the Company's common shares on the TSX Venture Exchange during the 20-trading day period prior to the closing of the Acquisition (the "Reference Price"), and US$500,000 of deferred consideration, payable in cash at the end of the first year following the closing of the Acquisition. In addition to the 1,500,000 common shares that may be issued to the Lender upon exercise of the warrants referred to above, on the basis of the floor price of $0.05 per share of the TSX Venture Exchange as well as the noon rate of exchange published by the Bank of Canada on August 16, 2016 for the conversion of US dollars, the maximum number of common shares that would be issuable to Mr. Damani as a result of the Acquisition is 77,172,000 common shares, though readers are cautioned that the ultimate number of common shares issuable will depend on the rate of exchange at the time of closing of the Acquisition, and cannot be determined at this time.

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.

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.

Note Facility Drawdown

On March 16, 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 paid finders and agents a cash commission equal to $11,000 CDN, of which $8,250 CDN was paid in common shares of the Company valued 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 April 25, 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 agents a cash commission equal to $11,000 CDN, of which $8,250 CDN is expected to be paid in common shares of the Company valued 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 May 17, 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 agents a cash commission equal to $11,000 CDN, of which $8,250 CDN is expected to be paid in common shares of the Company valued 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 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.

On August 19, 2016, the Company's wholly-owned subsidiary Quantum US Healthcare Corp., has completed a drawdown under its previously announced credit facility in the principal amount of $429,240.

In connection with this drawdown, the Borrower expects to pay finders fees equal to $42,924 in cash, as well as broker warrants to acquire 858,480 common shares of the Company at a price of $0.05 per common share at any time during the 12 months following the date of issuance of such broker warrants.

Appointment of new director

On March 16, 2016, Mr. Peter Shippen joined the Board of Directors of the Company.

Assignment of option

On March 16, 2016, the Board of Directors approved a transaction concerning the Company's irrevocable option to acquire, for no additional consideration, 9,000,000 common shares of the Company from affiliates of DGAT Partners, LLC. In order to provide meaningful incentives to senior management, the Board of Directors has approved the assignment by the Company of the Anesthesia Option to Mr. Sekhri. As a condition to the assignment, Mr. Sekhri has agreed to pay to the Company a price of $0.05 CDN per common share acquired by Mr. Sekhri upon any exercise of the Anesthesia Option. The assignment of the Anesthesia Option has been approved by a majority of shareholders of the Company (other than Mr. Sekhri) by way of written consent.

On April 18, 2016, Toronto Stock Exchange approved the assignment by the Company to an entity controlled by Mr. Sekhri of an outstanding option to acquire 9,000,000 common shares of the Company.

Resignation of a director

On April 1, 2016, Douglas Stuve resigned from the Board of Directors of the Company.

Consulting Agreement

On April 1, 2016, the Company entered into a new consulting agreement with an entity controlled by Mr. Sekhri. Prior thereto, Mr. Sekhri had been working for the company on an "at will" basis and without a contractual relationship. The consulting agreement provides for the continuation of compensation currently being paid to Mr. Sekhri, with the potential for an increase thereto as well as certain incentive payments in the event Mr. Sekhri is able to grow the business of the Company significantly.

FINANCIAL REVIEW

INCOME STATEMENT

	Three months ended		Six months ended	
	August 31, 2016 $	August 31, 2015 $	August 31, 2016 $	August 31, 2015 $
Revenue				
Net patient revenue	515,968	507,485	899,682	1,310,441
Net licensing revenue	38,209	36,173	40,418	13,836
Management fees	-	160,929	-	160,929
	554,177	704,587	940,100	1,485,206
Operating and other expenses				
General and administrative expenses (Note 9)	(2,146,693)	(5,511,646)	(3,398,950)	(7,200,736)
Finance income	-	31	-	360
Finance costs	(34,621)	(54,909)	(63,132)	(58,624)
Gain (loss) on foreign exchange	39,475	13,462	(20,318)	58,224
	(2,141,839)	(5,553,062)	(3,482,400)	(7,200,776)
LOSS BEFORE TAXES	(1,587,662)	(4,848,475)	(2,542,300)	(5,715,570)
Income taxes				
Current	-	-	-	-
NET LOSS	(1,587,662)	(4,848,475)	(2,542,300)	(5,715,570)
Attributable to:				
Owners	(1,594,687)	(4,731,197)	(2,540,020)	(5,577,852)
Non-controlling interest	7,025	(117,278)	(2,280)	(137,718)
	(1,587,662)	(4,848,475)	(2,542,300)	(5,715,570)
Other comprehensive income (loss)				
Foreign currency translation reserve	(158)	(7,928)	3,427	(7,853)
NET LOSS AND COMPREHENSIVE LOSS	(1,587,820)	(4,856,403)	(2,538,873)	(5,723,423)
Attributable to:				
Owners	(1,594,793)	(4,736,483)	(2,537,736)	(5,583,087)
Non-controlling interest	6,973	(119,920)	(1,137)	(140,336)
	(1,587,820)	(4,856,403)	(2,538,873)	(5,723,423)
Earnings (loss) per share attributable to owners Basic and diluted (Note 10)	(0.02)	(0.06)	(0.03)	(0.07)
Weighted average common shares issued and outstanding (Note 10)	87,794,811	74,946,387	87,247,925	69,138,053

Revenue

Revenue was $554,177 and $940,100 for the three and six month period ended August 31, 2016 and $704,587 and $1,485,206 for the three and six month period ended August 31, 2015. Revenue generated in the current period was primarily attributable entirely to CSS.

General & administrative expenses

	Three months ended		Six months ended	
	August 31, 2016 $	August 31, 2015 $	August 31, 2016 $	August 31, 2015 $
Professional and advisory fees	1,073,518	879,445	1,328,719	1,251,341
Management fees	60,000	458,855	92,829	611,334
Management relocation	-	76,010	-	76,010
Regulatory and filing fees	42,478	69,511	65,533	101,326
Salaries and benefits	209,189	390,367	420,703	673,743
Depreciation and amortization	91,952	223,338	213,876	341,318
General administrative expenses	396,619	495,624	764,977	944,126
Medical supplies expensed	70,917	97,624	129,065	180,824
Impairment of assets	-	2,551,475	-	2,734,262
Bad debt recovery	(39,000)	-	(39,000)	-
Stock based compensation	241,020	269,397	422,248	286,452
	2,146,693	5,511,646	3,398,950	7,200,736

The decrease in general and administrative expense compared to the comparative three and six months ended August 31, 2015 is primarily related to no impairment charges, decrease in corporate overhead expenses and decrease in management fees.

Finance income and finance costs

Finance income includes $nil interest earned on cash balances during the three and six months ended August 31, 2016 and $31 and $360 for the three and six months ended August 31, 2016.

The Company incurred finance costs of $34,621 and $63,132 for the three and six months ended August 31, 2016 and $54,909 and $58,624 for the three and six months ended August 31, 2015.

Net Loss

As a result of the foregoing factors, the net loss for the three and six months ended August 31, 2016 was $1,587,662 and $2,542,300 and $4,848,475 and $5,715,570 for the three and six months ended August 31, 2015.

Net gain (loss) attributable to non-controlling interest for the three and six month ended August 31, 2016 was $7,025 and ($2,280) and ($117,278) and ($137,718) for the three and six months ended August 31, 2015.

Other Comprehensive Income

Other comprehensive income (loss) for the three and six month ended August 31, 2016 was ($158) and $3,427 and ($7,928) and ($7,853) for the three and six months ended August 31, 2015.

Net Comprehensive Loss

Net comprehensive loss for the three and six month ended August 31, 2016 was $1,587,820 and $2,538,873 and $4,856,403 and $5,723,423 for three and six month ended August 31, 2015.

Net comprehensive income (loss) attributable to non-controlling interest for the three and six month ended August 31, 2016 was $6,973 and ($1,137) and ($119,920) and ($140,336) for the three and six months ended August 31, 2015.

CASH FLOW

CASH FLOW FROM (USED IN)	August 31, 2016 $	August 31, 2015 $
Operating activities	(641,030)	(2,894,148)
Investing activities	(17,201)	(1,365,944)
Financing activities	731,894	4,524,865
Increase (decrease) in cash and cash equivalents	73,663	264,773

Cash flows used in operating activities during the six months ended August 31, 2016 were primarily for payment of operating expenses and corporate expenses.

Cash flow from investing activities only includes the amount the Company spent on acquisition of property and equipment.

Cash flows from financing activities includes proceeds from loan payable of $752,368.

Net cash generated during the six months ended August 31, 2016 was 73,663 with foreign exchange impact on cash of a gain of $3,427 as compared to cash generated of $264,773 and foreign exchange impact on cash of a loss of $7,850 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 US healthcare companies focused on delivering integrated health solutions, as well as private or public companies in a variety of other industries, thereby allowing for diversification.

Working capital

Working capital as at August 31, 2016 was negative $6,268,977, compared to negative working capital of $4,412,393 as at February 29, 2016. The decrease in working capital is primarily due to drawdowns of the credit facility and incurring additional professional fees in relation to the acquisition. The current working capital requirements consist of transaction related payables and trade payables. The Company will need to rely on its ability to raise funds from capital markets to be able to meet its obligations.

Share Capital

The Company paid a finder's fee in relation to the drawdowns on 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 a 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.

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.

Capital management

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended August 31, 2016.

SELECT QUARTERLY INFORMATION (UNAUDITED)

	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 $	Quarter Ended February 29, 2016 $	Quarter Ended May 31, 2016 $	Quarter Ended August 31, 2016
Net loss	(1,274,829)	(1,088,550)	(1,165,330)	(867,095)	(4,859,095)	(4,618,246)	(1,399,577)	(954,636)	(1,587,662)
Basic and diluted loss per share	(0.05)	(0.02)	(0.01)	(0.01)	(0.06)	(0.06)	(0.02)	(0.01)	(0.02)
Total assets	6,867,454	5,591,316	4,763,059	6,315,449	6,637,708	4,767,883	3,440,625	3,124,530	3,418,451
Total long term liabilities	Nil	Nil	$42,701	$37,481	$30,817	$28,954	$23,061	$17,461	$11,752
Dividends	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

SEGMENTED INFORMATION

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.

	Three Months Ended August 31, 2016			
	Quantum	CSS	MME	Total
	$	$	$	$
Net patient revenue	-	515,968	-	515,968
Net licensing revenue	-	-	38,209	38,209
Operating expenses	(1,422,258)	(707,302)	(17,133)	(2,146,693)
Net gain (loss) from operations	(1,422,258)	(191,334)	21,076	(1,592,516)
Interest and finance charges	(34,621)	-	-	(34,621)
Gain (loss) on foreign exchange	39,475	-	-	39,475
Net income (loss)	(1,417,404)	(191,334)	21,076	(1,587,662)

	Three Months Ended August 31, 2015				
	Quantum	Provmark	CSS	MME	Total
	$	$	$	$	$
Net patient revenue	-	-	507,485	-	507,485
Net licensing revenue	-	-	-	36,173	36,173
Management Fees	-	-	160,929	-	160,929
Operating expenses	(2,789,309)	(236,837)	(2,459,947)	(25,553)	(5,511,646)
Net gain (loss) from operations	(2,789,309)	(236,837)	(1,791,533)	10,620	(4,807,059)
Interest and finance charges	(52,810)	-	(2,068)	-	(54,878)
Gain (loss) on foreign exchange	13,462	-	-	-	13,462
Net income (loss)	(2,828,657)	(236,837)	(1,793,601)	10,620	(4,848,475)

	Six Months Ended August 31, 2016			
	Quantum	CSS	MME	Total
	$	$	$	$
Net patient revenue	-	899,682	-	899,682
Net licensing revenue	-	-	40,418	40,418
Operating expenses	(1,874,108)	(1,477,585)	(47,257)	(3,398,950)
Net gain (loss) from operations	(1,874,108)	(577,903)	(6,839)	(2,458,850)
Interest and finance charges	(63,132)	-	-	(63,132)
Gain (loss) on foreign exchange	(20,318)	-	-	(20,318)
Net income (loss)	(1,957,558)	(577,903)	(6,839)	(2,542,300)

	Six Months Ended August 31, 2015				
	Quantum	Provmark	CSS	MME	Total
	$	$	$	$	$
Net patient revenue	-	-	1,310,441	-	1,310,441
Net licensing revenue	-	-	-	13,836	13,836
Management fees	-	-	160,929	-	160,929
Operating expenses	(3,428,412)	(280,063)	(3,196,012)	(296,249)	(7,200,736)
Net gain (loss) from operations	(3,428,412)	(280,063)	(1,724,642)	(282,413)	(5,715,530)
Interest and finance charges	(56,195)	-	(2,069)	-	(58,264)
Gain (loss) on foreign exchange	58,224	-	-	-	58,224
Net income (loss)	(3,426,383)	(280,063)	(1,726,711)	(282,413)	(5,715,570)

RELATED PARTY TRANSACTIONS

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		Six months ended	
	August 31, 2016	**August 31, 2015**	**August 31, 2016**	**August 31, 2015**
	$	**$**	**$**	**$**
Management fees paid to corporations controlled by officers	-	198,855	(27,171)	291,334
Management relocation	-	76,010	-	76,010
Salaries and short term benefits	-	50,602	-	92,023
Director fees	4,000	20,942	10,000	42,089
Share based compensation	226,020	269,396	407,248	286,451
Consulting fees	133,804	-	186,955	-

Included in accounts payable and other liabilities is $30,353 (February 28, 2015 - $nil) due to related parties as of August 31, 2016 for management fees paid to corporations controlled by officers and directors fees.

During the three and six month period ended August 31, 2016, the Company paid consulting fees of $41,630 and $85,793 (August 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 August 31, 2016, Ascendant Group Holdings Inc. was owed $nil (February 28, 2016 – $59,439).

During the three and six month period ended August 31, 2016, the Company paid consulting fees of $92,173 and $101,162 (August 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 August 31, 2016, Forbes Andersen LLP was owed $86,093 (February 28, 2016 – $19,712).

During the three and six month period ended August 31, 2016, the Company paid rent of $31,486 and $65,169 (three and six month ended August 31, 2015 in the amount of $35,054 and $ 57,361) to a corporation controlled by a director and officer of the Company.

During the period ended August 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 August 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.

SUBSEQUENT EVENTS

Potential Acquisition – Lucky Bucks Inc.

On October 11, 2016 the Company announced that the group (the "Fund") expected to provide financing (the "Financing") to the Corporation for the acquisition (the "LBI Acquisition") of a 51% interest in the business Lucky Bucks Inc. ("LBI") has indicated that it will also increase its available financing to support the Corporation's strategy to acquire and consolidate the skill-based gaming space in Georgia.

Upon closing of the Financing, the Fund will subscribe for common shares of the Corporation for aggregate proceeds of US$1,500,000 at a deemed price per common share equal to the deemed price per common share at which common shares that will be issued to the vendor pursuant to the LBI Acquisition, subject to a floor of $0.05 per common share (the "Equity Investment"). The common shares to be issued pursuant to the Equity Investment shall be subject to a four month hold period in Canada. Additionally, the Fund will make available up to US$20,000,000 of additional financing for acquisitions by the Corporation following the closing of the LBI Acquisition (the "Additional Facility"). All draws made under the Additional Facility will be subject to the prior approval of the Fund. The original senior secured loan in the amount of US$11,000,000 to fund the LBI Acquisition and the terms of the LBI Acquisition are expected to be as previously described. Closing of the Financing is subject to the execution of definitive documentation and customary closing conditions.

Divestiture of a controlling interest in MME

On October 17, 2016, MME agreed to buy back the Company's 400 Class B common shares. The Company will receive a promissory note of one hundred and fifty thousand dollars (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.

OUTSTANDING SHARE DATA

	February 28, 2015	February 29, 2016	Oct 21, 2016
Common shares outstanding	48,522,733	86,036,733	87,930,800
Warrants outstanding	19,611,494	6,345,994	7,270,480
Share options outstanding	500,000	8,025,000	7,871,540
Total	68,634,227	100,407,727	99,616,794

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

The Company issued 1,958,480 broker warrants for draw downs on the credit facility during the six month period ended August 31, 2016.

There are warrants to purchase common shares as at July 29, 2016 are as follows:

Number of warrants	Excerise price(CAD)		Expiry
4,762,000	$	0.65	28-Jul-17
550,000	$	0.05	18-Feb-17
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

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

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 and Canadian Media industry. The profitability of the Company is therefore dependent on favorable economic conditions to prevail in both countries 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 may 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 may 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.

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.

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.

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.

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.