

# **Imagination Park Entertainment Inc.**

Management's Discussion and Analysis  
For The Nine Months Ended May 31, 2018

**July 30, 2018**

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the nine months ended May 31, 2018 and 2017 and the audited consolidated financial statements for the years ended August 31, 2017 and 2016. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional regulatory filings for Imagination Park Entertainment Inc. ("Imagination Park" or the "Company") can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Company's website can be found at [www.imaginationpark.com](http://www.imaginationpark.com).

## **Head Office**

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## **Nature and Continuance of Operations**

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

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

At May 31, 2018, the Company had a net working capital deficiency of \$1,561,977 (August 31, 2017 – working capital of \$284,348). The audited consolidated financial statements for the year ended August 31, 2017, on [www.sedar.com](http://www.sedar.com), were prepared with the assumption that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Continued operations of the Company are dependent on the Company's ability to receive financial support, complete a public equity financing, or generate profitable operations in the future. The Company believes it will be successful in raising the necessary funding to continue operations however, there is no assurance that these funds will be available on terms acceptable to the Company or at all. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. The consolidated financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

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

## **Forward-Looking Statements**

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

obtained as and when required; (iii) material increases in operating costs; and (iv) adverse fluctuations in foreign exchange rates.

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

### **Insane Comics, LLC, Letter of Understanding**

During July 2017, the Company entered into a letter of understanding (“LOU”) for the joint development of short films and proof of concepts (“POCs”) with Insane Comics, LLC (“Insane Comics”), a publisher of creator-owned works of art in the comic book industry. Properties are anticipated to be brought to life on the big screen and to build new cinematic universes.

The LOU provides for the exclusive joint development of certain properties owned or controlled by Insane Comics as short films or POCs by Imagination Park for a fee to be negotiated at the time of development. Along with these development rights, Insane Comics has provided Imagination Park with an exclusive right of first refusal over new and existing materials for potential POCs in the future. In accordance with the terms of the LOU, on all productions pursued by Imagination Park, the POCs or short films will be the exclusive property of Imagination Park. All decisions with respect to technical, business, financial and legal matters in respect of all such productions will be at the sole discretion of Imagination Park. Further, Imagination Park will have the exclusive right to negotiate and enter into agreements with studios, financiers, investors and potential showrunners for the development, production and distribution of all creations. This includes activities such as the exclusive right to shop and pitch POCs to studios, commission scripts and the sole and exclusive right to enter into studio agreements for Insane Comic’s chosen properties.

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

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

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

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

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

- a. Imagination Park will contribute US\$500,000 (paid US\$1,099,000) in initial seed funds to the JVC over 12-months from the date of formation of the July 19, 2017.
- b. InterKnowlogy will contribute substantial technology and intellectual property as identified in the LOI for AR/MR solutions. These include development tools for AR/MR manufactured headsets; toolkits to bi-directionally

communicate between disparate devices via Bluetooth; and existing and in-progress R&D in building communication technology including, but not limited to, the utilization of devices off-board from the AR/MR hardware for interactions.

c. The JVC will initially have a board of directors of three individuals, one chosen by Imagination Park, one chosen by InterKnowlogy and one mutually acceptable to both. The initial sole officer of the JVC will be Alen Paul Silverstieen, CEO of Imagination Park.

d. Imagination Park has granted an aggregate of 240,000 Imagination Park incentive stock options to certain founders of InterKnowlogy, each option exercisable for a period of five years from the date of grant at a price of \$0.26 per option.

## **XENOHOLOGRAPHIC**

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

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

XENOHolographic’s premiere product, unveiled for the first time here as XENOSidekick, will enable major manufacturers’ headsets to deliver consistent holographic interactions. Currently, few AR/Mixed Reality headsets support interactions and further, those that do, do so uncooperatively. There are no existing standards for these wearable glasses. XENOHolographic plans to sell and license software tools to solve these technical issues for content providers, headset manufacturers as well as advertisers.

On October 25, 2017, the Company announced that XENOHolographic a joint venture with Interknowlogy, LLC, launched its official company website [www.xenoholographic.com](http://www.xenoholographic.com). The initial three products launching next month - XenoRoom, XenoSidekick and XenoPlayer – are highlighted on the website.

On November 14, 2017, the Company announced the proposed development of Xeno Tokens® by XenoHolographic, a worldwide joint venture between the Company and InterKnowlogy focused on delivering products, services and content while seamlessly enabling holographic experiences within augmented and mixed reality. When launched Xeno Tokens® intends to leverage Blockchain technology to monetize 3D content delivery.

The Company and XenoHolographic are expecting the launch of Xeno Tokens® in the first half of 2018 subject to a suitability review of securities and regulatory matters surrounding our leveraged Blockchain technology.

On November 14, 2017, the Company announced that XenoHolographic’s initial two products, XenoRoom and XenoSidekick were launched and released into the global marketplace starting on November 28, 2017. XenoRoom and XenoSidekick will, when launched, reduce the friction for consumers and companies as they deliver interactive holographic experiences to their users. XenoRoom is a location-based holographic experience engine allowing businesses to upload 3D content to the cloud and automatically download and render it. XenoSidekick is a toolkit developed to allow for seamless interaction with holograms irrespective of the augmented reality headset brand.

On January 10, 2018, the Company announced that it has completed the payment in full to InterKnowlogy of US\$500,000 to satisfy all contractual compensation terms for full joint ownership of XenoHolographic which includes, among other things, equal ownership of XenoHolographic’s preeminent augmented reality applications, XenoRoom® and XenoSideKick®.

On January 30, 2018, the Company announced that XenoHolographic has been engaged to create and deliver the Aurora Games Festival AR Mobile App (IOS and Android). The Aurora Games Mobile App will include XenoPlay featuring 3D content managed in the XenoCloud, live streaming and scoring of events, and ability for fans to collect

AR holographic content and trade them with each other as “Trading AR Collectibles” integrated with blockchain technology. The Mobile App is expected to be launched September 2018.

On March 15, 2018, the Company and XenoHolographic Inc. announced a sponsorship partnership with SportTechie ([www.sporttechie.com](http://www.sporttechie.com)), the world’s leading digital media company covering sports technology. As part of this partnership, SportTechie will provide marketing, referral and consulting services to XenoHolographic. Simultaneously, XenoHolographic will sponsor a wide-range of SportTechie’s content subscription platforms.

On March 29, 2018, the Company announced a partnership in certain specific projects between XenoHolographic and NBW Management, LLC, also known as New Brave World. New Brave World is a leading media innovation firm providing strategy, consulting and brand and agency representation to a select portfolio of sports, entertainment, publishing, and technology companies.

The Company also announced that XenoHolographic has entered into a marketing partnership with SportTechie Inc. and is working closely with SportTechie in marketing and advertising programs highlighting the Xeno AR Mobile Apps for the sports, arena, and live event marketplace. SportTechie is one of the world’s leading resource devoted to the latest technological innovations, ideas, and products that impact the fan experience, player performance, and sports industry. For the week of April 9, 2018, SportTechie.com will be promoting Xeno on all banners and click advertising to their readership.

XenoHolographic completed the initial versions of XenoApp and XenoMarker in early March, 2018, and have been actively marketing for advertising, sponsorship and promotional opportunities through the partnerships of both SportTechie and New Brave World. Further features are currently being developed to include integration of AI, Blockchain, and advanced enterprise enhancements.

On April 26, 2018, the Company announced that its joint-ventured company, XenoHolographic Inc., has been selected to provide the Augmented Reality and Mobile App Software License Platform to Liberty Fairs for the next three years with a contract value estimated up to US\$775,000.

Liberty Fairs, the world’s leading directional fashion fair and trade show event operator, will be announcing its debut fashion, beauty, wellness and music festival, PARAIISO, in a high-profile PR event on May 5, 2018 at the W South Beach in Miami Beach. Major consumer-facing fashion lifestyle events are also planned for New York, Los Vegas, Los Angeles, and Paris in 2018.

The Xeno AR Mobile App will assist all attendees in discovery of events, admission to exclusive parties, concerts, VIP experiences, and other core on-site integrations. It will be available for both IOS and Android.

During the year ended August 31, 2017, the Company executed a binding letter of intent (“LOI”) with InterKnowlogy, LLC (“InterKnowlogy”) in connection with the establishment of a joint venture company (“JVC”) where, pursuant to the terms, ownership will be divided on a 50/50 basis between Imagination Park and InterKnowlogy. Under the LOI the Company will contribute seed funds of US\$500,000 and InterKnowlogy contributed the “Technology” as defined in the LOI. Additional investment will be made on an equal basis.

During the year ended August 31, 2017, the Company contributed \$149,056 (US\$120,000) and granted 240,000 options with a value of \$56,760 to Interknowlogy. During the year ended August 31, 2017, the Company recorded its share of the loss of Xenoholographic Inc. of \$2,024. There are no contingent liabilities relating to the Company’s interest in the joint venture, and no contingent liabilities of the venture itself.

During the nine month period ended May 31, 2018, the Company contributed \$1,236,145 (US\$979,000) to acquire 50% of Xenoholographic Inc. and recorded its share of the loss of Xenoholographic Inc. of \$38,316.

On May 29, 2018, the Company acquired all the remaining issued and outstanding shares of XenoHolographic Inc. for the following proceeds:

- i. Paid cash of US\$200,000 (CAD \$259,262 paid) on signing of the agreement;
- ii. Issued 1,828,571 common shares of the Company, valued at \$594,286; and

- iii. Issued a convertible promissory note for US\$1,800,000 (CAD\$1,948,650) (Note 15) with the following terms:
- payment of US\$1,800,000 within 12 months on or before May 29, 2019; or
  - if after May 29, 2019 there remains any unpaid portion of the purchase price, at the option of the lender, the Company can satisfy part or all of the unpaid purchase price through the issuance of common shares of the Company valued at \$0.35 per share.

The acquisition of the private company has been accounted for under IFRS 3 – Business Combinations using the acquisition method whereby the cash, receivable, deposit, goodwill, and accounts payable related to the business operations are recorded at fair value, with the Company being identified as the acquirer. The net assets acquired pursuant to the acquisition are as follows:

<i>Net assets acquired</i>		
Cash		\$ 4,225
Receivable		71,451
Goodwill		5,541,779
Accounts payable		(13,059)
		\$ 5,604,396
<i>Total Purchase Price:</i>		
Cash		\$ 1,644,463
Issuance of 240,000 options		56,760
Pre-acquisition equity accounting loss		(40,340)
Issuance of 1,828,571 shares		594,286
Fair value gain on the first 50% of <u>Xenoholgraphic Inc.</u>		1,400,577
Promissory note		1,948,650
		\$ 5,604,396

On July 17, 2018, the Company announced that its wholly-owned subsidiary, XenoHolographic, has been selected to provide the exclusive Augmented Reality and Mobile Software Platform to OrchestraNEXUS and Classical Movements for the next four years.

OrchestraNEXUS, is a new multimedia orchestra driven by internationally acclaimed conductor Eric Dale Knapp of Carnegie Hall in partnership with Classical Movements organizing over 400 concerts and 60 global tours each year. The debut event will include artists from dozens of countries and a 300 voice international children's choir to celebrate the 75th anniversary of DDay in France. Substantial international multimedia musical celebrations are also planned in Germany for the 30th anniversary of the fall of the Berlin Wall, in Dubai for the Expo 2020, and in New York City for the 20th anniversary of September 11th.

## **ALWAYS WITH YOU**

On January 24, 2018, the Company purchased a 100% interest in a private company, 1142128 B.C Ltd. by issuing 62,500 common shares. The fair value of the 62,500 common shares was determined to be \$0.91 per common shares, based on the trading price at the date of issuance.

The acquisition of the private company has been accounted for under IFRS 3 – Business Combinations using the acquisition method whereby the cash, receivable, deposit, goodwill, and accounts payable related to the business operations are recorded at fair value, with the Company being identified as the acquirer. The net assets acquired pursuant to the acquisition are as follow:

<i>Net assets acquired</i>		
Cash		\$ 115,126
Receivable		11,539
Deposit		49,500
Goodwill		1,645
Accounts payable		(120,935)
		\$ 56,875
<i>Total Purchase Price:</i>		
Issuance of 62,500 shares		\$ 56,875

Effective January 25, 2018, the Company has included the operations of 1142128 B.C Ltd. in the condensed consolidated interim financial statements. This includes revenue of \$454,854 and offsetting costs of \$454,854 for the period ended May 31, 2018.

## **THE KINDERGARTEN TEACHER**

Imagination Park is pleased to announce the nomination of THE KINDERGARTEN TEACHER for the Grand Jury Prize at the prestigious Sundance Film Festival. The film, directed by Sara Colangelo, stars Maggie Gyllenhaal and Gael García Bernal and concerns a kindergarten teacher in New York that becomes obsessed with one of her students who she believes is a child prodigy. The Sundance Film Festival, a program of the Sundance Institute, is a film festival that takes place annually in Park City, Utah. With over 46,660 attendees in the past, it is the largest independent film festival in the United States and runs from January 18 to January 28, 2018.

Imagination Park will receive a Company credit in the film along with Gabriel Napora and Jeff Rice of Imagination Park receiving Executive Producer credits.

On February 23, 2018, the Company, an executive producer of the critically acclaimed drama The Kindergarten Teacher, and emerging content producer and distributor, announced the North American distribution deal for the film with Netflix, the world's leading Internet entertainment service.

The Kindergarten Teacher, produced by Maven Pictures, in association with the Company, is the story of a New York teacher (Maggie Gyllenhaal) who discovers what may be a gifted five-year-old student in her class. As she becomes fascinated and obsessed with the child, she spirals downward on a dangerous and desperate path in order to nurture the talent she feels he has.

Directed by Sara Colangelo, the film debuted at the Sundance Film festival earlier this year to critical acclaim, with Colangelo receiving the festivals' prestigious Best Director Award.

Imagination Park is credited as one of the production companies of the film, along with Imagination Park COO, Gabriel Napora, and Corporate Advisor, Jeff Rice, as Executive Producers. The film has not yet been dated. Foreign sales of the film will be managed by Protagonist Pictures (Lady Macbeth, The Lobster, American Honey).

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

During the year ended August 31, 2017, the Company entered into an agreement with Michael Bisping, UFC Middleweight Champion of the World, to produce a Virtual Reality series entitled "A Day in the Life of the Champ". Production commenced in Fall 2017 in Michael's hometown of Los Angeles and had exclusive access to his training camp and behind the scenes activities for his upcoming fight.

On November 24, 2017, the Company released Episodes 2 through 5 of the show-stopping virtual reality (VR) series Michael Bisping: The Full Count. This immersive, heart-pumping production follows Bisping, one of the hardest working athletes in UFC history, as he prepares to defend his crown against UFC legend, Georges St-Pierre.

The first episode is available for free on [www.themichaelbispingproject.com](http://www.themichaelbispingproject.com). The following episodes are available for free on the Samsung VR site. Each episode is compatible with all current VR devices, but those without VR devices will experience the episodes by way of stunning, 360-videos.

Producers have revealed that Episodes 2 through 5 feature quite a few people in the MMA/UFC world. These include MMA Journalist Ariel Helwani, actor and UFC enthusiast Chuck Zito, actor Jonathon Tucker from the hit series Kingdom, and retired MMA fighter and legend Urijah “The California Kid” Faber.

## **The Recount Project**

On April 12, 2018, the Company announced an agreement to produce a documentary with UFC Legend, Michael Bisping, entitled “The Recount”. The Recount will go into production in June 2018 and is anticipated to be broadcast on Super Channel, a Canadian English Language Category A premium cable and satellite television channel owned by Allarco Entertainment 2008 Inc. The Recount tells the story of Michael's career inside and outside the ring, as a loving husband and father to the winningest UFC fighter in history. It is anticipated the documentary will result in revenue to the Company of \$450,000. The project will be produced and executive produced by Adam Scorgie, Yas Taalat, Gabriel Napora, Rocky Mudaliar and Ben Lu.

On July 23, 2018, the Company announced that The Michael Bisping documentary is now in production. The first filming day is currently scheduled for July 28th. It's being produced by Yas Taalat, Gabriel Napora from the Company; Rocky Mudaliar of Abrupt Films and Adam Scorgie of ScoreG ent. The Company expects to recognize revenue on this project shortly.

## **Ohmore Media Inc. (“Ohmore”)**

During the year ended August 31, 2017, the Company entered into a non-exclusive agreement with Ohmore (the “Revenue Sharing Agreement”). Pursuant to the terms of the Revenue Sharing Agreement, Ohmore is obligated to provide the Company with 50% of any advertising revenue derived by Ohmore from five films to be named at a later date “the content”. This Revenue Sharing Agreement relates to a Mainland China wide license to broadcast original individually produced content on any of the channels of Hangzhou Ergeng Network Technology Co., Ltd. (“Ergeng”) via Ohmore, which has an exclusive partnership with Ergeng, the advertising revenue related thereto to be shared. As of February 28, 2018, no Company content had been broadcast as no decision as to the content to be selected has been made by Ohmore, and, as a result, no revenue was recorded in connection with this arrangement for the year ended August 31, 2017 or the six month period ended February 28, 2018.

Pursuant to an additional agreement, Ohmore has the option to fund up to 12 short films and Virtual Reality (“VR”) based films for the Company by March 8, 2018 with Ohmore contributing up to a maximum of \$45,000 per film. If Ohmore chooses the option to fund a film:

- i) Ohmore will share the copyright based on a pro-rated basis of what is financed by Ohmore;
- ii) Ohmore will get the exclusive right to premiere the videos worldwide on its sites. The Company will be only able to use the short films as Proof of Concepts to attempt to get financing for features, tv series, web series, or VR based projects. Ohmore will have first right of refusal to finance or partially finance any feature film or TV series from the Proof of Concepts for a period of 2 months after the Proof of Concept or short film is done.

## **Collectors Project**

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

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

The project is currently in pre-production with plans to go into production in early 2018. Imagination Park will be filming a proof of concept and assisting to create a screenplay with the intention of achieving financing for a potential feature or TV series at a later date.

### **Traveler Feature Film**

On March 15, 2017, the Company entered into a development and production agreement with Emmy nominated Director Simon Brown for his sci-fi opus, Traveler.

As consideration, the Company must pay Simon Brown:

- i) US\$6,000 (paid);
- ii) 1% of the budget of the production, but no less than US\$65,000 no later than the commencement of principal photography;
- iii) US\$15,000 when the Company enters into a deal with a major studio or US\$6,000 if the Company enters into a deal with a non-major studio;
- iv) 5% of 100% of the Net Profits. Net Profits will be defined by the future distributor of the production; and
- v) 75% of 100% of the purchase price for all sequels and prequels and derivative work to be paid on the first day of principal photography, or in another medium when production of any further artwork or material begins.

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

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

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

### **Juarez 2045 Project**

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

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

### **Food For Thought Project**

During the year ended August 31, 2017, the Company acquired a 10% net profit interest in the full length documentary "Food For Thought" produced by Robinson Media, which is partly owned by Tim Marlowe, Director of Imagination Park. Under the terms of the agreement, the Company issued Robinson 561,000 shares valued at \$56,100 in exchange for 10% of the net profits generated by the documentary throughout the world and in perpetuity



from the commercial exploitation of the documentary, including but not limited to, royalty payments and licensing payments. In addition, should the documentary not be completed for any reason, Robinson agrees to return the 561,000 common shares issued in the transaction to Imagination Park at the request of the Company, in exchange for Imagination Park waiving its rights to receive a 10% net profits interest in the project. At present, The Food for Thought documentary is fully financed through budgeted completion, and is currently in production with an expected completion in spring of 2018.

### **Spoken Word Project**

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

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

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

### **Prodigy Films**

During the period ended February 28, 2018, the Company acquired Prodigy Films Inc., a movie production company created and funded by Hollywood producer Jeff Rice. Mr. Rice has produced over 90 movies including 2 GUNS (Denzel Washington) and END OF WATCH with Jake Gyllenhal and Michael Pena. He has worked on some of Hollywood's most successful movies and with stars ranging from Robert De Niro to Russell Crowe.

Prodigy Films Inc. was acquired for 71,428 common shares of Imagination Park, at value of \$0.62 a share, for gross consideration of \$44,285. All securities issued carry a four-month resale restriction as required under Canadian securities laws.

### **KUMITE Project**

During the year ended August 31, 2017, the Company entered into an agreement on a project in development called KUMITE, an original, episodic action series, created in immersive virtual reality. This is the next project in Imagination Park Entertainment's collaboration in serialized storytelling for VR. The script for the pilot episode has been completed to date. The Company has decided to seek out equity partners in the series in 2018 rather than financing it. Episodes will be filmed in Vancouver, Los Angeles and Toronto and will be produced by Gabriel Napora, Ben Lu and Yas Taalat.

KUMITE is about a mixed martial arts fighter, who travels to underground fight leagues all over the world to challenge top competitors.

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

## **Karma VR - Virtual Reality Project**

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

Under the terms of the joint venture agreement:

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

The current project is VR Zombies Experience; A man watching a zombie movie is stunned to find out the zombie apocalypse is real when some real zombies enter his man cave and begin breaking his toys. The project is completed and is planned for release in 2018.

## **Other Virtual Reality Projects**

The Company has four virtual reality productions that are completed and planned for release in 2018.

The projects include:

- a. Destructotron: Feature film actor Peter Shinkoda (Nobu in Daredevil, Fallen Skies) stars in this exciting VR adventure where a giant robot attacks the Earth, leaving Shinkoda to solve the situation. Additional scenes were shot and it is currently in post production, targeting completion for 2018.
- b. Invasion: When an alien ship mysteriously devours everything in its path, one woman (played by model Andrea Katic) fights back. Produced by Gabriel Napora, Yas Taalat, Rocky Mudaliar and directed by Chris Le, the director of Juarez 2045, the experience features cutting-edge visual effects. The Company decided to use this project for research and development purposes for VR and advancing our shooting capabilities. This project will not be released to the general public.
- c. Singularity: Left for dead after a hit-and-run, a young teacher undergoes an experimental procedure to install an A.I chip in her brain. After recovering, she uses her superhuman powers to stop a hacker from exterminating humanity with our own mobile devices. This project is complete and we are currently in discussion with a major VR Platform for distribution and release for 2018.
- d. Muti Planned to be released in 2017: Set in South Africa in the not too distant future, detective Tobi Nala is investigating a series of gruesome murders which are believed to have been linked to witchcraft. Nala is tipped off a suspect is selling human body parts to a traditional healer. She tries to intercept the transaction and chases the subject through a train station leading her to an underground tunnel. The suspect escapes but she is drawn in by sounds of people chanting, as she approaches she witnesses a ritual human sacrifice being offered to an alien being. Muti has completed filming in South Africa and is currently in VFX post production. A feature film screenplay is currently being developed. Muti is also produced by Gabriel Napora and Yas Taalat, directed by Matt Nefdt.

The Company has decided to terminate the Skate Apocalypse project that was previously disclosed to focus on a VR project which features higher quality production and VFX.

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

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

During the year ended August 31, 2017, the Company exercised its initial option to acquire its respective initial interests in these six films granted in the letter of intent, effective as of October 4, 2016, for a fair value of \$230,000 by issuing 2,300,000 common shares of the Company. By issuing the shares, the Company has earned the following net revenue interests:

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

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

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

Further, the original letter of intent entered into with Triton on February 9th, 2016, stipulates the Company was required to complete a financing for minimum net proceeds of \$250,000 on or before July 15, 2016, or Imagination Park would be required to issue to Triton a penalty payment equal to \$25,000 for the delay. The Company acknowledges that this condition was not met in the agreed upon timeframe and has issued to Triton 250,000 common shares at a deemed price of \$0.10 to settle the \$25,000 fee.

As part of the amendment, the Company has issued a bonus success fee through the issuance of 115,000 common shares at a deemed price of \$0.075, which was based on 5% of the value of each of the option which are exercised, to a third party, McMillan Strategies.

## **Absolution**

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

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

Media is entitled to share revenue. The five subsequent films will be determined by Infinity Media pursuant to the terms of the Participation Agreement.

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

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

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

### **Three Seconds**

On February 27, 2018, the Company announced the Company and two of its senior executives have joined the elite production team of Andrea Di Stefano’s feature film directorial debut, THREE SECONDS, which through Aviron Pictures is slated to play in up to 2000 theatres across North America.

The film will be produced in association with the Company and is expected to receive revenue as well as a percentage of the film’s net profits. The Company’s Chairman of the Board, Gabriel Napora and Chief Creative Officer, Yas Taalat, are attached to the film as Executive Producers, and Board Director, Ben Lu, is attached as Associate Producer.

THREE SECONDS follows reformed-criminal and former special ops soldier Pete Hoffman who, in order to free himself from jail and return to his wife and daughter, has been working undercover for crooked FBI handlers to infiltrate the Polish mob’s drug trade in New York. In a final step towards freedom, Hoffman must return to the one place he’s fought so hard to leave, Bale Hill Prison, where his mission becomes a race against time when a drug deal goes wrong and threatens his identity as a mole.

The film is produced by Thunder Road Pictures (John Wick, Sicario) and Fyzz Facility (The Foreigner, Silence, The Survivalist) and stars Academy Award™ Nominees Clive Owen (Closer, Children of Men), and Rosamund Pike (Gone Girl), as well as Joel Kinnaman (Netflix hit series Altered State & House of Cards) and Common (Selma).

Based on the best-selling Swedish novel by Anders Roslund and Börge Hellström, Di Stefano’s THREE SECONDS is a high velocity action thriller that explores crime from both sides of the law. It is slated for wide release in Spring 2018.

### **Letter of Intent with DragonLord Pictures in China**

On June 21, 2016, the Company announced that it had entered into a non-binding letter of intent with DragonLord Pictures (“DragonLord”).

The agreement calls for the Company to provide various visual effects and other services for DragonLord’s feature film project tentatively titled ‘Spirit Hunter’. The Agreement specifies that the revenues to the Company will be at least US\$1,000,000. Spirit Hunter currently has a pre-production budget of US\$10,000,000 and is to be filmed in Mainland China. The services to be provided under the Agreement will be subject to an additional services agreement to be negotiated by the parties. Revenues to the Company are expected to begin to be recognized in the second half of 2018 or early 2019.

DragonLord is headquartered in Beijing, China and was founded by Michael Yang, formerly head of Sony Distribution Asia.

## **Other Movie Related Agreements**

During the year ended August 31, 2017, the Company:

- i) entered into a feature film production services contract to assist in the completion of a new full length feature film. Under the terms of the agreement, Imagination Park is offering its feature film production services through to completion of the project, in exchange for production services fees payable to the Company. As of this date, the project is fully financed, initial service deposit funds have been received by the Company and work is now underway.
- ii) entered into a contract to produce a packaged 'Proof Of Concept' (POC) named Maya Moonlight, which is a complete creative package for a project which includes script development, concept art, and a short film or trailer, for a family-friendly feature film. Upon completion of the POC, Imagination Park will be granted a 3-year exclusive option to shop the POC to studios, broadcasters, and financiers, among others, that could transform the POC into a feature film, TV series or web series. We anticipate divestiture in early 2018. During the year ended August 31, 2017, it brought in \$25,000 USD in revenue for the Company.

## **Results of Operations**

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

Nine Months Ended May 31, 2018 compared to nine months ended May 31, 2017

For the nine months ended May 31, 2018, the Company had a net loss of \$2,666,807 compared with a net loss of \$5,603,643 for the same period in the prior year. During the period ended May 31, 2018, the Company incurred:

- revenue of \$454,854 (2017 - \$45,779). Revenue in 2018 is related to the production of the Chinese television series "Always With You" through the Company's newly acquired subsidiary, 1142128 B.C. Ltd. The Company has also incurred \$454,854 (2017 - \$15,755) of production costs in 2018 relating the production for net profit of \$Nil.
- consulting and management fees of \$950,596 (2017 - \$668,966). The increase is mainly due to increased director and management involvement and increased outside consultants to facilitate the increase in number of projects during the current period.
- net profits interest of \$Nil (2017 - \$288,975) primarily as a result of the acquisition of an interest in projects including Food For Thought and the Letter of Intent to acquire various interests in up to six feature film projects disclosed earlier in this MD&A in the previous period.
- Pre-production expenses of \$278,146 (2017 - \$62,155). The increase was primarily due to an increase in production activities during the current period.
- professional fees of \$188,504 (2017 - \$139,748). The increase is primarily a result of additional legal and services relating to new contracts entered into during the period as well accounting and legal services relating to increased share activity and increased continuous disclosure obligations.
- share-based compensation of \$2,005,616 (2017 - \$1,276,561). The increase is due to options and warrants being granted during the current period.
- shareholder communications and promotion of \$332,205 (2017 - \$64,276). The increase was primarily due to an increase in promotion activities during the current period including an increase in news release distribution fees, website updates, German listing fees and renting a venue for a Company event.
- Travel and accommodation of \$146,475 (2017 - \$196,618). The decrease was due to directors travelling frequently for business during the same period in the prior year including multiple trips to the USA and across Canada.

Three Months Ended May 31, 2018 compared to three months ended May 31, 2017

For the three months ended May 31, 2018, the Company had a net income of \$293,604 compared with a net loss of \$4,436,481 for the same period in the prior year. During the period ended May 31, 2018, the Company incurred:

- consulting and management fees of \$526,311 (2017 - \$365,191). The increase is mainly due to increased director and management involvement and increased outside consultants to facilitate the increase in number of projects during the current period.
- share-based compensation of \$133,269 (2017 - \$859,161). The decrease is due to options and warrants being granted during the current period.
- shareholder communications and promotion of \$200,333 (2017 - \$41,523). The increase was primarily due to an increase in promotion activities during the current period including an increase in news release distribution fees, website updates, German listing fees and renting a venue for a Company event.
- Travel and accommodation of \$34,054 (2017 - \$117,950). The decrease was due to directors travelling frequently for business during the same period in the prior year including multiple trips to the USA and across Canada.
- Fair value change on the first 50% of Xenoholographic Inc. of \$1,400,577 (2017 - \$Nil). The increase was due to an increase in the fair value of the first 50% share of Xenoholographic Inc.
- Loss on settlement of debt of \$Nil (2017 - \$2,851,624) related to the issuance of shares for debt. The loss was result of the difference between the deemed price and the fair value at the date of issuance.

### **Summary of Quarterly Results**

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

<b>Three Months Ended</b>	<b>May 31, 2018</b>	<b>February 28, 2018</b>	<b>November 30, 2017</b>	<b>August 31, 2017</b>
	\$	\$	\$	\$
Production income	-	454,854	-	-
Production expenses	-	(454,854)	(1,422,617)	(653,616)
Income (loss) and Comprehensive income (loss)	293,604	(1,537,794)	(1,422,617)	(653,616)
Income (loss) per Common Share	0.00	(0.02)	(0.02)	(0.01)
<b>Three Months Ended</b>	<b>May 31, 2017</b>	<b>February 28, 2017</b>	<b>November 30, 2016</b>	<b>August 31, 2016</b>
	\$	\$	\$	\$
Production income	-	4,034	30,000	81,954
Production expenses	(4,436,481)	-	-	81,202
Loss and Comprehensive loss	(4,436,481)	(664,326)	(506,791)	(308,019)
Loss per Common Share	(0.08)	(0.03)	(0.03)	(0.03)

During the quarters ended August 31, 2016, November 30, 2016 and February 28, 2017, the Company increased its activity and increased its costs as a result. The increase in the quarter ended February 28, 2017 is primarily a result of \$417,400 of share-based compensation relating to stock-option issuances. The increase in the quarter ended November 28, 2016 was primarily a result of \$288,975 of net profit interests acquired.

During the quarter ended May 31, 2017, the Company incurred \$2,851,624 in loss relating to shares issued for debt. This was a result of a difference in the deemed price and the trading price on the date of issuance. The Company also incurred \$859,161 of stock-based compensation relating to the issuance of stock-options. The Company incurred higher consulting fees of \$365,191 (compared to \$221,442 during the 3 months ended May 31, 2016) and higher travel costs of \$117,950 (May 31, 2016 - \$36,988). Detailed descriptions of the increases are noted further in the MD&A.

During the quarter ended November 30, 2017, the Company incurred \$988,392 of stock-based compensation relating to the issuance of stock-options and warrants pursuant to bridge loan agreement.

During the quarter ended February 28, 2018, the Company incurred \$883,955 of stock-based compensation relating to the issuance of stock-options. The Company also recorded \$454,854 of production income and \$454,854 of production expenses related to producing the Chinese television series “Always With You” through the Company’s newly acquired subsidiary, 1142128 B.C. Ltd.

During the quarter ended May 31, 2018, the Company incurred \$1,400,577 in income relating to fair value gain on acquisition of Xenoholographic.

## **Liquidity and Capital Resources**

The Company’s cash position was \$261,405 at May 31, 2018 compared to \$528,401 at August 31, 2017. The Company had a working capital deficiency of \$1,561,977 at May 31, 2018 compared with working capital of \$284,348 at August 31, 2017.

During the period ended May 31, 2018, cash flow activities consisted of:

- i) cash flows spent on operating activities of \$2,386,777 (2017 - \$697,798) consisting of operating expenses during the period.
- ii) cash flows received from financing activities of \$3,495,837 (2017 - \$1,054,195) consisting primarily of \$3,160,449 from private placements.
- iii) cash flows spent on investing activities of \$1,376,056 (2017 - \$Nil) consisting primarily of \$1,495,407 for investment in Xenoholographic Inc.

During the period from September 1, 2017 to July 30, 2018, the Company:

- i) closed a non-brokered private placement financing for gross proceeds of \$192,000. The Company issued 800,000 units at a price of \$0.24 per unit. Each unit comprised of one common share and one-half of one share purchase warrant, with a whole warrant entitling the holder to purchase one additional common share for a period of up to twenty-four months from the date of issue at a price of \$0.32, subject to accelerated expiry in certain circumstances.

In addition, the Company has paid an arm’s length finder a fee of \$4,800 and issued 60,000 finder’s units with each finders unit having the same terms as the units issued in the placement;

- ii) closed a non-brokered private placement financing for aggregate gross proceeds of \$60,000. The Company issued 187,500 units at a price of \$0.32 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 \$0.37, subject to accelerated expiry in certain circumstances;
- iii) entered into a loan agreement to accept a short term, no interest, \$500,000 bridge loan from a director of the Company convertible into 2,500,000 common share purchase warrants of the Company, each warrant convertible into one common share at a price of \$0.32 per share for up to two years from the date of issue. The Company repaid it in full;
- iv) issued 678,000 common shares pursuant to the exercise of options for gross proceeds of \$141,855 and transferred the fair value of the options exercised to capital stock from share-based payments reserve;
- v) issued 636,160 common shares pursuant to the exercise of warrants for gross proceeds of \$207,632;
- vi) issued 71,428 common shares at \$0.62 for gross consideration of \$44,285 to acquire Prodigy Films Inc.;

- vii) issued 62,500 common shares at \$0.91 for gross consideration of \$56,875 to acquire 1142128 B.C Ltd.;
- viii) closed a non-brokered private placement financing for aggregate gross proceeds of \$270,000. The Company issued 450,000 units at a price of \$0.60 per unit. Each unit comprised of one common share and one non-transferable common share purchase warrant, with each warrant entitling the holder to purchase one additional common shares of the Company at a price of \$0.65 for a period of up to twenty-four months from the date of issue.

In addition, the Company issued 6,400 common shares as an arm's length finder's fee in connection with the placement. The net proceeds of the 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 as well as for general corporate purposes. All securities issued under the Private Placement are subject to a four-month and one-day hold period expiring on May 11, 2018;

- ix) closed a non-brokered private placement financing for aggregate gross proceeds of \$972,950. The Company issued 1,389,928 units at a price of \$0.70 per unit. Each unit comprised of one common share and one non-transferable common share purchase warrant, with each warrant entitling the holder to purchase one additional common share of the Company at a price of \$0.70 for a period of up to twenty-four months from the date of issue.

In addition, the Company issued 20,529 common shares as an arm's length finder's fee in connection with the placement. The net proceeds of the 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 as well as for general corporate purposes. All securities issued under the Private Placement are subject to a four-month and one-day hold period expiring on July 20, 2018;

- x) closed a non-brokered private placement financing for total gross proceeds of \$1,700,500 of which \$35,000 was received subsequent to the period ended May 31, 2018. The Company has allotted and issued 4,858,571 units at a price of \$0.35 per unit. Each unit is comprised of one common share and one transferable share purchase warrant, with each warrant entitling the holder to purchase one additional common share of the Company for a period of up to 36 months at a price of \$0.50.

In addition, the Company has paid \$9,000 as an arm's length finder's fee in connection with the private placement;

- xi) issued 1,828,571 common shares (valued at \$594,286) to acquire Xenoholographic Inc. for \$640,000, resulting in a gain of \$45,714; and
- xii) entered a convertible promissory note with InterKnowlogy of US\$1,800,000 (valued at CAD\$2,338,380). The loan is repayable on or before May 29, 2019 or if after the date there remains any unpaid portion of the principal amount, the Company satisfy part or all of the unpaid portion through the issuance of common shares of the Company valued at \$0.35 per share.



## **Related Party Transactions**

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

During the period ended May 31, 2018, the Company paid or accrued:

- i) management and consulting fees of \$198,446 (2017 - \$Nil), to The Zamnu Inc., a corporation owned by the CEO of the Company, namely Paul Silverrstieen.
- ii) consulting fees of \$Nil (2017 - 47,969) to Fast Creative Inc., a corporation owned by a former director of the Company, namely Colin Wiebe.
- iii) consulting fees of \$136,500 (2017 - \$36,000) to Triton Films Inc., a corporation owned by a director and former CEO of the Company, namely Gabriel Napora.
- iv) consulting fees of \$11,500 (2017 - \$39,000) to a former director of the Company, namely Tim Marlowe.
- v) consulting fees of \$120,750 (2017 - \$23,000) to a director of the Company, namely Yas Taalat.
- vi) consulting fees of \$Nil (2017 - \$25,000) to KMC Capital Corp., a corporation owned by the former CFO, namely Kelsey Chin.
- x) issued shares with a fair value of \$ Nil (2017 - \$172,500) for a net profit interest in several films to Triton Films Inc., a corporation owned by a director of the Company, namely Gabriel Napora.
- xi) issued shares with a fair value of \$ Nil (2017 - \$56,100) for a net profit interest in Food For Thought Project to a former director of the Company, namely Tim Marlowe.
- xii) paid or accrued office and rent costs of \$Nil (2017 - \$3,000) to KMC Capital Corp., a corporation owned by a former CFO Kelsey Chin.
- xiii) consulting fees of \$27,000 (2017 - \$Nil) to a former director of the Company, namely Ben Lu.

As at May 31, 2018, \$26,041 (August 31, 2017 - \$47,974) remained outstanding to related parties and is included under accounts payable.

During the period ended May 31, 2018, the Company issued 1,150,000 stock options to directors resulting in share-based compensation of \$414,514, which consisted of:

- i) \$242,660 to Ben Lu, a former director of the Company;
- ii) \$49,101 to Tristram Coffin, a director of the Company;
- iv) \$49,101 to Yassen Taalat, a director of the Company; and
- v) \$73,652 to Paul Silverrstieen, the CEO of the Company.

During the period ended February 28, 2018, the Company issued 1,500,000 warrants (August 31, 2017 - Nil) to a director resulting in share-based compensation of \$369,192 (August 31, 2017 - \$Nil).

## **Off Balance Sheet Arrangements**

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

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

Please refer to the condensed consolidated interim financial statements filed on [www.sedar.com](http://www.sedar.com) for the period ended February 28, 2018 for changes in accounting policies and future accounting changes.

## **Financial Instruments**

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

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

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

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk is primarily attributable to cash and receivables. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. The receivables relate to amounts due from government agencies, subscriptions receivable, and trade receivables, therefore the Company's maximum exposure to credit risk is the balance of cash held as at May 31, 2018. The Company has no significant concentration of credit risk arising from operations.

### **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instrument or future media related transactions. The Company's approach to managing liquidity risk is to ensure it has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash and expected exercise of share purchase warrants and options. The Company requires additional equity financing to fund its planned media programs and operating expenditures. Management believes that it will be successful in raising the necessary funds however, given the current market conditions, management believes that the raising of the required funds will take longer than is normal and will be at prices that may be less than desirable. There are no assurances that additional funds will be available on terms acceptable to the Company or at all. As May 31, 2018 the Company had \$341,698 (August 31, 2017 - \$286,839) of accounts payable and accrued liabilities which are due on standard trade payable terms not exceeding 90 days and loans payable of \$1,943,421 (August 31, 2017 - \$5,076).

### **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, 2018, the Company has USD \$8,368 included in cash and USD \$69,263 included in accounts payable. Management does not hedge its foreign exchange risk, and does not believe a change in foreign exchange would materially affect the Company at its current stage.

## **Contingencies**

The Company is unaware of exposure to any contingent liabilities.

## **Risks and Uncertainties**

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

### Financing

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

## **Disclosure Controls and Procedures**

CSE listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of Disclosure controls and procedures ("DC&P") and Internal controls over financial reporting ("ICFR"), as defined in National Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitation on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in National Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **Other MD&A Requirements**

As at July 30, 2018, the Company had 72,781,470 common shares issued and outstanding.

As at July 30, 2018, the following incentive stock options were outstanding:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of Options Outstanding</u>
April 4, 2019	\$0.35	300,000
April 11, 2019	0.31	65,000
December 22, 2019	0.65	35,650
January 22, 2020	0.97	175,000
January 29, 2020	0.95	25,000
February 5, 2020	0.85	10,000
February 19, 2020	0.78	25,000
March 13, 2020	0.30	700,000
March 17, 2020	0.45	225,000
March 22, 2020	0.61	140,000
June 4, 2020	0.34	50,000
September 13, 2021	0.15	700,000
November 16, 2021	0.15	50,000
February 3, 2022	0.05	317,100
April 12, 2022	0.50	40,000
April 18, 2022	0.31	750,000
June 22, 2022	0.26	68,888
July 4, 2022	0.26	490,000
August 8, 2022	0.28	150,000
November 9, 2022	0.28	1,025,000
November 27, 2022	0.60	50,000
December 12, 2022	0.67	20,000
January 22, 2023	0.97	50,000
February 13, 2023	0.72	75,000
April 20, 2023	0.45	100,000
		<u>5,636,638</u>

As at July 30, 2018, warrants were outstanding enabling holders to acquire shares as follows:

<u>Expiry Date</u>	<u>Exercise Price</u>	<u>Number of Warrants Outstanding</u>
June 22, 2019	\$0.35	329,600
June 22, 2019	0.35	3,200
September 28, 2019	0.32	30,000
November 14, 2019	0.37	93,750
November 14, 2019	0.32	2,500,000
January 10, 2020	0.65	450,000
March 19, 2020	0.70	1,389,928
March 16, 2021	0.50	3,958,571
		<u>8,755,049</u>

## **Change in Management**

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

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

In 2017, Colin Wiebe resigned from the Board of Advisors.

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

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

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

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

In September 2017, Timothy Marlowe resigned as a director of the Company.

In November 2017, Mr. Ben Lu and Mr. Tristram Coffin were elected as directors of the Company.

Mr. Lu is an award-winning scripted content and television commercial producer, writer and director, with over a dozen national awards for his commercial work and nominations for his creative work. His latest producing credit includes an unprecedented prime time network drama that has English, Mandarin and Cantonese as performing languages, a mini-series titled BLOOD AND WATER. Mr. Lu has produced TV spots for major brands such as Mercedes Benz Canada, The Salvation Army, Toyota Canada and Vancouver Aquarium. Other brands he's worked on also include Nike/Jordan, Air Canada, HSBC, BMW Canada, Audi Canada, ICBC, Vancity Credit Union, BC Hydro, Coast Capital Savings, PGX, Fortis BC and all three levels of governments.

Mr. Coffin, a Montreal businessman entrepreneur, was admitted to the Order of Opticians in 1963. His team spirit and dynamism allowed him to become one of Quebec's most prominent purveyor of quality eyewear and eye care services. He is a director of Metanor Resources and has actively helped the company become a gold producer. He is also a director of Diagnos, an artificial intelligence and healthcare technical services company, and Central America Nickel.

In May 2018, Tristram Coffin resigned as a director of the Company.

In June 2018, Sheldon Inwentash resigned from the Company's Advisory Board.

In June 2018, the Company announced significant changes to its Board of Directors with the appointment of James (Jim) Skippen and John Gillberry as new independent board members and the resignation from the Board of both Yas Taalat and Yipeng Ben Lu.

## **Board of Advisors Appointment**

### **Lochlyn Munro**

In October 2015, Lochlyn Munro joined the Board of Advisors. Lochlyn Munro is a well-known face from TV and film and is very popular in the Hollywood and Canadian film communities. Lochlyn is best known for his role in Clint Eastwood's *Unforgiven* and has created memorable characters in such films as *Dead Man on Campus*, *A Night at the Roxbury*, *Scary Movie* and most recently with George Clooney in Disney's *Tomorrowland*. Lochlyn's countless appearances on TV include roles on various American projects such as *21 Jump Street* and *Wiseguy*. Lochlyn Munro's Hollywood career continues to excel making him a powerful inspiration to all Canadian talent. As an advisor to GNM, he brings film, TV and music publishing experience, plus his unique cast perspective to the team.

### **Tim Huckaby**

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

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

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

### **Mitch Davis**

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

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

### **Tom Frisina**

In August 2017, Tom Frisina joined the Board of Advisors. Mr. Frisina is currently Executive Chairman of Tiling Point, a private equity funded and leading publisher within the mobile gaming industry. Previously during his 16 years with Electronic Arts, he initiated as its Senior Vice President and General Manager, a division entitled EA Partners, which oversaw the creation of and published global hit franchises from the most talented international independent game developers. During his last 6 years at EA as Vice President of Talent Development and Retention, he became a founding professor at The Center for Digital Media graduate school in Vancouver, B.C. During the same period, he became an Endowed Professor of

interactive media at USC's School of Cinematic Arts. Having initiated the establishment of many industry wide global hits over the last 35 years, among which were the franchises Hardball, Test Drive, Medal of Honor, Battlefield, Lord of the Rings and Rock Band, Mr. Frisina is currently an Executive Advisor and past Chairman of thatgamecompany, winner of the 2013 Game of the Year award within the interactive entertainment industry, for its hit title Journey.

### **Ben Lu**

In September 2017, Ben Lu joined the Board of Advisors. Mr. Lu's most recent producer role in the TV drama BLOOD AND WATER (Season 1 & 2) has been nominated for The Best Dramatic Series by the Academy of Canadian Cinema and Television. His commercial work has won over a dozen national awards for campaigns with Mercedes Benz Canada, Salvation Army, Vancouver Aquarium and many others.

### **Warren Zide**

In October 2017, Hollywood Producer, Warren Zide, joined the Company's Board of Advisors. Mr. Zide has produced a number of successful hit films including the "American Pie" and "Final Destination" franchises and the family box-office hit, "Cats and Dogs." His movies have grossed more than \$2 billion at the box office worldwide.

### **Jeffrey Rice**

In December 2017, Jeffrey Rice joined the Board of Advisors. Mr. Rice has produced over 90 movies including 2 GUNS (Denzel Washington) and END OF WATCH with Jake Gyllenhall and Michael Pena. He has worked on some of Hollywood's most successful movies and with stars ranging from Robert De Niro to Russell Crowe.

### **Peishan (Sarah) Yu**

With a long established passion in the media industry, and a reputation for being driven, hard-working and strong business acumen, Sarah Yu founded Focus Media Inc. in 2014. Over the years Focus Media has since then become one of Vancouver's best known branding and marketing companies especially for the Chinese Canadian market. As a company director and producer, Sarah has successfully organized events such as the 2015 Jewelry Queen Pageant, and TV reality series such as the much talked about Vancouver Million-Dollar Agent. Under Sarah's leadership and direction, Focus Media Inc. has developed a strong working relationship with Hairun TV and Movie Productions, a top media production and investment company from China.

### **Simon (Simon) Xu**

Simon Xu is one of Canada's leading creative thinkers in cross cultural marketing. In 2014, he helped his life partner Sarah Yu to establish Focus Media Inc. With their leadership, hard work and visionary approach, Focus Media has quickly become one of Vancouver's best marketing agencies and life style content producers. Simon is well-versed in web development and online marketing, as well as new media. He is also experienced in management and business development. Simon has also started a line of business in production services, producing for a Chinese drama series production here in Vancouver with China's Hairun TV and Movie Productions.

### **Jerry Solomon**

Jerry Solomon, Founder of the Aurora Games, has already entered into a five-year exclusive partnership with XenoHolographic, LLC as the exclusive technology platform for AR, AI and our proprietary Blockchain technology.

Over a 30 year career, Jerry Solomon has represented some of the most well-known athletes in the world while also producing live and televised events in a variety of sports and in some of the world's most

important venues including; Madison Square Garden, Bell Centre, Boardwalk Hall, AsiaWorld Arena, Earl's Court Arena and Boston Garden. Mr. Solomon was inducted into the Personal Managers Hall of Fame and the National Jewish Sports Hall of Fame, has been named one of the "Top 100 Most Powerful People in Sports" by The Sporting News and one of the "Top 25 Most Influential People in Figure Skating" by Figure Skating International magazine. He is responsible for helping to found the Karch Kiraly Scholarship Fund, the KidSport Foundation and the Nancy Kerrigan Foundation; served as an adjunct professor at UNH and UCLA and is the author of An Insider's Guide to Managing Sports Events which is being re-released later this year.

### **David M. Uslan**

David Uslan is a partner in Strawberry Pictures Global Media Limited (Hong Kong, Beijing, LA, NYC), along with his father, mentor, and Originator and Executive Producer of every Batman film, Michael E. Uslan. Previously, David helped develop a number of films, including Constantine, National Treasure and The Spirit as well as Executive Producing the Emmy nominated animated series Sabrina: Secrets of a Teenage Witch. He has also produced content for AMC, PBS, FX, and National Geographic. He is an Advisory Board member of the NAB Show, a consultant for the Hong Kong International Film Festival and The Asian Film Awards, and is a selected member of the Producers Guild of America's China Task Force.

### **Jim Skippen**

In April 2018, Jim Skippen joined the Board of Advisors. Mr Skippen's professional accomplishments include significant business combinations and financings for technology companies, building and leading WiLAN Inc. into one of the world's leading technology licensing companies, significant public company experience including service on the following public company boards: Quarterhill Inc., WiLAN Inc., Icron Inc., Solutrea Inc., and Materials Protection Technologies Inc. In addition, he was named Canada's Technology Executive of the Year by Cantech in 2012. He is currently serving as Executive Chairman of Quarterhill Inc. and Interim President & CEO of WiLAN Inc.

### **Sheldon Inwentash**

Sheldon Inwentash, a serial entrepreneur, is Chairman and Chief Executive Officer of ThreeD Capital Inc., a Toronto-based venture capital firm specializing in investments in the junior resource, Blockchain and artificial intelligence sectors.

Mr. Inwentash has more than 30 years of investing experience and has been instrumental in raising \$15 billion for his portfolio companies over the last 15 years. He co-founded Visible Genetics, the first commercial pharmacogenomics company, in 1994 and exited in 2001 to Bayer. Through two decades leading Pinetree Capital, Mr. Inwentash created significant shareholder value through early investments in Queenston Mining (acquired by Osisko Mining Corp. for \$550-million), Aurelian Resources (acquired by Kinross for \$1.2-billion) and Gold Eagle Mines (acquired by Goldcorp for \$1.5-billion) to name a few.