

IMAGINATION PARK ENTERTAINMENT INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED MAY 31, 2018

(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, 2018	August 31, 2017
ASSETS		
Current		
Cash and cash equivalents	\$ 261,405	\$ 528,401
Receivables (Note 7)	288,966	54,603
Deposit	34,000	-
Prepaid expenses (Note 8)	153,771	8,259
Total current assets	738,142	591,263
Reclamation bonds (Note 9)	5,040	5,040
Goodwill (Note 11 and 12)	5,587,709	-
Investment in Xenoholographic Inc. (Note 11)	-	203,792
Total assets	\$ 6,330,891	\$ 800,095
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Notes 14 and 16)	\$ 341,698	\$ 286,839
Deferred revenue	15,000	15,000
Loans payable (Note 15)	1,943,421	5,076
Total liabilities	2,300,119	306,915
Shareholders' equity		
Capital stock (Note 17)	19,467,037	15,121,397
Subscription receivable (Note 17)	(35,000)	-
Obligation to issue shares (Note 19)	7,500	-
Reserves (Note 17)	3,780,251	1,893,992
Deficit	(19,189,016)	(16,522,209)
Total shareholders' equity	4,030,772	493,180
Total liabilities and shareholders' equity	\$ 6,330,891	\$ 800,095

Nature and continuance of operations (Note 1)

Subsequent events (Note 19)

On behalf of the Board:

“Gabriel Napora”, Director

“James Skippen”, Director

IMAGINATION PARK ENTERTAINMENT INC.**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME**

(LOSS)

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED – PREPARED BY MANAGEMENT)

	Three months ended May 31, 2018	Three months ended May 31, 2017	Nine months ended May 31, 2018	Nine months ended May 31, 2017
REVENUE				
Production income (Note 13)	\$ -	\$ -	\$ 454,854	\$ 45,779
Production expenses (Note 13)	-	(1,748)	(454,854)	(15,755)
	-	1,748	-	(30,024)
EXPENSES				
Consulting fees and management fees (Note 16)	526,311	365,191	950,596	668,966
Foreign exchange loss	3,202	4,301	24,850	10,286
Interest expense	10,000	-	10,000	280
Net profits interests acquired (Note 10 and 17)	-	-	-	288,975
Office, rent, and miscellaneous (Note 16)	43,290	32,437	61,165	49,295
Pre-production expenses	53,654	62,155	278,146	62,155
Professional fees	77,284	97,644	188,504	139,748
Share-based compensation (Note 16 and 17)	133,269	859,161	2,005,616	1,276,561
Shareholder communications and promotion	200,333	41,523	332,205	64,276
Transfer agent and filing fees	15,935	2,747	36,161	24,883
Travel and accommodation	34,054	117,950	146,475	196,618
	1,097,332	1,583,109	4,033,718	2,782,043
OTHER ITEMS				
Fair value gain on acquisition of Xenoholographic	(1,400,577)	-	(1,400,577)	-
Loss (gain) on settlement of debt	-	2,851,624	(4,650)	2,851,624
Share of loss in equity accounted investment	9,641	-	38,316	-
	(293,604)	4,434,733	2,666,807	5,633,667
Total income (loss) and comprehensive income (loss) for the period	\$ 293,604	\$ (4,436,481)	\$ (2,666,807)	\$ (5,603,643)
Basic and diluted net income (loss) per common share	\$ 0.00	\$ (0.08)	\$ (0.04)	\$ (0.13)
Weighted average number of common shares outstanding – basic and diluted	66,003,525	53,474,561	63,830,915	43,705,160

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,

	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (2,666,807)	\$ (5,603,643)
Items not affecting cash:		
Share-based compensation	2,005,616	1,276,561
Net profits interest acquired	-	288,975
Loss (gain) on settlement of debt	(5,655)	2,851,624
Share of loss in equity accounted investment before the acquisition	38,316	-
Gain on increased fair value of the first 50% investment in Xenoholgraphic	(1,400,577)	-
Gain on settlement of loan payable	(4,650)	-
Change in non-cash working capital items:		
Decrease (increase) in receivables	(151,373)	47,387
Increase in deposit	15,500	-
Decrease (increase) in prepaid expenses	(145,512)	39,283
Increase (decrease) in accounts payable and accrued liabilities	(71,635)	402,015
Net cash flows used in operating activities	<u>(2,386,777)</u>	<u>(697,798)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placements	3,160,449	-
Share issuance costs	(14,099)	(20,600)
Proceeds from option exercises	141,855	264,645
Proceeds from warrant exercises	207,632	795,500
Subscriptions received in advance	-	10,000
Proceeds from loans	-	4,650
Net cash flows provided by financing activities	<u>3,495,837</u>	<u>1,054,195</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Xenoholgraphic Inc.	(1,495,407)	-
Cash received on acquisition of 1142128 B.C. Ltd. (Note 13)	115,126	-
Cash received on acquisition of Xenoholgraphic Inc. (Note 11)	4,225	-
Net cash flows used in investing activities	<u>(1,376,056)</u>	<u>-</u>
Change in cash	(266,996)	356,397
Cash, beginning of period	<u>528,401</u>	<u>135,688</u>
Cash, end of period	<u>\$ 261,405</u>	<u>\$ 492,085</u>
Cash paid for taxes during the period	\$ -	\$ -
Cash paid for interest during the period	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 18)

See accompanying notes to the condensed consolidated interim financial statements.

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

				Reserves					
	Number of shares	Capital stock	Treasury Shares/obligat ion to issue shares	Share-based payment reserve	Warrant reserve	Subscriptions received in advance (receivable)	Deficit	Total	
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	322,600	-	-	-	-	-	322,600	
Share issuance costs	-	(20,600)	-	-	-	-	-	(20,600)	
Issuance of shares for debt	8,304,057	3,287,523	-	-	-	-	-	3,287,523	
Subscriptions received in advance	-	-	-	-	-	10,000	-	10,000	
Cancellation of shares (Note 10)	(1,700,000)	(255,000)	225,000	-	-	-	-	-	
Share-based compensation	-	-	-	1,276,561	-	-	-	1,276,561	
Net and comprehensive loss for the period	-	-	-	-	-	-	(5,603,643)	(5,603,643)	
Balance, May 31, 2017	55,867,271	\$ 14,319,095	\$ -	\$ 1,491,306	\$ 332,433	\$ 10,000	\$ (15,864,638)	\$ 288,196	
Balance, August 31, 2017	61,589,503	\$ 15,121,397	\$ -	\$ 1,556,162	\$ 337,830	\$ -	\$ (16,522,209)	\$ 493,180	
Issued pursuant to private placements	7,685,999	3,195,449	-	-	-	(35,000)	-	3,160,449	
Issued pursuant to the acquisition of Prodigy Films Inc. (Note 12)	71,428	44,285	-	-	-	-	-	44,285	
Issued pursuant to the acquisition of 1142128 B.C Ltd. (Note 13)	62,500	56,875	-	-	-	-	-	56,875	
Issued pursuant to the acquisition of Xenoholographic Inc. (Note 11)	1,828,571	594,286	-	-	-	-	-	594,286	
Finders' fees – cash	-	(4,800)	-	-	-	-	-	(4,800)	
Finders' fees – shares	86,929	-	-	-	-	-	-	-	
Finders' fees – warrants	-	(8,875)	-	-	8,875	-	-	-	
Exercise of options	678,000	141,855	-	-	-	-	-	141,855	
Fair value of exercised options	-	116,288	-	(116,288)	-	-	-	-	
Exercise of warrants	636,160	207,632	-	-	-	-	-	207,632	
Fair value of exercised warrants	-	11,944	-	-	(11,944)	-	-	-	
Share issuance costs	-	(9,299)	-	-	-	-	-	(9,299)	
Obligation to issue shares	-	-	7,500	-	-	-	-	7,500	
Share-based compensation	-	-	-	1,390,297	-	-	-	1,390,297	
Warrants issued pursuant to bridge loan agreement	-	-	-	-	615,319	-	-	615,319	
Net and comprehensive loss for the period	-	-	-	-	-	-	(2,666,807)	(2,666,807)	
Balance, May 31, 2018	72,639,090	\$ 19,467,037	\$ 7,500	\$ 2,830,171	\$ 950,080	\$ (35,000)	\$ (19,189,016)	\$ 4,030,772	

See accompanying notes to the condensed consolidated interim financial statements.

IMAGINATION PARK ENTERTAINMENT INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(EXPRESSED IN CANADIAN DOLLARS)
(UNAUDITED – PREPARED BY MANAGEMENT)
FOR THE NINE MONTHS ENDED MAY 31, 2018

1. NATURE AND CONTINUANCE OF OPERATIONS

On May 4, 2016, the Company changed its name to Imagination Park Entertainment Inc. (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 30, 2018.

The condensed consolidated 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 additional 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 and presentation currency of the Company and its wholly owned subsidiaries is the Canadian dollar.

In the preparation of these condensed consolidated interim 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.

These condensed consolidated interim financial statements include the financial statements of the Company and the entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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FOR THE NINE MONTHS ENDED MAY 31, 2018

3. BASIS OF PRESENTATION (Continued)

The condensed consolidated interim financial statements include the financial statement of Imagination Park Entertainment Inc. and its subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership Interest at May 31, 2018	Ownership Interest at August 31, 2017	Principal Activity
1142128 B.C. Ltd.	Canada	100%	-	Movie production
Xenoholographic Inc.	United States	100%	-	Movie production
Prodigy Films Inc.	Canada	100%	-	Movie production
Juturna Geothermal Inc.	Canada	100%	-	Holding company
Imagination Park Alberta Ltd.	Canada	100%	-	Movie production
3 Seconds Holdings, Inc.	Canada	66.67%	-	Movie investment

The condensed consolidated interim financial statements include the financial statements of 1142128 B.C. Ltd. from its date of acquisition on January 24, 2018, Imagination Park Alberta Ltd. from its incorporation on April 9, 2018, Xenoholographic Inc. from its date of acquisition on May 29, 2018, and Prodigy Films Inc. from its date of acquisition on December 20, 2017.

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.

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 affect its returns. Subsidiaries are fully consolidated from the date control is transferred to the Company, and are de-consolidated from the date control ceases.

Investment in Joint Venture

A joint venture is a joint arrangement whereby the joint venture participants are bound by contractual agreements establishing joint control. Joint control exists when decisions about the activities that significantly affect the returns of the investee require unanimous consent. A joint arrangement may be a joint operation or a joint venture. A joint arrangement is classified as a joint venture when the investor has rights to the net assets of the joint arrangement. A joint operation is a joint arrangement whereby the investor has rights and obligations to the separate assets and liabilities of the investee, respectively. The Company does not hold interests in joint operations.

The Company accounts for its investments in its joint venture using the equity method. Under the equity method, the Company's investment in the joint venture is initially recognized at fair value and subsequently increased or decreased to recognize the Company's share of net earnings and losses of joint venture, after any adjustments necessary to give effect to uniform accounting policies, any other movement in the associate or joint venture's reserves, and for impairment losses after the initial recognition date. The total carrying amount of the Company's investments in its joint venture also include any long-term debt interests which in substance form part of the Company's net investment. The Company's share of the joint venture's losses that are in excess of its investment are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture. The Company's share of earnings and losses of the joint venture are recognized in net earnings during the period. Dividends and repayment of capital received from a joint venture are accounted for as a reduction in the carrying amount of the Company's investment.

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FOR THE NINE MONTHS ENDED MAY 31, 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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.

Joint venture

The Company's interests in a jointly controlled entity are proportionately consolidated. The Company combines its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Company's financial statements. The Company recognizes the portion of gains or losses on the sale of assets by the Company to the joint venture that is attributable to the other ventures. The Company does not recognize its share of profits or losses from the joint venture that result from the Company's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately of the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

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 and also a movie 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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).

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is valued at fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of loss.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2018.

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 measurable 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.

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FOR THE NINE MONTHS ENDED MAY 31, 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2017 and 2016, the outstanding stock options and warrants were anti-dilutive.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

iv) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

Acquisition of 1142128 B.C. Ltd.

The Company's acquisition of 1142128 B.C. Ltd. has been determined to be a business combination, and consequently has been accounted for by applying the acquisition method. Applying the acquisition method requires recognizing and measuring (i) the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, and (ii) goodwill or a gain from a bargain purchase.

The measurement of a business combination requires management estimation in determining the fair value of assets and liabilities acquired. The Company's application of the recognition principle may result in recognizing some assets (often intangible) and liabilities that the acquiree had not previously recognized as assets and liabilities in its financial statements. In a business combination, identifiable assets, liabilities and contingent liabilities are recorded at the date of acquisition at their respective fair values.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates and judgments (Continued)

Acquisition of Xenoholographic Inc.

The Company's acquisition of Xenoholographic Inc. has been determined to be a business combination, and consequently has been accounted for by applying the acquisition method. Applying the acquisition method requires recognizing and measuring (i) the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, and (ii) goodwill or a gain from a bargain purchase.

The measurement of a business combination requires management estimation in determining the fair value of assets and liabilities acquired. The Company's application of the recognition principle may result in recognizing some assets (often intangible) and liabilities that the acquiree had not previously recognized as assets and liabilities in its financial statements. In a business combination, identifiable assets, liabilities and contingent liabilities are recorded at the date of acquisition at their respective fair values.

Acquisition of Prodigy Inc.

The Company's acquisition of Prodigy Inc. has been determined to be an asset acquisition as Prodigy Inc. does not meet the definition of a business under IFRS 3 – Business Combinations. As a result, the acquisition of Prodigy Inc. has been accounted for as an asset acquisition, whereby all of the assets acquired and liabilities assumed are recorded at fair value.

The Company's application of the recognition principle may result in recognizing some assets (often intangible) and liabilities that the acquiree had not previously recognized as assets and liabilities in its financial statements. One of the most significant areas of estimation and judgment relates to the valuation of the intangible asset. Valuation techniques applied to intangible assets are based on an estimate of total expected future net cash flows. Management must make assumptions regarding the future performance of the assets concerned and the appropriate discount rate.

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.

IFRS 16 Leases specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. Applicable to annual periods beginning on or after January 1, 2019.

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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.

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, 2018.

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, 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).

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6. FINANCIAL RISK FACTORS (Continued)

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 \$10,784 included in cash and USD \$109,843 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.

7. RECEIVABLES

The receivables balance is comprised of the following items:

	<i>May 31, 2018</i>	<i>August 31, 2017</i>
Sales tax receivable from the Federal Government	\$ 151,825	\$ 54,603
Trade receivables	124,340	-
Other receivable	12,801	-
	\$ 288,966	\$ 54,603

8. PREPAID EXPENSES

The prepaid expense balance is comprised of the following items:

	<i>May 31, 2018</i>	<i>August 31, 2017</i>
Consulting	\$ 152,290	\$ 2,625
Professional	981	5,134
Rent	500	500
Total	\$ 153,771	\$ 8,259

9. RECLAMATION BONDS

The reclamation bond balance at May 31, 2018, of \$5,040 (August 31, 2017 - \$5,040) relates to the Company's previously held mineral properties.

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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 August 31, 2016, \$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 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 agreements

During the year ended August 31, 2015, the Company signed revenue participation agreements with directors, subsequently amended, 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, 2017, an additional 1,700,000 shares were cancelled and returned to treasury valued at \$255,000 and the Company issued 2,300,000 common shares at \$0.10 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 revenue participation agreement, which was amended during the three months ended November 30, 2016 to acquire the rights to share potential revenue from upcoming films. During the year ended August 31, 2017, the Company also issued 250,000 common shares at \$0.10 to settle a penalty fee and issued 115,000 common shares at \$0.10 as a success fee pursuant to the exercise of the LOI option with Triton Films Inc.

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 year ended August 31, 2017, the Company 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’.

During the year ended August 31, 2017, the Company wrote off intangible assets of \$25,100.

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11. XENOHOLOGRAPHIC INC. ACQUISITION

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:
 - a) payment of US\$1,800,000 within 12 months on or before May 29, 2019; or
 - b) 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 Xenoholgraphic Inc.	1,400,577
Promissory note	1,948,650
	\$ 5,604,396

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12. PRODIGY FILMS INC. ACQUISITION

On December 20, 2017, the Company purchased a 100% interest in a private company, Prodigy Inc. by issuing 71,428 common shares. The fair value of the 71,428 common shares was determined to be \$0.62 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>	
Goodwill	\$ 44,285
<i>Total Purchase Price:</i>	
Issuance of 71,428 shares	\$ 44,285

Effective December 20, 2017, the Company included the operations of Prodigy Films Inc. in the condensed consolidated interim financial statements. During the period ended May 31, 2018, there has been no financial activity.

13. 1142128 B.C LTD. ACQUISITION

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.

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14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The payables balance is comprised of the following items:

	<i>May 31,</i> <i>2018</i>	<i>August 31,</i> <i>2017</i>
Trade payables	\$ 294,577	\$ 186,468
Related parties	26,041	70,161
Accrued liabilities	21,080	30,210
Total	\$ 341,698	\$ 286,839

15. 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, 2018 (August 31, 2017 - \$276).

As at May 31, 2018, the Company has \$150 (August 31, 2017 - \$4,800) in short-term loans from related parties, which are non-interest bearing and repayable on demand.

During the period ended May 31, 2018, the Company entered into a related party \$500,000 loan agreement with a director. The loan had no interest and was 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. During the period ended May 31, 2018, the Company repaid it in full.

During the period ended May 31, 2018, the Company entered into 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 can satisfy part or all of the unpaid portion through the issuance of common shares of the Company valued at \$0.35 per share. The convertible promissory note has been discounted using the fair value method and an effective interest rate of 18.37%. The Company accrued US\$1,500,000 (CAD\$1,948,650), which was allocated to the purchase price of Xenoholographic Inc. and over the term of the loan, this carrying value is to be accreted to the US\$1,800,000 principal amount using the effective-interest-rate method. During the period ended May 31, 2018, the Company and incurred a foreign exchange gain of \$5,655. At May 31, 2018, the fair value of the convertible note was \$1,955,436.

16. 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, 2018, the Company paid or accrued consulting and management fees of \$494,196 (2017 - \$472,700), and paid or accrued office and rent costs of \$Nil (2017 - \$3,000) to directors and officers of the Company, or companies under their control. As at May 31, 2018, \$26,041 (August 31, 2017 - \$70,161) remained outstanding and is included under accounts payable.

During the period ended May 31, 2018, the Company issued 1,150,000 stock options (August 31, 2017 - 3,246,500) to directors resulting in share-based compensation of \$414,514 (August 31, 2017 - \$468,070).

During the period ended May 31, 2018, the Company issued 1,500,000 warrants (August 31, 2017 - Nil) relating to a loan payable (Note 15) to a director resulting in interest of \$369,192 (August 31, 2017 - \$Nil).

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17. 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, 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 finders' 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) 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;
- iv) issued 636,160 common shares pursuant to the exercise of warrants for gross proceeds of \$207,632;
- v) issued 71,428 common shares at \$0.62 for gross consideration of \$44,285 to acquire Prodigy Films Inc. (Note 12);
- vi) 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;

- vii) issued 62,500 common shares at \$0.91 for gross consideration of \$56,875 to acquire 1142128 B.C Ltd. (Note 13);

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17. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (continued)

Capital stock (continued)

viii) 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 comprises 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, subject to accelerated expiry in certain circumstances.

In addition, the Company has issued 20,529 common shares as an arm's length finder's fee in connection with the placement. All securities issued under the private placement are subject to a four-month and one-day hold period expiring on July 20, 2018;

ix) 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; and

x) issued 1,828,571 common shares (valued at \$594,286) to acquire an additional 50% interest in Xenoholographic Inc. (Note 11).

During the year ended August 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 \$0.10 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 ("LOI"), 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 \$0.10 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 (Note 10);
- vii) entered into debt settlement agreements with officers, directors and consultants of the Company pursuant to which the Company issued 7,926,157 common shares at a fair value of \$0.41 per share to settle debts of \$396,308 resulting in a loss on settlement of debt of \$2,853,417;
- viii) issued 2,462,900 common shares pursuant to the exercise of options for gross proceeds of \$342,645 and transferred the fair value of the options exercised to capital stock from share-based payments reserve;

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17. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (continued)

Capital stock (continued)

- ix) issued 11,837,032 common shares pursuant to the exercise of warrants for gross proceeds of \$1,183,703 and transferred the fair value of the options exercised to capital stock from warrant reserve;
- x) entered in to a debt settlement agreement with Mr. Wiebe pursuant to which the Company has agreed to issue 93,000 common shares at \$0.245 per share in order to settle indebtedness in the amount of \$22,785; and
- xi) 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 finders’ fees of a total of \$7,560 and issued an aggregate 30,240 finders’ 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 finders’ 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.

Share purchase warrants

At May 31, 2018 warrants were outstanding enabling holders to acquire shares as follows:

Expiry Date	Exercise Price (\$)	Number of warrants	Remaining contractual life (years)	Currently exercisable
June 22, 2019	0.35	329,600	1.06	329,600
June 22, 2019	0.35	3,200	1.06	3,200
September 28, 2019	0.32	30,000	1.33	30,000
November 14, 2019	0.37	93,750	1.46	93,750
November 14, 2019	0.32	2,500,000	1.46	2,500,000
January 10, 2020	0.65	450,000	1.61	450,000
March 19, 2020	0.70	1,389,928	1.80	1,389,928
May 16, 2021	0.50	3,958,571	2.96	3,958,571
		8,755,049	2.18	8,755,049

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17. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (continued)

Share purchase warrants (continued)

The following is a summary of the warrant transactions during the period ended May 31, 2018 and the year ended August 31, 2017:

	Nine months ended May 31, 2018		Year ended August 31, 2017	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of the period	553,840	\$ 0.34	13,237,532	\$ 0.18
Warrants issued -pursuant to private placements	6,322,249	0.54	523,600	0.35
Warrants issued -pursuant to broker's warrants	15,120	-	30,240	0.23
Warrants issued - pursuant to bridge loan	2,500,000	0.32	-	-
Warrants exercised	(636,160)	(0.33)	(11,733,032)	(0.10)
Warrants expired	-	-	(1,504,500)	(0.79)
Balance, end of period	8,755,049	\$ 0.48	553,840	\$ 0.34

Broker warrants were valued at \$8,875 (August 31, 2017 - \$5,397), using the Black Scholes option pricing model.

During the period ended May 31, 2018, 2,500,000 warrants, granted under the bridge loan agreement, were valued at \$615,319, 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, 2018 and the year ended August 31, 2017:

	Nine months ended May 31, 2018	Year ended August 31, 2017
Risk-free interest rate	1.44%	0.93%
Expected life of warrants	2.00 years	2.00 years
Expected annualized volatility	150.14%	150%
Expected dividend rate	0%	0%
Stock price	\$0.35	\$0.25
Exercise price	\$0.32	\$0.25
Fair value per warrant	\$0.25	\$0.18

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 its 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.

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17. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (continued)

Stock options (continued)

As at May 31, 2018, the following incentive stock options were outstanding:

Expiry Date	Options Outstanding and Exercisable		
	Exercise price (\$)	Number of Options Outstanding	Weighted average remaining contractual life (years)
April 4, 2019	0.35	300,000	0.04
April 11, 2019	0.31	65,000	0.01
December 22, 2019*	0.65	85,400	0.02
January 22, 2020	0.97	175,000	0.04
January 29, 2020**	0.95	375,000	0.10
February 5, 2020	0.85	10,000	0.00
February 16, 2020***	0.78	50,000	0.01
February 19, 2020	0.78	25,000	0.01
March 13, 2020	0.30	700,000	0.19
March 17, 2020	0.45	225,000	0.06
March 22, 2020	0.61	140,000	0.04
February 14, 2021****	0.72	100,000	0.04
September 13, 2021	0.15	700,000	0.35
November 16, 2021	0.15	50,000	0.03
February 3, 2022	0.05	317,100	0.18
April 12, 2022	0.50	40,000	0.02
April 18, 2022	0.31	750,000	0.45
June 22, 2022	0.26	68,888	0.04
July 4, 2022	0.26	490,000	0.31
August 8, 2022	0.28	150,000	0.10
October 30, 2022*****	0.25	100,000	0.07
November 9, 2022	0.28	1,025,000	0.70
November 27, 2022	0.60	50,000	0.03
December 8, 2022*****	0.70	250,000	0.17
December 12, 2022	0.69	20,000	0.01
December 19, 2022*****	0.65	5,000	0.00
January 22, 2023*****	0.97	100,000	0.07
February 13, 2023	0.72	75,000	0.05
April 20, 2023	0.45	100,000	0.07
		6,541,388	3.22

*49,750 options cancelled subsequently

**350,000 options cancelled subsequently

***cancelled subsequently

****cancelled subsequently

*****cancelled subsequently

*****cancelled subsequently

*****cancelled subsequently

*****50,000 options cancelled subsequently

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

Stock options (Continued)

The following is a summary of the option transactions during the period ended May 31, 2018 and the year ended August 31, 2017:

	Nine months ended May 31, 2018		Year ended August 31, 2017	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the period	4,375,488	\$ 0.25	710,000	\$ 0.06
Options granted	2,990,400	0.54	7,838,388	0.22
Options exercised	(678,000)	(0.21)	(2,462,900)	(0.14)
Options expired/cancelled	(146,500)	(0.29)	(1,710,000)	(0.18)
Balance, end of the period	6,541,388	\$ 0.39	4,375,488	\$ 0.25

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted for the period ended May 31, 2018 and the year ended August 31, 2017:

	Nine months ended May 31, 2018	Year ended August 31, 2017
Risk-free interest rate	1.67%	0.92%
Expected life of options	3.95 years	4.44 years
Expected annualized volatility	158.05%	150%
Exercise price	\$0.68	\$0.24
Share price	\$0.66	\$0.27
Expected dividend rate	\$0.56	\$0.28

Share based compensation

During the period ended May 31, 2018, the Company granted the following options:

- i) issued 100,000 stock options to a consultant of the Company. The options are exercisable at \$0.255 per share for a period of two 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.
- ii) issued 100,000 stock options to an officer of the Company. The options are exercisable at \$0.245 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.
- iii) issued 1,185,000 stock options to officers, directors and consultants of the Company. The options are exercisable at \$0.275 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) issued 5,000 stock options to a non-related party of the Company. The options are exercisable at \$0.46 per share for a period of three 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.

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

Share based compensation (Continued)

- v) issued 50,000 stock options to consultants of the Company. The options are exercisable at \$0.60 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.
- vi) issued 250,000 stock options to a consultant of the Company. The options are exercisable at \$0.70 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.
- vii) issued 20,000 stock options to a consultant of the Company. The options are exercisable at \$0.69 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.
- viii) issued 5,000 stock options to a consultant of the Company. The options are exercisable at \$0.65 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.
- ix) issued 85,400 stock options to consultants of the Company. The options are exercisable at \$0.65 per share for a period of two 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.
- x) issued 175,000 stock options to consultants of the Company. The options are exercisable at \$0.97 per share for a period of two 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.
- xi) issued 100,000 stock options to a director and a consultant of the Company. The options are exercisable at \$0.97 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.
- xii) issued 375,000 stock options to a director and consultants of the Company. The options are exercisable at \$0.95 per share for a period of two 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.
- xiii) issued 10,000 stock options to a consultant of the Company. The options are exercisable at \$0.85 per share for a period of two 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.
- xiv) issued 75,000 stock options to a consultant of the Company. The options are exercisable at \$0.72 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.
- xv) issued 100,000 stock options to a consultant of the Company. The options are exercisable at \$0.72 per share for a period of three 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.
- xvi) issued 50,000 stock options to a consultant of the Company. The options are exercisable at \$0.78 per share for a period of two 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.
- xvii) issued 25,000 stock options to a consultant of the Company. The options are exercisable at \$0.78 per share for a period of two 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.

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

Share based compensation (Continued)

xviii) issued 140,000 stock options to a consultant of the Company. The options are exercisable at \$0.61 per share for a period of two 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.

xix) issued 40,000 stock options to a consultant of the Company. The options are exercisable at \$0.50 per share for a period of two 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.

xx) issued 100,000 stock options to a consultant of the Company. The options are exercisable at \$0.45 per share for a period of two 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.

During the year ended August 31, 2017, the Company granted the following options:

- 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.
- 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 vest over 3 years, 25% at grant date and 25% annually thereafter.
- 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.
- xii) 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.
- xiii) granted 68,888 incentive stock options. The options are exercisable at \$0.26 per share for a period of five years from the date of grant. The options vest over 3 years, 25% at grant date and 25% annually thereafter.

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

Share based compensation (Continued)

- xiv) granted 608,888 incentive stock options. The options are exercisable at \$0.26 per share for a period of five years from the date of grant. The options vested immediately.
- xv) granted 150,000 options exercisable at \$0.28 for a period of five years to consultants in accordance with the Company's stock option plan. The options vest over 3 years, 25% at grant date and 25% annually thereafter.

18. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing and financing transactions for the period ended May 31, 2018 consisted of:

- i) transferred \$116,288 from share-based payment reserve to share capital upon exercise of options;
- ii) transferred \$11,944 from warrant reserve to share capital upon exercise of warrants;
- iii) issued 15,120 broker warrants valued at \$8,875 as share issue costs pursuant to private placement and acquisition of 1142128 B.C Ltd. and Prodigy Films Inc.;
- iv) issued 71,428 shares valued at \$44,285 pursuant to the acquisition of Prodigy Films Inc.;
- v) issued 62,500 shares valued at \$56,875 pursuant to the acquisition of 1142128 B.C Ltd.; and
- vi) issued 1,828,571 shares valued at \$594,286 pursuant to the acquisition of Xenoholographic Inc.

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

- i) issued 8,397,157 shares valued at \$3,310,774 to settle outstanding debt;
- ii) cancelled and returned to treasury 1,700,000 shares and valued at \$255,000 (Note 10);
- iii) issued 30,240 broker warrants valued at \$5,397 as share issue costs pursuant to private placement;
- iv) transferred \$291,422 from share-based payment reserve to share capital upon exercise of options; and
- v) transferred \$26,163 from warrant reserve to share capital upon exercise of warrants.

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19. SUBSEQUENT EVENTS

Subsequent to the period ended May 31, 2018, the Company:

- i) entered into a shares for services agreement whereby it will issue common shares at market value equivalent to \$7,500 per month for one year commencing on May 1, 2018. At May 31, 2018, the Company had an obligation to issue shares of \$7,500.
- ii) entered into a shares for services agreement whereby it will issue common shares at market value equivalent to \$3,000 per month for one year commencing on June 1, 2018.
- iii) issued 142,380 common shares at a fair value of \$0.29 per share to settle debts of \$35,595 resulting in a loss on settlement of debt of \$5,695.
- iv) granted 50,000 options exercisable at \$0.34 for a period of two years to a consultant of the Company in accordance with the Company's stock option plan. The options vested immediately.
- v) granted 1,400,000 options exercisable at \$0.20 for a period of five years to directors of the Company in accordance with the Company's stock option plan. The options vested immediately.