

**4D Virtual Space Ltd.  
(Formerly Alibaba Innovations Corp.)**

Management's Discussion and Analysis  
For the three month period ended March 31, 2016  
As at May 30, 2016

545 Granite Street  
Sudbury, Ontario, P3C 2P4  
Tel: 705-673-0873  
Website: [www.alibabagraphite.com](http://www.alibabagraphite.com)

# 4D Virtual Space Ltd. (Formerly Alibaba Innovations Corp.)

MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE QUARTER ENDING MARCH 31, 2016  
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## INTRODUCTION

The following discussion and analysis ("MD&A") is a review of operations, current financial position and outlook for 4D Virtual Space Ltd. (Formerly Alibaba Innovations Corp.) (the "Company" or "4DVS") and should be read in conjunction with the three month period interim consolidated unaudited financial statements of the Company for the period ended March 31, 2016 including other pertinent events subsequent to that date up to and including May 30, 2016. The following information should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), consistently applied.

All figures are in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). The shares of 4DVS are listed on the Canadian Stock Exchange (the "CSE") under the symbol "ABJ".

## FORWARD-LOOKING INFORMATION

This document is required by securities legislation to contain and does contain forward-looking statements, opinions about future events and comments regarding risks and opportunities, which reflect the Company's current expectations regarding future events. To the extent that any statements in this document contain information that is not historic, the statements are essentially forward-looking and are often identified by words such as, but not limited to, "anticipate", "expect", "estimate", "intend", "project", "plan" "might", "could" and "believe". In the interest of providing shareholders and potential investors with information regarding 4DVS, including management's assessment of future plans and future operations, certain statements in this MD&A are forward-looking and are subject to the risks, uncertainties and other important factors that could cause the Company's actual performance to differ materially from that expressed in or implied by such statements. Such factors include, but are not limited to volatility and sensitivity to market metal prices, impact of change in foreign currency exchange rates and interest rates, imprecision in reserve estimates, environmental risks including increased regulatory burdens, unexpected geological conditions, adverse mining conditions, changes in government regulations and policies, including laws and policies; and failure to obtain necessary permits and approvals from government authorities, and other development and operating risks.

Although the Company believes that the expectations conveyed by the forward-looking statements are based upon information available on the date that such statements were made, there can be no assurance that such expectations will prove to be correct. The reader is cautioned not to rely on these forward-looking statements. The Company disclaims any obligation to update these forward-looking statements unless required to do so by applicable Securities laws. All subsequent forward-looking statements, whether written or orally attributable to the Corporation or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

The table below sets forth the significant forward-looking information included in this MD&A:

Forward-Looking Information	Key Assumptions	Most Relevant Risk Factors
Creating and developing a virtual space platform for use in the real estate development industry.	The Company will be able to fund this platform.	The Company has disclosed that this may be difficult. Failure to find and fund this platform will materially impact the Company's ability to continue. This is an ongoing concern.

## DESCRIPTION OF BUSINESS

Alibaba Innovations Corp.'s ("AIC" or the "Company") precursor company, Cuprum Coating Acquisition Corp., was incorporated under the laws of British Columbia on September 19, 2013 and has been inactive since that time. On December 11, 2014, the Company changed its name from Cuprum Coating Acquisition Corp. to Alibaba Innovations Corp. The Company's head office is located at 545 Granite Street, Sudbury, Ontario, P3C 2P4.

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On January 30, 2015, the Company completed a three-cornered amalgamation with Alibaba Graphite Corp. ("AGC") wherein the two companies were amalgamated and became listed on the Canadian Stock Exchange ("CSE") under the symbol "ABJ". Pursuant to the amalgamation, ABJ completed a forward stock split of its existing share capital consisting of 14,403,698 common shares on the basis of two and one-half for every one outstanding resulting in 36,009,145 shares and issued 33,810,102 to the existing shareholders of Alibaba Graphite Corp. for a total of 69,819,247 post amalgamation.

On June 26, 2015 the Company changed its name from Alibaba Innovations Corp. ("AIC") to 4D Virtual Space Ltd. ("4DVS") pursuant to the Company entering into an agreement on May 26, 2015 to acquire 100% of the authorized share capital of a private company ("Privco"), whereby Privco will become a wholly-owned subsidiary of the Company. This agreement terminated on December 31, 2015 and the Company has since entered into a new agreement to acquire Privco, dated January 14, 2016. This transaction is subject to regulatory approval to complete the acquisition. Privco is in the business of creating and developing a virtual space platform for use in the real estate development industry.

These financial statements reflect the operations of 4DVS and AGC on an interim consolidated basis. AGC is a mineral exploration company specifically engaged in the exploration of prospective high purity graphite properties in northern Ontario. Going forward the Company will be involved both in mineral exploration through its subsidiary, AGC, and in the business of creating and developing a virtual space platform for use in the real estate development industry through Privco, once regulatory approval has been provided.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company's continuing operations, as intended, and its financial success may be dependent upon the extent to which it can successfully raise the capital to implement the investment plan. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. The Company has a working capital deficit at March 31, 2016 of \$119,458 (December 31, 2015-\$68,089) and an accumulated deficit of \$606,758 (December 31, 2015-\$555,389).

The success of the Company is dependent upon certain factors that may be beyond management's control. If the Company is unable to fund its investments or otherwise fails to invest in an active business, its business, financial condition or results of operations could be materially and adversely affected. All of these facts raise uncertainty about the Company's ability to continue as a going concern. The Company's ability to launch its operations, as intended is dependent on its ability to obtain necessary financing and raise capital sufficient to cover its exploration and other costs. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue in existence.

### **INVESTMENT IN WHOLLY OWNED SUBSIDIARY**

On May 29, 2015 the Company entered into a definitive agreement with an arm's length third party to acquire all of the issued and outstanding shares of a private company ("Privco") in exchange for 60,000,000 shares of the Company and \$400,000 in cash. \$50,000 in cash was paid upon the signing of the agreement in the form of a non-refundable deposit. As these costs are non-refundable, they were recorded in the statement of operations for the year ended December 31, 2015.

In addition, the following terms are part of the acquisition agreement:

(1) a further \$50,000 portion of the cash portion of the purchase price was amended to be payable by the Issuer on the earlier of:

- (a) September 30, 2015 or
- (b) the Issuer raising capital of \$750,000 or more, cumulatively from the date of the Agreement; and

(2) the closing of the acquisition was extended to prior to July 31, 2015;

On July 31, 2015 the Company amended the previously amended closing date for the agreement to acquire Privco from July 31, 2015 to October 31, 2015, which has subsequently been extended to December 31, 2015. The date for the payment of the second amount for \$50,000 that was due as indicated above had also been extended to December 31, 2015. Most recently, the Company has since entered into a new agreement to acquire Privco, dated January 14, 2016. This transaction is subject to regulatory approval to complete the acquisition.

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Privco is in the business of creating and developing a virtual space platform for use in the real estate development industry. The completion of this agreement is subject to regulatory approval.

At this time trading in the shares of the Company has been halted pending regulatory approval for the above transaction as it is considered to be a "Material Event" by the regulators; which requires a new listing application to be approved.

As a result of the amalgamation with AGC, Alibaba Innovations Corp. acquired or had rights to 5 properties with graphite potential in Northern Ontario. Two of the three properties (the WestZen Properties), near the hydrothermal graphite discovery of Zenyatta Ventures Ltd., north of the town of Hearst, had been optioned to Xmet Inc., who had financed the VTEM airborne geophysics recently undertaken on these properties and earned a joint venture interest on these properties. The other property held by the Company was the Maverick Graphite Property located north of the town of Cochrane.

As a result of unfavourable geophysical survey results, the Hearst WestZen claim option was returned to the original claimholders on October 15, 2015. The return of these claims alleviated the obligations of Alibaba Graphite Corp. from undertaking \$42,000 in assessment work, issuing 100,000 of the Company's common shares, paying \$10,000 and paying management fees to hold the property for another year. In addition the joint venture agreement with Xmet Inc. on these claims has been terminated.

AIC no longer holds any properties at this date and is actively reviewing additional properties for opportune development at minimal cost and risk to the shareholder.

## **OVERALL PERFORMANCE AND RESULTS OF OPERATIONS**

As a result of the amalgamation with AGC the Company acquired interest in a number of mineral claims. The following gives a history, background and current status of these properties.

On January 29, 2014 AGC paid \$85,300 for a 100% undivided legal and beneficial interest in and all right and title to the Option on the Maverick and Hearst Property, which was satisfied by the issuance of an aggregate of 17,060,000 common shares in the common shares of AGC at an attributed value of \$0.005 per common share on the Closing Date. In June 2015, 100,000 common shares with a value of \$6,000 were issued in order to maintain its WestZen mining claim option for an additional year.

As a result of unfavourable geophysical survey results, the Hearst WestZen claim option was returned to the original claimholders on October 15, 2015. The return of these claims alleviated the obligations of Alibaba Graphite Corp. from undertaking \$42,000 in assessment work, issuing 100,000 of the Company's common shares, paying \$10,000 and paying management fees to hold the property for another year. In addition the joint venture agreement with Xmet Inc. on these claims has been terminated. On November 9, 2015 the 2 unit Maverick claim 4267292 was allowed to expire. On February 9, 2016 the 4 remaining claims of the Maverick Property were allowed to expire.

As at March 31, 2016 the Company holds no mining properties.

## **FINANCING**

In June 2015 the Company announced a private placement to raise up to \$1,500,000 (the "Offering") comprised of up to 30,000,000 units (the "Units") at a price of \$0.05 per Unit. Each Unit will consist of one common share (each a "Share") of the Issuer and one-half of one common share purchase warrant (each, a "Warrant"). Each whole Warrant will entitle the holder to acquire one Share (a "Warrant Share") at a price of \$0.075 per Warrant Share for a period of two (2) years. Further, the Issuer may pay a finder's fee in connection with the Offering of up to 8% of the gross proceeds received by the Issuer for the issuance of the Units and attributable to the finder, payable in cash and finder's warrants to acquire so many common shares of the Issuer as equals 8% of the number of securities sold under the Offering at a price of \$0.05 per Share. All securities issued under the Offering will be subject to a four-month hold period. The Offering is subject to receipt of all applicable regulatory approvals.

The raising of these funds has been delayed as the CSE has not yet approved the re-listing of the company.

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**SELECTED QUARTERLY INFORMATION**

The financial information below reflects the consolidated figures of both Alibaba Innovations Corp. and AGC.

Quarter ended	Total revenue	Net Loss and Comprehensive Loss				Per Share (i)	Total assets	Total long-term liabilities	Working Capital/ (Deficit)
		Loss for the period	Write down and impairment of evaluation and exploration assets	Loss before income taxes and write down of exploration and evaluation assets					
		\$	\$	\$	\$	\$	\$	\$	
March 31, 2016	-	(51,369)	-	(51,369)	(0.001)	15,376	-	(119,458)	
Dec 31, 2015	-	(49,857)	-	(49,857)	(0.001)	26,176	-	(68,089)	
Sept 30, 2015	-	(98,508)	-	(98,508)	(0.001)	72,188	-	(18,233)	
June 30, 2015	-	(118,425)	-	(118,425)	(0.002)	111,606	-	80,275	
March 31, 2015	-	(32,378)	-	(32,378)	(0.001)	209,609	-	192,701	
Dec 31, 2014	-	(18,205)	-	(18,205)	(0.005)	243,349	-	225,079	
Sept 30, 2014	-	(4,401)	-	(4,401)	(0.001)	179,423	-	163,338	
June 30, 2014	-	(22,409)	-	(22,409)	(0.004)	205,295	-	189,210	

(i) On a non-diluted basis

**Factors Affecting Quarterly Results:**

The main categories of first quarter expenses are legal fees incurred to relist the Company, the technical fees paid to create the website, programming and video preparation, and consulting fees to continue the advancement of the entity into the marketplace by setting the ground work for when the Company is re-listed. In addition are ongoing regulatory and administrative costs.

**RESULTS OF OPERATIONS**

The Company has no revenue or operating cash flow. As a result of its activities, the Company continues to incur net losses. For the three months ended March 31, 2016, the Company's net loss and comprehensive loss was \$51,369 compared to a net loss of \$32,378 for the same period in 2015.

The main components of the Company's loss were:

	Note	Three months ended March 31	
		2016	2015
		\$	\$
Professional fees	(a)	16,367	14,724
Video preparation, website development and programming	(b)	14,960	-
Consulting fees	(c)	12,000	840
		43,327	15,564

The past few years have been extremely difficult for junior exploration companies, and a realization that the current market for junior exploration companies especially requires the need to conserve cash more than ever. This challenge has been managed against the costs associated with the parallel need to manage a compliant public company and the maintenance of its assets in good standing. As a result, a change of direction has been made by the company, away from the mining industry to an opportunity in creating a virtual space platform for use in the real estate development industry, at the same time looking for new projects under the mining umbrella.

**Analysis of first quarter expenses**

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- (a) Professional fees consist mainly of legal fees (\$9,304) incurred to complete the documents to relist the company. Accounting and audit fees account for the balance of the total amount of \$16, 367 for first quarter.
- (b) Video preparation, website development and programming costs of \$14,960 represent the ongoing costs of writing the programs and preparing the website to prepare for the activation of the platform.
- (c) Consulting fees of \$12,000 are for investor relation services in preparation for the re-listing of the Company.

**MINERAL PROPERTY EXPENDITURES**

All claims held by the Company had been terminated by December 31, 2015. New projects are being researched.

**LIQUIDITY AND CAPITAL RESOURCES**

On February 28, 2014, 4DVS completed a non-brokered private placement for 13,500,000 common shares at a price of \$0.02 per share for gross proceeds of \$270,000. On November 15, 2014, as part of the listing requirements for the Company, additional \$50,000 gross proceeds were raised through a non-brokered private placement from the issuance of 500,000 additional shares at a price of \$0.10. In February, 2015 \$5,000 was received from subscriptions receivable from the non-brokered private placement. In the period up to the date of this report the remaining balance of subscriptions of \$10,000 was received. As of March 31, 2016 4DVS had a cash balance of \$1,679.

In June 2015 the Company announced a private placement to raise up to \$1,500,000 (the "Offering") comprised of up to 30,000,000 units (the "Units") at a price of \$0.05 per Unit. Each Unit will consist of one common share (each a "Share") of the Issuer and one-half of one common share purchase warrant (each, a "Warrant"). Each whole Warrant will entitle the holder to acquire one Share (a "Warrant Share") at a price of \$0.075 per Warrant Share for a period of two (2) years. Further, the Issuer may pay a finder's fee in connection with the Offering of up to 8% of the gross proceeds received by the Issuer for the issuance of the Units and attributable to the finder, payable in cash and finder's warrants to acquire so many common shares of the Issuer as equals 8% of the number of securities sold under the Offering at a price of \$0.05 per Share. All securities issued under the Offering will be subject to a four-month hold period. The Offering is subject to receipt of all applicable regulatory approvals.

Currently the Company has a non-capital loss carried forward of \$337,610 which expires in 2035, available to reduce income otherwise taxable in future years.

**OUTSTANDING SHARE DATA**

The table below shows the outstanding share capital of the Company as of March 31, 2016:

Common Shares	69,919,247
Options	5,900,000
Warrants	-
Fully Diluted Share Capital	75,819,247

**OFF-BALANCE SHEET ARRANGEMENTS**

None are applicable at this time, however with mineral exploration, obligations for environmental, First Nation compliance and health and safety issues can create non reportable concerns. The Company hopes to minimize such situations by maintaining adequate insurance coverage, establishing honest and open communications and operating in a safe and responsible manner compliant with current standards as per the most recent applicable acts and regulations.

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**RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION**

Key management personnel include executive officers and non-executive directors. At this time executive officers are not paid a salary but participate in the Company's stock option program. The executive officers include the Chief Executive Officer, and the Chief Financial Officer. Non-executive directors also participate in the Company's stock option program. To this end the Company issued stock options in 2014 valued at \$20,900.

As of March 31, 2016, the Company owes no money to executives of the Company for unpaid salaries and wages. A significant amount of the work required by the Company is undertaken on a contract basis by unrelated highly qualified companies and individuals.

**ENVIRONMENTAL LIABILITIES**

The Company is not aware of any environmental liabilities, obligations or responsibilities associated with the Company's mining interests.

**ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES**

**Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), effective for the Company's reporting for period ended December 31, 2015.

The unaudited consolidated interim financial statements for the period ended March 31, 2016 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

**Basis of presentation**

The policies applied in the interim unaudited consolidated financial statements are based on IFRS issued and outstanding as of May 30, 2016, the date the Board of Directors approved the financial statements. The interim unaudited consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition the consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Basis of Consolidation**

Alibaba Innovations Corp.'s ("AIC" or the "Company") precursor company, Cuprum Coating Acquisition Corp., was incorporated under the laws of British Columbia on September 19, 2013 and has been inactive since that time. On December 11, 2014, the Company changed its name from Cuprum Coating Acquisition Corp. to Alibaba Innovations Corp. The Company's head office is located at 545 Granite Street, Sudbury, Ontario, P3C 2P4.

On January 30, 2015, the Company completed a three-cornered amalgamation with Alibaba Graphite Corp. ("AGC") wherein the two companies were amalgamated and became listed on the Canadian Stock Exchange ("CSE") under the symbol "ABJ". Pursuant to the amalgamation, ABJ completed a forward stock split of its existing share capital consisting of 14,403,698 common shares on the basis of two and one-half for every one outstanding resulting in 36,009,145 shares and issued 33,810,102 to the existing shareholders of Alibaba Graphite Corp. for a total of 69,819,247 post amalgamation.

The trading in the shares of the Company has been halted pending regulatory approval for the above transaction as it is considered to be a "Material Event" by the regulators which requires a new listing application to be approved.

These financial statements reflect the operations of AIC and AGC on a consolidated basis. AGC is a mineral exploration company which was specifically engaged in the exploration of prospective high purity graphite properties in the region north of Hearst, Ontario. Going forward the Company will be involved both in mineral exploration through its subsidiary, AGC, and in the business of creating and developing a virtual space platform for use in the real estate development industry through Privco, once regulatory approval has been given. The results of subsidiaries acquired or disposed of during the periods presented are included in the consolidated statement of loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. All intercompany transactions,

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balances, income and expenses are eliminated upon consolidation.

**Significant accounting judgments and estimates**

The preparation of these interim unaudited consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These interim unaudited consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical accounting estimates**

Significant assumptions about the future, that management has made, could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made. These relate to, but are not limited to, the following:

i) *Capitalization of exploration and evaluation assets*

Management has determined that exploration and evaluation costs incurred during the previous year on the WestZen property do not have future economic benefits and are not economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geological and geophysical information, history of conversion of mineral deposits to proven and probable mineral reserves, location and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

ii) *Impairment of exploration and evaluation assets*

While assessing whether any indications of impairment exist for exploration and evaluation assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets.

Internal sources of information include the manner in which the assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future cash flows expected to be derived from the Company's properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

For the first quarter ended March 31, 2016, the Company was not involved in any exploration and evaluation assets.

iii) *Income taxes and recoverability of potential deferred tax assets*

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets or liabilities recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

iv) *Share-based payments*

Management determines costs for share-based payments using the Black-Scholes option pricing model. The fair value of the market-based and performance-based share awards are determined at the date of grant and incorporate certain input assumptions including the future volatility of the stock price, expected dividend yield, and expected life.

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Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

## Critical accounting judgments

### i) *Provision for income taxes*

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

### ii) *Categorization of financial assets and liabilities*

The categorization of financial assets and liabilities is an accounting policy that requires management to make judgements or assessments.

## New accounting standards and interpretations

The following accounting pronouncements have been released but have not yet been adopted by the Company.

### IFRS9-Financial instruments ("IFRS9")

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 as a first phase in its ongoing project to replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9, which is to be applied retrospectively, will be effective as of January 1, 2018.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's consolidated financial statements.

### IFRS11-Joint Arrangements ("IFRS11")

IFRS 11 was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

### IAS1-Presentation of Financial Statements ("IAS1")

IAS 1 was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.

## CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company considers its capital to be equity, comprising share capital and reserves net of deficit which at March 31, 2016 totaled negative \$119,458 (December 31, 2015 -\$68,089). The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, and acquire or dispose of assets to adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including but not limited to source and use of capital and general industry conditions.

The Company's capital management objectives, policies and processes have remained unchanged during the period

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**PROPERTY AND FINANCIAL RISK FACTORS**

The Company is exposed to property risk and a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risks) as explained below.

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

**(a) Property risk**

Unless the Company acquires or develops additional material properties, the Company will be dependent upon the development of the virtual reality platform and any additional mineral properties that may be acquired in the future. If no additional major mineral exploration properties are acquired by the Company, any adverse development affecting these projects would have a material adverse effect on the Company's financial condition and results of operations.

**(b) Financial risk**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

*Credit risk*

The Company's credit risk is primarily attributable to cash and cash equivalents and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of short-term deposits, which have been invested with reputable financial institutions, from which management believes the risk of loss to be minimal. Sundry receivables consist of harmonized sales tax due from the Federal Government of Canada. Sundry receivables of \$13,697 are in good standing as of March 31, 2016 and represent the maximum credit exposure. Management believes that the credit risk concentration with respect to sundry receivables is minimal.

*Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at March 31, 2016 the Company had cash and cash equivalents of \$1,679 (December 31, 2015-\$7,475) to settle current liabilities of \$134,834 (December 31, 2015-\$94,265). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

*Market risk*

**(i) Interest rate risk**

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its banks.

**(ii) Commodity price risk**

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, copper, silver, lead, zinc and molybdenum to determine the appropriate course of action to be taken by the Company.

**(c) Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period.

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Cash equivalents include deposits at call which are at variable rates. As at March 31, 2016 if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the quarter ended March 31, 2016 would have been approximately \$20 higher/lower, as a result of lower/higher interest income from cash equivalents. Similarly, as at March 31, 2016, reported shareholders' deficit would have been approximately \$20 lower/higher as a result of lower/higher interest income from cash equivalents due to a 1% decrease/increase in interest rates.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of gold, copper, silver, lead and zinc. Gold, copper, silver, lead and zinc prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of gold, copper, silver, lead and zinc may be produced in the future, a profitable market will exist for them. As of March 31, 2016 the Company was not a gold, copper, silver, lead and zinc producer. As a result, gold, copper, silver, lead and zinc price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

### **RISK FACTORS**

Due to the nature of the Company's business, it is subject to various financial, environmental and operational risks that should be carefully considered by readers. In addition to other information set forth elsewhere in the Consolidated Financial Statements, readers should carefully review the following risk factors.

#### **Credit risk**

The Company assesses the potential losses of its prepaid and sundry receivables and maintains a provision for losses based on their estimated realizable value.

#### **Exploration, Development and Mining Risks**

Resource exploration, development and operations are highly speculative, characterized by a number of significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. Unusual or unexpected formations, formation pressures, fires, power and water outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company will rely upon consultants and others for exploration and development expertise for future projects that may be acquired.

No assurance can be given that minerals will be discovered from future projects in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot accurately be predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

The Company will carefully evaluate the political and economic environment in considering any properties for acquisition. There can be no assurance that additional significant restrictions will not be placed on the Company's projects and any other properties the Company may acquire or its operations. Such restrictions may have a material adverse effect on the Company's business and results of operation.

#### **Uninsurable Risks**

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons.

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### **Environmental and Safety Regulations and Risks**

All of the Company's operations will be subject to environmental regulations, which can make operations expensive or prohibit them altogether.

The Company may be subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products that could occur as a result of its mineral exploration, development and production. In addition, environmental hazards may exist on a property in which the Company directly or indirectly holds an interest which are unknown to the Company at present which have been caused by previous or existing owners or operators of the property. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties.

To the extent the Company is subject to environmental liabilities, the payment of such liabilities or the costs that it may incur to remedy environmental pollution would reduce funds otherwise available to it and could have a material adverse effect on the Company. If the Company is unable to fully remedy an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Company.

There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. The Company intends to minimize potential risks and liabilities associated with pollution of the environment and the disposal of waste products by taking steps to ensure compliance with environmental, health and safety laws and regulations and operating to international environmental standards. There is also a risk that the environmental laws and regulations in China may become more onerous, making the Company's operations in that country more expensive.

### **Future Profits/Losses and Production Revenues/Expenses**

There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with the creation of the virtual reality platform and any acquisition of exploration, development and, if warranted, commercial production of the acquired projects. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, and the Company's acquisition of additional properties and other factors, many of which are beyond the Company's control. The Company does not expect to receive revenues from operations in the foreseeable future, if at all. The Company expects to incur losses unless and until such time as the Company's projects and any other properties the Company may acquire enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Company's projects and any other properties the Company may acquire will require the commitment of substantial resources to conduct the time-consuming exploration and development of the mineral properties and the development of the virtual platform production. There can be no assurance that the Company will generate any revenues or achieve profitability. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate.

The Company will depend on a number of key employees, the loss of any one of whom could have an adverse effect on the Company.

### **Fluctuating Mineral Prices**

Commodity prices are highly volatile and factors beyond the control of the Company may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. The effect of these factors cannot be predicted.

### **Conflicts of Interest**

The Company's directors and officers may serve as directors or officers of other natural resource companies or companies providing services to the Company or they may have significant shareholdings in other resource companies. Situations may arise where the directors and/or officers of the Company may be in competition with the Company. Any conflicts of interest will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

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From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

### **Limited Operating History**

There is no assurance that the Company will earn profits in the future, or that profitability, if achieved, will be sustained. If the Company does not have sufficient capital to fund its operations, it may be required to forego certain business opportunities. The Company may also have a reduced interest or lose its interest in the properties.

### **Future Capital Requirements**

The Company will require additional financing in order to grow and expand its operations. It is possible that required future financing will not be available or, if available, will not be available on favourable terms. If the Company issues treasury shares to finance its operations or expansion plans, control of the Company may change and shareholders may suffer dilution of their investment. If adequate funds are not available, or are not available on acceptable terms, the Company may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

### **Management of Growth**

Any expansion of the Company's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that the Company will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to manage any growth it experiences. There can be no assurance that the Company will be able to manage growth successfully. Any inability of the Company to manage growth successfully could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may expand its operations through the acquisition of additional businesses, products or technologies that it believes will complement its current or future business. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional businesses or successfully integrate any acquired businesses, products or technologies into the Company without substantial expenses, delays or other operational or financial problems. Furthermore, acquisitions involve a number of special risks, including diversion of management's attention, failure to retain key acquired personnel, unanticipated events or circumstances, and legal liabilities, some or all of which could have a material adverse effect on the Company's business, results of operations and financial condition. In addition, there can be no assurance that the Company can complete any acquisition it pursues on favourable terms, that any acquired businesses, products or technologies will achieve anticipated revenues and income, or that any acquisitions completed will ultimately benefit the Company's business. An acquisition could also result in a potentially dilutive issuance of equity securities. If a strategy of growth through acquisition is pursued, the failure of the Company to manage this strategy successfully could have a material adverse effect on the Company's business, results of operations and financial condition.

### **Government Regulations**

The Company may be subject to various laws, regulations, regulatory actions and court decisions that may have negative effects on the Company. Changes in the regulatory environment imposed upon the Company could adversely affect the ability of the Company to attain its corporate objectives.

### **Share Price Volatility**

The market price of the Company Shares is highly volatile and may be significantly affected by factors such as actual or anticipated fluctuations in the Company's operating results, announcements of technological innovations, changes in estimates or analysis by securities analysts, new exploration projects by the Company or its competitors, government regulatory action, general market conditions and other factors.

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**OUTLOOK**

The Company is dependent on obtaining financing for the development of its virtual reality software and the acquisition of mineral properties and any new projects. The Company needs to secure funding in order to continue operating. Management is currently exploring various financing alternatives in order to fund its planned activities. Given the current market in which junior exploration mining companies find themselves, this has been an incredibly difficult task. There is no assurance that such financing will be available when required, or under favourable terms for the mining side of the Company operations. The Company feels that financing is more attracted to the creation of the virtual reality platform and will be looking to that project to provide the required funding going forward.