



**IMAGINATION PARK TECHNOLOGIES INC.**  
(formerly Imagination Park Entertainment Inc.)

**CONDENSED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
(UNAUDITED)**

**FOR THE THREE MONTHS ENDED NOVEMBER 30, 2018 AND NOVEMBER 2017  
(EXPRESSED IN CANADIAN DOLLARS)**

## **NOTICE OF NO AUDITOR REVIEW**

The accompanying unaudited condensed interim financial statements of Imagination Park Technology have been prepared by and are the responsibility of management and have approved by the Board of Directors.

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 TECHNOLOGIES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Unaudited)

	November 30, 2018	August 31, 2018
<b>ASSETS</b>		
Current		
Cash	\$ 2,469,623	\$ 324,938
Receivables (Note 4)	47,108	147,047
Prepaid expenses (Note 5)	75,940	90,858
Total current assets	2,592,671	562,843
Reclamation bonds (Note 6)	5,040	5,040
Intangible assets (Note 7)	6,672,116	6,642,803
Investment in Kindergarten Holdings Inc.	12,801	12,801
Subscription receivable (Note 10)	19,710	-
Total assets	\$ 9,302,338	\$ 7,223,487
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current		
Accounts payable and accrued liabilities (Notes 8 and 11)	\$ 599,548	\$ 595,888
Loans payable	-	425
Convertible promissory note (Note 9)	1,954,582	2,007,025
Total liabilities	2,554,130	2,603,338
Shareholders' equity		
Capital stock (Note 10)	22,927,656	19,902,634
Reserves (Note 10)	4,350,556	4,280,305
Deficit	(20,530,004)	(19,562,790)
Total shareholders' equity	6,748,208	4,620,149
Total liabilities and shareholders' equity	\$ 9,302,338	\$ 7,223,487

See accompanying notes to the condensed interim consolidated financial statements.

**Nature and continuance of operations** (Note 1)

**Subsequent events** (Note 14)

These financial statements are authorized for issuance by the Board of Directors on January 28, 2019

On behalf of the Board:

          "James Skippen"          , Director

          "John Gillberry"          , Director

**IMAGINATION PARK TECHNOLOGIES INC.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

(Unaudited)

	November 30, 2018	November 30, 2017
<b>REVENUE</b>	\$ 45,794	\$ -
<b>EXPENSES</b>		
Accretion of convertible promissory note (Note 19)	228,445	-
Consulting fees and management fees (Note 11)	387,268	173,573
Foreign exchange loss	68,425	8,871
Office, rent, and miscellaneous	43,637	13,289
Pre-production expenses	10,420	50,239
Professional fees	82,605	65,544
Share-based compensation (Note 11 and 10)	70,251	988,392
Communications and promotion	232,127	38,849
Transfer agent and filing fees	4,548	5,876
Travel and accommodation	25,266	66,041
Wages	216,198	-
	(1,369,190)	(1,410,674)
<b>OTHER</b>		
Gain on revaluation of derivative liability (Note 9)	341,000	-
Gain on settlement of debt	15,182	4,650
Share of loss in equity accounted investment	-	(16,593)
	356,182	(11,943)
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (967,214)</b>	<b>\$ (1,422,617)</b>
<b>Basic and diluted net loss per common share</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>83,315,349</b>	<b>62,220,437</b>

See accompanying notes to the condensed interim consolidated financial statements.

**IMAGINATION PARK TECHNOLOGIES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	November 30, 2018	November 30, 2017
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (967,214)	\$ (1,422,617)
Items not affecting cash:		
Share-based compensation	70,251	988,392
Accretion of convertible promissory note	228,445	-
Gain on settlement of debt	15,182	(4,650)
Gain on revaluation of convertible promissory note	(341,000)	-
Foreign exchange loss on loan payable	60,112	-
Change in non-cash working capital items:		
Decrease (increase) in receivables	99,939	(24,214)
Decrease (increase) in prepaid expenses	14,918	(94,259)
Decrease in accounts payable and accrued liabilities	(11,947)	(172,269)
Net cash flows used in operating activities	<u>(831,314)</u>	<u>(729,617)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placements	3,009,008	251,500
Share issuance costs	(3,696)	(5,100)
Proceeds from option exercises	-	22,500
Proceeds from warrant exercises	-	29,750
Proceeds from loans	-	500,000
Net cash flows provided by financing activities	<u>3,005,312</u>	<u>798,650</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash used for purchase of intangible assets (Note 7)	(29,313)	-
Investment in Xenoholographic Inc.	-	(265,239)
Net cash flows used in investing activities	<u>(29,313)</u>	<u>(265,239)</u>
<b>Change in cash</b>	2,144,685	(196,206)
<b>Cash, beginning of period</b>	<u>324,938</u>	<u>528,401</u>
<b>Cash, end of period</b>	<u>\$ 2,469,623</u>	<u>\$ 332,195</u>
Cash paid for taxes during the period	\$ -	\$ -
Cash paid for interest during the period	\$ -	\$ -

See accompanying notes to the condensed interim consolidated financial statements.

**IMAGINATION PARK TECHNOLOGIES INC.**

**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Unaudited)

	Number of shares	Capital stock	Reserves			Deficit	Total
			Share-based payment reserve	Warrant reserve			
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	987,500	252,000	-	-	-	252,000	
Finders' fees – cash	-	(4,800)	-	-	-	(4,800)	
Finders' fees – shares	60,000	-	-	-	-	-	
Exercise of options	150,000	22,500	-	-	-	22,500	
Fair value of exercised options	-	19,002	(19,002)	-	-	-	
Exercise of warrants	85,000	29,750	-	-	-	29,750	
Share issuance costs	-	(300)	-	-	-	(300)	
Share-based compensation	-	-	373,073	-	-	373,073	
Warrants issued pursuant to bridge loan agreement	-	-	-	615,319	-	615,319	
Net and comprehensive loss for the period	-	-	-	-	(1,422,617)	(1,422,617)	
Balance, November 30, 2017	62,872,003	\$ 15,439,549	\$ 1,910,233	\$ 953,149	\$ (17,944,826)	\$ 358,105	
Balance, August 31, 2018	76,381,470	\$ 19,902,634	\$ 3,111,529	\$ 1,168,776	\$ (19,562,790)	\$ 4,620,149	
Issued pursuant to private placements	25,239,318	3,028,718	-	-	-	3,028,718	
Share issuance costs	-	(3,696)	-	-	-	(3,696)	
Share-based compensation	-	-	70,251	-	-	70,251	
Net and comprehensive loss for the period	-	-	-	-	(967,214)	(967,214)	
Balance, November 30, 2018	101,620,788	\$ 22,927,656	\$ 3,181,780	\$ 1,168,776	\$ (20,530,004)	\$ 6,748,208	

See accompanying notes to the condensed interim consolidated financial statements.

## **IMAGINATION PARK TECHNOLOGIES INC.**

For the three months ended November 30, 2018 and 2017

Notes to the condensed interim consolidated financial statements  
(Unaudited)

### **1. NATURE AND CONTINUANCE OF OPERATIONS**

Imagination Park Technology Inc. (formerly Imagination Park Entertainment Inc.) (“the Company”) is a public company domiciled in Canada incorporated in British Columbia under the laws of the Business Corporation Act (BC, Canada) on October 11, 2011. The Company's head office is located at 1108 – 1238 Seymour Street, Vancouver, BC, V6B 6J3.

The Company's core business is to deliver engaging and interactive content to users through a cloud-based augmented reality platform. The Company's shares are listed on the Canadian Securities Exchange (“CSE”) under the ticker symbol “IP”.

The condensed interim consolidated financial statements of the Company as at and for the three months ended November 30, 2018 and November 30, 2017 comprise the Company and its subsidiaries (together referred to as the “Company” and individually as “Company entities”).

The condensed consolidated interim financial statements have been prepared on 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 condensed consolidated interim 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. BASIS OF MEASUREMENT AND PRESENTATION**

These condensed consolidated interim financial statements, including comparatives, have been prepared using 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.

The notes presented in these condensed interim consolidated financial statements include only significant events and transactions and do not include all the matters normally disclosed in the Company's audited financial statements and are therefore referred to as condensed. These condensed interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended August 31, 2018.

The policies applied in these condensed consolidated interim financial statements are presented below and are based on IFRS issued and outstanding as of November 30, 2018. Any subsequent changes to IFRS that are given effect in our annual consolidated financial statements for the year ending August 31, 2019 could result in restatements of these condensed consolidated interim financial statements. None of these standards are expected to have a significant effect on the condensed consolidated interim financial statements.

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for investments, and the derivative liabilities which are classified as available-for-sale or held-for-trading and measured at fair value. In addition, these condensed consolidated interim 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.

## IMAGINATION PARK TECHNOLOGIES INC.

For the three months ended November 30, 2018 and 2017

Notes to the condensed interim consolidated financial statements  
(Unaudited)

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### New accounting standards and interpretations

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9") introduces new requirements for the classification and measurement of financial instruments. Management adopted this standard in the Company's consolidated financial statements for the period beginning September 1, 2018, and this standard does not have a significant impact on the Company's existing accounting policies or financial statement presentation.

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 adopted this standard in the Company's consolidated financial statements for the period beginning September 1, 2018, and this standard does not have a significant impact on the Company's existing accounting policies or financial statement presentation.

#### Future accounting changes

IFRS 16 Leases: The new standard specifies how to 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. The eventual application of this standard is not expected to have a significant impact on the Company's existing accounting policies or financial statement presentation.

### 4. RECEIVABLES

The receivables balance is comprised of the following items:

	<i>November 30, 2018</i>	<i>August 31, 2018</i>
Sales tax receivable from the Federal Government	\$ 35,792	137,342
Due from related parties (Note 11)	11,316	9,705
	<u>\$ 47,108</u>	<u>147,047</u>

### 5. PREPAID EXPENSES

The prepaid expense balance is comprised of the following items:

	<i>November 30, 2018</i>	<i>August 31, 2018</i>
Consulting	\$ 63,122	\$ 89,877
Professional	-	981
Other	12,818	-
Total	<u>\$ 75,940</u>	<u>\$ 90,858</u>



**IMAGINATION PARK TECHNOLOGIES INC.**

For the three months ended November 30, 2018 and 2017

Notes to the condensed interim consolidated financial statements  
(Unaudited)**6. RECLAMATION BONDS**

The reclamation bonds balance at November 30, 2018, of \$5,040 (August 31, 2018 - \$5,040) relates to the Company's previously held mineral properties.

**7. INTANGIBLE ASSETS**

	<i>November 30, 2018</i>	<i>August 31, 2018</i>
Mobile software application, cost of acquired assets	\$ 6,642,803	\$ 6,392,465
Additions	29,313	250,338
<b>Total</b>	<b>\$ 6,672,116</b>	<b>\$ 6,642,803</b>

During the period ended November 30, 2018 and year ended August 31, 2018, intangible assets, comprising a mobile software platform and applications for augmented reality content, have not been amortized as they were not available for use.

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The payables balance is comprised of the following items:

	<i>November 30, 2018</i>	<i>August 31, 2018</i>
Trade payables	\$ 426,619	\$ 505,151
Related parties (Note 14)	61,922	63,027
Accrued liabilities	111,007	27,710
<b>Total</b>	<b>\$ 599,548</b>	<b>\$ 595,888</b>

**9. CONVERTIBLE PROMISSORY NOTE**

The discount on the convertible promissory note is amortized using the effective interest method over the one-year term of the promissory note. The Corporation accretes the carrying value of the convertible debentures each month by recognizing an accretion expense in profit or loss and a credit to convertible promissory note. For the year ended August 31, 2018, \$209,750 of accretion expense from the debt discount was recorded by the Company. During the period ended November 30, 2018, the Company recorded \$228,445 of accretion expense from the debt discount.

The fair value of the derivative liability as at November 30, 2018 was estimated as \$17,000 (August 31, 2018 - \$358,000) using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0% (August 31, 2018 - 0%), expected volatility of 113% (August 31, 2018 - 113%) based on historical volatility, risk free interest rate of 1.66% (August 31, 2018 - 1.66%), share price of \$0.09 (August 31, 2018 - \$0.22), and an expected life of 0.5 years (August 31, 2018- 0.75). The convertible promissory note is shown as a current liability as the debt's maturity date is fewer than 12 months from August 31, 2018.

**IMAGINATION PARK TECHNOLOGIES INC.**

For the three months ended November 30, 2018 and 2017

Notes to the condensed interim consolidated financial statements  
(Unaudited)**9. CONVERTIBLE PROMISSORY NOTE (continued)**

	<i>Liability</i>	<i>Derivative Liability</i>	<i>Total</i>
Balance August 31, 2017	\$ -	\$ -	\$ -
Issuance of convertible promissory note	1,445,380	893,000	2,338,380
Accretion	209,750	-	209,750
Revaluation of derivative liability	-	(535,000)	(535,000)
Foreign exchange gain	(6,105)	-	(6,105)
Balance August 31, 2018	1,649,025	358,000	2,007,025
Accretion	228,445	-	228,445
Revaluation of derivative liability	-	(341,000)	(341,000)
Foreign exchange loss	60,112	-	60,112
Balance November 30, 2018	\$ 1,937,582	\$ 17,000	\$ 1,954,582

**10. 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 November 30, 2018, the Company closed a non-brokered private placement financing for aggregate gross proceeds of \$3,028,718 of which \$19,710 was included in subscription receivable. The Company issued 25,239,318 units at a price of \$0.12 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 \$0.25 for a period of up to thirty-six months from the date of issue.

The Company paid \$3,696 as an arm's length finder's fee in connection with the private placement.

**Share purchase warrants**

At November 30, 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	0.81	329,600
June 22, 2019	0.35	3,200	0.81	3,200
September 28, 2019	0.32	30,000	1.08	30,000
November 14, 2019	0.37	93,750	1.21	93,750
January 10, 2020	0.65	450,000	1.36	450,000
March 19, 2020	0.70	1,389,928	1.55	1,389,928
November 14, 2020	0.32	2,500,000	2.21	2,500,000
May 16, 2021	0.25	4,758,571	2.71	4,758,571
August 9, 2021	0.25	3,700,000	2.94	3,700,000
November 5, 2021	0.25	25,239,318	2.94	25,239,318
		38,494,367	2.68	38,494,367

**IMAGINATION PARK TECHNOLOGIES INC.**

For the three months ended November 30, 2018 and 2017

Notes to the condensed interim consolidated financial statements  
(Unaudited)**10. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (continued)****Share purchase warrants (continued)**

The following is a summary of the warrant transactions during the period ended November 30, 2018 and the year ended August 31, 2018:

	Three months ended November 30, 2018		Year ended August 31, 2018	
	Number Of Warrants	Weighted Average Exercise Price	Number Of Warrants	Weighted Average Exercise Price
Balance, beginning of the period	13,255,049	\$ 0.33	553,840	\$ 0.34
Warrants issued -pursuant to private placements	25,239,318	0.25	10,822,249	0.33
Warrants issued -pursuant to broker's warrants	-	-	15,120	0.35
Warrants issued - pursuant to bridge loan (Note 12)	-	-	2,500,000	0.32
Warrants exercised	-	-	(636,160)	(0.33)
<b>Balance, end of period</b>	<b>38,494,367</b>	<b>\$ 0.28</b>	<b>13,255,049</b>	<b>\$ 0.33</b>

Broker warrants were valued at \$Nil (August 31, 2018 - \$8,875), using the Black Scholes option pricing model.

The weighted average issuance date fair value of warrants issued during the period ended November 30, 2018 was \$Nil per warrant (August 31, 2018 - \$0.25).

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of broker warrants and loan warrants issued in the period ended November 30, 2018 and the year ended August 31, 2018:

	Period ended November 30, 2018	Year ended August 31, 2018
Risk-free interest rate	-	1.44%
Expected life of warrants	-	2.00 years
Expected annualized volatility	-	190%
Expected dividend rate	-	0%
Stock price	-	\$0.35
Exercise price	-	\$0.32

**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.

**IMAGINATION PARK TECHNOLOGIES INC.**

For the three months ended November 30, 2018 and 2017

Notes to the condensed interim consolidated financial statements  
(Unaudited)**10. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (continued)****Stock options (continued)**

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

Expiry Date	Options Outstanding and Exercisable	
	Exercise price (\$)	Number of Options Outstanding
April 4, 2019	0.35	300,000
December 22, 2019	0.65	19,000
January 22, 2020	0.97	150,000
March 13, 2020	0.30	350,000
March 17, 2020	0.45	50,000
June 4, 2020	0.34	50,000
August 24, 2020	0.24	250,000
September 28, 2020	0.14	35,000
August 13, 2021	0.17	250,000
August 24, 2021*	0.24	562,250
September 13, 2021	0.15	500,000
September 28, 2021	0.14	500,000
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	825,000
December 12, 2022	0.69	20,000
January 22, 2023	0.97	50,000
February 13, 2023	0.72	75,000
April 20, 2023	0.45	100,000
July 12, 2023	0.20	1,400,000
		<b>7,352,238</b>

\*349,750 options cancelled subsequently

**IMAGINATION PARK TECHNOLOGIES INC.**

For the three months ended November 30, 2018 and 2017

Notes to the condensed interim consolidated financial statements

(Unaudited)

**10. CAPITAL STOCK, STOCK OPTIONS AND WARRANTS (Continued)****Stock options (Continued)**

The following is a summary of the option transactions during the period ended November 30, 2018 and year ended August 31, 2018:

	Three months ended November 30, 2018		Year ended August 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of the period	6,817,238	\$ 0.27	4,375,488	\$ 0.25
Options granted	535,000	0.14	5,502,650	0.39
Options exercised	-	-	(678,000)	(0.21)
Options expired/cancelled	-	-	(2,382,900)	(0.53)
Balance, end of the period	7,352,238	\$ 0.26	6,817,238	\$ 0.27

The weighted average issuance date fair value of stock options granted during the period ended November 30, 2018 was \$0.15 per option (August 31, 2018 - \$0.55).

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of options granted for the period ended November 30, 2018 and year ended August 31, 2018:

	Three months ended November 30, 2018	Year ended August 31, 2018
Risk-free interest rate	2.24%	1.85%
Expected life of options	2.94 years	3.95 years
Expected annualized volatility	175%	153%
Exercise price	\$0.14	\$0.39
Expected dividend rate	0%	0%

**Share based compensation**

During the period ended November 30, 2018, the Company granted the following options:

- i) issued 35,000 stock options to a consultant of the Company. The options are exercisable at \$0.135 per share for a period of two years from the date of grant. The options vested immediately.
- ii) issued 500,000 stock options to a consultant of the Company. The options are exercisable at \$0.135 per share for a period of three years from the date of grant. The options vested immediately.

## **IMAGINATION PARK TECHNOLOGIES INC.**

For the three months ended November 30, 2018 and 2017

Notes to the condensed interim consolidated financial statements  
(Unaudited)

### **11. 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 November 30, 2018, the Company paid or accrued consulting and management fees of \$246,297 (2017 - \$140,854) to directors and officers of the Company, or companies under their control. As at November 30, 2018, \$61,922 (August 31, 2018 - \$63,027) remained outstanding and is included under accounts payable and accrued liabilities.

During the period ended November 30, 2018, the Company was owed \$11,316 (August 31, 2018 - \$9,705) from a company with directors in common which is included in receivables.

During the period ended November 30, 2018, the Company issued Nil stock options (2017 – 900,000) to an officer and directors resulting in share-based compensation of \$Nil (2017 - \$220,955).

During the period ended November 30, 2018, the Company issued Nil warrants (2017 – 1,500,000) relating to a loan payable (Note 16) to a director resulting in share-based compensation of \$Nil (2017 - \$369,192).

### **12. 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 November 30, 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 that are financial instruments consist of 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 meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. 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 working capital requirements, after taking into account existing cash and expected exercise of share purchase warrants and options. 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 November 30, 2018, the Company had \$599,548 (August 31, 2018 - \$595,888) of accounts payable and accrued liabilities which are due on standard trade payable terms not exceeding 90 days and loans payable of \$Nil (August 31, 2018 - \$425) and a convertible promissory note and derivative liability of \$1,954,582 (August 31, 2018 - \$2,007,025).

#### Interest risk

Interest risk consists of two components: to the extent that payments made or received on the Company's financial instruments 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 on the Company's financial instruments the Company is exposed to interest rate fair value risk. The Company has cash balances and no material interest-bearing debt, therefore, interest rate risk is minimal.

## **IMAGINATION PARK TECHNOLOGIES INC.**

For the three months ended November 30, 2018 and 2017

Notes to the condensed interim consolidated financial statements  
(Unaudited)

### **12. FINANCIAL RISK FACTORS (Continued)**

#### 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 November 30, 2018, the Company has US\$56,225 included in cash, US\$155,809 included in accounts payable, and a convertible promissory note of US\$1,800,000. 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.

### **13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

There were no significant non-cash investing and financing transactions for the period ended November 30, 2018.

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

- i) transferred \$116,288 from share-based payment reserve to share capital upon exercise of options;
- ii) issued 1,389,928 warrants valued at \$125,093 included in private placement unit offering;
- iii) transferred \$11,944 from warrant reserve to share capital upon exercise of warrants;
- iv) 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.;
- v) issued 71,428 shares valued at \$44,285 pursuant to the acquisition of Prodigy Films Inc.;
- vi) issued 62,500 shares valued at \$56,875 pursuant to the acquisition of 1142128 B.C Ltd.; and
- vii) issued 1,828,571 shares valued at \$594,286 pursuant to the acquisition of Xenoholographic Inc.

### **14. SUBSEQUENT EVENTS**

Subsequent to the period ended November 30, 2018, the Company:

- i) sold Imagination Park Alberta Ltd. for \$6,000.
- ii) granted 100,000 options exercisable at \$0.12 per share for a period of 3 years to a former director of the Company in accordance with the Company's stock option plan. The options vested immediately.
- iii) granted 50,000 options exercisable at \$0.09 per share for a period of 5 years to a consultant of the Company in accordance with the Company's stock option plan. The options vested immediately.
- iv) granted 700,000 options exercisable at \$0.09 per share for a period of 5 years to an officer of the Company in accordance with the Company's stock option plan. The options vest in equal tranches on the first, second, and third anniversaries of the grant date.