Condensed Interim Consolidated Financial Statements of

NETWORK MEDIA GROUP INC.

For the three months ended February 29, 2016 and February 28, 2015

(Unaudited – prepared by management)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED 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 condensed interim consolidated financial statement 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 condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

NETWORK MEDIA GROUP INC.

Condensed Interim Consolidated Statements of Financial Position

As at February 29, 2016 and November 30, 2015

Expressed in Canadian dollars (unaudited)

	Note		**February 29, 2016**		November 30, 2015
ASSETS					
Current					
Cash and cash equivalents		**$**	**507,448**	$	170,814
Accounts receivable	4		**764,993**		1,761,298
Tax credits receivable			**1,681,797**		626,437
Prepaid expenses and deposits			**32,656**		19,533
			2,986,894		2,578,082
Tax credits receivable			**-**		585,961
Property and equipment	5		**361,369**		118,588
Investment in film and television properties	6		**2,426,713**		2,407,913
		$	**5,774,976**	$	5,690,544
SHAREHOLDERS' EQUITY AND LIABILITIES					
Current					
Accounts payable and accrued liabilities	17	**$**	**907,015**	$	527,375
Interim production financing	7(a)		**1,879,635**		1,855,918
Deferred revenue	8		**828,583**		1,704,737
Short-term debt	7(b), 17		**1,231,764**		1,272,715
Current portion of financing lease obligations	9		**22,213**		21,935
Current portion of long-term debt	7(c)		**33,426**		46,836
			4,902,636		5,429,516
Cash settled share based payment	11(b)		**3,965**		665
Financing lease obligations	9		**23,362**		29,021
			4,929,963		5,459,202
Share capital	11		**7,335,688**		7,335,688
Contributed surplus			**612,501**		612,501
Deficit			**(7,015,477)**		(7,601,591)
Total equity attributable to shareholders of the Company			**932,712**		346,598
Non-controlling interest	11(c)		**(87,699)**		(115,256)
Shareholders' equity			**845,013**		231,342
		$	**5,774,976**	$	5,690,544

Contingent liabilities (Note 16)

Approved by: the Board of Directors on April 28, 2016

"Robert Pirooz" ***"Derik Murray"***

Robert Pirooz, Director Derik Murray, Director

See accompanying notes to these condensed interim consolidated financial statements

NETWORK MEDIA GROUP INC.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
For the three months ended February 29, 2016 and February 28, 2015
Expressed in Canadian dollars (unaudited)

	Note	Three Months Ended February 29, 2016	February 28, 2015
Production revenue		**$ 2,515,832**	$ -
Distribution and royalty revenue		**90,831**	13,773
Total revenue		**2,606,663**	13,773
Direct production costs and amortization of film and television properties		**(1,734,109)**	-
		872,554	13,773
Amortization of acquired program rights	6	**20,000**	20,000
Amortization of property and equipment	5	**18,761**	4,375
Impairment of investment in film and television properties	6	**-**	3,361
Selling and distribution		**11,588**	32,452
General and administrative	18	**157,275**	118,492
Foreign exchange loss		**915**	1,409
		208,539	180,089
Earnings (loss) before financing expense		**664,015**	(166,316)
Financing expense, net	12(b)	**50,344**	26,145
Income (loss) and comprehensive income (loss) for the period		**613,671**	(192,461)
Loss (income) attributed to non-controlling interest	11(c)	**(27,557)**	4,143
Income (loss) attributed to shareholders of the Company		**$ 586,114**	$ (188,318)
Income (loss) per share			
- basic and diluted		**$ 0.01**	$ (0.00)
Weighted average number of shares outstanding			
- basic and diluted		**54,400,373**	54,376,400

See accompanying notes to these condensed interim consolidated financial statements

NETWORK MEDIA GROUP INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the three months ended February 29, 2016 and February 28, 2015
Expressed in Canadian dollars (unaudited)

	Note	Number of Shares	Issued Capital	Contributed Surplus	Equity Allocation	Accumulated Deficit	Total	Non-Controlling Interest	Total
Balance as at November 30, 2014		53,150,370	$ 7,085,688	$ 419,731	$ 95,052	$(7,702,047)	$ (101,576)	$ (123,912)	$ (225,488)
Issuance of shares for cash		1,250,000	250,000	-	-	-	250,000	-	250,000
Issuance of stock options	11(b)	-	-	47,158	-	-	47,158	-	47,158
Repayment of convertible debt	10	-	-	95,052	(95,052)	-	-	-	-
Loss and comprehensive loss for the period		-	-	-	-	(188,318)	(188,318)	(4,143)	(192,461)
Balance as at February 28, 2015		**54,400,370**	**7,335,688**	**561,941**	**-**	**(7,890,365)**	**7,264**	**(128,055)**	**(120,791)**
Balance as at November 30, 2015		54,400,370	$ 7,335,688	$ 612,501	$ -	$(7,601,591)	346,598	$ (115,256)	231,342
Income and comprehensive income for the period		-	-	-	-	586,114	586,114	27,557	613,671
Balance as at February 29, 2016		**54,400,370**	**$ 7,335,688**	**$ 612,501**	**$ -**	**$(7,015,477)**	**$ 932,712**	**$ (87,699)**	**$ 845,013**

See accompanying notes to these condensed interim consolidated financial statements

NETWORK MEDIA GROUP INC.

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended February 29, 2016 and February 28, 2015

Expressed in Canadian dollars (unaudited)

	Three Months Ended February 29, 2016	Three Months Ended February 28, 2015
Operating activities		
Income (loss) for the period	**$ 586,114**	$ (188,318)
Items not involving cash:		
Non-controlling interest	**27,557**	(4,143)
Amortization of acquired program rights	**20,000**	20,000
Amortization of property and equipment	**18,761**	4,375
Amortization of film and television properties	**436,427**	-
Impairment of investment in film and television properties	**-**	3,361
Share-based compensation	**3,300**	47,158
Accretion of discount on convertible debt	**-**	7,438
	1,092,159	(110,129)
Net changes in non-cash working capital items		
Accounts receivable	**996,305**	105,457
Tax credits receivable	**(469,399)**	(212,995)
Prepaid expenses and deposits	**(13,123)**	(1,995)
Accounts payable and accrued liabilities	**359,143**	(36,720)
Accrued interest	**16,157**	31,295
Deferred revenue	**(876,154)**	-
Net cash provided by (used in) operating activities	**1,105,088**	(225,087)
Financing activities		
Issuance of shares for cash	**-**	250,000
Interim production financing	**-**	525,000
Repayment of financing lease obligations	**(5,381)**	-
Repayment of convertible debt	**-**	(375,000)
Repayment of convertible debt interest	**-**	(15,812)
Repayment of short-term debt	**(13,410)**	(15,300)
Repayment of long-term debt	**(33,392)**	-
Advances from short-term debt	**-**	490,000
Net cash provided by (used in) financing activities	**(52,183)**	858,888
Investing activities		
Purchase of property and equipment	**(261,542)**	(18,615)
Investment in film and television properties, net of tax credits	**(412,220)**	(461,645)
Advances for properties under development	**9,391**	-
Investment in properties under development	**(51,900)**	(16,446)
Net cash used in investing activities	**(716,271)**	(496,706)
Net increase in cash	**336,634**	137,095
Cash and cash equivalents, beginning of period	**170,814**	82,763
Cash and cash equivalents, end of period	**$ 507,448**	$ 219,858

SUPPLEMENTAL DISCLOSURE (Note 21)

Interest paid	**$ 43,364**	$ 15,000
Income taxes paid	**$ -**	$ -

See accompanying notes to these condensed interim consolidated financial statements

1. Nature of operations

Network Media Group Inc. ("Network Media" or the "Company") was incorporated on July 12, 2010 under the Business Corporation Act of the Province of British Columbia. Network Media together with its subsidiaries, develops, produces and exploits film and television properties in addition to providing production services to third parties.

The Company has a working capital deficiency of $1,915,742 and accumulated deficit of $7,015,477. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to access sufficient capital until it has profitable operations. These unaudited condensed interim consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations and at amounts different from those in these condensed consolidated interim financial statements.

The Company's registered office is Suite 1500, 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

2. Basis of presentation

(a) Statement of compliance

The Company prepares its unaudited interim condensed consolidated financial statements (the "financial statements") in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in the Chartered Professional Accountants of Canada Handbook - Accounting - Part 1 ("CPA Canada Handbook"),which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board and on a basis consistent with the accounting policies disclosed in the annual audited consolidated financial statements for the year ended November 30, 2015. They do not include all of the information required for annual financial statements and should be read in conjunction with the annual audited consolidated financial statements for the year ended November 30, 2015.

The condensed interim consolidated financial statements of the Company for the quarter ended February 29, 2016 were approved for issue by the Board of Directors on April 28, 2015.

(b) Basis of measurement

These condensed interim consolidated financial statements have been prepared on a going concern basis under the historical cost convention.

(c) Functional currency

The condensed interim consolidated financial statements are presented in Canadian dollars, the functional currency of the Company.

3. Significant accounting policies

Except as otherwise indicated hereunder, these condensed interim consolidated financial statements have been prepared using the same policies and methods as the consolidated financial statements of the Company for the year ended November 30, 2015. Refer to Note 3 of the Company's consolidated financial statements for the year ended November 30, 2015 for more information on new accounting standards and amendments not yet effective.

Basis of consolidation

The condensed interim consolidated financial statements comprise the financial statements of Network Media and its subsidiaries. The active companies within the condensed interim consolidated financial statements are as follows:

- Network Media Group Inc.
- Network Entertainment Inc.
- Network Films Two Inc.
- Network Films 3D Inc.
- Network Films Four Inc.
- Network Films Five Inc.
- Network Films Six Inc.
- Network Films Seven Inc.
- Network Films Eight Inc.
- Network Films Nine Inc.
- Network Pictures Fourteen Inc.
- Network Entertainment Corp.

Network Media owns 96% of its directly held subsidiary, Network Entertainment Inc. ("Network Entertainment"), which in turn owns 100% of the remaining subsidiaries in the group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company (i) has power over the investee, (ii) exposure or rights to variable returns from its involvement with the investee, and (iii) the ability to use its power over the investee to affect the amount of the investor's return. With regards to subsidiaries that are not wholly owned by the Company, the non-controlling interest in the subsidiary is presented as a separate component within shareholders' equity.

All intercompany balances, transactions, income and expenses are eliminated on consolidation.

The comparative financial statements have been reclassified where applicable in order to conform to the presentation used in the current period. The reclassifications are not of a material nature.

Expressed in Canadian dollars (unaudited)

4. Accounts receivable

	February 29, 2016	November 30, 2015
Receivables from broadcasters	**$ 673,089**	$ 1,660,532
Input tax credits and other receivables	**91,904**	100,766
	$ 764,993	$ 1,761,298

5. Property, plant and equipment

	Computer Equipment	Computer Software	Furniture and Office Equipment	Leasehold Improvements	Total
Cost					
Balance at November 30, 2014	$ 409,255	$ -	$ 65,049	$ -	$ 474,304
Additions	94,453	2,542	1,410	-	98,405
Balance at November 30, 2015	503,708	2,542	66,459	-	572,709
Additions	241,982	-	7,560	12,000	261,542
Balance at February 29, 2016	**745,690**	**2,542**	**74,019**	**12,000**	**834,251**
Accumulated amortization					
Balance at November 30, 2014	363,130	-	60,705	-	423,835
Amortization expense	28,005	1,271	1,010	-	30,286
Balance at November 30, 2015	391,135	1,271	61,715	-	454,121
Amortization expense	17,517	318	426	500	18,761
Balance at February 29, 2016	**$ 408,652**	**$ 1,589**	**$ 62,141**	**$ 500**	**$ 472,882**
Carrying amount					
November 30, 2015	$ 112,573	$ 1,271	$ 4,744	$ -	$ 118,588
February 29, 2016	**$ 337,038**	**$ 953**	**$ 11,878**	**$ 11,500**	**$ 361,369**

There were no impairment write-downs or any reversals of previous write-downs during the periods presented.

Expressed in Canadian dollars (unaudited)

6. Investment in film and television properties

	Projects in development	Projects in progress	Program rights acquired	Productions completed and released	Total
Opening balance, November 30, 2014	$ 77,538	$ 276,129	$ 106,667	$ 1,096,424	$ 1,556,758
Additions	49,787	1,138,184	-	1,916,717	3,104,688
Tax credits / Grant received	(10,000)	(542,056)	-	(518,010)	(1,070,066)
Transferred to projects in progress	(1,927)	1,927	-	-	-
Transferred to productions completed and released	-	(276,129)	-	276,129	-
Amounts written off and impaired	(10,652)	-	-	(66,175)	(76,827)
Amortization	-	-	(80,000)	(1,026,640)	(1,106,640)
Opening balance, November 30, 2015	104,746	598,055	26,667	1,678,445	2,407,913
Additions	51,900	65,612	-	565,562	683,074
Tax credits received	-	(33,507)	-	(183,731)	(217,238)
Funding taken into income	9,391	-	-	-	9,391
Transferred to productions completed and released	-	(350,698)	-	350,698	-
Amortization	-	-	(20,000)	(436,427)	(456,427)
Ending balance, February 29, 2016	**$ 166,037**	**$ 279,462**	**$ 6,667**	**$ 1,974,547**	**$ 2,426,713**
As at February 29, 2016					
Cost	$ 166,037	$ 279,462	$ 400,000	$ 5,924,822	$ 6,770,321
Accumulated amortization	-	-	(393,333)	(3,950,275)	(4,343,608)
Net book value	**$ 166,037**	**$ 279,462**	**$ 6,667**	**$ 1,974,547**	**$ 2,426,713**

During the quarter ended February 29, 2016, interest of $9,336 (2015 - $11,846) has been capitalized within the projects in progress and productions completed and released balances.

Projects in development
During the quarter ended February 29, 2016, there were no o projects in development considered impaired. During the quarter ended February 28, 2015, an impairment charge of $3,361 was recorded, reducing the carrying value of certain projects in development. This impairment has been disclosed separately on the face of the statement of income (loss) and comprehensive income (loss).

Program rights
During the year ended November 30, 2011, the Company acquired certain program rights from the Chief Executive Officer of the Company in consideration for common shares with a fair value of $400,000. These rights are being amortized on a straight line basis over five years.

Expressed in Canadian dollars (unaudited)

7. Interim production financing, short-term debt and long-term debt

a) Interim production financing

Certain subsidiaries of the Company have secured interim bank loans to finance the cost of producing their respective productions. These loans bear interest at rates ranging from prime plus 2.25 to prime plus 2.50% per annum and are repayable on demand. Each loan is secured by the tax credits receivable and accounts receivable of the respective subsidiary and a general security agreement over the assets of the Company, as well as a postponement of claims by an Officer and Director of the Company.

b) Short-term debt

The Company has issued unsecured promissory notes to a third party and a Director of the Company with a principal amount totalling $133,282. These promissory notes accrue interest at 8% per annum, which is paid semi-annually.

The Company has also issued debentures to a third party and a Director of the Company totalling $1,100,000. These debentures mature on March 31, 2016, accrue interest at a rate of 8% per annum payable semi-annually, and grant the holders a royalty on net profits from certain completed film properties as well as future film properties commenced during the term of the debenture. The Company is required to pay the holders of the debentures a royalty in respect of each $1.00 of the principal outstanding, both before and after maturity, equal to 0.00000091% of the net profits of the film properties. Subsequent to the quarter end, the Company and debenture holders have extended the maturity date of the debentures beyond March 31, 2016, but have not finalized terms with the debenture holders.

The continuity schedule of short term debt is below:

	Promissory Note	Debentures	Total Short-term debt
Total short-term debt payable, November 30, 2014	$ 506,275	$ -	$ 506,275
Issued up to June 30, 2015	590,000	-	590,000
Accrued interest to June 30, 2015	43,108	-	43,108
Promissory notes converted to debentures	(1,100,000)	1,100,000	-
Interest paid to promissory note holder	(6,101)	-	(6,101)
Balance as at June 30, 2015	33,282	1,100,000	1,133,282
Issued October 2, 2015	100,000	-	100,000
Accrued interest from July 1 to November 30, 2015	2,545	36,888	39,433
Total short term-debt payable, November 30, 2015	$ 135,827	$ 1,136,888	$ 1,272,715
Principal repaid	(33,392)	-	(33,392)
Interest paid	(3,341)	(37,813)	(41,154)
Accrued interest for the period	3,496	30,099	33,595
Total short-term debt payable, February 29, 2016	**$ 102,590**	**$ 1,129,174**	**$ 1,231,764**

Expressed in Canadian dollars (unaudited)

7. Interim production financing, short-term debt and long-term debt (continued)

c) Long-term debt

Long-term debt consists of a third party loan with interest accruing at 15% per annum compounded monthly, secured by a general security agreement of the Company. Full repayment of the balance is due June 15, 2016.

The Company considers that the fair value of the interim production financing and long-term debt is equal to the carrying value.

8. Deferred revenue

Deferred revenue represents distribution and development advances as well as contracted fees received prior to the contracted work being completed.

Distribution advances will be taken into income upon completion of projects in progress. Development advances are from unrelated third parties for development of current and future projects. Repayment of the advances is contingent upon commencement of principal photography. In the event that the projects are not produced, the development advances are typically forgiven by the third party. Payments received prior to work being completed will be recognized on a percentage of completion basis as the services are performed.

As at February 29, 2016, the Company had received payments from customers in excess of revenue recognized of $828,583 (November 30, 2015 - $1,704,737) and this amount has been recognized in the statement of financial position as deferred revenue.

9. Financing lease obligations

The Company leased certain operating equipment under a finance lease. The Company's obligations under the finance lease are secured by the lessor's title to the leased assets. The interest rate is fixed at 5.05% per annum with a lease term of three years. At the end of the lease term, the Company has an option to purchase the equipment for $1.

Future minimum lease payments under these finance leases are as follows:

	Total	< 1 year	> 1 year
Future minimum lease payments	$ 48,011	$ 24,005	$ 24,006
Less: imputed interest	2,436	$ 1,792	$ 644
Carrying value	$ 45,575	$ 22,213	$ 23,362

The carrying value of the leased equipment as at February 29, 2016 is $52,661 (November 30, 2015 – $56,931).

Expressed in Canadian dollars (unaudited)

10. Convertible debt

The Company had issued a series of convertible debentures totalling $625,000 with the following features:

- Interest rate of 8% per annum
- Maturing 2 years after issuance
- Convertible at the option of the holder at $0.15 per share

The convertible debt was fully repaid during the period ended February 28, 2015.

During the period ended February 29, 2016, the Company recognized interest and accretion expense of $nil (2015 - $6,627).

11. Share capital and reserves

(a) Authorized

The Company has an unlimited number of authorized common shares and preferred shares with no par value.

(b) Share based payment reserve

Pursuant to the Company's equity-settled stock option plan, Directors may, from time to time, authorize the granting of options to Directors, employees and consultants of the Company to a maximum of 10% of the outstanding shares of the Company. Options granted under the plan have contractual option terms not exceeding 10 years and vesting periods which are determined by the Company's Board of Directors.

	As at February 29, 2016			As at November 30, 2015		
	Number of Options		**Weighted Ave. Exercise Price**	Number of Options		Weighted Ave. Exercise Price
Outstanding, beginning of period	**5,440,037**	**$**	**0.18**	5,315,000	$	0.17
Granted	-	**$**	-	1,497,537	$	0.16
Expired	**(300,000)**	**$**	**0.12**	(300,000)	$	0.12
Cancelled	-	**$**	-	(1,072,500)	$	0.14
Outstanding, end of period	**5,140,037**	**$**	**0.18**	5,440,037	$	0.18

As at February 29, 2016, the following stock options are outstanding and exercisable:

Number of options outstanding	*Number of options exercisable*		*Exercise price*	*Remaining life (yrs)*	Expiry
2,180,000	2,180,000	$	0.20	0.83	December 29, 2016
100,000	100,000	$	0.10	2.26	June 3, 2018
250,000	250,000	$	0.07	2.96	February 12, 2019
2,060,037	1,112,500	$	0.20	3.38	July 16, 2019
550,000	550,000	$	0.10	3.99	February 26, 2020
5,140,037	4,192,500	$	0.18	2.32	

Expressed in Canadian dollars (unaudited)

11. Share capital and reserves (continued)

(b) Share based payment reserve (continued)

Subsequent to February 29, 2016, options to acquire 300,000 common shares exercisable at $0.20 per share and expiring on July 16, 2019 were issued to the Chairman of the Board of Directors of the Company.

The Company uses the Black-Scholes option-pricing model to determine the estimated fair value, at the grant date, of the options issued. In all the calculations the annual dividend yield was assumed to be $nil, and expected volatility was based on historical volatility. All other assumptions are summarized below:

Grant Date	Options Granted	Exercise Price	Share Price	Annual Volatility Rate	Risk Free Interest Rate	Fair Value at Grant Date	Expected Life
Feb. 12, 2014	250,000	$ 0.07	$ 0.045	123.0%	1.67%	$ 0.05	5
July 19, 2014	1,112,500	$ 0.20	$ 0.12	131.0%	1.51%	$ 0.07	5
Feb. 26, 2015	550,000	$ 0.10	$ 0.08	133.0%	0.74%	$ 0.07	5
Oct. 29, 2015	947,537	$ 0.20	$ 0.06	146.0%	0.82%	$ 0.04	3.72

For the quarter ended February 29, 2016, the Company recognized compensation expense in relation to these options of $nil (2015 - $47,158), which is included in general and administrative expenses in profit and loss.

On October 29, 2015, the Company entered into a Phantom Stock Award Agreement with the Chairman of the Board of Directors, which evidences an equity compensation award to the Chairman based on the grant of 439,963 phantom shares (the "Phantom Shares") (52,463 of these Phantom Shares vest on July 16, 2017 and 387,500 vest on the earlier of July 16, 2018 or a change of control or sale of the Company or death of the holder). The Phantom Shares may be settled in cash, at the option of the Director and each Phantom Share has an initial value of $0.20 and a value at any time thereafter equal to the listed closing price of the Company's commons shares, but in no case less than $0.20. Settlement of the Phantom Shares will be no later than July 16, 2019. The Phantom Shares issued will be forfeited if the Company grants the holder options pursuant to the Company's Stock Option Plan in settlement of the Phantom Shares.

As at February 29, 2016, the Phantom Shares had a fair value of $3,965 (November 30, 2015 – $665) and is recorded as a liability and is classified as cash settled share based payments.

The Company used the Black-Scholes option-pricing model to determine the estimated fair value of the Phantom Shares as at February 29, 2016 with the following assumptions:

- Exercise price - $0.20
- Share price - $0.09
- Annual volatility rate – 149%
- Risk free interest rate – 0.50%
- Fair value at grant date - $0.07
- Expected life – 3.38 years

For the quarter ended February 29, 2016, the Company recognized compensation expense in relation to these options of $3,300 (2015- $nil), which is included in general and administrative expenses in profit and loss.

Expressed in Canadian dollars (unaudited)

11. Share capital and reserves (continued)

(c) Non-controlling interest

One shareholder of Network Entertainment elected not to participate in the share exchange with Network Media Group Inc. As a result, 800,000 common shares (approximately 4% of the share capital) of Network Entertainment were not converted to those of the Company and are held privately by a third party.

The non-controlling interests are comprised of the following:

Balance, November 30, 2014	$	(123,912)
Non-controlling interest's share of income for Network Entertainment for the year		8,656
Balance, November 30, 2015		(115,256)
Non-controlling interest's share of income for Network Entertainment for the period		27,557
Balance, February 29, 2016	**$**	**(87,699)**

12. Supplemental statement of comprehensive income disclosure

(a) Employee benefit expenses

Total salaries and wages recognized in the statement of income (loss) and comprehensive income (loss) is $91,472 (2015 – $12,096) of which $50,000 was recorded as direct production costs (2015 - $nil) and $41,472 was recorded as general and administration (2015 - $12,096).

(b) Financing expenses

Financing expenses are comprised of the following:

	Three months ended	
	February 29, 2016	February 28, 2015
Financing expenses		
Interest and accretion on convertible debt (Note 10)	**-**	6,627
Interest expense on debt (Note 7)	**50,344**	19,518
Financing expense	**$ 50,344**	$ 26,145

13. Government assistance

Refundable tax credits relating to production activities of the Company are claimed from the Canadian federal and provincial governments. The refundable tax credits recorded as a reduction to investment in film and television production and to direct production costs for the quarter ended February 29, 2016 were $217,238 (2015 - $215,297) and $252,161 (2015 - $nil) respectively.

14. Financial instruments

The fair values of the Company's financial instruments approximate the carrying values. The Company is exposed to various risks related to its financial instruments as follows:

Risks arising from financial instruments

(i) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has not entered into foreign exchange purchase contracts to manage its foreign exchange risk, because, in management's view, the cost of setting up the contracts is in excess of the risks associated with a sudden drop in the exchange rates. Management continually monitors the exchange rates and will enter into risk prevention measures when warranted.

A five percent fluctuation in the US dollar closing rate at February 29, 2016 would result in a change to comprehensive income (loss) of $124,083 for the period ended February 29, 2016 (2015 - $nil).

The Company is also exposed to foreign exchange risk on its accounts receivable balances that are denominated in US dollars, being $322,110 as at February 29, 2016 (November 30, 2015 - US$1,199,300).

A five percent fluctuation in the US dollar closing rate at February 29, 2016 would result in a change to profit or loss of $21,779 for the period ended February 29, 2016 (2015 - $nil).

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is subject to credit risk with respect to cash and accounts receivable. The Company's maximum exposure to credit risk at the end of the reporting period is the carrying value of these assets.

Substantially all of the Company's customers are in the entertainment industry and are subject to normal industry credit risks. Credit risk is managed through a credit approval process and monitoring procedures.

All cash and cash equivalent balances are held at a major Canadian banking institution.

If the market interest rates had changed 100 basis points, the Company's cost of capital would have fluctuated $4,605 during the period ended February 29, 2016 (2015 - $2,178).

Expressed in Canadian dollars (unaudited)

14. Financial instruments (continued)

(iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's liquidity needs can be met through a variety of sources. The Company generates cash from operations and by borrowing against earned tax credits through operating lines of credit and issuances of common shares. The Company manages liquidity risk by continuously monitoring actual and forecast cash flows.

The Company's liabilities will require additional capital in order to meet the payment expectations of the debts.

15. Capital management

The Company's objectives when managing capital are to safeguard its assets, maintain a competitive cost structure, continue as a going concern in order to pursue the development of its film properties, and provide a return to its shareholders in the form of capital appreciation.

The Company's capital is comprised of the following:

	February 29, 2016	November 30, 2015
Long-term debt	**$ 33,426**	$ 46,836
Short-term debt	**1,231,764**	1,272,715
Financing lease obligation	**45,575**	50,956
Cash settled share based payments	**3,965**	665
Less: Cash	**(507,448)**	(170,814)
Net debt	**807,282**	1,200,358
Total shareholders' equity	**845,013**	231,342
	$ 1,652,295	$ 1,431,700

In order to facilitate management of capital, the Company prepares annual expenditure budgets that are updated as necessary and dependent on various factors, including successful deployment of capital and industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company believes that through operations and production financing of its proprietary projects it will generate sufficient liquidity to meet cash requirements for the next twelve months.

Expressed in Canadian dollars (unaudited)

16. Contingent liabilities

The Company and its subsidiaries may from time to time, be a party to certain legal disputes and claims arising from employment, environmental or commercial issues in the normal course of business.

As of February 29, 2016, the Company is involved in a business dispute with a former client regarding services provided by the Company. The Company has also entered into a legal action against the former customer. The parties are currently engaged in settlement discussions. No amounts have been accrued or allowed for in the financial statement as at February 29, 2016.

The Company and its subsidiaries may, from time to time, enter into royalty or rights agreements for the use of images, stock footage, names and similar items. The Company is liable to pay for the use of these rights contingent on achieving particular production milestones. As these milestones are achieved, the Company accrues the related accounts payable which are no longer contingent.

17. Related parties

Related parties are defined as Officers and Directors of the Company as well as any companies that are controlled by Officers or Directors of the Company. During the period ended February 29, 2016, the Company:

- Paid or accrued wages and recognized share-based compensation to key management personnel in the following manner:

	February 29, 2016	February 28, 2015
Short-term employee benefits	**$ 147,673**	$ 75,000
Share-based compensation	**-**	47,158
	$ 147,673	$ 122,158
Recorded as:		
General and administration	**$ -**	$ 47,158
Direct production costs	**20,000**	-
Investment in film and television properties	**127,673**	75,000
	$ 147,673	$ 122,158
Options issued	**-**	550,000

- Incurred interest of $29,129 (2015 - $20,567) on short term debt provided by a Director of the Company.

At February 29, 2016, the Company owed $18,224 (November 30, 2015 - $26,829) to a Director and Officer of the Company. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

At February 29, 2016, the Company had secured promissory notes and debentures outstanding, including accrued interest, of $102,589 and $956,862 (November 30, 2015 - $135,827 and $969,042), respectively, owing to a Director of the Company. The secured promissory notes bear interest at 8% per annum, and are due on demand (Note 7).

Expressed in Canadian dollars (unaudited)

18. Commitments

The Company has entered into a lease commitment for office space which will require the following payments:

- $144,737 in the fiscal year ended November 30, 2016
- $173,027 in the fiscal year ended November 30, 2017
- $178,707 in the fiscal year ended November 30, 2018
- $109,200 in the fiscal year ended November 30, 2019
- $100,587 in the fiscal year ended November 30, 2020
- $33,893 in the fiscal year ended November 30, 2021

19. Subsequent events

Subsequent to February 29, 2016, the Company:

i. Issued stock options to acquire 300,000 common shares to the Chairman of the Board of Directors of the Company in exchange for the forfeiture of 300,000 Phantom Shares (Note 11(b)), and;
ii. Extended the maturity date of the debentures beyond March 31, 2016, but have not finalized terms with the debenture holders.

20. General and administrative expenses

		Three months ended February 29, 2016		Three months ended February 28, 2015
Interest and bank charges	**$**	**3,374**	$	645
Office and general		**52,576**		13,123
Insurance		**5,434**		5,075
Professional fees		**14,167**		20,760
Rent and utilities		**13,547**		4,050
Salaries and wages		**41,472**		12,096
Share-based compensation		**3,300**		47,158
Transfer agent and filing fees		**8,770**		11,743
Travel		**14,635**		3,842
	$	**157,275**	$	118,492

21. Non-cash investing and financing activities

i. Non-cash investing and financing activities

		Three months ended February 29, 2016		Three months ended February 28, 2015
Accounts payable included in production costs	**$**	**621,595**	$	60,314

ii. Cash and cash equivalents

As at February 29, 2016, the Company held $55,000 of cash equivalents (2015 – nil).