LIVEREEL MEDIA CORPORATION

Consolidated Financial Statements

For the Years Ended June 30, 2013 and 2012

(Expressed in Canadian Dollars)

INDEX

Schwartz Levitsky Feldman llp
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying consolidated financial statements of LiveReel Media Corporation, which comprise the consolidated statements of financial position as at June 30, 2013 and June 30, 2012 and the consolidated statements of operations and comprehensive loss, statements of changes in equity and statements of cash flows for the years ended June 30, 2013, 2012 and 2011 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of LiveReel Media Corporation as at June 30, 2013 and June 30, 2012 and its financial performance and its cash flows for the years ended June 30, 2013, 2012 and 2011 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net loss of $19,685 during the year ended June 30, 2013 and as of that date had an accumulated deficit of $8,474,027. These conditions along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that raises substantial doubt about the Company's ability to continue as a going concern.

"SCHWARTZ LEVITSKY FELDMAN LLP"

Toronto, Ontario
October 25, 2013

Chartered Accountants
Licensed Public Accountants

LiveReel Media Corporation

Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at	Note		June 30, 2013		June 30, 2012
Assets					
Current Assets					
Cash		$	**20**	$	13,771
Other assets	6		**4,039**		23,446
Total Assets			**4,059**		**37,217**
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	7	$	**27,041**	$	147,105
Convertible notes payable	8		**-**		98,303
Short-term loan payable	9		**209,189**		-
Total Liabilities			**236,230**		245,408
Shareholders' Deficiency					
Capital stock	10		**7,880,660**		7,880,660
Contributed surplus			**347,699**		347,699
Equity component of debt	8		**13,497**		17,792
Accumulated deficit			**(8,474,027)**		(8,454,342)
Total Shareholders' Deficiency			**(232,171)**		(208,191)
Total Liabilities and Shareholders' Equity		$	**4,059**	$	37,217

Going Concern (Note 1)
Related Party Transactions (Note 13)

Approved by the Board "Henry Kneis" Director "Jeff Kehoe" Director
(signed) (signed)

The accompanying notes form an integral part of these consolidated financial statements.

LiveReel Media Corporation

Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

For the years ended	Note	June 30, 2013	June 30, 2012	June 30, 2011
Revenue		$ -	$ -	$ -
		-	-	-
Expenses				
Consulting	13	40,000	52,500	165,000
Professional fees	13	33,030	56,395	40,410
Financing costs		23,873	16,095	-
Shareholders information		18,834	18,652	20,428
Office and general		11,289	16,325	15,786
Bank charges and interest		1,095	860	710
Foreign exchange loss		33	312	8,220
		128,154	161,139	250,554
Other income				
Debt forgiveness	13	(75,929)	-	-
Write-down of production advances	7	(32,540)	-	-
		(108,469)	-	-
Net loss and comprehensive loss		$ (19,685)	$ (161,139)	$ (250,554)
Net loss per share – basic and diluted	11	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding		23,521,744	23,521,744	21,227,300

The accompanying notes form an integral part of these consolidated financial statements.

LiveReel Media Corporation

Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

For the years ended	Note		June 30, 2013		June 30, 2012		June 30, 2011
Cash flows from operating activities							
Net loss for the year		**$**	**(19,685)**	$	(161,139)	$	(250,554)
Adjustment for non-cash items:							
Accretion on convertible notes payable			**8,566**		16,095		-
Accrued interest			**9,189**		-		-
Forgiveness of debt			**(75,929)**		-		-
Write-down of production advances			**(32,450)**				
Changes in working capital items:							
Other assets			**19,407**		45,114		(29,237)
Accounts payable and accrued liabilities			**(11,595)**		5,105		84,319
			(102,587)		(94,825)		(195,472)
Cash flows from financing activities							
Proceeds from short-term loans			**225,000**		100,000		-
Repayment of short-term loans			**(25,000)**				
Repayment of notes payable			**(111,164)**		-		-
Exercise of warrants			**-**		-		60,062
			88,836		100,000		60,062
Increase (decrease) in cash			**(13,751)**		5,175		(135,410)
Cash, beginning of year			**13,771**		8,596		144,006
Cash, end of year		**$**	**20**	$	13,771	$	8,596

The accompanying notes form an integral part of these consolidated financial statements.

LiveReel Media Corporation

Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

For the years ended June 30, 2013, 2012 and 2011

	# of shares	Share Capital	Warrants Reserve	Contributed Surplus	Equity Component of Debt	Accumulated Deficit	Shareholders Equity (deficit)
Balance, July 1, 2010	**17,621,744**	**$6,728,846**	**$1,146,081**	**$293,370**	**$ -**	**$(8,042,649)**	**$ 125,648**
Value of warrants Exercised	-	1,091,752	(1,091,752)	-	-	-	-
Shares issued on exercise of warrants	5,900,000	60,062	-	-	-	-	60,062
Value of warrants exercised	-	-	(54,329)	54,329	-	-	-
Net loss for the year	-	-	-	-	-	(250,554)	(250,554)
Balance, June 30, 2011	**23,521,744**	**7,880,660**	-	**347,699**	**-**	**(8,293,203)**	**(64,844)**
Equity component of debt issue	-	-	-	-	17,792	-	17,792
Net loss for the year	-	-	-	-	-	(161,139)	(161,139)
Balance, June 30, 2012	**23,521,744**	**7,880,660**	-	**347,699**	**17,792**	**(8,454,342)**	**(208,191)**
Change in equity component of debt	-	-	-	-	(4,295)	-	(4,295)
Net loss for the year	-	-	-	-	-	(19,685)	(19,685)
Balance, June 30, 2013	**23,521,744**	**$7,880,660**	-	**$ 347,699**	**$ 13,497**	**$(8,474,027)**	**$ (232,171)**

The accompanying notes form an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

LiveReel Media Corporation (the “Company") is an entertainment company engaged in the financing, development, licensing, production and distribution of feature films, television series, television movies and non-fiction programming. The Company’s registered office is 130 King Street West, Suite 2950, Toronto, ON, M5X 1C7.

Management has prepared these consolidated financial statements in accordance with International Financial Reporting Standards applicable to a going concern, which contemplates that assets will be realized and liabilities discharged in the normal course of business as they come due. The Company has accumulated significant losses since its inception and has incurred significant costs trying to establish its presence in various ventures. To this point, all operational activities and the overhead costs have been funded from the available cash and by equity and debt issuances. These conditions indicate that there could be a substantial doubt about the Company’s ability to continue as a going concern for a reasonable period of time.

The Company has incurred a net loss of $19,685 during the year, has a working capital deficit of approximately $232,000 and an accumulated deficit of approximately $8.5 million. The Company’s ability to continue as a going concern is dependent upon its ability to access sufficient capital until it has profitable operations. The Company has facilitated funding for its fiscal year through the issuance of short-term debt (see Note 9) to assist with the Company’s working capital requirements. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

Currently, the Company is focused on preserving its cash by minimizing operating expenses, and looking to investment opportunities both within and outside of the film industry. It will continue to look to its largest shareholder for continued financial support if necessary.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

These 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”).

The consolidated financial statements were approved by the Company’s board of directors and authorized for issue on October 25, 2013.

(b) Basis of Presentation

These consolidated financial statements have been prepared on the historical cost basis. Historical cost is based on the fair value of the consideration given in exchange for assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary – LiveReel Productions Corporation ("LRPC").

LRPC holds titles to the film properties and acquired distribution rights and is in the business of licensing, developing, producing and distributing films and television programs.

All intercompany balances and transactions have been eliminated on consolidation.

(d) Functional and Presentation Currency

These consolidated financial statements have been prepared in Canadian dollars, which is the Company's functional and presentation currency.

(e) Financial instruments

Financial assets:

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial liabilities:

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities including borrowings are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Financial instruments (continued)

De-recognition of financial liabilities:

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash	FVTPL
Other assets	Loans and receivables

Financial liabilities:	Classification:
Amounts payable and accrued liabilities	Other financial liabilities
Convertible notes payable	Other financial liabilities
Short-term loan payable	Other financial liabilities

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment. Change in assumptions could significantly affect the estimates. The Company provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair value of financial assets and financial liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Financial assets and financial liabilities in Level 2 include valuations using inputs based on observable market data, either directly or indirectly, other than the quoted prices. Level 3 valuations are based on inputs that are not based on observable market data.

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or the counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying value is reduced through the use of an allowance account. When an amounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Loss Per Share

Basic loss per share is calculated by dividing net loss (the numerator) by the weighted average number of common shares outstanding (the denominator) during the period. Diluted loss per share reflects the dilution that would occur if outstanding stock options and share purchase warrants were exercised or converted into common shares using the treasury stock method and are calculated by dividing net loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

The inclusion of the Company's stock options and share purchase warrants in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluded from the computation. Consequently, there is no difference between basic loss per share and diluted loss per share.

(g) Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized in equity, in which case it is recognized in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax liabilities or assets are recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination.

In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Significant accounting judgements and estimates

The preparation of these consolidated financial statements requires management to make estimates 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. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting estimates based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, include the valuation of financial instruments and deferred income tax assets.

(i) Recent accounting policies

A number of new standards, and amendments to standards and interpretations, are not yet effective for the year ended June 30, 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except for IFRS 9 Financial Instruments, which becomes mandatory for the Company's 2015 consolidated financial statements and is expected to impact the classification and measurement of financial assets. The extent of the impact has not been determined.

IFRS 9 Financial Instruments

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with early adoption permitted. The Company has not yet determined the potential impact of the amendments to IFRS 9 on its financial statements.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under IFRS 10, control is the only basis for consolidation. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios. IFRS 10 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The Company does not believe there will be any impact from this standard.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Recent accounting policies (continued)

IFRS 11 Joint Arrangements

In May 2011, the IASB issued IFRS 11 Joint Arrangements. IFRS 11 supersedes IAS 31 Interests in Joint Ventures, and SIC-13 Jointly Controlled Entities – Nonmonetary Contributions by Venturers. IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. The standard requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under IFRS 11, entities no longer have a choice to proportionately consolidate or equity account for interests in joint ventures. Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value (including any allocation of goodwill) into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 Investment in Associates and Joint Ventures and IAS 36 Impairment of Assets. Any impairment losses are recognized as an adjustment to opening retained earnings at the beginning of the earliest period presented. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 12 Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities. IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates and unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Recent accounting policies (continued)

IAS 19 Employee Benefits

In June 2011, the IASB amended IAS 19 Employee Benefits. The amendments contain significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and enhance the disclosures for all employee benefits. Actuarial gains and losses are renamed "re-measurements" and will be recognized immediately in OCI. Re-measurements recognized in OCI will not be recycled through profit or loss in subsequent periods. The amendments also accelerate the recognition of past service costs whereby they are recognized in the period of a plan amendment. The annual expense for a funded benefit plan will be computed based on the application of the discount rate to the net defined benefit asset or liability. Enhanced disclosures will provide information about the characteristics of defined benefit plans and the risk that entities are exposed to through participation in those plans. The amended standard is effective for annual periods beginning on or after January 1, 2013.

IAS 27 Separate Financial Statements

In May 2011, the IASB amended IAS 27 Separate Financial Statements. The amendment removes the requirements for consolidated statements from IAS 27, which has been included in IFRS 10, and mandates that when a company prepares separate financial statements, investment in subsidiaries, associates and jointly controlled entities are to be accounted for using either the cost method or in accordance with IFRS 9 (or IAS 39 if IFRS 9 is not yet effective). In addition, this amendment determines the treatment for recognizing dividends, the treatment of certain group reorganizations, and some disclosure requirements. This amendment is effective for annual periods beginning on or after January 1, 2013.

IAS 28 Investments in Associates and Joint Ventures

In May 2011, the IASB amended IAS 28 Investments in Associates and Joint Ventures. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. This amendment requires any retained portion of an investment in an associate or joint venture that has not been classified as held for sale to be measured using the equity method until disposal. After disposal, if the retained interest continues to be an associate or joint venture, the amendment requires for it to be continued to be accounted for under the equity method. The amendment also disallows the re-measurement of any retained interest in an investment upon the cessation of significant influence or joint control. This amended standard is effective for annual periods beginning on or after January 1, 2013.

3. CAPITAL MANAGEMENT

The Company includes equity, comprised of issued share capital, reserves and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund its activities relating to identifying and evaluating qualifying transactions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or debt.

The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. There have been no changes to the Company's approach to capital managed during the year.

(Expressed in Canadian Dollars)

4. FINANCIAL INSTRUMENTS AND RISK FACTORS

There has been no change with respect to the overall risk management objectives during the year ended June 30, 2013.

The Company's financial instruments consisting of cash, other assets, accounts payable and accrued liabilities and short-term loan payable, approximate fair value due to the relatively short term maturities of the instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. Cash is identified as Level 1.

As at June 30, 2013, the Company had a working capital deficit of $232,171, including a $209,189 loan payable to its largest shareholder. The Company will continue to look to its largest shareholder for continued financial support, if necessary.

The Company has exposure to liquidity risk. Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

5. CATEGORIES OF FINANCIAL INSTRUMENTS

	June 30, 2013	June 30, 2012
Financial assets:		
FVTPL		
Cash	**$ 20**	$ 13,771
Loans and receivables		
Other assets	**4,039**	23,446
Total	**$ 4,059**	$ 37,217
Financial liabilities:		
Other financial liabilities:		
Accounts payable and accrued liabilities	**$ 27,041**	$ 147,105
Convertible notes payable	**-**	98,303
Short-term loan payable	**209,189**	-
Total	**$ 236,230**	$ 245,408

6. OTHER ASSETS

	June 30, 2013	June 30, 2012
Taxes recoverable	**$ 3,950**	$ 13,207
Deposits and prepayments	**89**	10,239
Total	**$ 4,039**	$ 23,446

Deposits and prepayments include an extension of the Company's director's and officer's insurance policy entered into May 2012, which extended the coverage to June 2013. The cost of the policy is expensed on a straight line basis over the life of the policy. The cost of the policy was fully expensed as at June 30, 2013.

(Expressed in Canadian Dollars)

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities include the following:

	June 30, 2013	June 30, 2012
Accounts payable	**$ 10,091**	$ 77,565
Accrued liabilities	**16,950**	37,000
Production advances (a)	**-**	32,540
Total	**$ 27,041**	$ 147,105

(a) Production advances were received from two production companies towards script and screen play development. The advances are unsecured and will be repaid by the Company when funds become available to do so. A former director and officer of the Company, and a former officer of the Company's wholly-owned subsidiary, controlled one of the production companies, which advanced $26,540 of the $32,540 in total advanced in 2006. The Company derecognized the liability as the existence and whereabouts of these companies are currently unknown.

8. CONVERTIBLE NOTES PAYABLE

On July 21, 2011, the Company entered into two unsecured loan agreements. The first with its largest shareholder, Mad Hatter Investments Inc. in the amount of $33,333 and the second with a related entity, 1057111 Ontario Limited (which is owned by the same person who owns Mad Hatter), in the amount of $16,667. The loans were unsecured, bore interest at 10% per annum, had a term of twelve months maturing on July 31, 2012, and were convertible at the option of the holder into common shares of the company at $0.10 per share. Additional interest of $2,877 had been accrued from the date of maturity until such time as the convertible notes were repaid in full in connection with the change in control of the Company and additional debt financing of the Company on March 22, 2013.

As a result of the conversion feature of the notes, the proceeds received were allocated between debt and equity based on the estimated fair value of the debt component. As such, the convertible notes were initially recorded on the balance sheet as a debt of $43,510 which is calculated as the present value of the required interest and principal payments discounted at a rate approximating the interest rate that would have been applicable to unsecured non-convertible debt at the time the debenture was issued (estimated to be 26%) and was being accreted to the principal amount as additional interest over the term of the convertible debt. The difference of $6,490 between the face amount of the notes and the initial estimated fair value of the debt component was reflected as the equity component of the debt.

On November 15, 2011, the Company entered into a secured loan agreement with Enthrive Inc., a related party by virtue of having certain common controlling shareholders, at the time of entering into the loan agreement, in the amount of $50,000. The loan was secured against the assets of the Company, had a term to maturity of the earlier of eighteen months or upon the sale or change of control of the Company, bore interest at 10% per annum until maturity, and was convertible at the option of the holder into common shares of the Company at $0.10 per share. This convertible note was repaid in full in connection with the change in control of the Company and additional debt financing of the Company on March 22, 2013.

(Expressed in Canadian Dollars)

8. CONVERTIBLE NOTES PAYABLE (continued)

As a result of the conversion feature of the note, the proceeds received were allocated between debt and equity based on the estimated fair value of the debt component. As such, the convertible note was initially recorded on the balance sheet as a debt of $38,698 which was calculated as the present value of the required interest and principal payments discounted at a rate approximating the interest rate that would have been applicable to unsecured non-convertible debt at the time the debenture was issued (estimated to be 26%) and was being accreted to the principal amount as additional interest over the term of the convertible debt. The difference of $11,302 between the face amount of the note and the initial estimated fair value of the debt component was reflected as the equity component of the debt.

On repayment of the convertible note, the difference between the face value of the Enthrive convertible note payable of $56,164 and the fair value of $51,869, which totalled $4,295, was debited to the equity component of debt which was originally set up on the initial recognition of the debt.

		June 30, 2013		June 30, 2012
Liability component, beginning of year	**$**	**98,303**	$	-
Fair value of all debt components on recognition		**-**		82,208
Increase and accretion to fair value		**8,566**		16,095
Repayment of debt		**(106,869)**		-
Liability component, end of year	**$**	**-**	$	98,303

9. SHORT-TERM LOAN PAYABLE

On September 17, 2012, the Company entered into an unsecured loan agreement with the Billidan Family Trust, a related party to the Company's former largest shareholder, in the aggregate principal amount of $25,000. The loan had a term of twelve months maturing September 17, 2013, bore interest at 12% per annum until maturity, and could be prepaid at any time upon payment of a penalty of $2,000. This note and all accrued interest of $3,241 were repaid in full in connection with the change in control of the Company and additional debt financing of the Company on March 22, 2013.

On December 19, 2012, the Company entered into an unsecured loan agreement with Difference Capital Financial Inc. ("Difference"), at the time an arms' length party, in the aggregate principal amount of $50,000. The loan has a term of twelve months maturing December 19, 2013, bears interest at 12% per annum until maturity, and may be prepaid at any time without notice or penalty.

On March 22, 2013, Difference acquired control of the Company by the acquisition of a majority of the common shares of the Company, and entered into an unsecured loan agreement in the aggregate principal amount of $150,000. The loan has a term of twelve months maturing March 22, 2014, bears interest at 12% per annum until maturity, and may be prepaid at any time without notice or penalty.

For the year ended June 30, 2013, the Company accrued operating expenses of $9,189 (2012 - $nil) in connection with the Difference loans.

(Expressed in Canadian Dollars)

10. CAPITAL STOCK

a) Authorized: Unlimited number of common shares

b) Issued:

	June 30, 2013			June 30, 2012		
	Common Shares		Amount	Common Shares		Amount
Beginning of year	**23,521,744**	**$**	**7,880,660**	23,521,744	$	7,880,660
End of year	**23,521,744**	**$**	**7,880,660**	23,521,744	$	7,880,660

11. LOSS PER SHARE

Loss per share is calculated on the weighted average number of common shares outstanding during the year ended June 30, 2013, which were 23,521,744 shares (2012 – 23,521,744; 2011 – 21,227,300).

12. INCOME TAXES

The effective tax rate of Nil (2012 – Nil; 2011 - Nil) for income taxes varies from the statutory income tax rate of approximately 26.5% (2012 – 28.25%; 2011 – 28.25%) due to the fact that no tax recoveries have been recorded for losses incurred, as management has determined that it is more likely than not that the losses will be utilized before they expire.

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

		June 30, 2013		June 30, 2012		June 30, 2011
Amounts related to tax loss carry forwards	**$**	**922,000**	$	922,000	$	883,000
Net deferred tax assets		**922,000**		922,000		883,000
Less: Valuation allowance		**(922,000)**		(922,000)		(883,000)
	$	**-**	$	-	$	-

(Expressed in Canadian Dollars)

12. INCOME TAXES (continued)

The tax effect (computed by applying the Canadian federal and provincial statutory rates) of the significant temporary differences, which comprise deferred tax assets and liabilities, are as follows:

	June 30, 2013	June 30, 2012	June 30, 2011
Canadian statutory income tax rate	**26.50%**	28.25%	28.25%
Income tax recovery at statutory income tax rate	**$(5,217)**	$(45,522)	$(70,782)
Increase (decrease) in taxes resulting from:			
Financing costs	**5,060**	2,360	-
Other permanent differences	**(28,735)**	-	-
Benefit of tax losses not recognized	**28,892**	43,162	70,782
Provision for income taxes	**$ -**	**$ -**	**$ -**

The Company has carry forward tax losses of approximately $3.69 million, which may be applied against future taxable income and expire as detailed below. The benefit arising from these losses has not been recorded in these financial statements.

2015	151,000
2016	448,000
2027	536,000
2028	868,000
2029	911,000
2030	260,000
2031	251,000
2032	153,000
2033	109,000
	$ 3,687,000

13. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions for the year ended June 30, 2013 and balances as at that date, not disclosed elsewhere in the financial statements are:

a) Consulting fees include $20,000 (2012 - $30,000; 2011 - $30,000) paid to a company controlled by the Chief Executive Officer for various consulting services rendered during the year.
b) Consulting fees also include $15,000 (2012 - $22,500; 2011 - $15,000) paid to the Chief Financial Officer for services rendered during the year.
c) Consulting fees also include $5,000 (2012 - $nil; 2011 - $nil) paid to the Chief Financial Officer for consulting services rendered during the year.
d) Consulting fees of $60,000 owed to the former largest shareholder, Mad Hatter Investments Inc., for various consulting services rendered were forgiven. No such fees were forgiven for the year ended June 30, 2012 and June 30, 2011. No such fees were incurred for the year ended June 30, 2013 (2012 - $nil; 2011 - $120,000).

13. RELATED PARTY TRANSACTIONS (continued)

e) Legal fees in 2013 include $17,078 (2012 - $15,754; 2011 - $17,594) paid to a law firm affiliated with the Chief Executive Officer for legal services provided during the year.

f) On December 19, 2012, the Company received funding from its largest shareholder, Difference Capital Financial Inc., in the amount of $50,000, as further described in Note 9 of the consolidated financial statements.

g) On March 22, 2013, the Company received funding from its largest shareholder, Difference Capital Financial Inc., in the amount of $150,000, as further described in Note 9 of the consolidated financial statements.

h) On September 17, 2012, the Company received funding from the Billidan Family Trust, a related party to the Company's former largest shareholder, Mad Hatter Investments Inc., in the amount of $25,000, as further described in Note 9 of the consolidated financial statements.

i) Legal fees of $15,929 owed to an unrelated law firm for legal services provided to the Company, were paid by the Company's largest shareholder, Difference Capital Financial Inc., who then forgave the debt owing to it by the Company.

14. SEGMENTED INFORMATION

The Company does not have any reportable segments at this time and all operations take place in Canada.

LIVEREEL MEDIA CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2013

Prepared as at October 25, 2013

Index

Management Discussion and Analysis

The following discussion and analysis by management of the financial results and condition of LiveReel Media Corporation for the year ended June 30, 2013 should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2013. The financial statements and the financial information herein have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

In this report, the words "us", "we" "our", "the Company" and "LiveReel" have the same meaning unless otherwise stated and refer to LiveReel Media Corporation and its subsidiaries.

Overview

Summary of Results

In April 2010, a new majority shareholder took over control of the Company. The four former directors resigned effective April 5, 2010 and a new Chief Executive Officer was appointed. The new board of directors and management team intended to continue to review investment opportunities both inside and outside of the film industry.

On July 15, 2010, the Company granted an option to a third party with whom it negotiated at arm's length to purchase either its wholly owned subsidiary, Livereel Productions Corporation ("LRPC"), or to sell LRPC's assets and assume its liabilities for $1.00. The third party had the right to exercise the option until July 15, 2012. The Company also had an option in which it could force the third party to buy the subsidiary or its assets and assume its liabilities for a similar 24 month period. The option and put option described above expired unexercised.

On October 4, 2010, 100,000 options issued to the Chief Financial Officer were cancelled.

On November 20, 2010, 5,900,000 warrants were exercised at $0.01 USD per warrant resulting in proceeds of $60.062 CDN. In addition, 293,600 previously issued warrants expired on November 30, 2010.

On July 21, 2011, the Company entered into two unsecured loan agreements (1) with its former largest shareholder, Mad Hatter Investments Inc., in the amount of $33,333 and (2) with related entity, 1057111 Ontario Limited (which is owned by the same person who owns Mad Hatter), in the amount of $16,667. The terms were both the same - loans had a term of approximately 12 months ending July 31, 2012, accrued interest at 10% per annum until maturity, and each were convertible at the option of the holder into common shares of the Company at $0.10 per share. These loans and all accrued interest were repaid in connection with the change of control of the Company and additional debt financing of the Company on March 22, 2013.

On November 23, 2011, the Company entered into a secured loan agreement with Enthrive Inc., a related party by virtue of having certain common controlling shareholders at the time, in the principal amount of $50,000. The loan had a term of 18 months ending May 23, 2013 or upon the sale or change of control of the Company, accrued interest at 10% per annum until maturity, and was convertible at the option of the holder into common shares of the Company at $0.10 per share. The loan was secured against the assets of the Company. This loan and all accrued interest was repaid in connection with the change of control of the Company and additional debt financing of the Company on March 22, 2013.

On September 17, 2012, the Company entered into an unsecured loan agreement with Billidan Family Trust, a related party to the Company's former largest shareholder, in the aggregate principal amount of $25,000. The loan had a term of 12 months ending September 17, 2013, accrued interest at 12% per annum until maturity, and may be prepaid at any time upon payment of a penalty of $2,000. This note and all accrued interest was repaid in connection with the change of control of the Company and additional debt financing of the Company on March 22, 2013.

On December 19, 2012, the Company entered into an unsecured loan agreement with Difference Capital Financial Inc. (“Difference Capital”), an arms-length party at the time, in the aggregate principal amount of $50,000. The loan has a term of 12 months, accrues interest at 12% per annum until maturity, and may be prepaid at any time without notice or penalty.

On March 22, 2013, the Company entered into an additional unsecured loan agreement in the principal amount of $150,000 (the “Loan”) with Difference Capital. The loan has a term of 12 months, bears interest at 12% per annum, payable on maturity or termination, as the case may be, and may be repaid in advance without penalty. The Company used the proceeds of this loan to pay out all of its existing indebtedness and the balance for working capital purposes.

Following the change of control of the Company, the Company announced the appointment of Michael Wekerle and Henry Kneis who joined the board of directors following the resignation of Janice Barone and Diana van Vliet. Jason Meretsky, the Company’s Chief Executive Officer resigned and was replaced by Michael Wekerle. Steve Wilson, the Company’s Chief Financial Officer resigned and was replaced by Henry Kneis.

On March 22, 2013, Difference Capital entered into five separate stock purchase agreements with arms-length third parties whereby it acquired 20,648,150 common shares in the capital of the Company, representing approximately 87.8% of the issued and outstanding voting securities of the Company on a fully-diluted basis.

On June 10, 2013, the Company announced the appointment of Jeff Kehoe as a director of the Company following the resignation of Jason Meretsky. The Board currently consists of three directors, Henry Kneis, Michael Wekerle and Jeff Kehoe.

The following table sets forth certain consolidated data for the past three years:

Selected consolidated data

Year ended June 30 ($)	2013	2012	2011
Revenue	-	-	-
Net loss for year	(19,685)	(161,139)	(250,554)
Loss per share	($0.00)	($0.01)	($0.01)
Working capital surplus (deficit)	(232,171)	(208,191)	(64,844)
Total assets	4,059	37,217	77,156
Capital stock	7,880,660	7,880,660	7,880,660
Contributed surplus	347,699	347,699	347,699
Equity component of debt	13,497	17,792	-
Accumulated Deficit	(8,474,027)	(8,454,342)	(8,293,203)
Shareholders' equity (defecit)	(232,171)	(208,191)	(64,844)
Weighted average number of shares outstanding	23,521,744	21,227,300	14,696,744

The following table summarizes financial information for the 4th quarter of fiscal 2013 and the preceding seven quarters:

Quarters ended	June 30, 2013	March 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	March 31, 2012	Dec. 31, 2011	Sept. 30, 2011
Total Revenue	-	-	-	-	-	-	-	-
Earnings (Loss) from continuing operations	6,466	52,170	(56,073)	(22,248)	(65,034)	(28,269)	(47,776)	(20,060)
Net loss per share - basic and diluted	0.00	0.00	0.00	0.00	($0.01)	0.00	0.00	0.00

Net income for the quarter ended June 30, 2013 was $6,466 compared to net income of $52,170 for the quarter ended March 31, 2013. Fluctuations in net income or loss during these periods were primarily attributed to an increase in other income of $108,469 relating to debt forgiveness of $75,929 and the write-off of production advances payable of $32,540, offset by an increase in audit fees of $15,000 relating to the 2013 year-end audit and higher interest expense of approximately $8,000 on the loans from Difference Capital. During the quarter ended March 31, 2013, debt forgiveness of $75,929 was incurred due to the forgiveness of previously recorded fees in connection with the change of control of the Company and the additional debt financing described above. Consulting fees of $60,000 owed to the former largest shareholder, Mad Hatter Investments Inc., were forgiven as were approximately $15,929 of legal fees owed to an unrelated law firm. The Company also derecognized $32,540 in production advances from two production companies that were made in 2006 as the existence and whereabouts of these companies are unknown. Consulting fees to the former Chief Executive officer and former Chief Financial Officer were also reduced in the quarter by approximately $5,000 and $7,500 respectively as they resigned in conjunction with the change in control of the Company.

During the quarter ended June 30, 2012, losses were increased from the quarter ended March 31, 2012 due primarily to an increase of audit and related fees of $19,000 as the Company accrued its estimated year end audit fees and legal fees of $18,000 associated with general corporate matters.

On a year over year basis, the Company reduced its loss by approximately $141,000. During fiscal 2013, consulting fees of $60,000 owed to the former largest shareholder, Mad Hatter Investments Inc., were forgiven as were approximately $15,929 of legal fees owed to an unrelated law firm. The Company also derecognized $32,540 in production advances from two production companies that were made in 2006 as the existence and whereabouts of these companies are unknown. In addition, consulting fees to the former Chief Executive officer and former Chief Financial Officer were also reduced in the quarter by approximately $5,000 and $7,500 respectively, as they resigned in conjunction with the change in control of the Company.

Comparing the loss in fiscal 2012 to fiscal 2011, the Company reduced its loss by approximately $89,000, but the components of the loss are different. Consulting fees decreased by approximately $112,500 as the controlling shareholder took no consulting fees in fiscal 2012 compared to $120,000 in fiscal 2011. This decrease was partially offset by higher fees being paid to the CFO by $7,500 as the Company transitioned its reporting to IFRS, and fees increased accordingly. Interest expense and accretion on debt increased by approximately $16,000 in fiscal 2012 as the Company entered into two financing arrangements in fiscal 2012 for the principal amount of $100,000 and the Company needed to account for earned interest and the accounting for the debt and equity portion of the notes accordingly. This increase was offset by a reduction of approximately $8,000 in foreign exchange losses as the Company had much less cash on hand in US dollars than in 2011, and hence, foreign exchange exposure was reduced.

Number of Common Shares

There are 23,521,744 common shares issued and outstanding as of June 30, 2013 and October 25, 2013, being the date of this report. There are no options or warrants outstanding as of June 30, 2013 and October 25, 2013, the date of this report

A total of 18,767,200 shares issued are subject to resale restrictions under U.S securities laws.

Business Environment

Risk factors

The following is a brief discussion of those distinctive or special characteristics of our operations and industry that may have a material impact on, or constitute risk factors in respect of, the Company's future financial performance.

THE COMPANY HAS AN UNSUCCESSFUL OPERATING HISTORY

Since March 1997, when it was incorporated in Ontario, Canada by amalgamating with two other Ontario entities, the Company has no significant revenues or earnings from operations since its incorporation. While one of the film properties acquired by the Company in fiscal 2005 and the film that was financed in fiscal 2007 have now been developed into feature films for which the Company holds certain distribution rights, it is not clear whether this will generate any revenue for the Company. The Company has operated at a loss to date and in all likelihood will continue to sustain operating losses in the foreseeable future. There is no assurance that the Company will ever be profitable.

INVESTMENT STRATEGY

The controlling shareholder of the Company changed in March 2013 and a new Board of Directors were appointed. The Company has focused its efforts on identifying for purchase other active business interests, both within and outside of the film industry. The Company has not yet identified or selected any additional specific investment opportunity or business. Accordingly, there is no current basis for the reader to evaluate the possible merits or risks of the investment opportunity which we may ultimately decide to pursue.

UNCERTAINTY REGARDING AUDIENCE ACCEPTANCE OF PROGRAMS

The television and motion picture industries have always involved a substantial degree of risk. There can be no assurance of the economic success of any motion picture or television program as revenue derived depends on audience acceptance, which cannot be accurately predicted. Audience acceptance is a factor not only of the response to the television program's or motion picture's artistic components but also to the reviews of critics, promotions, the quality and acceptance of other competing programs released into, or channels existing in, the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally and other intangible factors, all of which could change rapidly and many of which are beyond the Company's control. A lack of audience acceptance for any of the films licensed, co-produced or distributed by the Company could have an adverse effect on its businesses, results of operations, prospects and financial condition.

UNAUTHORIZED OR PIRATED USE MAY ADVERSELY AFFECT REVENUE

Technological advances and the conversion of motion pictures into digital formats have made it easier to create, transmit and "share" high quality unauthorized copies of motion pictures in theatrical release, on videotapes and DVDs, from pay-per-view through unauthorized set-top boxes and other devices and through unlicensed broadcasts on free TV. As a result, users may be able to download and distribute unauthorized or "pirated" copies of copyrighted motion pictures over the Internet. As long as pirated content is available to download digitally, some consumers may choose to digitally download pirated motion pictures rather than pay for legitimate motion pictures or to purchase pirated DVD's of motion pictures or of boxed sets of television series from unauthorized vendors.

CHANGES IN REGULATIONS AND INCENTIVES MAY ADVERSELY AFFECT THE BUSINESS OF THE COMPANY

The Company plans to co-produce with or license its scripts and other intellectual properties to other entities which are expected to rely heavily on grants and labor rebates available for Canadian contents under the current regulations of federal and provincial governments of Canada.

Any significant changes in these regulations that result in reduced grants and rebates or elimination thereof may significantly affect the Company's ability to produce and or license its scripts and in turn its ability to generate revenue.

THE COMPANY MAY NOT BE ABLE TO ACHIEVE AND MAINTAIN ITS COMPETITIVE POSITION

The entertainment industry is highly capital intensive and is characterized by intense and substantial competition. A number of the Company's competitors are well established, substantially larger and have substantially greater market recognition, greater resources and broader distribution capabilities than the Company. New competitors are continually emerging. Increased competition by existing and future competitors could materially and adversely affect the Company's ability to implement its business plan profitably. The lack of availability of unique quality content could adversely affect its business.

THE COMPANY'S COMMON SHARES ARE CONSIDERED TO BE PENNY STOCK, WHICH MAY ADVERSELY AFFECT THE LIQUIDITY OF ITS COMMON SHARES

The capital stock of the Company would be classified as "penny stock" as defined in Reg. § 240.3a51-1 promulgated under the Securities Exchange Act of 1934 (the "1934 Act"). In response to perceived abuse in the penny stock market generally, the 1934 Act was amended in 1990 to add new requirements in connection with penny stocks. In connection with effecting any transaction in a penny stock, a broker or dealer must give the customer a written risk disclosure document that (a) describes the nature and level of risk in the market for penny stocks in both public offerings and secondary trading, (b) describes the broker's or dealer's duties to the customer and the rights and remedies available to such customer with respect to violations of such duties, (c) describes the dealer market, including "bid" and "ask" prices for penny stock and the significance of the spread between the bid and ask prices, (d) contains a toll-free telephone number for inquiries on disciplinary histories of brokers and dealers, and (e) define significant terms used in the disclosure document or the conduct of trading in penny stocks. In addition, the broker-dealer must provide to a penny stock customer a written monthly account statement that discloses the identity and number of shares of each penny stock held in the customer's account, and the estimated market value of such shares. The extensive disclosure and other broker-dealer compliance related to penny stocks may result in reducing the level of trading activity in the secondary market for such stocks, thus limiting the ability of the holder to sell such stock.

MARKET PRICE FOR THE COMPANY'S COMMON SHARES HAS BEEN VOLATILE IN THE PAST AND MAY DECLINE IN THE FUTURE

In recent years, the securities markets in Canada and the United States have experienced a high level of price and volume volatility, and the market prices of securities of many companies, particularly small-cap companies like ours, have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Our shares may continue to experience significant market price and volume fluctuations in the future in response to factors, which are beyond our control.

THE COMPANY MAY NOT BE ABLE TO RAISE ADDITIONAL FINANCING TO MEET CURRENT OPERATING NEEDS AND IMPLEMENT ITS NEW BUSINESS STRATEGY.

The Company continues to review different investment opportunities both inside and outside of the film industry

If the Company is unable to achieve revenue or obtain financing and cannot pay its debts as they become due, it may be forced to solicit a buyer or be forced into bankruptcy by its creditors.

DIVIDENDS

All of the Company's available funds will be invested to finance the growth of the Company's business and therefore investors cannot expect and should not anticipate receiving a dividend on the Company's common shares in the foreseeable future.

DILUTION

The Company may in the future grant to some or all of its own and its subsidiaries' directors, officers, insiders and key consultants options to purchase the Company's Common Shares as non-cash incentives to those people. Such options may be granted at exercise prices equal to market prices at time when the public market is depressed or at exercise prices which may be substantially lower than the market prices. To the extent that significant numbers of such options may be granted and exercised, the interests of the then existing shareholders of the Company may be subject to additional dilution.

The Company is currently without a source of revenue and therefore is not able to adequately cover its operating costs. The Company will most likely be required to issue additional securities to finance its operations and may also issue substantial additional securities to finance the development of any or all of its projects. These actions will cause further dilution of the interests of the existing shareholders.

SHARES ELIGIBLE FOR FUTURE SALE MAY DEPRESS OUR STOCK PRICE

At June 30, 2013, the Company had 23,521,744 shares of common stock outstanding of which approximately 18,767,200 are restricted securities under Rule 144 promulgated under the Securities Act.

Sales of shares of common stock pursuant to an effective registration statement or under Rule 144 or another exemption under the US Securities Act could have a material adverse effect on the price of our common stock and could impair our ability to raise additional capital through the sale of equity securities.

YOUR RIGHTS AND RESPONSIBILITIES AS A SHAREHOLDER WILL BE GOVERNED BY CANADIAN LAW AND DIFFER IN SOME RESPECTS FROM THE RIGHTS AND RESPONSIBILITIES UNDER U.S. LAW

The Company is incorporated under Canadian law. The rights and responsibilities of holders of our shares are governed by our Articles and By-Laws and by Canadian law. These rights and responsibilities may differ in some respects from the rights and responsibilities of shareholders in typical U.S. corporations.

CHANGING REGULATIONS OF CORPORATE GOVERNANCE AND PUBLIC DISCLOSURE CAN CAUSE ADDITIONAL EXPENSES AND FAILURE TO COMPLY MAY ADVERSELY AFFECT OUR REPUTATION AND THE VALUE OF OUR SECURITIES

Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and new and changing provisions of Canadian securities laws, are creating uncertainty because of the lack of specificity and varying interpretations of the rules. As a result, the application of the rules may evolve over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. The Company is committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. Any failure to comply with applicable laws may materially adversely affect its reputation and the value of its securities.

Forward Looking Statements

Certain statements contained in this report are forward-looking statements as defined in the U.S. Federal securities laws. All statements, other than statements of historical facts, included herein or incorporated by reference herein, including without limitation, statements regarding our business strategy, plans and objectives of management for future operations and those statements preceded by, followed by or that otherwise include the words “believe”, “expects”, “anticipates”, “intends”, “estimates” or similar expressions or variations on such expressions are forward-looking statements. We can give no assurances that such forward-looking statements will prove to be correct.

Each forward-looking statement reflects our current view of future events and is subject to risks, uncertainties and other factors that could cause actual results to differ materially from any results expressed or implied by our forward-looking statements.

Risks and uncertainties include, but are not limited to:

- our lack of substantial operating history;
- the success of the film projects in which we have interests;
- the impact of competition;
- the enforceability of legal rights;
- the volatility of the entertainment industry.

Important factors that could cause the actual results to differ from materially from our expectations are disclosed in more detail set forth under the heading “Risk Factors” in the Management discussion and analysis for the fiscal 2012 year, a copy of which has been filed on

EDGAR and SEDAR. Our forward-looking statements are expressly qualified in their entirety by this cautionary statement.

Business Plan and Strategy

The Company's business plan continued to evolve in fiscal 2013. During most of fiscal 2007 and 2008, management focused on the financing and distribution of feature films.

However, in fiscal 2007, management also received board of director approval to utilize excess cash in our business to pursue additional investment opportunities outside the film industry in order to potentially increase our return to shareholders. Management is not limited to any particular industry or type of business with respect to what it considers as investment opportunities.

During fiscal 2009, the Company did deploy a portion of its excess cash by investing in exchange traded securities. It did have some success in the third quarter of fiscal 2009, but then incurred significant losses in the fourth quarter of fiscal 2009. As a result, the Company did not continue this practice in the fiscal 2010.

In April 2010, the controlling shareholder of the business changed and a new board of directors and management team were appointed. The new management team continued to pursue investment opportunities both inside and outside of the film industry.

On July 15, 2010, the Company granted an option to a third party with whom it negotiated at arm's length to purchase either its wholly owned subsidiary, LRPC, or to sell LRPC's assets and assume its liabilities for $1.00. The third party had the right to exercise the option until July 15, 2012. The Company also had an option in which it could force the third party to buy the subsidiary or its assets and assume its liabilities for a similar 24 month period. The option and put option described above expired unexercised.

On July 21, 2011, the Company entered into two unsecured loan agreements (1) with its former largest shareholder, Mad Hatter Investments Inc., in the amount of $33,333 and (2) with a related entity, 1057111 Ontario Limited (which is owned by the same person who owns Mad Hatter), in the amount of $16,667. The terms were both the same - loans had a term of approximately 12 months ending July 31, 2012, accrued interest at 10% per annum until maturity, and each were convertible at the option of the holder into common shares of the Company at $0.10 per share. These notes and all accrued interest were repaid in connection with the change of control of the Company and additional debt financing of the Company on March 22, 2013.

On November 23, 2011, the Company entered into a secured loan agreement with Enthrive Inc., a related party by virtue of having certain common controlling shareholders at the time, in the principal amount of $50,000. The loan had a term of 18 months ending May 23, 2013 or upon the sale or change of control of the Company, accrued interest at 10% per annum until maturity, and was convertible at the option of the holder into common shares of the Company at $0.10 per share. The loan was secured against the assets of the Company. This note and all accrued interest was repaid in connection with the change of control of the Company and additional debt financing of the Company on March 22, 2013.

On September 17, 2012, the Company entered into an unsecured loan agreement with Billidan Family Trust, a related party to the Company's former largest shareholder, in the aggregate principal amount of $25,000. The loan had a term of 12 months ending September 17, 2013, accrued interest at 12% per annum until maturity, and may be prepaid at any time upon payment of a penalty of $2,000. This note and all accrued interest was repaid in connection with the change of control of the Company and additional debt financing of the Company on March 22, 2013.

On December 19, 2012, the Company entered into an unsecured loan agreement with Difference Capital, an arms-length party at the time, in the aggregate principal amount of $50,000. The loan has a term of 12 months maturing December 19, 2013, bears interest at 12% per annum until maturity, and may be prepaid at any time without notice or penalty.

On March 22, 2013, the Company entered into an additional unsecured loan agreement in the principal amount of $150,000 with Difference Capital. The Loan has a term of 12 months, bears interest at 12% per annum, payable on maturity or termination, as the case may be, and may be repaid in advance without penalty.

The Company used the proceeds of the loan to pay out all of its existing indebtedness and the balance for working capital purposes.

Following the change in control of the Company, the Company announced the appointment of Michael Wekerle and Henry Kneis who joined the board of directors following the resignation of Janice Barone and Diana van Vliet. Mr. Jason Meretsky resigned as Chief Executive Officer and was replaced by Michael Wekerle. Steve Wilson, the Corporation's Chief Financial Officer resigned and was replaced by Henry Kneis.

On March 22, 2013, Difference Capital entered into five separate stock purchase agreements with arms-length third parties whereby it acquired 20,648,150 common shares in the capital of the Company, representing approximately 87.8% of the issued and outstanding voting securities of the Company on a fully-diluted basis.

On June 10, 2013, the Company announced the appointment of Jeff Kehoe as a director of the Company following the resignation of Jason Meretsky. The Board currently consists of three directors, Henry Kneis, Michael Wekerle and Jeff Kehoe.

Currently, the Company is focused on preserving its cash by minimizing operating expenses, and looking to investment opportunities both within and outside of the film industry.

Results of Operations

	Year Ended June 30, 2013	**Year Ended June 30, 2012**	**Year Ended June 30, 2011**
Revenue	$ -	$ -	$ -
Expenses	($128,154)	($161,139)	($250,554)
Debt forgiveness	$75,929	$ -	$ -
Write-down of production advances	$32,540	-	-
Net loss for the year	($19,685)	($161,139)	($250,554)
Accumulated deficit	($8,474,027)	($8,454,342)	($8,293,203)

Overview

The following were the key events in the year ended June 30, 2013:

(a) On September 17, 2012, the Company entered into an unsecured loan agreement with Billidan Family Trust, a related party to the Company's former largest shareholder, in the aggregate principal amount of $25,000. The loan had a term of 12 months ending September 17, 2013, accrued interest at 12% per annum until maturity, and may be prepaid at any time upon payment of a penalty of $2,000. This note and all accrued interest was repaid in connection with the change of control of the Company and additional debt financing of the Company on March 22, 2013.

(b) On December 19, 2012, the Company entered into an unsecured loan agreement with Difference Capital Financial Inc. (“Difference Capital”), an arms-length party, in the aggregate principal amount of $50,000. The loan has a term of 12 months, accrues interest at 12% per annum until maturity, and may be prepaid at any time without notice or penalty.

(c) On March 22, 2013, the Company entered into an additional unsecured loan agreement in the principal amount of $150,000 with Difference Capital. The Loan has a term of 12 months, bears interest at 12% per annum, payable on maturity or termination, as the case may be, and may be repaid in advance without penalty.

The Company used the proceeds of the loan to pay out all of its existing indebtedness and the balance for working capital purposes.

The following were the key events in the year ended June 30, 2012:

(a) On July 21, 2011, the Company entered into two unsecured loan agreements (1) with its largest shareholder, Mad Hatter Investments Inc. in the amount of $33,333 and (2) with a related entity, 1057111 Ontario Limited, (which is owned by the same person who owns Mad Hatter) in the amount of $16,667. The terms are both the same - loans have a term of approximately 12 months ending July 31, 2012, accrue interest at 10% per annum until maturity, and each are convertible at the option of the holder into common shares of the Company at $0.10 per share. This note and all accrued interest was repaid in connection with the change of control of the Company and additional debt financing of the Company on March 22, 2013.

(b) On November 15, 2011, the Company entered into a secured loan agreement with Enthrive Inc., a related party by virtue of having certain common controlling shareholders, in the principal amount of $50,000. The loan has a term of 18 months or upon the sale or change of control of the Company, accrues interest at 10% per annum until maturity, and is convertible at the option of the holder into common shares of the Company at $0.10 per share. The loan is secured against the assets of the Company. This note and all accrued interest was repaid in connection with the change of control of the Company and additional debt financing of the Company on March 22, 2013.

The following were the key events in the year ended June 30, 2011:

(a) The Company cancelled 100,000 options issued to the Chief Financial Officer on October 4, 2010.

(b) On November 20, 2010, 5,900,000 warrants were exercised at $0.01 USD per warrant resulting in proceeds of $60,062 CDN. In addition, 293,600 previously issued warrants expired on November 30, 2010.

Income

The Company's primary source of income historically has been earning interest income on excess cash balances. Cash balances were too low in the year ended June 30, 2013, 2012 and 2011 to earn any such income.

Other Income

During the year ended June 30, 2013, consulting fees of $60,000 owed to the former largest shareholder, Mad Hatter Investments Inc., were forgiven as were approximately $15,929 of legal fees owed to an unrelated law firm.

In addition, the Company derecognized $32,540 in production advances from two production companies that were made in 2006 as the existence and whereabouts of these companies are unknown.

Expenses

The overall analysis of the expenses is as follows:

	Year Ended June 30, 2013	Year Ended June 30, 2012	Year Ended June 30, 2011
Consulting expenses	$ 40,000	$ 52,500	$ 165,000
Professional fees	33,030	56,395	40,410
Shareholders information	18,834	18,652	20,428
Office and general	11,289	16,325	15,786
Financing costs	23,873	16,095	-
Bank charges and interest	1,095	860	710
Foreign exchange loss	33	312	8,220
	$ 128,154	$ 161,139	$ 250,554

Consulting Expenses

Consulting fees include $25,000 of fees earned by the Chief Executive Officer for various consulting services rendered in the year ended June 30, 2013 (2012 - $30,000, 2011 - $30,000) .

Consulting fees also include $15,000 earned by the Chief Financial Officer for services rendered during the year ended June 30, 2013 (2012 - $22,500; 2011 - $15,000). .

During the year ended June 30, 2013, consulting fees of $60,000 owed to the former largest shareholder, Mad Hatter Investments Inc. were forgiven. No such were fees were forgiven in the years ended June 30, 2012 or June 30, 2011. Consulting fees also include $nil (2012 - $nil; 2011- $120,000) for various consulting services rendered during the year by Mad Hatter Investments Inc.

Professional Fees

Professional fees in the twelve months ended June 30, 2013 were comprised of legal fees of $18,030 and audit fees of $15,000. Legal fees related primarily to the change in control of the Company and additional debt financing of the Company on March 22, 2013 as well as to the review of the Company's various public filings and general corporate matters. Legal fees in the year ended June 30, 2013 included $17,078 paid to a law firm affiliated with the Chief Executive Officer for legal services.

Professional fees in the twelve months ended June 30, 2012 were comprised of legal fees of $37,395 and audit and related fees of $19,000. Legal fees relate primarily to the review of the Company's various public filings and general corporate matters. Legal fees in 2012 include $15,754 paid to a law firm affiliated with the Chief Executive Officer for legal services.

Professional fees in the twelve months ended June 30, 2011 were comprised of legal fees of $21,910 and audit fees of $18,500. Legal fees relate primarily to the review of the Company's various public filings and general corporate matters. Legal fees in the year ended June 30, 2011 included $17,594 paid to a law firm affiliated with the Chief Executive Officer for legal services.

Shareholder Information

Shareholder information costs for the twelve months ended June 30, 2013 comprised of annual general meeting fees of $714, transfer agent fees of $10,204 and regulatory and related filing fees of $7,916.

Shareholder information costs for the twelve months ended June 30, 2012 comprised of annual general meeting fees of $4,680, transfer agent fees of $4,990 and regulatory and related filing fees of $8,982.

Shareholder information costs in the twelve months ended June 30, 2011 comprised of annual general meeting fees of $9,442, transfer agent fees of $5,070 and regulatory and related filing fees of $5,916.

Office and General

These costs include primarily insurance and other various small office expenses not categorized elsewhere in the financial statements.

Insurance costs for the twelve months ended June 30, 2013 of $10,151 (2012 - $15,120, 2011 - $14,400) relate to a directors and officers insurance policy entered into during the first quarter of fiscal 2007 for a twelve month period of time. It has been renewed every year since that time.

Financing costs

During the year ended June 30, 2013, the Company incurred financing costs of $23,873 (2012 - $16,095, 2011 - $nil). Financing costs comprised of interest expense on the convertible notes payable entered into in July and November 2011 as well as interest expense accrued on the loans from Difference Capital. Due to the conversion features of the notes, a portion of the debt is classified as debt and a portion as equity. The difference between the face amount of the debt and the amount recorded as a liability is accreted on a straight line basis over the term of the debt. The amount of accretion on the debt charged to financing costs for the year ended June 30, 2013 was $8,566 (2012 - $16,095; 2011 - $nil). These notes and all accrued interest were repaid in connection with the change of control of the Company and additional debt financing of the Company in March 2013.

Interest Expense and Bank Charges

The Company incurred bank charges and interest of $1,095 (2012 - $860; 2011 - $710) for various day to day banking services.

Foreign Exchange Loss

Exchange losses for the years ended June 30, 2013, 2012 and 2011 relate entirely to the translation of US dollar balances and transactions into Canadian dollars at the relevant measurement date compared to the prior year's measurement date as the Canadian dollar strengthened against the US dollar.

Liquidity and Capital Resources

Working Capital

As at June 30, 2013, the Company had a net working capital deficit of $232,171 compared to a working capital deficit position of $208,191 as at June 30, 2012. Cash on hand as at June 30, 2013 was $20 compared to $13,771 in cash as at June 30, 2012.

The working capital position has declined by approximately $24,000 on a year over year basis due to the financing of the operating loss of the business in the twelve months ended June 30, 2013.

With the continued backing of the Company's largest shareholder, the Company believes it will able to meet its cash requirements in the upcoming fiscal year.

Key Contractual Obligations

These are no key contractual obligations as at June 30, 2013.

Off Balance Sheet Arrangements

As at June 30, 2013 and 2012, the Company did not have any off balance sheet arrangements, including any relationships with unconsolidated entities or financial partnerships to enhance perceived liquidity.

Transactions with Related Parties

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount. Related party transactions for the year ended June 30, 2013 and balances as at that date, not disclosed elsewhere in the financial statements are:

(a) Consulting fees include $25,000 (2012 - $30,000; 2011 - $30,000) of fees earned by the Chief Executive Officer for various consulting services rendered in the year ended June 30, 2013.

(b) Consulting fees also include $15,000 (2012 - $22,500; 2011 - $15,000) paid to the Chief Financial Officer for services rendered during the period.

(c) During the year ended June 30, 2013, consulting fees of $60,000 owed to the former largest shareholder, Mad Hatter Investments Inc. were forgiven. No such were fees were incurred in the year ended June 30, 2012 (2011 - $120,000).

(d) Legal fees include $17,078 (2012 - $15,754; 2011 - $17,594) paid to a law firm affiliated with the Chief Executive Officer for legal services provided in the year ended June 30, 2013.

(e) On December 19, 2012, the Company received funding from its largest shareholder, Difference Capital, in the amount of $50,000, as further described in Note 9 of the consolidated financial statements.

(f) On March 22, 2013, the Company received funding from its largest shareholder, Difference Capital, in the amount of $150,000, as further described in Note 9 of the consolidated financial statements.

(g) On September 17, 2012, the Company received funding from the Billidan Family Trust, a related party to the Company's former largest shareholder, Mad Hatter Investments Inc., in the amount of $25,000, as further described in Note 9 of the consolidated financial statements.

(h) Legal fees of $15,929 owed to an unrelated law firm for legal services provided to the Company, were paid by the Company's largest shareholder, Difference Capital, who then forgave the debt owing to it by the Company.

Financial and Derivative Instruments

The Company's excess cash is held at a Canadian chartered bank and bears interest at various rates on monthly balances as at June 30, 2013.

Credit risk is minimized as all cash amounts are held with a large bank, which have acceptable credit ratings determined by a recognized rating agency.

The carrying value of cash, accounts payable and accrued liabilities, and amounts due to related parties approximate their fair values due to the short-term maturities of these instruments.

The Company never entered into and did not have at the end of the years' ended June 30, 2013 and 2012, any foreign currency hedge contracts.

Critical Accounting Estimates

The Company's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The significant accounting policies used by the Company are the same as those disclosed in Note 2 to the Consolidated Financial Statements for the year ended June 30, 2013. Certain accounting policies require that management make appropriate decisions with respect to estimates and assumptions that affect the assets, liabilities, revenue and expenses reported by the Company. The Company's management continually reviews its estimates based on new information, which may result in changes to current estimated amounts.

Evaluation of Disclosure Control and Procedures

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, or the Exchange Act. This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the Securities and Exchange Commission. Our management, including our Chief Executive Officer and Chief Financial Officer, together with the members of our Audit Committee have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

There were no changes to our internal control over financial reporting since June 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Outlook

Current Outlook

The Company currently has very little cash. Its significant debts are with its largest shareholder, Difference Capital Financial Inc. The Company is relying on its largest shareholder for continued financial support if necessary. The Company and its largest shareholder have taken an active approach to examining business opportunities within and outside of the entertainment industry that could enhance shareholder returns.

Public Securities Filings

Additional information, including the Company's annual information form in the Form 20-F annual report is filed with the Canadian Securities Administrators at www.sedar.com and with the United States Securities and Exchange Commission and can be viewed at www.edgar.com.