IMAGINATION PARK ENTERTAINMENT INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MAY 31, 2017
(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED - PREPARED BY MANAGEMENT)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

IMAGINATION PARK ENTERTAINMENT INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)
AS AT

	May 31, 2017	August 31, 2016
ASSETS		
Current		
Cash	$ 492,085	$ 135,688
Receivables (Note 7)	28,727	76,114
Prepaid expenses (Note 8)	22,217	61,500
Total current assets	543,029	273,302
Reclamation bonds (Note 9)	5,040	5,040
Intangible assets (Note 10)	25,100	25,100
Total assets	$ 573,169	$ 303,442
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities (Notes 11 and 13)	$ 279,897	$ 347,406
Loans payable (Note 12)	5,076	426
Total liabilities	284,973	347,832
Shareholders' equity (deficiency)		
Capital stock (Note 14)	11,405,304	9,670,847
Shares held in treasury (Note 10)	-	(255,000)
Subscription received in advance	10,000	-
Reserves	1,823,739	800,758
Deficit	(12,950,847)	(10,260,995)
Total shareholders' equity (deficiency)	288,196	(44,390)
Total liabilities and shareholders' equity (deficiency)	$ 573,169	$ 303,442

Nature and continuance of operations (Note 1)
Subsequent events (Note 16)

On behalf of the Board:

"Gabriel Napora", Director *"Tim Marlowe"*, Director

See accompanying notes to the condensed consolidated interim financial statements.

IMAGINATION PARK ENTERTAINMENT INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)
FOR THE

	Three months ended May 31, 2017	Three months ended May 31, 2016	Nine months ended May 31, 2017	Nine months ended May 31, 2016
REVENUE				
Production income	$ -	$ -	$ 45,779	$ -
Production expenses	(1,748)	-	(15,755)	-
	(1,748)	-	(30,024)	-
EXPENSES				
Consulting fees and management fees (Note 13)	365,191	222,442	668,966	367,682
Foreign exchange loss	4,301	242	10,286	567
Gain on settlement of debt	(1,792)	-	(1,792)	-
Interest expense	-	-	280	8,360
Net profits interests acquired	-	-	228,600	-
Office, rent, and miscellaneous (Note 13)	32,437	8,646	49,295	15,262
Production and film expenses	62,155	1,250	62,155	1,250
Professional fees	97,644	71,945	139,748	120,213
Realized loss on marketable securities	-	-	-	34,553
Share-based compensation (Note 14)	859,161	-	1,276,561	-
Shareholder communications and promotion	33,060	29,176	75,608	33,480
Transfer agent and filing fees	2,747	4,017	24,883	13,861
Travel and accommodation	123,083	36,988	185,286	36,988
Unrealized loss on marketable securities	-	-	-	15,000
	1,577,987	374,706	2,719,876	647,216
Total loss and comprehensive loss for the period	$ (1,579,735)	$ (374,706)	$ (2,689,852)	$ (647,216)
Basic and diluted net loss per common share	$ (0.03)	$ (0.03)	$ (0.06)	$ (0.05)
Weighted average number of common shares outstanding – basic and diluted	53,474,561	13,355,579	43,705,160	13,355,579

See accompanying notes to the condensed consolidated interim financial statements.

IMAGINATION PARK ENTERTAINMENT INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)
FOR THE NINE MONTHS ENDED,

	May 31, 2017	May 31, 2016
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss for the period	$ (2,689,852)	$ (647,216)
Items not affecting cash:		
Realized loss on marketable securities	-	34,553
Share-based compensation	1,276,561	-
Unrealized loss on marketable securities	-	15,000
Change in non-cash working capital items:		
Decrease (increase) in receivables	47,387	(7,927)
Decrease in prepaid expenses	39,283	10,000
Increase (decrease) in accounts payable and accrued liabilities	400,223	(196,234)
Net cash flows used in operating activities	(926,398)	(791,824)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares for debt	-	643,596
Share issuance costs	(20,600)	-
Proceeds from option exercises	264,645	3,000
Proceeds from warrant exercises	795,500	-
Proceeds from loans	4,650	-
Subscriptions received in advance	10,000	94,500
Net cash flows provided by financing activities	1,054,195	741,096
CASH FLOWS FROM INVESTING ACTIVITIES		
Net profits interests acquired	228,600	-
Acquisition of intellectual property	-	(25,000)
Proceeds from sale of marketable securities	-	75,447
Net cash flows provided by investing activities	228,600	50,447
Change in cash	356,397	(281)
Cash, beginning of period	135,688	2,195
Cash, end of period	$ 492,085	$ 1,914
Cash paid for taxes during the period	$ -	$ -
Cash paid for interest during the period	$ -	$ -

Supplemental disclosure with respect to cash flows (Note 16)

See accompanying notes to the condensed consolidated interim financial statements.

IMAGINATION PARK ENTERTAINMENT INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)

					Reserves			
	Number of shares	Capital stock	Treasury Shares	Subscriptions received in advance	Share-based payment reserve	Warrant reserve	Deficit	Total
Balance, August 31, 2015	12,224,263	$ 8,804,320	$ (510,000)	$ -	$ 444,384	$ 215,353	$ (9,305,760)	$ (351,703)
Exercise of options	50,000	3,000	-	-	-	-	-	3,000
Fair value of exercised options	-	2,222	-	-	(2,222)	-	-	-
Share subscriptions received in advance	-	-	-	94,500	-	-	-	94,500
Cancellation of shares	(1,700,000)	(255,000)	255,000	-	-	-	-	-
Issuance of shares for debt	12,871,919	643,596	-	-	-	-	-	643,596
Issue of treasury shares	500,000	25,000	-	-	-	-	-	25,000
Net and comprehensive loss for the period	-	-	-	-	-	-	(647,216)	(647,216)
Balance, May 31, 2016	23,946,182	$ 9,223,138	$ (255,000)	$ 94,500	$ 442,162	$ 215,353	$ (9,952,976)	$ (232,823)
Balance, August 31, 2016	36,319,214	$ 9,670 ,847	$ (255,000)	$ -	$ 442,162	$ 358,596	$ (10,260,995)	$ (44,390)
Exercise of options	1,762,900	264,645	-	-	-	-	-	264,645
Fair value of exercised options	-	227,417	-	-	(227,417)	-	-	-
Exercise of warrants	7,955,000	795,500	-	-	-	-	-	795,500
Fair value of exercised warrants	-	26,163	-	-	-	(26,163)	-	-
Issued pursuant to asset purchase agreement (Note 10)	3,226,000	262,225	-	-	-	-	-	262,225
Share issuance costs	-	(20,600)	-	-	-	-	-	(20,600)
Issuance of shares for debt	8,304,057	434,107	-	-	-	-	-	434,107
Share subscription received in advance	-	-	-	10,000	-	-	-	10,000
Cancellation of shares (Note 10)	(1,700,000)	(255,000)	255,000	-	-	-	-	-
Share-based compensation	-	-	-	-	1,276,561	-	-	1,276,561
Net and comprehensive loss for the period	-	-	-	-	-	-	(2,689,852)	(2,689,852)
Balance, May 31, 2017	55,867,271	$ 11,405,304	$ -	$ 10,000	$ 1,491,306	$ 332,433	$ (12,950,847)	$ 288,196

See accompanying notes to the condensed consolidated interim financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

On May 4, 2016, the Company changed its name to Imagination Park Entertainment Inc. (formerly GeoNovus Media Corp.) (hereafter the "Company") with a corresponding change to the trading symbol on the Canadian Securities Exchange under the symbol "IP". The Company was incorporated on October 11, 2011 under the laws of the Business Corporation Act (BC, Canada). During the year ended August 31, 2015, the Company changed its principal business from the acquisition and exploration of mineral properties to activities in the media and entertainment industry. The Company began trading under the symbol "GNM" on January 5, 2012. The Company's common shares were delisted from trading on the TSX Venture Exchange ("TSX-V") on September 5, 2014, with trading of its common shares on the Canadian Securities Exchange ("CSE") commencing on September 8, 2014. During the year ended August 31, 2015, the Company consolidated its share capital, options and warrants on a ten to one basis. These statements reflect the share consolidation retroactively. The Company's head office is located at 1108 – 1238 Seymour Street, Vancouver, BC, V6B 6J3.

The condensed consolidated interim financial statements were approved by the Board of Directors on July 27, 2017.

The consolidated condensed interim financial statements have been 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. Management 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.

2. STATEMENT OF COMPLIANCE

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting.

3. BASIS OF PRESENTATION

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for investments classified as available-for-sale or held-for-trading which are stated at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The functional currency of the Company and its wholly owned subsidiaries is the Canadian dollar.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to the years presented in these condensed consolidated interim financial statements, unless otherwise stated.

Principles of consolidation
These condensed consolidated interim financial statements include the accounts of the Company, and its wholly-owned subsidiaries, Juturna Geothermal Inc. incorporated under the laws of B.C., Geo Minerals (Arizona) Ltd. and Juturna Geothermal (Arizona) Inc. incorporated under the laws of Arizona, and 2009812 Delaware, Inc. incorporated in the state of Delaware. Significant inter-company balances and inter-company transactions have been eliminated upon consolidation. All references to the Company should be treated as references to Imagination Park Entertainment Inc. (formerly GeoNovus Minerals Corp.) and its subsidiaries. The Company dissolved Juturna Geothermal (Arizona) Inc. and Geo Minerals (Arizona) Ltd. as these subsidiaries are inactive.

Subsidiaries
Subsidiaries are entities over which the Company has control. Controls exist when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affects its returns. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

Cash
Cash consists of balances with banks and short-term demand deposits which are readily convertible into a known amount of cash. The Company's cash is invested with major financial institutions in business accounts.

Revenue recognition
The Company recognizes revenue when services have been rendered. The Company’s revenue consists of funds received in relation to the production of a music video project.

Financial instruments
Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments, together with financial instruments designated as fair value through profit or loss, are measured at fair value with subsequent changes in fair value recognized in profit or loss. The Company's marketable securities were classified as held-for-trading financial assets.

Financial assets that have a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial asset to maturity are classified as held-to-maturity and are measured at amortized cost using the effective interest rate method. The effective interest rate method is a method for calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. Any gains and losses arising from the sale of held-to-maturity financial assets are recognized in profit or loss. Currently, the Company has no held-to-maturity financial assets.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are recognized in profit or loss. The Company’s cash balance and receivables are classified as loans and receivables. The estimated fair values of these financial instruments approximate their carrying values because of the limited terms of these instruments.

Available-for-sale assets are those financial assets that are not classified as held-for-trading, held-to-maturity or loans or receivables. Available-for-sale assets are recognized at fair value and are subsequently carried at fair value. Changes in fair value, other than impairment losses, are recognized in other comprehensive income or loss. When an available-for-sale asset is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income or loss to profit or loss. Currently, the Company has no available-for-sale financial assets.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. Regular way purchases and sales of financial assets are accounted for at the trade date.

Financial liabilities that are not classified as held-for-trading or as fair value through profit or loss are classified as other financial liabilities, and are carried at amortized cost using the effective interest method. Any gains or losses arising from the realization of other financial liabilities are recognized in the profit or loss. The Company's accounts payable and accrued liabilities and loans payable are classified as other financial liabilities.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). At August 31, 2016 the company no longer has any financial assets carried at fair value.

Impairment of financial assets

Financial assets, other than available-for-sale assets, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that the estimated future cash flows of the assets have been negatively impacted. The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced by the amount of the impairment and the loss is recognized in profit or loss.

If in a subsequent period, the amount of 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 to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment previously recognized in profit or loss, is recognized in profit or loss. To the extent that this impairment was previously recognized as a decline in fair value in other comprehensive income, the amount recognized is reclassified from other comprehensive income. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

Impairment of non-financial assets

At each statement of financial position date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of the fair value less costs to sell and the value in use. If the recoverable amount is less than the carrying amount of the asset, the carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

The Canadian dollar is the functional and reporting currency of the Company. All foreign currency monetary assets and liabilities are translated at the rate of exchange at the statement of financial position date and non-monetary assets and liabilities are translated at historical exchange rates, unless such items are carried at market, in which case they are translated at the exchange rates in effect on the statement of financial position date. Income and expenses are translated at the rates approximating those at the transaction dates. Gains and losses arising from translation of foreign currency monetary assets and liabilities are recognized in profit or loss.

Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions as at May 31, 2017.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the most easily measured component based on fair value and then the residual value, if any, to the less easily measurable component.

The fair value of the common shares issued in a private placement was determined to be the more easily measurable component and the shares were valued at their fair value. The balance, if any, is allocated to the attached warrants. Any fair value attributed to the warrants is recorded within the warrant reserve.

Share-based payment transactions

In situations where equity instruments are issued to non-employees and the fair value of some or all of the goods or services received by the entity as consideration cannot be reliably estimated, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

The fair value of stock options granted to employees is recognized as an expense over the vesting period with a corresponding increase in the equity settled share-based payments reserve account. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at the grant date using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of stock options that are expected to vest.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share Consideration

Other equity instruments issued as purchase consideration in non-cash transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration is based upon the trading price of those shares on the CSE on the date of the agreement to issue shares as determined by the Board of Directors.

Income taxes

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

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and to the extent that the Company does not consider it more probable than not that a deferred tax asset will be recovered, it is not recognized.

Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the period. During the years ended August 31, 2016 and 2015, the outstanding stock options and warrants were anti-dilutive.

Estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates and these differences could be material. The areas which require management to make significant judgments, estimates and assumptions in determining carrying values include, but are not limited to:

i) Carrying values for assets and impairment charges

In the determination of carrying values and impairment charges, management looks at the higher of value in use or fair value less costs to sell in the case of non-financial assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates and judgments (continued)

ii) Income taxes and recoverability of potential deferred tax assets

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

iii) Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Future accounting changes

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9") introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning September 1, 2018, and has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers: The new standard provides a comprehensive five-step revenue recognition model for all contracts with customers and requires management to exercise significant judgment and make estimates that affect revenue recognition. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the period beginning September 1, 2018, and has not yet considered the potential impact of the adoption of IFRS 15.

5. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support its media business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management considers the Company’s capital structure to primarily consist of the components of shareholders’ equity.

The Company is dependent on external financing to fund its activities. In order to carry out future transactions and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess additions to its media business if it feels there is sufficient economic potential and if it has adequate financial resources to do so.

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

5. CAPITAL MANAGEMENT (Continued)

There were no changes in the Company's approach to capital management during the period presented. The Company and its subsidiaries are not subject to externally imposed capital requirements.

6. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes to the Company’s approach to mitigating risk exposures during the period ended May 31, 2017.

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, 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 at 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.

(EXPRESSED IN CANADIAN DOLLARS)

7. RECEIVABLES

The receivables balance is comprised of the following items:

		May 31, 2017		*August 31, 2016*
Related parties	$	-	$	7,500
Sales tax due from Federal Government		28,727		21,624
Subscriptions receivable		-		20,000
Trade receivables		-		26,990
	$	28,727	$	76,114

8. PREPAID EXPENSES

The prepaid expense balance is comprised of the following items:

		May 31, 2017		*August 31, 2016*
Consulting	$	6,642	$	33,500
Marketing		5,000		27,500
Professional		10,575		-
Rent		-		500
Total	$	22,217	$	61,500

9. RECLAMATION BONDS

The reclamation bond balance at May 31, 2017, of $5,040 (August 31, 2016 - $5,040) relates to the Company's previously held mineral properties.

During the year ended August 31, 2015, the Company wrote off $36,048 for the Red Hills bond.

(EXPRESSED IN CANADIAN DOLLARS)

10. INTANGIBLE ASSETS

Asset purchase agreements

During the year ended August 31, 2015, the Company signed a definitive agreement to acquire assets from a related company, Greenstock Publishing Ltd. ("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-V). 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 was related at the date of acquisition 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.

During the year ended August 31, 2016, the Company entered into an asset purchase agreement with Fast Creative Inc., a company wholly-owned by a director of the Company, to acquire certain intellectual property relating to Imagination Park for a purchase price of $26,250, including GST. The acquisition consideration was satisfied through the issuance of 525,000 common shares at a deemed price of $0.05 per share. The assets were expensed during the year ended August 31, 2016 as they did not meet the definition of an intangible asset.

The agreement provides that Fast Creative shall have the sole and exclusive option to repurchase the assets, which are the subject of the agreement, if there is a change of control of Imagination Park and the Company no longer intends to use those assets. The amount payable by Fast Creative to repurchase the assets will be equivalent to the value of 300,000 common shares of Imagination Park on the date the Company provides notice to Fast Creative under the option, meaning that Fast Creative could satisfy the payment by returning 300,000 shares of Imagination Park to treasury for cancellation.

Revenue participation agreement

During the year ended August 31, 2015, the Company signed revenue participation agreements with directors to acquire the rights to share potential revenue from upcoming films. The Company issued 3,400,000 shares valued at $510,000 (based on the market price on the date shares were issued) as consideration for the acquisitions.

During the year ended August 31, 2016, 1,700,000 shares were cancelled and returned to treasury valued at $255,000.

During the year ended August 31, 2016, the Company issued 500,000 shares valued at $25,000 in exchange for a percentage of net profits in the film 'Absolution'.

During the period ended May 31, 2017, 1,700,000 shares were cancelled and returned to treasury valued at $255,000.

11. ACCOUNTS PAYABLE

The payables balance is comprised of the following items:

		May 31, 2017		*August 31, 2016*
Trade payables	$	101,328	$	93,429
Related parties		148,989		225,712
Accrued liabilities		29,580		28,265
Total	$	279,897	$	347,406

12. LOANS PAYABLE

During the year ended August 31, 2015, the Company received a loan of $6,000 from a non-related company. The loan bears interest at 10% and was repayable on December 15, 2015. If the loan was not repaid by the repayment date, the loan may be converted to shares at a price of $0.10 per share. During the year ended August 31, 2016 the principal was converted to shares and interest payable of $276 remains outstanding as at May 31, 2017.

As at May 31, 2017, the Company has $150 in short-term loans from related parties, which are non-interest bearing and repayable on demand.

During the period ended May 31, 2017, the Company received a loan of $4,650 from a related party, which is non-interest bearing and repayable on demand.

13. RELATED PARTY TRANSACTIONS

Key management personnel include members of the Board of Directors, Executive Officers and any companies owned or controlled by them.

During the period ended May 31, 2017, the Company paid or accrued management and consulting fees of $447,450 (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, $148,989 (August 31, 2016 - $232,000) remained outstanding and is included under accounts payable.

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

14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS

Capital stock

The Company has authorized an unlimited number of common shares without par value.

During the period ended May 31, 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, CEO 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) 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 at a deemed price of $0.05 per Share. The amount of indebtedness settled by the Transaction is $396,308. The Company determined to satisfy this outstanding indebtedness with shares in order to preserve its cash for operations;

viii) issued 1,762,900 common shares pursuant to the exercise of options for gross proceeds of $264,645 and transferred the fair value of the options exercised to capital stock from share-based payments reserve; and

ix) issued 7,955,000 common shares pursuant to the exercise of warrants for gross proceeds of $795,500 and transferred the fair value of the options exercised to capital stock from warrant reserve.

During the year ended August 31, 2016 the Company:

i) issued 50,000 common shares pursuant to the exercise of options for gross proceeds of $3,000 and transferred the fair value of the options exercised to capital stock from share-based payments reserve;

ii) cancelled 1,700,000 common shares pursuant to the amended revenue participation agreement, and issued 500,000 treasury shares (Note 10);

iii) issued an aggregate of 12,985,669 common shares at a deemed price of $0.05 to settle debt in the amount of $649,283. In connection with the debt settlement, McMillan Strategies, Strategic Advisor, received 532,196 common shares for services rendered;

(EXPRESSED IN CANADIAN DOLLARS)

14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Capital stock (Continued)

iv) issued 525,000 common shares at a deemed price of $0.05 to a company owned by a director of the Company pursuant to an asset purchase agreement to acquire certain intellectual assets pertaining to the Imagination Park brand. Pursuant to this transaction, McMillan Strategies received 26,250 common shares at a deemed price of $0.05 for services rendered; and

v) received an aggregate of $585,402 in subscriptions related to a closing of a non-brokered private placement at $0.05 per Unit. A total of 11,708,032 Units were issued. Each Unit consists of one common share and one share purchase warrant exercisable at a price of $0.10 for 12 months from the date of issue. The share component of the units was allocated a value of $468,322 and the warrants were valued at $117,080, using the residual value method. In connection with the private placement, the Company paid finders' fees of $27,700 and issued 375,000 broker warrants. Each broker warrant is exercisable at $0.10 for 12 months from the date of issue.

Share purchase warrants

At May 31, 2017 warrants were outstanding enabling holders to acquire shares as follows:

Expiry Date	Exercise Price	Number of warrants	Remaining contractual life (years)	Currently exercisable
August 22, 2017	$ 0.10	2,060,000	0.98	2,060,000
August 26, 2017*	0.10	2,068,032	0.98	2,068,032
		4,128,032	0.98	4,128,032

*100,000 warrants were exercised subsequently.

The following is a summary of the warrant transactions during the period ended May 31, 2017 and year ended August 31, 2016:

	Nine months ended May 31, 2017		Year ended August 31, 2016	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of the period	13,237,532	$ 0.18	3,224,930	$ 0.82
Warrants issued -pursuant to private placements	-	-	11,708,032	0.10
Warrants issued -pursuant to broker`s warrants	-	-	375,000	0.10
Warrants exercised	(7,955,000)	(0.10)	-	-
Warrants expired	(1,154,500)	(1.00)	(2,070,430)	(0.72)
Balance, end of period	4,128,032	$ 0.10	13,237,532	$ 0.18

Broker warrants were valued at $26,163, using the Black Scholes option pricing model.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of broker warrants issued in the period ended May 31, 2017 and the year ended August 31, 2016:

(EXPRESSED IN CANADIAN DOLLARS)

14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Share purchase warrants (Continued)

	Nine months ended May 31, 2017	Year ended August 31, 2016
Risk-free interest rate	-	0.56%
Expected life of warrants	-	1.00 years
Expected annualized volatility	-	209%
Expected dividend rate	-	0%
Stock price	-	$0.10
Exercise price	-	$0.10
Fair value per warrant	-	$0.07

Stock options

The Company may grant stock options pursuant to a stock option plan which was initially established in accordance with the policies of the TSX-V. During the year ended August 31, 2015, the Company moved it's listing from the TSX-V to the CSE, and did not change the stock option plan. The Board of Directors administers the Plan, pursuant to which the Board of Directors may grant from time to time incentive stock options up to an aggregate maximum of 10% of the issued and outstanding shares of the Company to directors, officers, employees, consultants and advisors. The options can be granted for a maximum of five years.

As at May 31, 2017, the following incentive stock options were outstanding:

		Options Outstanding and Exercisable	
Expiry Date	Exercise price ($)	Number of Options Outstanding	Weighted average remaining contractual life (years)
August 11, 2017	0.06	300,000	0.01
April 4, 2019	0.35	300,000	0.10
April 11, 2019	0.31	65,000	0.02
March 13, 2020	0.30	700,000	0.34
March 17, 2020*	0.45	325,000	0.16
March 30, 2020	0.30	100,000	0.05
May 15, 2020	0.30	125,000	0.06
September 13, 2021**	0.15	2,200,000	1.64
November 16, 2021***	0.15	200,000	0.16
February 3, 2022	0.05	437,100	0.36
April 18, 2022	0.31	750,000	0.64
May 9, 2022	0.28	250,000	0.21
		5,752,100	3.74

* 100,000 options cancelled subsequently.
** 50,000 options were exercised and 100,000 options were cancelled subsequently.
***150,000 options were exercised subsequently.

The following is a summary of the option transactions during the period ended May 31, 2017 and the year ended August 31, 2016:

(EXPRESSED IN CANADIAN DOLLARS)

14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Stock options (Continued)

	Nine months ended May 31, 2017		Year ended August 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the period	710,000	$ 0.16	835,000	$ 0.14
Options granted	6,965,000	0.21	-	0.26
Options exercised	(1,922,900)	(0.14)	(50,000)	(0.50)
Options expired/cancelled	-	-	(75,000)	(0.57)
Balance, end of the period	5,752,100	$ 0.22	710,000	$ 0.16

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted for the period ended May 31, 2017 and year ended August 31, 2016:

	Nine months ended May 31, 2017	Year ended August 31, 2016
Risk-free interest rate	0.87%	-
Expected life of options	4.37 years	-
Expected annualized volatility	150%	-
Exercise price	$0.24	-
Share price	$0.27	-
Expected dividend rate	$0.29	-

Share based compensation

During the period ended May 31, 2017, the Company:

i) granted 2,950,000 options exercisable at $0.15 for a period of five year to consultants in accordance with the Company’s stock option plan. The options vested immediately.

ii) granted 200,000 options exercisable at $0.15 for a period of five year to officers, directors and consultants in accordance with the Company’s stock option plan. The options vested immediately.

iii) granted 800,000 options exercisable at $0.05 for a period of five years to consultants in accordance with the Company’s stock option plan. The options vested immediately.

iv) granted 900,000 options exercisable at $0.30 for a period of three years to consultants in accordance with the Company’s stock option plan. The options vested immediately.

v) granted 325,000 options exercisable at $0.45 for a period of three years to consultants in accordance with the Company’s stock option plan. The options vested immediately.

vi) granted 300,000 options exercisable at $0.30 for a period of three years to consultants in accordance with the Company’s stock option plan. The options vested immediately.

14. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)

Share based compensation (Continued)

vii) granted 300,000 options exercisable at $0.35 for a period of two years to consultants in accordance with the Company's stock option plan. The options vested immediately.

viii) granted 65,000 options exercisable at $0.31 for a period of two years to consultants in accordance with the Company's stock option plan. The options vested immediately.

ix) granted 750,000 options exercisable at $0.31 for a period of five years to the CEO of the Company in accordance with the Company's stock option plan. The options vested immediately.

x) granted 250,000 options exercisable at $0.28 for a period of five years to consultants in accordance with the Company's stock option plan. The options vested immediately.

xi) granted 125,000 options exercisable at $0.30 for a period of three years to consultants in accordance with the Company's stock option plan. The options vested immediately.

During the year ended August 31, 2016, the Company granted no options.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions for the period ended May 31, 2017 consisted of:

i) issued 8,304,057 shares valued at $434,107 to settle outstanding debt;

ii) cancelled 1,700,000 shares and returned to treasury valued at $255,000;

iii) transferred $227,417 from share-based payment reserve to share capital upon exercised options; and

iv) transferred $26,163 from warrant reserve to share capital upon exercised warrants.

Significant non-cash investing and financing transactions for the year ended August 31, 2016 consisted of:

i) transferred $2,222 from share-based payment reserve to share capital upon exercised options;

ii) issued 500,000 shares valued at $25,000 pursuant to a revenue participation agreement (Note 11);

iii) issued 12,985,669 shares valued at $649,283 to settle various outstanding debt; and

iv) issued 375,000 broker warrants valued at $26,163 as share issue costs pursuant to a private placement.

16. SUBSEQUENT EVENTS

Subsequent to the period ended May 31, the Company:

i) entered in to a debt settlement agreement with Mr. Wiebe pursuant to which the Company has agreed to issue 93,000 common shares at a deemed price of $0.245 per share in order to settle indebtedness in the amount of $22,785, The shares will be subject to a four-month and one-day hold period.

16. SUBSEQUENT EVENTS (Continued)

ii) closed a non-brokered private placement financing for aggregate gross proceeds of $261,800. The Company issued 1,047,200 units at a price of $0.25 per unit. Each unit comprised of one common share and one-half of one non-transferable share purchase warrant, with each whole warrant entitling the holder to purchase one additional common share of the Company for a period of up to twenty-four months from the date of issue at a price of $0.35, subject to accelerated expiry in certain circumstances.

In addition, the Company has paid an arm's length finder's fees of a total of $7,560 and issued an aggregate 30,240 finder's warrants with each finders warrant exercisable into a unit under the same terms as above.

In the event that the closing price of the Company's common shares is at or above $0.50 per share for ten consecutive days, the Company may provide notice (the "Acceleration Notice") to the holders of the warrants and finder's warrants the expiry date of the warrants and finders warrants has been accelerated and that warrants and finders Warrants not exercised within 30 days of the date of the Acceleration Notice will expire 30 days from the date of the Acceleration Notice.

The net proceeds of the private placement will be used to aid in the Company's ongoing efforts to create and deliver transformational experiences through the production and distribution of intellectual property for film and virtual reality, mixed reality and augmented reality technology ("AR & Mixed Reality Tech") as well as for general corporate purposes.

iii) granted 676,888 incentive stock options to an officer of the Company. The options are exercisable at $0.26 per share for a period of five years from the date of grant. The options have been granted under and are governed by the terms of the Company's incentive stock option plan.

iv) granted 46,500 incentive stock options to an officer of the Company. The options are exercisable at $0.35 per share for a period of five years from the date of grant. The options have been granted under and are governed by the terms of the Company's incentive stock option plan.

v) issued 50,000 common shares pursuant to the exercise of options for gross proceeds of $7,500 and transferred the fair value of the options exercised to capital stock from share-based payments reserve.

vi) issued 100,000 common shares pursuant to the exercise of warrants for gross proceeds of $10,000.