

# **Imagination Park Entertainment Inc.**

Management's Discussion and Analysis  
For The Nine Months Ended May 31, 2017

## **July 31, 2017**

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended May 31, 2017 and 2016 and the audited consolidated financial statements for the years ended August 31, 2016 and 2015. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional regulatory filings for Imagination Park Entertainment Inc. ("Imagination Park" or the "Company") can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Company's website can be found at [www.imaginationpark.com](http://www.imaginationpark.com).

## **Head Office**

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## **Nature and Continuance of Operations**

Imagination Park Entertainment Inc. is listed on the Canadian Securities Exchange using the symbol IP and was incorporated on October 11, 2011 under the laws of the Business Corporation Act (BC, Canada).

The Company is an emerging digital content production company, working with talented filmmakers around the world to bring conventional as well as virtual reality content to life. In April 2015, the Company filed a new listing statement on the CSE website that provides detailed disclosure of the Company's business and related risk factors.

At May 31, 2017, the Company had a net working capital of \$258,458 (August 31, 2016 - deficiency of \$74,530). The audited consolidated financial statements for the year ended August 31, 2016, on [www.sedar.com](http://www.sedar.com), were prepared with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, complete a public equity financing, or generate profitable operations in the future. The Company believes it will be successful in raising the necessary funding to continue operations however, there is no assurance that these funds will be available on terms acceptable to the Company or at all. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Effective on June 9, 2017, the Company commenced trading on the OTCQB Venture Market under stock symbol is IPNFF. The Company continues to trade on the CSE under its existing "IP" symbol.

## **Forward-Looking Statements**

In making and providing the forward-looking information included in this MD&A the Company's assumptions may include among other things: (i) assumptions about future production and recovery; (ii) that there is no unanticipated fluctuation in foreign exchange rates; and (iii) that there is no material deterioration in general economic conditions. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements, or results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the following: (i) the risk that the Company will continue to have negative operating cash flow; (ii) the risk that additional financing will not be obtained as and when required; (iii) material increases in operating costs; and (iv) adverse fluctuations in foreign exchange rates.

This MD&A (See “Risks and Uncertainties”) contains information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of the factors are beyond the Company’s control. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to reissue or update forward looking information as a result of new information or events after the date of this MD&A except as may be required by law. All forward-looking information disclosed in this document is qualified by this cautionary statement.

### **Letter of Intent for exclusive worldwide joint venture with InterKnowlogy**

On July 5, 2017, the Company announced the execution of a binding letter of intent (“LOI”) with InterKnowlogy, LLC (“InterKnowlogy”) in connection with the establishment of a joint venture company (“JVC”) where, pursuant to the terms, ownership will be divided on a 50/50 basis between Imagination Park and InterKnowlogy.

The JVC will be formed to exclusively develop and sell InterKnowlogy’s Augmented Reality software tools and products, as well as custom client Augmented Reality and Mixed Reality solutions starting in the Fall of 2017.

Later this year, and as a result of this joint venture, Imagination Park and InterKnowlogy will also launch a Mixed Reality Showroom product developed to allow major brand companies and advertisers to integrate 3D holographic images with AR headsets. The Mixed Reality Showroom is established to impact viewers by drawing them deeper into engaging experiences and will additionally support an advertiser’s existing 3D content. The solution includes a cloud-based content management system for 3D holographic images automatically downloaded to AR headsets and rendered dynamically.

Under the terms of the LOI, Imagination Park and InterKnowlogy will establish a newly incorporated JVC. The LOI provides for the following key terms:

- a. Imagination Park will contribute US\$500,000 in initial seed funds to the JVC over 12- months from the date of formation of the JVC, anticipated on or about July 31, 2017.
- b. InterKnowlogy will contribute substantial technology and intellectual property as identified in the LOI for AR/MR solutions. These include development tools for AR/MR manufactured headsets; toolkits to bi-directionally communicate between disparate devices via Bluetooth; and existing and in-progress R&D in building communication technology including, but not limited to, the utilization of devices off-board from the AR/MR hardware for interactions.
- c. The JVC will initially have a board of directors of three individuals, one chosen by Imagination Park, one chosen by InterKnowlogy and one mutually acceptable to both. The initial sole officer of the JVC will be Alen Paul Silverstien, CEO of Imagination Park.
- d. Imagination Park has also today granted an aggregate of 240,000 Imagination Park incentive stock options to certain founders of InterKnowlogy, each option exercisable for a period of five years from the date of grant at a price of C\$0.26 per option.

On July 19, 2017, the Company announced formal establishment and launch of XENOHolographic Inc. (“XENOHolographic”).

XENOHolographic, a worldwide joint venture between Imagination Park and InterKnowlogy originally announced on July 5, 2017, is focused on delivering products, services, and content seamlessly enabling holographic experiences within augmented and mixed reality beginning in the Fall of 2017.

XENOHolographic’s premiere product, unveiled for the first time here as XENOSidekick, will enable major manufacturers’ headsets to deliver consistent holographic interactions. Currently, few AR/Mixed Reality headsets

support interactions and further, those that do, do so uncooperatively. There are no existing standards for these wearable glasses. XENOHolographic plans to sell and license software tools to solve these technical issues for content providers, headset manufacturers as well as advertisers.

### **A Day in the Life of the Champ Project**

During the period ended May 31, 2017, the Company entered into an agreement with Michael Bisping, UFC Middleweight Champion of the World, to produce a Virtual Reality series entitled “A Day in the Life of the Champ”. Production is expected to commence in Fall 2017 in Michael’s hometown of Los Angeles and will have exclusive access to his training camp and behind the scenes activities for his upcoming fight.

### **Ohmore Media Inc. (“Ohmore”)**

During the period ended May 31, 2017, the Company entered into a non-exclusive association with Ohmore which relates to a Mainland China wide license to broadcast original individually produced content on any of the 227 channels of Hangzhou Ergeng Network Technology Co., Ltd. (“Ergeng”) via Ohmore, which has an exclusive partnership with Ergeng. Under this arrangement, Ergeng via Ohmore will share advertising revenue 50/50 with Imagination Park in a sector where, as noted by China Internet Watch, the online advertising market reached approx. 73.87 billion yuan (US\$10.76 billion) in 2016 and where there exists ten billion page views per month as well as over eight billion cumulative number of plays, three billion aggregated views across all Ergeng platforms and touch points, including the North American representative of the Ergeng network, per month, averaging at six million views per video on Ergeng platforms, with highest views reaching 36 million for its single most popular video.

### **Collectors Project**

During April 2017, the Company signed onto Collectors, a sci-fi project featuring Jean Claude Van Damme and Kris Van Damme and produced and directed by Trevor Seeley, Kris Van Damme with Imagination Park.

Collectors is an action sci-fi series set in a gritty, visceral universe where two once peaceful nations are now separated by the stars. It follows the efforts on Earth’s elite military squad and their alliance with an old generation of enhanced interstellar soldiers, as they fend off the incoming invasion of genetically modified super soldiers known as The Collectors.

The Company plans to begin production of Collectors within 60 days. Imagination Park will be filming a proof of concept and assisting to create a screenplay with the intention of achieving financing for a potential feature or TV series at a later date.

### **Traveler Feature Film**

On April 13, 2017, the Company entered into a development and production agreement with Emmy nominated Director Simon Brown for his sci-fi opus, Traveler.

Currently a short film, Traveler has received awards at multiple festivals and has received major studio interest on the project. The Company will develop the project with Mr. Brown by creating a feature film screenplay, package the project and then shop it to major Hollywood studios and distributors for financing.

Simon Brown is a graduate of the American Film Institute Conservatory Directing Program and an alum of Berlinale Talents (2016). He has worked as a senior vfx artist leading teams on commercials and feature films. His feature film credits include Matrix Revolutions, Star Wars: Revenge of the Sith and Ice Age: The Meltdown.

His latest short film “Traveler” is currently making its festival rounds and is a Best Short Finalist at the Kinsale Shark Awards and his short film Firelight was a finalist for the Student Emmy’s, winner for best sci-fi short film at Shockerfest, best horror nomination at Shriekfest and an official selection at LA Shorts Festival. In addition, his spec spot “Lexus LFA-h” has features in STASH and selected for the A-List Awards.

## **Juarez 2045 Project**

The Company completed production of its first full-length feature film 'Juarez 2045' in partnership with Abrupt Films Inc. Juarez 2045 is the sixth film under the amended LOI with Triton which Imagination Park has a net profit interest in. In the year 2045, the war on drugs in Mexico has escalated as a ruthless drug cartel uses robots to enforce their operations. A group of marines are sent in to recover a hostage and get more than they bargained for when they come up against the head of the cartel. The film features Danny Trejo (Machete, Machete Kills) and Brad Schmidt (Birth of a Nation). The first official trailer for the film has just been released and is available for viewing on Imagination Park's website.

Imagination Park thereby now holds a 5-per-cent net profit carried interest in Juarez 2045 and retains the right to earn up to a 7.5-per-cent interest by sourcing and closing a domestic distribution deal for the film as well. At present, the Juarez 2045 project has received several distribution proposals, and both Imagination Park and Abrupt films are now working to close global distribution rights for the film and finalize a release date, subject to the discretion of the project's ultimate distribution partner(s).

## **Food For Thought Project**

During the period ended May 31, 2017, the Company acquired a 10% net profit interest in the full length documentary "Food For Thought" produced by Robinson Media, which is partly owned by Tim Marlowe, Director of Imagination Park. Under the terms of the agreement, the Company will pay Robinson total consideration equalling \$56,100, payable as 561,000 common shares of the company at a deemed price of \$0.10 per share in exchange for 10% of the net profits generated by the documentary throughout the world and in perpetuity from the commercial exploitation of the documentary, including but not limited to, royalty payments and licensing payments. In addition, should the documentary not be completed for any reason, Robinson agrees to return the 561,000 common shares issued in the transaction to Imagination Park at the request of the Company, in exchange for Imagination Park waiving its rights to receive a 10% net profits interest in the project. At present, The Food for Thought documentary is fully financed through budgeted completion, and is currently in production with an expected completion in spring of 2018.

## **Spoken Word Project**

Imagination Park's short film 'Spoken Word' has been chosen to be screened at the third annual Manchester International Film Festival (MANIFF) in Manchester, England. Spoken Word stars actor Lance Reddick (Fringe, Lost, The Wire) as an African-American judge in a moral conflict. Race, perception and consequence become the centre point of three lives, as Judge Matthews realizes that he can no longer overlook his actions from the bench. Spoken Word was produced by Imagination Park Entertainment and directed by the writer Ilan Srulovicz (I Hate Ned (2011), Grit (2015) and Zero Day (2015) and shot using RED cameras. The first official trailer for the film has just been released and is available for viewing on-line. While this film may not produce revenue it does provide the Company brand exposure in film festivals.

SPOKEN WORD, has been nominated for The International Filmmaker Festival of World Cinema NICE 2017! Held in the South of France just a few days before the Cannes International Film Festival, the Nice Festival is a platform for filmmakers to meet, network and do business with distributors and industry professionals.

NICE International Film Festival has, as its objective, the promotion of cinematographic art by presenting films of quality and excellence in entertainment.

## **KUMITE Project**

During the period ended May 31, 2017, the Company entered into an agreement on a project in development called KUMITE, an original, episodic action series, created in immersive virtual reality. This is the next project in Imagination Park Entertainment's collaboration in serialized storytelling for VR. The script for the pilot episode has been completed to date. Episodes will be filmed in Vancouver, Los Angeles and Toronto and will be produced by Gabriel Napora, Tim Marlowe and Yas Taalat.

KUMITE is about a mixed martial arts fighter, who travels to underground fight leagues all over the world to challenge top competitors. Mixed Martial Arts, or MMA, has a huge fan base garnered by UFC, with over 3.4 million followers on Twitter.

KUMITE will be an ongoing story created for VR enthusiasts who are willing to pay a premium for quality titles. KUMITE will be packaged and submitted to popular VR online content stores. VR titles are currently being sold in a growing group of online stores including Steam, Vive, Milk VR (Samsung) and the Oculus Store (owned by Facebook).

## **Virtual Reality Projects**

During the period ended May 31, 2017, the Company launched a fully immersive, 360 degree, 3D virtual reality (with visual effects) production services business in partnership with Karma VR, (collectively, the "Partners"). Together, the Partners now offer full "A to Z" virtual reality production services applicable across a broad and growing spectrum of possible experiences, including live action cinema, health & wellness, medical and therapeutic, travel adventure, music, corporate presentations, virtual tours, and a growing number of other creative uses.

Under the terms of the joint venture agreement:

- Imagination Park will produce and Karma VR will fulfil all post-production virtual reality service needs within projects undertaken between the parties.
- Imagination Park agrees to give Karma first right of refusal to perform virtual reality/augmented reality post-production work on any projects/jobs that Imagination Park secures, creates, or acquires.
- Karma VR agrees to give Imagination Park first right of refusal on any virtual reality/augmented reality projects it secures, creates, or acquires that require such services.

The Partners have now completed 4 (four) virtual reality projects together to date, which may soon be added to virtual reality content stores, and which also serve to demonstrate the world-class caliber of the Partners' virtual reality production capabilities to prospective 3rd party virtual reality production services clients. Expected to in Fall 2017.

The projects include:

- a. VR Zombies Experience; A man watching a zombie movie is stunned to find out the zombie apocalypse is real when some real zombies enter his man cave and begin breaking his toys. This is planned to be released this Fall.
- b. Destructotron: Feature film actor Peter Shinkoda (Nobu in Daredevil, Fallen Skies) stars in this exciting VR adventure where a giant robot attacks the Earth, leaving Shinkoda to solve the situation. This is planned to be released this Fall.
- c. Invasion: When an alien ship mysteriously devours everything in its path, one woman (played by model Andrea Katic) fights against being swallowed up. Produced by Gabriel Napora, Yas Taalat, Rocky Mudaliar and directed by Chris Le, the director of Juarez 2045, the experience features cutting-edge visual effects. This is planned to be released this Fall.

- d. Skate Apocalypse: Some of the skateboarders, including the very talented Zack Nofall, are featured in this VR experience, where extreme, acrobatic, skateboarders journey through a city while being attacked by killer drones. The Company has decided to replace this VR project with a new one which features higher quality production and VFX.
- e. Singularity: Left for dead after a hit-and-run, a young teacher undergoes an experimental procedure to install an A.I chip in her brain. After recovering, she uses her superhuman powers to stop a hacker from exterminating humanity with our own mobile devices. This is planned to be released this Fall. (THIS REPLACES SKATE APOCALYPSE.)

The demand for VR content is growing exponentially as hardware sales increase. VR headsets are expected to reach 2.5 million units this year, up 79 per cent versus 2016, while driving \$660-million in revenues, a predicted year-on-year jump of 42 per cent according to the Consumer Technology Association.

VR titles are currently being sold in a growing group of on-line stores, including Steam, Vive, Milk VR (Samsung) and the Oculus Store (owned by Facebook). VR users are willing to pay a premium for quality titles. According to research firm Tractica, more than 200 million consumer virtual reality head-mounted displays will be sold worldwide by 2020. The VR titles Imagination Park plans to release are as follows.

### **Letter of Intent to acquire various interests in up to six feature film projects**

On February 9, 2016, the Company announced that it had entered into a binding letter of intent, subsequently amended, with Triton Films Inc. (“Triton”) for options to acquire percentages of Triton's interest in up to six feature film projects. The letter of intent proposes to advance and package portfolio projects as well as partner with international financial, production, sales and distribution partners. Triton will retain creative and strategic control over the development and distribution of the films but Triton will consult with the Company on all matters regarding the production, licensing, sale and distribution of the films.

During the period ended May 31, 2017, the Company exercised its initial option to acquire its respective initial interests in these six films granted in the letter of intent, effective as of October 4, 2016, for total consideration of \$172,500 by issuing 2,300,000 common shares of the Company, issued at a deemed conversion price of \$0.075 per share. By issuing the shares, the Company has earned the following net revenue interests:

- i) 40% of Film 1
- ii) 12.5% of Film 2
- iii) 25% of Film 3
- iv) 17.5% of Film 4
- v) 12.5% of Film 5
- vi) 50% of Film 6

In addition, Gabriel Napora, owner of Triton and Director of Imagination Park, will receive 10 producer’s points in a 6th feature film project.

Imagination Park has also secured a right of first refusal to purchase Triton’s remaining interest in any of the 6 feature films should Triton wish to sell its interest at any time to a 3rd party that does not include a partnering film financier, production studio, sales or distribution agent, or similar.

Further, the original letter of intent entered into with Triton on February 9th, 2016, stipulates the Company was required to complete a financing for minimum net proceeds of \$250,000 on or before July 15, 2016, or Imagination Park would be required to issue to Triton a penalty payment equal to \$25,000 for the delay. The Company

acknowledges that this condition was not met in the agreed upon timeframe and has issued to Triton 250,000 common shares at a deemed price of \$0.10 to settle the \$25,000 fee.

As part of the amendment, the Company has issued a bonus success fee through the issuance of 115,000 common shares at a deemed price of \$0.075, which is based on 5% of the value of each of the option which are exercised, to a third party, McMillan Strategies. The bonus success fee is payable by Imagination Park to McMillan Strategies on a pro-rata basis as each portion of each of the options is exercised by Imagination Park. Imagination Park will make the payments either in cash or by issuing common shares. The initial payments made to McMillan Strategies upon the execution of the acquisitions mentioned above will be paid in shares converted at a price equal to the conversion price of the option share issuance.

## **Absolution**

On May 14, 2015, the Company announced the new Steven Seagal movie “Absolution” as the first of six feature films that the Company is entitled to share in the net revenues of. Produced by Tim Marlowe, “Absolution”, and was officially released and distributed by Lions Gate on May 15, 2015 in Theatres and On Demand.

The Company’s interest in the revenue of “Absolution” derives from a Production Revenue Participation Agreement (the “Participation Agreement”) with Infinity Media Inc. (“Infinity Media”) and its principal, Academy Award® winning producer, Timothy Marlowe. In addition to his role with Infinity Media, Mr. Marlowe is a director of the Company. Under the terms of the Participation Agreement, the Company is entitled to receive five percent of the revenue earned by Infinity Media from “Absolution”, and from five subsequent feature films from which Infinity Media is entitled to share revenue. The five subsequent films will be determined by Infinity Media pursuant to the terms of the Participation Agreement

There can be no assurance that “Absolution” or any other films which the Company will have an interest in under future Participation Agreements will generate revenues for Infinity Media and the Company.

During September 2015, the Company and Infinity Media agreed to amend the agreement. Infinity Media has come to terms with the Company to return to treasury the previously issued 3,400,000 shares negotiated originally in the two agreements in exchange for net profit interests in 12 upcoming productions collectively. Mr. Marlowe has agreed to retain 500,000 shares for the net profit interest of the movie “Absolution” currently owned by the Company. As of the date of this report, Absolution has not yet become profitable, and consequently the Company has not yet earned any of its entitled profit share which will be available once the original Absolution investors have recouped their investments. The Company does not anticipate to see any revenue before 2018.

The Company and the two vendors have agreed to negotiate each upcoming production on a case by case basis. During the year ended August 31, 2016, 1,700,000 shares were cancelled and returned to treasury, and 500,000 treasury shares were issued. During the period ended May 31, 2017, the remaining 1,700,000 shares were cancelled and returned to treasury.

## **Other Movie Related Agreements**

During the nine months ended May 31, 2017, the Company:

- i) entered into a feature film production services contract to assist in the completion of a new full length feature film. Under the terms of the agreement, Imagination Park is offering its feature film production services through to completion of the project, in exchange for production services fees payable to the Company. As of this date, the project is fully financed, initial service deposit funds have been received by the Company and work is now underway.
- ii) entered into a contract to produce a packaged ‘Proof Of Concept’ (POC), which is a complete creative package for a project which includes script development, concept art, and a short film or trailer, for a family-friendly feature film. Upon completion of the POC, Imagination Park will be granted a 3-year exclusive option to shop the POC to studios, broadcasters, and financiers, among others, that could

transform the POC into a feature film, TV series or web series. We anticipate divestiture in Q3 2017. During the period ended May 31, 2017, it brought in \$25,000 USD in revenue for the company.

## **Music Publishing**

During the year ended August 31, 2015, the Company signed a definitive agreement to acquire assets from Greenstock, a Canadian music publisher for 1,000,000 shares (valued at \$450,000 based on market prices on the date the agreement was approved by the TSX Venture Exchange). Greenstock owns 50% of the music publishing rights for the band, Franklins Dealers. The Greenstock business model is based on creating and acquiring music catalogs to place into major motion pictures. Greenstock is related as the CEO of Greenstock was also a director of the Company at that time, but is now a former director. . The assets purchased during the year ended August 31, 2015 consist of intangible music publishing rights, of which \$449,900 has been expensed due to uncertainty regarding the future value. As at May 31, 2017, \$100 remains capitalized on the consolidated statement of financial position.

## **Results of Operations**

The results of operations reflect the overhead costs incurred to provide an administrative infrastructure to manage the media business and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in activity as Management and Directors continue to develop the film and music activities of the Company.

Nine Months Ended May 31, 2017 compared to nine months ended May 31, 2016

For the nine months ended May 31, 2017, the Company had a net loss of \$2,689,450 compared with a net loss of \$647,216 for the same period in the prior year. During the period ended May 31, 2017, the Company incurred:

- consulting and management fees of \$668,966 (2016 - \$367,682). The increase is mainly due to more activities in the current period.
- share-based compensation of \$1,276,561 (2016 - \$Nil). The increase is due to options being granted during the current period.
- shareholder communications and promotion of \$75,452 (2016 - \$33,480). The increase was primarily due to an increase in promotion activities during the current period.
- Travel and accommodation of \$183,878 (2016 - \$36,988). The increase was due to directors travelling frequently for business during the current period.

For the three months ended May 31, 2017, the Company had a net loss of \$1,579,333 compared with a net loss of \$374,706 for the same period in the prior year. During the three months period ended May 31, 2017, the Company incurred:

- consulting and management fees of \$365,191 (2016 - \$222,442). The increase is mainly due to more activities in the current period.
- share-based compensation of \$859,161 (2016 - \$Nil). The increase is due to options being granted during the current period.
- shareholder communications and promotion of \$32,904 (2016 - \$29,176). The increase was primarily due to an increase in promotion activities during the current period.
- Travel and accommodation of \$121,675 (2016 - \$ 36,988). The increase was due to directors travelling frequently for business during the current period.

## **Summary of Quarterly Results**

The following table sets out selected quarterly information available within the last eight quarters.

<b>Three Months Ended</b>	<b>May 31, 2017</b>	<b>February 28, 2017</b>	<b>November 30, 2016</b>	<b>August 31, 2016</b>
	\$	\$	\$	\$
Revenue	(36,990)	37,024	61,500	81,954
Loss and Comprehensive loss	(1,579,333)	(664,326)	(445,791)	(308,019)
Loss per Common Share	(0.03)	(0.02)	(0.03)	(0.03)
<b>Three Months Ended</b>	<b>May 31, 2016</b>	<b>February 29, 2016</b>	<b>November 30, 2015</b>	<b>August 31, 2015</b>
	\$	\$	\$	\$
Exploration and evaluation assets	-	-	-	-
Loss and Comprehensive loss	(355,705)	(79,861)	(211,650)	(1,250,400)
Loss per Common Share	(0.03)	(0.01)	(0.02)	(0.11)

## **Liquidity and Capital Resources**

The Company's cash position was \$492,085 at May 31, 2017 compared to \$135,688 at August 31, 2016. The Company had a working capital deficiency of \$258,458 at May 31, 2017 compared with working capital deficiency of \$74,530 at August 31, 2016.

During the period ended May 31 28, 2017, cash flow activities consisted of:

- i) cash flows spent on operating activities of \$926,398 (2016 - \$791,824).
- ii) cash flows received from financing activities of \$1,054,195 (2016 - \$741,096).
- iii) cash flows received from investing activities of \$228,600 (2016 - \$ 50,447).

During the period from September 1, 2016 to July 25, 2017, the Company:

- i) issued 378,000 common shares at \$0.10 to settle debt in the amount of \$37,800;
- ii) issued 2,300,000 common shares at \$0.075 to Triton Films Inc., a company wholly-owned by Gabriel Napora, a director of Imagination Park, pursuant to the initial exercise of its option under the Letter of Intent, which was amended during the three months ended November 30, 2016, to acquire a net profits interest in six films;
- iii) issued 250,000 common shares at \$0.10 pursuant to the LOI with Triton Films Inc., to settle the penalty fee due to the delay in completion of the financing;
- iv) issued 115,000 common shares at \$0.075 as a success fee pursuant to the exercise of the LOI option with Triton Films Inc.;
- v) issued 561,000 common shares at \$0.10 to Robinson Media Inc., a company owned by Timothy Marlowe, Director of Imagination Park, pursuant to the acquisition of a 10% net profits interest in a full length documentary 'Food for Thought';
- vi) cancelled 1,700,000 common shares pursuant to the amended revenue participation agreement, and issued 500,000 treasury shares (Note 10);

- vii) issued 1,762,900 shares for proceeds of \$264,645 with respect to stock option exercises;
- viii) issued 7,955,000 shares for proceeds of \$795,500 with respect to warrant exercises; and
- ix) entered into debt settlement agreements with officers, directors and consultants of the Company pursuant to which the Company has agreed to issue an aggregate of 7,926,157 common shares to settle debt of \$396,308. The Company determined to satisfy this outstanding indebtedness with shares in order to preserve its cash for operations.

As at May 31, 2017, the Company has \$4,800 in short-term loans from related parties, which are non-interest bearing and repayable on demand.

### **Related Party Transactions**

Related parties include the Board of Directors, Executive Officers and any companies owned or controlled by them.

During the nine months ended May 31, 2017, the Company paid or accrued management and consulting fees of \$436,450 (2016 - \$243,800), and paid or accrued office and rent costs of \$3,000 (2016 - \$10,563) to directors and officers of the Company, or companies under their control. As at May 31, 2017, \$148,587 (August 31, 2016 - \$232,000) remained outstanding and is included under accounts payable.

During the nine months ended May 31, 2017, the Company issued 1,750,000 stock options to directors resulting in share-based compensation of \$312,902.

### **Off Balance Sheet Arrangements**

The Company is not a party to any off balance sheet arrangements or transactions.

### **Changes in Accounting Policies and Future Accounting Changes**

Please refer to the consolidated financial statements filed on [www.sedar.com](http://www.sedar.com) for the period ended May 31, 2017 for changes in accounting policies and future accounting changes.

### **Financial Instruments**

The Company is required to disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the statement of financial position date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts of cash, receivables, accounts payable and accrued liabilities on the consolidated statement of financial position approximate fair market value because of the limited term of these instruments. The Company carries its marketable securities at fair value.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash and receivables. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. The receivables relate to amounts due from government agencies, subscriptions receivable, and trade receivables, therefore the Company's maximum exposure to credit risk is the balance of cash held as at May 31, 2017. The Company has no significant concentration of credit risk arising from operations.

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instrument or future media related transactions. The Company's approach to managing liquidity risk is to ensure it has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash and expected exercise of share purchase warrants and options. The Company requires additional equity financing to fund its planned media programs and operating expenditures. Management believes that it will be successful in raising the necessary funds however, given the current market conditions, management believes that the raising of the required funds will take longer than is normal and will be at prices that may be less than desirable. There are no assurances that additional funds will be available on terms acceptable to the Company or at all. As May 31, 2017 the Company had \$279,495 (August 31, 2016 - \$347,406) of accounts payable and accrued liabilities which are due on standard trade payable terms not exceeding 90 days and loans payable of \$5,076 (August 31, 2016 - \$426).

### Interest risk

Interest risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rates in the Company's monetary assets and liabilities. The Company has cash balances and no material interest-bearing debt, therefore, interest rate risk is minimal.

### Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's functional and presentation currency is the Canadian dollar. Certain expenditures are transacted in foreign currencies. As a result, the Company is exposed to fluctuations in these foreign currencies relative to the Canadian dollar. As at May 31, 2017, the Company has USD \$69,562 included in cash and USD \$69,293 included in accounts payable. Management does not hedge its foreign exchange risk, and does not believe a change in foreign exchange would materially affect the Company at its current stage.

## **Contingencies**

The Company is unaware of exposure to any contingent liabilities.

## **Risks and Uncertainties**

The Company's financial condition, results of operations and business are subject to risks. The following are identified as the main risk factors:

### Financing

The Company is reliant upon equity financing in order to continue its operations because it does not derive any income from its assets. There is no guarantee that future sources of funding will be available to the Company. If the Company is not able to raise additional funding in the future, it will be unable to carry out its operations and may lose its interests in its mineral properties.

## **Disclosure Controls and Procedures**

CSE listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of Disclosure controls and procedures ("DC&P") and Internal controls over financial reporting ("ICFR"), as defined in National Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS. The issuer's certifying officers are responsible for ensuring that processes are in

place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitation on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### **Other MD&A Requirements**

As at July 25, 2017, the Company had 57,157,471 common shares issued and outstanding.

As at July 25, 2017, the following incentive stock options were outstanding:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of Options Outstanding</u>
August 11, 2017	\$ 0.06	300,000
April 4, 2019	0.35	300,000
April 11, 2019	0.31	65,000
March 13, 2020	0.30	700,000
March 17, 2020	0.45	225,000
March 30, 2020	0.30	100,000
May 15, 2020	0.30	125,000
September 13, 2021	0.15	2,050,000
November 16, 2021	0.15	50,000
February 3, 2022	0.05	437,100
April 18, 2022	0.31	750,000
May 9, 2022	0.28	250,000
June 5, 2022	0.35	46,500
June 22, 2022	0.26	68,888
July 4, 2022	0.26	608,000
		6,075,488

As at July 25, 2017, warrants were outstanding enabling holders to acquire shares as follows:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of Warrants Outstanding</u>
August 22, 2017	\$ 0.10	2,060,000
August 26, 2017	0.10	1,968,032
June 22, 2019	0.35	523,600
June 22, 2019	0.25	30,240
		4,581,872

## **Change in Management**

In April 2017, the board was pleased to announce Alen Paul Silverrsteien as CEO and President of the Company. Alen Paul is a global entrepreneur with over 20 years' experience managing and growing technology companies. Recently, he founded a software company with offices in NYC and India focused on leveraging Artificial Intelligence and Machine Learning to optimize sourcing and selection of job candidates. Previously, Alen Paul was a senior executive managing a conglomerate of small companies for a boutique equity firm providing recruitment, security, and technology consulting throughout North America. Alen Paul founded and launched GTS in the 1990's, one of the pioneers in prepaid communications, and led it public on the NASDAQ within three years. At GTS, he spearheaded licensing deals with Fortune 500 and leading North American brands.

In June 2017, Colin Wiebe resigned as Chairman and as a Director of the Company in favour of transitioning to our Advisory Board where he will join Tim Huckaby, Lochlyn Munroe, and Mitch Davis as a Technical and Creative Advisor to the Company. Mr. Wiebe is replaced as Chairman by the Company's Chief Creative Officer, Gabriel Napora who, along with Yas Taalat and Tim Marlowe, will lead the Board of Directors. The Board of Directors will continue to be supported by our CEO & President, Alan Paul Silverrsteien, who has also been appointed Interim CFO while he executes an executive search for a full time CFO for the Company.

In June 2017, the Company engaged Sally Yeh as VP, Greater China to further the Company's commitment to the Chinese marketplace for its content.

Sally Yeh is an accomplished film producer in China. Having worked at Warner Brothers, Hengdian and China Film Group on 'CC2C,' Bollywood's first production in China and IMAX's 'The Lady and the Panda', Ms. Yeh has lived in Shanghai and Beijing for 14 years and has access to some of the largest production companies and talent in China.

She is both a development and hands-on Producer and started her career as a reader for her instructors at the American Film Institute. After receiving her MFA, Ms. Yeh moved to China and worked with Rita Cahill, David Dozoretz, Philip Lee and Sid Ganis on developing various projects.

Ms. Yeh's role with the Company will be in development, creation of projects for the Chinese and worldwide markets, as well as introducing the Company to top talent in China.

## **Board of Advisors Appointment**

### **Tim Huckaby**

In April 2017, Tim Huckaby joined the Board of Advisors. Mr. Huckaby's expertise encompasses emerging experiences as AR & VR, holographic, touch, gesture, voice recognition, neural, demographic, emotional, & facial recognition and other futuristic interfaces as applied by a number of compelling software technologies on many hardware platforms on a broad spectrum of devices.

Mr. Huckaby is Chairman and Founder of InterKnowlogy, a custom application development firm and think tank specializing in digital surface interaction. His company is currently developing immersive digital experiences for the Microsoft HoloLens. The HoloLens is the first fully untethered holographic computer enabling you to interact with high-definition holograms in your world.

Mr. Huckaby has worked with Microsoft for over 25 years and is a Microsoft Global RD, a Microsoft MVP and serves on many councils and boards like the Microsoft Application Development Partner Advisory Council.

**Mitch Davis**

In March 2017, Mitch Davis joined the Board of Advisors. Mr. Davis has an impeccable musical pedigree, second to none, and has focused his career on producing films, documentaries, live musical events, and creating intellectual property.

His father, Clive Davis, is a living music legend who has signed, influenced and driven the careers of some of the most significant artists of our time such as Whitney Houston, Bruce Springsteen, Simon & Garfunkel, Rod Stewart, Air Supply, Alicia Keys, Barry Manilow, Christina Aguilera, Carlos Santana, Kelly Clarkson, Leona Lewis and Jennifer Hudson. Mitch Davis is one of the producers alongside movie industry heavyweight Ridley Scott, on the documentary CLIVE DAVIS: THE SOUNDTRACK OF OUR LIVES (2017), which will open at the Tribeca Film Festival this year at the Radio City Music Hall.

**Richard Groome**

In May 2017, Richard Groome joined the Board of Advisors. Mr. Groome, Managing Partner of Notre-Dame Capital Inc., has over three decades of experience in financing and advising small and mid-size emerging growth companies. He has actively managed or participated in over 400 financings representing approximately \$4 billion of small cap underwritings.

**Geneva Wasserman**

In July 2017, Geneva Wasserman joined the Board of Advisors. Ms. Wasserman is a founder and COO of True360VR and 360 AdSpots and has most recently served as President of WV Enterprises, LLC ("WVE"), a film and television production company founded by Wilmer Valderrama. She has worked with such iconic brands and properties such as Disney, Lionsgate, The Weinstein Company, Oxygen, El Rey, Dr. Seuss Enterprises, Skydance Media, Sony Imageworks, DreamWorks Animation, Ubisoft, Fox Searchlight, Mercedes Benz, Twentieth Century Fox, Discovery, Microsoft, Vanguard Films, Skechers, among others. Ms. Wasserman has advised A-list celebrities and celebrity brands on best practices for the strategic placement of their products and delivering their message to the ever-changing marketplace.