Management's Discussion and Analysis of

NETWORK MEDIA GROUP INC.

For the year ended November 30, 2016

N E T W O R K

www.networkentertainment.ca

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion & Analysis ("MD&A") prepared as of March 29, 2017, should be read in conjunction with Network Media Group Inc.'s (the "Company" or "Network") audited consolidated financial statements and accompanying notes for the years ended November 30, 2016 and 2015. The Company reports its financial results in accordance with International Financial Reporting Standards ("IFRS") in Canadian dollars. In this MD&A, the terms IFRS and GAAP both refer to generally accepted accounting principles in Canada after the adoption of IFRS.

Network is a public company incorporated under the *Business Corporations Act* of the Province of British Columbia whose common shares are traded on the TSX Venture Exchange ("TSX") admitted on December 30, 2010 (symbol "NTE.V"). Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Forward-looking Statements

To the extent any statements made in this MD&A contain information that is not historical, these statements constitute "forward-looking information" under applicable Canadian securities laws and are based on expectations, estimates and projections. These statements are necessarily based upon management's perceptions, beliefs, assumptions and expectations of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by management of the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies that could result in the forward-looking information ultimately, perhaps materially, being incorrect. Words such as "expects", "anticipates", "intends", "plans", "estimates", "believes", "may", and variations of such words and similar expressions, are intended to identify such forward-looking information.

All forward-looking information in this MD&A involves known and unknown risks, uncertainties and other factors that are beyond the control of the Company and may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Such risk factors include, but are not limited to: the Company's ability to attract foreign and domestic broadcasters and distributors for its programs, whose purchase/licensing patterns and own consumer markets may change, having a material impact on the Company's revenues and future business opportunities; audience acceptance of the Company's programs; the Company's ability to recoup production costs; the availability of tax credits; conditions in the entertainment industry generally; sales cycles, consumer demand and the timing of third party broadcaster and distributor licensing decisions; failure by third party broadcasters and distributors to honour the terms of contracts/licenses entered into with the Company, or comply with the payment terms contained in those contracts/licenses; the timing of when the proceeds of broadcaster and distributor licenses meet the Company's revenue recognition criteria; disruption of the timing for delivery of the Company's products to its broadcasters and distributors for reasons including, but not limited to, production schedule changes, availability of production crew, travel disruption and personal schedules of key talent, all of which can prolong delivery times and delay the timing of release of the Company's products to the public and ultimately delay receipt of licensing and broadcasting fees; fluctuations in currency exchange rates; changes in accounting standards; changes in technology and capital expenditure requirements; acquisitions that Network may undertake in the future; and changes in laws or regulations applicable to the Company's business, or the interpretation or application of those laws and regulations. These risk factors are not intended to represent a complete list of the factors that could affect the Company and the reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information. There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could vary or differ materially from those anticipated in such information.

Forward-looking information is provided for the purpose of giving readers more insight into the Company's future financial and operational results, based on management's expectations. Readers are cautioned that the information may not be appropriate for other purposes. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking information, except to the extent required by applicable law.

Material assumptions within the forward looking information are in the section ***Revenue Recognition and Forward Looking Statements***.

Readers are also directed to review the "**Risks and Uncertainties**" section of this MD&A below.

Overview and Business Developments

Network develops, produces and exploits film and television properties, and also provides production services to third parties.

During the year ended November 30, 2016, the Company maintained a high level of activity as it completed production on *The Cowboy*, and *I Am JFK, Jr*. Network also continued production on a seven part documentary series for National Geographic which features some of the most recognizable icons of our times and which commenced airing in August 2016. The production work for National Geographic is a "work-for-hire" contract where Network will record the revenues from the project throughout fiscal 2016. *I Am Heath Ledger*, *I Am Sam Kinison*, and *I Am Martin Luther King Jr*., as well as a services project for Discovery Channel.

The year ended November 30, 2016, marked the Company's highest level of revenues in its history, realizing $8.1M in revenues, net income of $499,997 and earnings per share of $0.012, continuing a growth trend that began in the third quarter of Fiscal 2015.

Financing

During the year ended November 30, 2015, the Company issued a series of unsecured promissory notes to a third party and a Director of the Company with a principal amount totalling $1,090,619.

On June 30, 2015, the promissory notes were cancelled and the Company issued debentures to the same two parties totalling $1,100,000. These debentures were to 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. As at November 30, 2016, no royalties have been paid nor are payable.

During the year ended November 30, 2016, the maturity dates for these debentures were extended to January 6, 2017 and December 31, 2017. Subsequent to year end the Company repaid $165,000 of outstanding principal and interest.

At June 30, 2015, the remaining amount of the above noted debt totalled $33,282 and is due to a Director of the Company for which the Company has issued separate promissory notes. During the year ended November 30, 2015, the Company received $100,000 by way of a promissory note issued to the same Director of the Company.

During the year ended November 30, 2016, the Company received an additional $100,000 by way of a promissory note issued to the same Director of the Company. These promissory notes are unsecured, accrue interest at 8% per annum which is payable semi-annually, and are due upon demand.

The Company also continued to finance its productions by way of interim production loans for each of its respective subsidiaries which produce its individual proprietary productions. During the year, the Company received $747,000 of interim production loans which were secured by future contracted funding from broadcasters and distributors as well as the government labour tax credits expected to be received. The Company also repaid $845,770 of interim funding received in prior years.

History and Business of the Company

Prior to being acquired by the Company, Network Entertainment Inc. was founded in 1999 and was an established television and film production company headquartered in Vancouver, British Columbia. Network's principal business is the development, financing, production, marketing and distribution of television series and specials, theatrical documentaries and various other forms of filmed entertainment. Network produces factual/non-scripted television series, documentaries, biographies, docudramas, theatrical documentary films, online programming, original content and entertainment IPs, and specialty sports and entertainment productions. Network is focused on developing and producing high profile productions for the North American and international markets. The main sources of Network's revenue are (1) licensing to television networks, distributors, and syndicators; (2) online distribution of original content; (3) ancillary distribution through mediums such as DVD/Bluray, video-on-demand, digital distribution, the internet, mobile networks, publishing and merchandising; and 4) third party service work.

In order to finance a project, Network must first create a compelling property the public will want to watch, which in turn motivates a broadcaster or distributor to commit to a license fee or distribution advance which goes towards financing the project. The process of creating such projects is described below:

Distribution and Revenue Model

Network's revenue is generated from a variety of sources. The main sources are: (1) licensing to television networks, distributors, and syndicators which provide a fixed license fee payable or minimum guarantees on royalties in periodic installments; (2) ancillary distribution including DVD/digital distribution, plus online/Video-on-Demand ("VOD") sales; and (3) third party service work:

(1) Television Licensing
Whether licensing to television broadcasters or distributors, licensing commercial television is generally accomplished pursuant to agreements which allow a fixed number of telecasts over a prescribed period of time in a specific territory for a specified license fee. Television license fees vary widely from several hundred thousand to millions of dollars depending on whether the broadcaster is a conventional network or cable TV operator. Other considerations that determine the license fees paid include: the television or film productions market recognition (brand equity), attached brands (talent or organization), the overall creative and the number of times it may be broadcast for prime time or off-time telecasting.

(2) Distribution
Network finances its proprietary productions through license fees and minimum guarantees from domestic and international distributors. Once these minimum guarantees have been reached, Network participates in all future revenues. The distributors typically receive a fee plus expenses equaling 25-30% of the sale with the residual going to Network.

Network strives to retain rights to popular online distribution territories. Shows like *I Am Chris Farley* have strong appeal with today's generation who live on-line. Online distribution provides additional sales primarily through the following mediums:

- Digital download and DVD/Bluray sales and rentals are a key component for selected Network properties
- Online, VOD and Mobile distribution initiatives.

(3) Third party service work
Network not only produces its own proprietary content, but also works with other major studios/broadcasters to produce third party properties. Network will work on a concept and pitch these studios/broadcasters an idea for a project. Often, these studios/broadcaster will want to own the concept or idea outright. In such a situation, they will typically fund 100% of the project's budget (net of tax credits) and hire Network to produce the project for them. Network typically will not participate in future revenue streams with these clients, but it does help create strong partnerships and immediate cash flow and profits for the Company.

Operations & Outlook

Network continues to build its production slate in its three primary silos: television (TV specials and series), film, and online. The Company continues to work closely with selected broadcasters and distributors, all of which are leaders in the global marketplace, to maximize the distribution and financial opportunities for these films across all media and platforms. Produced for theatrical, television, home entertainment and complementary publishing initiatives, these productions will continue to form an important and strategic part of Network's brand and statement of quality.

In fiscal 2016, the Company continued its trend in expanding its production activity year-over-year, as it completed production on its proprietary projects *The Cowboy*, and *I Am JFK, Jr.*, along with final deliveries of *I Am Johnny Cash* and completing production on a seven part documentary series *Facing* for National Geographic which features some of the most recognizable icons of our times such as Vladimir Putin, Arnold Schwarzenegger, and Pablo Escobar. The production work for National Geographic was a services "work-for-hire" contract where Network recorded the majority of the revenues from the project throughout fiscal 2016, and to a much lesser extent in fiscal 2015.

In addition, Network also commenced pre-production on additional proprietary projects namely; *I Am Heath Ledger*, *I Am Sam Kinison,* and *I Am Martin Luther King Jr*., as well as a services project for Discovery Channel.

The year ended November 30, 2016, marked the Company's highest level of revenues in its history, realizing $8.1M in revenues, net income of $499,997 and earnings per share of $0.01, continuing a growth trend that began in the third quarter of Fiscal 2015.

The Company looks to continue this high level of production into Fiscal 2017 with a number of proprietary projects slated for release throughout the year, as well as services revenue from top tier broadcasters.

The Company has seen a significant increase in the level of production activity over the last year. Production activity is based on the gross budgets of the productions commenced or completed during the respective time periods noted below. These budgets are funded by a combination of revenues received from third party license and distribution fees, tax credits, internally financed costs and third party service work. They represent the "on-screen" value of Network's projects during the periods and can be expressed in the following manner:

	Ended November 30, 2016	Ended November 30, 2015	% increase
Production activity in the last 12 months	$ 7,710,685	$ 3,742,372	106%

Management also continues to seek out new projects, in order to build upon the Company's momentum growth achieved.

Revenue Recognition and Forward Looking Statements

The Company follows a revenue recognition policy that is standard to the film industry (Note 3 of the audited consolidated financial statements for the years ended November 30, 2016 and 2015). Under this policy the Company does not recognize revenues for a film or episode where the copyright is owned by the Company (referred to as proprietary productions) until all of the following events have occurred:

1. A buyer has signed an agreement to purchase the film or episode;
2. The film or episode is in finished and final form;
3. Network has shipped the film or episode to the buyer as required under the purchase agreement;
4. The price agreed between the buyer and Network can be determined as a final amount;
5. It is reasonable for Network to conclude it will receive the amount that the buyer has agreed to pay;
6. All conditions of the purchase agreement between Network and the buyer have been met.

The expenses and revenues attributable to any specific film or television episode are significant and it is typical that the revenue received and the associated production costs are deferred until all of the above factors are satisfied.

If the project is a "work-for-hire" scenario where the Company does not own the copyright to the production (referred to as service work), then the Company records the revenue on a percentage of completion basis. In this scenario, the costs to date are compared to the estimated final costs of the project and the percent complete is applied to the total contracted value of the project. Where the Company receives funds in excess of what the percentage of completion calculation provides, this excess is recorded as deferred revenue.

Forward looking and partially earned revenue

The performance (or period to period earnings comparisons) of small entertainment companies like Network can often be difficult. As such, the Company feels it is necessary to provide some additional information in order that a meaningful assessment of the Company's potential future financial performance and earnings may be made.

Network is often in receipt of partial payment for work done or has money due in respect of work done. Also it is common to have binding sales contracts from reputable parties. Contracts and funding for a film or television episode are typically secured well in advance of completion and delivery of that film or television episode. Practically speaking, the only significant element of uncertainty is the specific accounting period in which revenue earned by the Company can be recognized due to the requirements of its revenue recognition policy as described above.

The Company has certain projects currently in production which have been sold to buyers under binding purchase agreements. Deferred revenue totaling $800,315 as at November 30, 2016, represents advances received on these projects.

Below is an estimate of the revenue expected to be generated from these properties:

Contracted Future Production Revenues	$ Millions	
Deferred revenue as at November 30, 2016	$	0.8
Contracted future revenue		5.6
Total expected revenue - contracted	**$**	**6.4**
Revenues expected within 1 to 6 months	$	3.6
Revenues expected within 6 to 12 months	$	2.8

As stated above, under IFRS the Company is not able to recognize revenue until all of the above-mentioned conditions have been met. As at November 30, 2016, Network has contracts for, but not recognized, additional revenues of $5.6 million that have yet to be recorded as revenue or deferred revenue, but is expected to be received and recognized as revenue within the next fiscal year.

The above statements regarding the Company's anticipated, or contracted for, future revenue constitutes "forward-looking information" under applicable Canadian securities laws – <u>readers are directed to refer to the Forward Looking Statement disclosure at the beginning of this MD&A</u>. The above calculations are based on expectations, estimates and projections as of the date of this MD&A and are necessarily based upon assumptions and expectations regarding future production revenues and partial revenues generated from projects under contract. Estimates of future revenues are based on the terms of contracts entered into. Such assumptions and expectations include, but are not limited to the following: the terms of the contracts will not be altered; delivery of the Company's products will occur as scheduled; the purchasing party will make payment as and when due under the contract, and will comply with all payment terms; the US-Canadian currency exchange rates remain stable (assumed to be 1.3 USD-CDN for the purposes of the estimates made herein); no unforeseen event interrupts business in the ordinary course; and the purchasing party will pay, or has paid, Network on a pro-rata to percent completed for a film or episode that is in progress. Should conditions change, the above revenue estimates may not be met and actual result may differ, perhaps materially.

Summary Consolidated Financial Information

The summary consolidated financial information set out below has been prepared in accordance with IFRS and is derived from the Company's audited consolidated financial statements and accompanying notes for the years ended November 30, 2016, 2015 and 2014, and can be found at **www.sedar.com.**

Consolidated Summary of Financial Position	As at November 30, 2016	As at November 30, 2015	As at November 30, 2014
Cash and cash equivalents	$ 443,302	$ 170,814	82,763
Current assets	3,384,333	2,578,082	1,114,382
Investment in film and television	2,682,970	2,407,913	1,556,758
Total assets	6,535,064	5,690,544	2,856,540
Current liabilities	4,695,883	5,429,516	3,082,028
Total liabilities	5,708,840	5,459,202	3,082,028
Total equity (deficency)	826,224	231,342	(22,554)
Working capital deficiency	$ (1,311,550)	$ (2,851,434)	(1,967,646)

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

Expressed in Canadian dollars

	Year ended November 30, 2016	Year ended November 30, 2015	Year ended November 30, 2014
Revenue	$ 8,110,173	$ 2,187,601	$ 1,442,418
Direct production costs and amortization of film and television properties	(6,401,592)	(1,192,936)	(878,099)
	1,708,581	994,665	564,319
Amortization of acquired program rights	26,667	80,000	80,000
Amortization of property and equipment	81,731	30,286	12,783
Impairment of investment in film and television	67,358	76,827	32,908
Selling and distribution	32,007	150,491	19,006
General and administrative	755,759	548,044	584,409
Foreign exchange loss	61,565	4,652	53,288
Forgiveness of debt and reversal of accounts payable	(2,019)	(114,740)	(270,750)
	1,023,068	775,560	511,644
Earnings before financing expense and income taxes	685,513	219,105	52,675
Financing expense, net	154,429	100,809	156,059
Income tax expense	-	9,184	-
Income (loss) and comprehensive income (loss) for the year	531,084	109,112	(103,384)
Income attributed to non-controlling interest	(31,087)	(8,656)	(444)
Income (loss) attributed to shareholders of the Company	$ 499,997	$ 100,456	$ (103,828)
Income (loss) per share			
- basic	$ 0.01	$ 0.00	$ (0.00)
- diluted	$ 0.01	$ 0.00	$ (0.00)
Weighted average number of shares outstanding			
- basic	54,400,370	54,376,400	52,779,231
- diluted	54,465,891	54,376,400	52,779,231

Overall Financial Position – Fiscal 2016

Earnings before financing expense and income taxes increased by $466,408 to $685,513 for the year ended November 30, 2016, as compared to $219,105 in 2015. Further analysis is provided in the discussion of segmented results below.

The $844,520 increase in total assets was primarily due to a net increase in current tax credit receivables, investment in film and television properties, and property and equipment. These increases are due to the continued high production levels in fiscal 2016.

The $249,638 increase in total liabilities was primarily due to increases in accounts payable and accrued liabilities, offset with a decrease in deferred revenue. The increase in accounts payable is due to tax credits which are owed to the service contract provider on the *Facing* project which was completed during the year.

A more detailed analysis of the other components of earnings from operations is provided below under the title *Results of Operations – Fiscal 2016 Compared to Fiscal 2015* and *Results of Operations – Fourth Quarter of Fiscal 2016*.

Results of Operations - Fiscal 2016 Compared to Fiscal 2015

The following discussion describes the significant changes in the consolidated results from operations.

Revenue

Revenue increased by $5,922,572 from $2,187,601 in 2015 to $8,110,173 in 2016.

The detailed breakdown of revenues is as follows:

	Year ended November 30, 2016	Year ended November 30, 2015
Contract production services revenue	**$ 6,163,113**	$ 206,119
Production revenue	**1,522,846**	1,764,920
Distribution and royalty revenue	**414,823**	216,562
Other revenue	**9,391**	-
	$ 8,110,173	$ 2,187,601

The increase of contract production service revenue was due to a “work-for-hire” contract with National Geographic and its series *Facing*.

Production revenue remained relatively constant with the release of *The Cowboy* and *I Am JFK Jr*. during fiscal 2016, where in fiscal 2015 the Company released *I Am Johnny Cash* and *I Am Chris Farley*. The decrease of $242,074 in production revenues is due to a smaller budget for the properties released in the current year.

Distribution and royalty revenue is ancillary revenue received from distribution efforts after a property is released and it increased by $198,261 in fiscal 2016 over fiscal 2015. The increase is due to the additional revenues realized from VOD sales of *I Am Chris Farley* and international sales of *I Am Bruce Lee* and *Facing Ali*.

Additional information about future revenue of the Company can be found at section ***Revenue Recognition and Forward Looking Statements.***

Direct production costs and amortization of film and television projects

Direct production costs and amortization expenses increased $5,208,656 from $1,192,936 in 2015 to $6,401,592 in 2016. The increase is primarily due to the direct production costs associated with *Facing*. In addition, the increase is also associated with the delivery and related recognition of revenues associated with *The Cowboy,* and *I Am JFK Jr*. during the current fiscal year, and also the amortization of the carrying value of *I Am Chris Farley* and *I Am Bruce Lee* with receipt of royalty income from those respective properties. Please refer to the accounting policies in Note 3 of the audited consolidated financial statements for the years ended November 30, 2016 and 2015 for information on how the amortization of the property is calculated.

Amortization of property, plant and equipment and acquired program rights

Amortization of property, plant and equipment increased $51,445 from $30,286 in 2015 to $81,731in 2016. The increase is due to addition of computer and editing equipment during the year, thus increasing the carrying value of the assets that were amortized.

Amortization of acquired properties decreased by $53,333 to $26,667 in 2016 from $80,000 in 2015 due to the properties being fully amortized in the first quarter of fiscal 2016.

Impairment of investment in film and television properties

Impairment of investment in film and television properties decreased $9,469 from $76,827 in 2015 to $67,358 in 2016.

The impairment in fiscal 2016 was partially the result of management's decision to cease further development of certain projects which resulted in the write-off of the project's carrying values, thus the Company recorded a $67,358 (2015 - $10,652) impairment to film and television properties. Per the Company's accounting policies, a project that does not have prevailing evidence of going into production will be written off. As such, the Company assessed its development slate and wrote off projects which were older than three years and didn't have a high likelihood of going into production. These projects may still be taken to market in hopes of being financed, but will not be carried on the Company's consolidated statement of financial position as an asset.

In addition, at each period end, management makes an estimate of the future value of each property on a project by project basis. If in management's estimation, the future value of the property does not exceed the current carrying value, then it will record an impairment on the value of the property. Upon management's review of its library, it was determined that no productions had a carrying value in excess of future value, thus the Company recorded a $nil (2015 – $66,175) impairment to film and television properties.

Selling and distribution expenses

Selling and distribution expenses decreased by $118,484 from $150,491 in 2015 to $32,007 for 2016. Fiscal 2015's expenses were primarily "one-time" expenses associated with the US theatrical release of *I Am Chris Farley* as well as the international releases of *I Am Steve McQueen* and *I Am Evel Knievel.* During fiscal 2016, the Company's releases did not require expenditures to the same extent.

General and administrative expenses

General and administrative expenses increased by $207,715 from $548,044 in 2015 to $755,759 in 2016. The increase in expenses is primarily due to a general increase in professional fees during the year, as well as a $101,468 increase in salaries and wages due to an employee benefits program instituted during the year. Rent and utilities decreased due to the Company being able to capitalize facility costs to the carrying value of the projects in production during the year.

A detailed breakdown of the expenses is as follows:

		Year ended November 30, 2016		Year ended November 30, 2015
Interest and bank charges	**$**	**20,608**	$	3,995
Office and general		**165,957**		160,379
Insurance		**18,226**		21,483
Professional fees		**177,314**		135,779
Rent and utilities		**17,983**		42,987
Salaries and wages		**206,685**		33,920
Share-based compensation		**63,133**		98,383
Transfer agent and filing fees		**21,186**		17,844
Travel		**64,667**		33,274
	$	**755,759**	$	548,044

Foreign exchange loss

Foreign exchange losses increased by $56,913 from $4,652 in 2015 to $61,565 in 2016. The increase is primarily due to the fluctuation of the Canadian dollar against the US dollar throughout the fiscal year.

Forgiveness of debt and reversal of accounts payable

During the year, the Company reversed $2,019 of accounts payable (2015 - $114,740). The Company was able to negotiate with third party service providers to reduce the amounts owing and forgive a portion of the accounts payable.

Financing expense, net

Total net financing expense increased $53,620 from $100,809 in 2015 to $154,429 in 2016. This increase is primarily due to treatment of interest incurred by the interim production loans. Per the Company's accounting policies, the interest incurred while the property is in production can be capitalized as a cost of the property. However, any interest incurred subsequent to the release of the property is expensed. For most of fiscal 2016, the Company had three projects which were completed, but had interim production loans payable. These loans will be repaid upon the receipt of the outstanding film tax credits and the other funding associated with the property.

Income for the year

Income attributed to the shareholders of the Company for the year ended November 30, 2016 increased $399,541 to an income of $499,997 and income per share of $0.01 as compared to an income of $100,456 for the year ended November 30, 2015 and income per share of $0.00.

Results of Operations – Fourth Quarter of Fiscal 2016

The following discussion describes the significant changes in the results from operations for the three-month period ended November 30, 2016, compared to the same period in 2015.

Revenue

Overall, revenue decreased by $1,163,259 when comparing the results of the three month periods ended November 30, 2016 to those of November 30, 2015, the changes in revenue can be summarized by:

- Contract production service increased $119,731 due to the revenues recorded on the completion of contract work with National Geographic and the commencement of the contract with Discovery Channel;
- Production revenue decreased $1,072,047 due primarily to the fact that the Company only recorded a small amount of revenue associated a partial delivery of *I Am JFK, Jr*. during the current quarter, while there was more revenue associated with the release of *I Am Johnny Cash* in Q4 of fiscal 2015;
- Distribution revenue decreased $210,943 due to the strong royalty revenues received on *I Am Chris Farley* in Q4 of fiscal 2015 where Q4 of fiscal 2016 did not see the same amount of royalties from its library.

Direct production costs and amortization of film and television produced

Direct production costs and amortization expenses decreased by $133,362 when comparing the results of the three month periods ended November 30, 2016 and 2015. The decrease was due to lower amounts of amortization recorded on the royalties received on *I Am Chris Farley* and *I Am Bruce Lee* in Q4 fiscal 2016 than recorded on the delivery of *I Am Johnny Cash* in Q4 of fiscal 2015.

Amortization of property, plant and equipment and acquired properties

Amortization of property, plant and equipment increased $12,905 when comparing results of the three month periods ending November 30, 2016 and 2015 and is due to the computer and editing computer purchases in the year, increasing carrying value of the assets in the current period and the associated amortization recorded.

Amortization of acquired properties decreased $20,000 when comparing results of the three month periods ending November 30, 2016 and 2015 because the carrying value of the properties was fully amortized in the first quarter of fiscal 2016.

Impairment of investment in film and television properties

Impairment of investment in film and television properties decreased $2,379 when comparing results of the three month periods ending November 30, 2016 and 2015.

This impairment is the result of management's decision to cease further development of certain projects which resulted in the write-off of the affected project's carrying values. Per the Company's accounting policies, a project that does not have prevailing evidence of going into production will be written off. As such, the Company assessed its development slate and wrote off projects which were older than three years and didn't have a high likelihood of going into production. These project will still be taken to market in hopes of being financed, but will not be carried on the Company's statement of financial position as an asset.

In addition, at each period end, management makes an estimate of the future value of each property on a project by project basis. If in management's estimation, the future value of the property does not exceed the current carrying value, then it must record an impairment on the value of the property. Upon management's review of its library, it was determined that no properties had a carrying value in excess of future value, thus it recorded a $nil impairment to film and television properties during the three months ended November 30, 2016.

Selling and distribution expenses

Selling and distribution expenses decreased by $65,061 when comparing results of the three months ended November 30, 2016 and 2015. These expenses are primarily “one-time” expenses associated with the US theatrical release of its properties. The decrease is largely due to the expenditures related to the *I Am Chris Farley* release in the fourth quarter of fiscal 2015. The Company feels these costs help increase the exposure of the film and the Company in general, resulting in additional revenues for the properties and the Company in the future.

General and administrative expenses

General and administrative expenses decreased by $43,211 when comparing results of the three month periods ending November 30, 2016 and 2015. Operating expenses decreased primarily because of decreases in stock-based compensation and the amount of rent attributed to productions in Q4 fiscal 2016 as compared to Q4 fiscal 2015. This was offset by an increase in salaries and wages which was due to a benefits program being initiated during the year.

Foreign exchange loss

Foreign exchange losses decreased by $46,387 when comparing results of the three month periods ending November 30, 2016 and 2015. The decrease is primarily due to a large foreign exchange loss recorded in Q4 of fiscal 2015, where in Q4 of fiscal 2016, the loss was minimal.

Financing expense

Total financing expense increased $2,625 when comparing results of the three month periods ending November 30, 2016 and 2015. This is primarily due to higher carrying value of the loans during Q4 of fiscal 2016 as compared to Q4 of fiscal 2015

Income (loss) for the quarter

Loss attributed to the shareholders of the Company for the three months ended November 30, 2016 was $528,724 as compared to an income of $56,145 for the three month period ending November 30, 2015, resulting in a loss per share of $0.01 for the three month period ending November 30, 2016, as compared to income of $0.00 per share from the quarter ended November 30, 2015.

Summary of Quarterly Results

The following table contains a summary of certain unaudited information for each of the eight most recent financial quarters. All periods presented have been prepared in accordance with IFRS.

	Quarter ended							
000's of dollars, except per share figures	**Q4 2016**	**Q3 2016**	**Q2 2016**	**Q1 2016**	**Q4 2015**	**Q3 2015**	**Q2 2015**	**Q1 2015**
Total revenue	$ 471	$ 2,049	$ 2,983	$ 2,607	$ 1,627	$ 515	$ 31	$ 14
Income (loss) and comprehensive income (loss)	(550)	56	411	614	504	(50)	(153)	(192)
Income (loss) attributed to shareholders of Network Media	(529)	47	396	586	485	(50)	(147)	(188)
Income (loss) per share - basic and diluted	$ (0.01)	$ -	$ 0.01	$ 0.01	$ 0.01	$ -	$ (0.01)	$ -

The quarterly information is unaudited, but reflects all adjustments of a normal, recurring nature, which are, in our opinion, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons in the financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

Liquidity and Capital Resources

Network's liquidity needs can be met through a variety of sources. Network generates cash from operations, by borrowing against earned tax credits, through operating lines of credit and through debt and stock issuances. The primary uses of cash are operating expenses, capital expenditures, interest and principal payments on current debt, and investment in its development slate.

Overall, the Company's cash and cash equivalents position increased by $272,488 as at November 30, 2016. This increase primarily reflects higher cash provided by the net income for the year, improved operating activities, but was offset by higher capital additions and increased investment in the development of future properties.

Cash provided by operating activities in the year ended November 30, 2016, was $2,201,245, compared to $438,645 in the prior year. This increase of $1,762,600 is the result of timing of the receipt of accounts receivable and the increase of accounts payable as at November 30, 2016. At year end, due to the increased production activity, the Company had accrued a larger amount of tax credits than at the previous year end, causing a reduction in the Company's cash flow.

Cash provided by (used in) financing activities for the year ended November 30, 2016 was a utilization of $192,126, compared to providing cash of $1,727,935 in the prior year. In the current year, the Company repaid $845,770 of interim production financing, but then, during the same year, received $747,000 of interim production financing. The cycle of incurring interim production financing and repayments thereof is common in the entertainment industry. Chartered banks ~~a~~ regularly lend such companies as Network the funding to produce and complete its production through the financing of future contracted payments and the ultimate receipt of tax credits. As well the Company also repaid $21,935 of equipment leases, and retired $71,421 of debt on a net basis.

In the prior year, the Company completed a private placement for the issuance of 1,250,000 common shares at $0.20 per common share, issued short-term debt amounting to $690,000 and received interim production financing of $1,833,000. This was offset by repayment of convertible debt in the amount of $375,000 and interim production financing of $662,000.

Cash required by investing activities in the year ended November 30, 2016 was $1,736,631, compared to requiring cash of $2,078,529 in the prior year. The Company used the cash primarily for its continued development and production of its film and television properties, as well as an investment into additional editing equipment for the studio.

Liquidity

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of production and distribution growth. The Company manages its capital structure in accordance with financial conditions and timing of various payments from production financings, third party broadcasters and distributors and from government tax credit programs. In order to maintain its capital structure, the Company may elect to issue or repay short-term debt, issue shares or undertake any other activities as deemed appropriate under the specific circumstances.

Throughout fiscal 2015 and 2016, a Director of the Company has provided Network with several short term loans, as evidenced by unsecured promissory notes that accrue interest at 8% per annum, paid semi-annually. The total amount outstanding under these promissory notes (including interest) as at November 30, 2016 was $160,473. This Director is actively engaged with, and was provided consistent updates from, management of the Company about the activities of the Company, and the Company does not anticipate this Director will seek repayment of any of the loans in a manner that would prejudice the Company's financial position.

Also, in fiscal 2016, the Company had $1,188,396 of debentures on issue that accrued interest at a rate of 8% per annum payable semi-annually. For more details regarding these debt instruments, please refer to the heading titled "Financing" under the section "Overview and Business Development".

As at November 30, 2016, Network had a working capital deficit of $1,311,550 compared to a deficit of $2,851,434 at November 30, 2015. The improved working capital position is primarily due to the significant increase in cash provided by operating activities, and additional current tax credits receivable.

Network believes that through operations, the Company's ability to negotiate short-term debt instruments, stock issuances and interim production financing of its proprietary projects, it will generate sufficient liquidity to meet cash requirements for the next 12 months.

During fiscal 2016, the Company increased its production activities, resulting in a significant increase in revenues and positive net income. With the contracts entered into and an active and continuous search for new projects, management expects growth in both revenues and net income to continue in fiscal 2017 and into the future, thereby reducing and eventually eliminating its working capital deficiency.

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 and television properties, and provide a return to its shareholders in the form of capital appreciation.

The Company's capital is comprised of the following:

	November 30, 2016	November 30, 2015
Long-term debt	$ -	$ 46,836
Debt payable	1,348,869	1,272,715
Financing lease obligations	29,021	50,956
Cash settled share based payments	-	665
Less: Cash and cash equivalents	(443,302)	(170,814)
Net debt	934,588	1,200,358
Total shareholders' equity	826,224	231,342
	$ 1,760,812	$ 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 prepared by key management and reviewed 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.

Related party transactions

The Company has transacted business in the normal course of operations with related parties and entities over which the related parties' exercise complete control. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Key management personnel consist of the Board of Directors and the named Officers of the Company, who have authority and responsibility for planning, directing and controlling the activities of the Company.

During the year ended November 30, 2016, the Company:

- paid or accrued wages to key management personnel in the following manner:
    - Recorded as general and administrative expenses - $133,537 (2015 – $113,382);
    - Recorded as investment in film and television properties - $591,375 (2015 – $362,975);
    - Recorded as direct production costs - $91,650 (2015 - $nil);
    - These costs were paid to the following related parties:
        - $214,000 for salaries and wages to the Chairman of the Board of Directors and for services of staff of a company controlled by the Chairman of the Board of Directors
        - $270,463 as salaries and wages to the CEO;
        - $172,563 as salaries and wages to the COO;
        - $126,000 as salaries and wages to the CFO and for services of staff of a company controlled by the CFO;

- recorded share-based compensation as general and administrative expenses upon the issuance of 779,963 (2015 – 1,497,537) stock options under the Company's stock option plan to five directors and one officer of the Company - $33,537 (2015 - $98,382) as follows:
    - 70,000 options granted to the CFO and associated share-based compensation of $5,214;
    - 195,000 options granted to four Directors and associated share-based compensation of $14,524;
    - 514,963 options granted to the Chairman of the Board of Directors and associated share-based compensation of $13,799.

- incurred interest of $87,337 (2015 - $70,884) on short term debt provided by the Chairman of the Board of Directors of the Company.

At November 30, 2016, the Company collectively owed $214,551 (2015 - $26,829) and was due $11,584 (2015 - nil) from related parties of the Company. Amounts due to related parties are unsecured, non-interest bearing and due on demand. The amounts owed was as follows:

- $65,047 owed to a company controlled by the Chairman of the Board of Directors;
- $100,000 owed to the Chairman of the Board of Directors;
- $35,779 owed to the CEO, $5,792 owed by the CEO;
- $4,800 owed to the COO, $5,792 owed by the COO;
- $8,925 owed to a company controlled by the CFO.

At November 30, 2015, the Company had secured promissory notes and debentures outstanding, including accrued interest, of $160,472 and $1,007,005 (2015 - $135,827 and $969,042) respectively owing to the Chairman of the Board of Directors of the Company. Both the debenture and the secured promissory notes bear interest at 8% per annum.

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 Chairman 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.

On March 21, 2016 and July 28, 2016, the Company granted the Executive Chairman of the Board of Directors 300,000 and 139,963 stock options respectfully in lieu of all 439,963 Phantom Shares that were granted in the prior year.

For the year ended November 30, 2016, the Company recognized compensation expense in relation to the Phantom Shares of $nil (2015- $665), which is included in general and administrative expenses in profit or loss.

Contractual obligations

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

- $185,027 in the fiscal year ended November 30, 2017
- $190,707 in the fiscal year ended November 30, 2018
- $123,600 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

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	$ 30,006	$ 24,005	$ 6,001
Less: imputed interest	985	936	49
Carrying value	$ 29,021	$ 23,069	$ 5,952

Capital Expenditures

The Company monitors its property and equipment on a continual basis and replenishes on an as needed basis. The Company does not anticipate any significant expenditures on property and equipment in the upcoming year.

Share Issuances

There were no share issuances during the year ended November 30, 2016, but in the prior year, on December 8, 2014, the Company completed a private placement with the Chairman of the Board of Directors of the Company, issuing 1,250,000 common shares at $0.20 per common share for net receipts of $250,000.

Options

Pursuant to the Company's equity settled stock option plan, which was amended to a fixed plan at the Company's latest Annual General Meeting, Directors may, from time to time, authorize the granting of options to Directors, employees and consultants of the Company to a maximum of 20% of the outstanding shares of the Company which was calculated to be 10,880,074. 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 November 30, 2016			As at November 30, 2015		
	Number of Options		**Weighted Ave. Exercise Price**	Number of Options		Weighted Ave. Exercise Price
Outstanding, beginning of year	**5,440,037**	**$**	**0.18**	5,315,000	$	0.17
Granted	**1,186,243**	**$**	**0.20**	1,497,537	$	0.16
Expired	**(300,000)**	**$**	**0.10**	(300,000)	$	0.12
Cancelled	-	**$**	-	(1,072,500)	$	0.14
Outstanding, end of year	**6,326,280**	**$**	**0.18**	5,440,037	$	0.18

As at November 30, 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	0.08	December 29, 2016	*
100,000	100,000	$	0.10	1.51	June 3, 2018	
250,000	250,000	$	0.07	2.20	February 12, 2019	
2,060,037	1,612,500	$	0.20	2.62	July 16, 2019	
550,000	550,000	$	0.10	3.24	February 26, 2020	
439,963	-	$	0.20	2.62	July 16, 2019	
746,280	248,760	$	0.20	4.66	July 28, 2021	
6,326,280	4,941,260	$	0.18	2.01		

* The expiry date of these option has been extended to a date as yet to be determined.

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. 26, 2015	550,000	$	0.10	$	0.08	133%	0.74%	$	0.07	5.0
Oct. 29, 2015	947,537	$	0.20	$	0.06	146%	0.82%	$	0.04	3.7
Mar 21, 2016	300,000	$	0.20	$	0.08	147%	0.66%	$	0.06	3.3
July 28, 2016	746,280	$	0.20	$	0.20	143%	0.65%	$	0.17	5.0
July 28, 2016	139,963	$	0.20	$	0.20	143%	0.65%	$	0.16	3.0

For the year ended November 30, 2016, the Company recognized compensation expense in relation to these options of $63,133 (2015- $97,718), 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").

On March 21, 2016 and July 28, 2016, the Company granted the Executive Chairman of the Board of Directors 300,000 and 139,963 stock options respectively in lieu of all 439,963 Phantom Shares that were granted in the prior year and released the Company of all its obligations under the Phantom Stock Award Agreement.

As at November 30, 2016, the phantom stock award had a fair value of $nil (2015 – $665). Upon settlement of Phantom Shares, the prior fair value of $665 was transferred to contributed surplus.

For the year ended November 30, 2016, the Company recognized compensation expense in relation to these options of $nil (2015- $665), which is included in general and administrative expenses in profit and loss.

Non-controlling interest

One original shareholder of Network elected not to participate in the share exchange when the Company obtained its public listing. As a result, 800,000 common shares (approximately 4 % of the share capital) 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 year	31,087
Balance, November 30, 2016	**$ (84,169)**

Subsequent to year end, the 800,000 of common shares of Network Entertainment were converted to those of the Company, thus eliminating the non-controlling interest. The difference between the fair value of consideration paid and the non-controlling interest eliminated will be recorded to equity.

Escrow shares

As at November 30, 2016, the Company had no common shares held in escrow.

Seasonality

Results of operations for any period are dependent on the number and timing of film and television programs delivered, which cannot be predicted with certainty. Consequently, the Company's results from operations may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition. During the initial broadcast of the rights granted by the Company in respect of any of its products, the Company is somewhat reliant on the broadcaster's budget and financing cycles and at times the license period gets delayed and commences at a later date than originally projected.

The Company's film and television revenues vary significantly from year to year and are determined by contracted deliveries with its primary broadcasters. The Company's revenues are primarily contract and demand driven and can fluctuate significantly from year to year.

Future Accounting Standard Changes

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for the Company's annual periods beginning on or after December 1, 2018 or later periods. The following new standards, amendments and interpretations that have not been early adopted in these consolidated financial statements:

(i) IFRS 9 Financial Instruments: IFRS 9 replaces IAS 39 and simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. This standard is effective for annual periods beginning on or after January 1, 2018.

(ii) IFRS 15 Revenue recognition: The IASB issued IFRS 15, Revenue from Contracts with Customers in May 2014. 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. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

(iii) IFRS 16 Leases: IFRS 16 replaces IAS 17 and requires lessees to account for leases on the statement of financial position by recognizing a right to use asset and lease liability. The standard is effective for annual reports beginning on or after January 1, 2019, with earlier adoption permitted.

The Company has not yet finalized its review of the potential impact on the consolidated financial statements of adopting these new standards.

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:

(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 change 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 rate impacting US dollar revenues during the year ended November 30, 2016 would result in a change to income of $391,167 (2015 - $108,102) impacting profit or loss.

The Company is also exposed to foreign exchange risk on its cash, accounts receivable and accounts payable balances that are denominated in US dollars, being, respectively, $318,130 as at November 30, 2016 (2015 - $98,392), $246,866 as at November 30, 2016 (2015 - $1,199,300) and $305,628 as at November 30, 2016 (2015 - $180,642).

A five percent fluctuation in the US dollar closing rate at November 30, 2016 would result in a change to profit or loss of $12,968 for the year ended November 30, 2016 (2015 - $76,299).

(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 cash equivalents 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.

(iii) *Interest rate risk*

Interest rate risk arises on interest-bearing financial instruments recognised in the statement of financial position such as interim production financing.

If the market interest rates had changed 100 basis points, the Company’s cost of capital would have fluctuated $18,309 (2015 - $10,012).

(iv) *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 will require additional capital in order to meet the payment expectations related to its debts. Accounts payable and accrued liabilities are due on standard commercial terms.

Off-Balance Sheet Arrangements

There are no off-balance sheet obligations that are not disclosed in the financial statements.

Critical Accounting Estimates

The audited year-end consolidated financial statements have been prepared in accordance with IFRS. A summary of the significant accounting policies used in the preparation of our consolidated financial statements is included in Note 3 of the financial statements. The measurement of certain assets and liabilities is dependent upon future events whose outcome will not be fully known until future periods. Therefore, the preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results will vary from those estimated.

Tax credits receivable

The Federal and certain Provincial governments in Canada provide programs that are designed to assist film and television production in the form of refundable tax credits. Amounts receivable in respect of refundable tax credits are recorded as a reduction to the related production operating costs, or to investment in film and television properties, when conditions for eligibility of production assistance based on the government’s criteria have been met, the qualifying expenditures are made and there is reasonable assurance of realization. Determination of when and if the conditions of eligibility have been met is based on management’s judgement and the amount recognized is based on management estimates of qualifying expenditures.

Investment in film and television properties

i) Properties in development

Certain development costs relating to properties in development that meet the criteria set forth under IAS 38 - *Intangible assets* are capitalized. These costs are reclassified to productions in progress once the project is approved and physical production of the film commences.

Development costs include the costs of acquiring film rights to books, scripts or original screenplays and the third party costs to adapt such projects, including visual development and design. Advances or contributions received from third parties to assist in development are deducted from these costs.

Productions in development are tested for impairment annually and are written off as an impairment charge at the earlier of the date they are determined not to be recoverable, when projects under development are abandoned or if the property has been held for three years from initial investment if there have been no activities with respect to projects in progress within the year.

ii) Productions in Progress

For film and television properties in production by the Company, capitalized costs include all direct production and financing costs incurred during production that are expected to benefit future periods. Financing costs are capitalized to the costs of a film or television program until substantially all of the activities necessary to prepare the film or television program for delivery are complete. Capitalized production costs do not include administrative and general expenses, or charges for losses on properties sold or abandoned.

iii) Completed Productions

Completed productions are carried at the cost of proprietary film and television programs which have been produced by the Company or to which the Company has acquired distribution rights, less accumulated amortization and accumulated impairment losses.

Costs of producing film and television programs are capitalized and amortized using the individual film forecast method, whereby capitalized costs are amortized, and ultimate participation costs are accrued, in the proportion that current revenue bears to management's estimate of ultimate revenue expected to be recognized from the exploitation, exhibition or licensing of the film or television program.

Purchased program rights are amortized on a straight line basis over five years.

Results of operations in future years are dependent upon the amortization of film and television costs and may be significantly affected by periodic adjustments in amortization rates. As a result, Network's financial results may fluctuate from period to period. If estimates of ultimate revenues change with respect to a film or television program, causing reductions in the recoverable amount, Network may be required to write-down all or a portion of the related unamortized costs.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of the assets' cost less residual value is recognized over the estimated useful life of assets. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. The determination of appropriate useful lives and residual values are based on management's judgment; as a result, the resulting depreciation is subject to estimation uncertainty.

Property and equipment are reviewed for indicators of potential impairment at the end of each reporting period. Such indicators may include an adverse change in business climate, technology, or regulations that impact the industry. The determination of whether such indicators exist requires significant judgment. If indication of impairment exists, the asset's recoverable amount is estimated and an impairment loss is recognized when the carrying amount of an asset, or CGU, exceeds its recoverable amount. Recoverable amount of an asset or CGU is the greater of fair value less costs to sell and value in use. The determination of the recoverable amount in the impairment assessment requires estimates based on present value or other valuation techniques or a combination thereof, necessitating management to make subjective judgments and assumptions.

Revenue recognition

Revenue is earned primarily from the production and distribution of film and television programs.

Revenue from the sale of film and television program rights and license arrangements is recognized when management considers it probable that the economic benefits will flow to the Company and that the revenue to be received is reliably measureable. The above conditions are considered met when persuasive evidence of a sale or arrangement with a customer exists, the film or series episode is complete and the contractual delivery arrangements have been satisfied, the license period has commenced, the arrangement fee is fixed or determinable, collection of the arrangement fee is reasonably assured, and other conditions as specified in the respective agreements have been met.

Revenue from contract film and television production services for third parties is recognized using the percentage-of-completion method when the following criteria are met: there is a written arrangement with a customer detailing the amount of total contract revenue so that the revenue can be measured reliably, the stage of completion can be measured reliably, the receipt of payment is probable, and costs incurred and to be incurred can be measured reliably. The percentage-of-completion is calculated based upon the proportion of costs incurred in the current period to the project's total expected costs. When it is expected that total costs will exceed revenue the expected loss is recognized immediately in profit or loss.

The estimate of revenue depends on management judgement and assumptions regarding expected total costs and revenue and recoverability of expenses. Management also uses judgement in assessing the assurance of collectability.

Cash payments received are recorded as deferred revenue until all foregoing conditions of revenue recognition have been met.

Contingent liabilities

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. As contingencies will only be resolved when one or more future events occur or fail to occur, the assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Risks and Uncertainties

The following are the specific and general risks that could affect the Company that each reader should carefully consider. Additional risks and uncertainties not presently known to the Company or that the Company does not currently anticipate will be material, may impair the Company's business operations and its operating results and as a result could materially impact its business, results of operations, prospects, and financial condition. The risks and uncertainties below are not listed in order of importance, nor are they inclusive of all of the risks and uncertainties the Company may be subject to.

Risks Related to the Nature of the Entertainment Industry

The entertainment industry involves a substantial degree of risk. Acceptance of entertainment programming represents a response not only to the production's artistic components, but also the quality and acceptance of other competing programs released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally and other intangible factors, all of which could change rapidly or without notice and cannot be predicted with certainty. There is a risk that some or all of the Company's programming will not be purchased or accepted by the public generally, resulting in a portion of costs not being recouped or anticipated profits not being realized. There can be no assurance that revenue from existing or future programming will replace loss of revenue associated with the cancellation or unsuccessful commercialization of any particular production.

Risks Related to Television and Film Industries

Because the performance of television and film programs in ancillary markets, such as home video and pay and free television, is often directly related to reviews from critics and/or television ratings, poor reviews from critics or television ratings may negatively affect future revenue. The Company's results of operations will depend, in part, on the experience and judgment of its management to select and develop new investment and production opportunities. The Company cannot make assurances that the Company's films and television programs will obtain favourable reviews or ratings that its films will perform well in ancillary markets or that broadcasters will license the rights to broadcast any of the Company's film and television programs in development or renew licenses to broadcast film and television programs in the Company's library. The failure to achieve any of the foregoing could have a material adverse effect on the Company's business, results of operations or financial condition.

Licensed distributors' decisions regarding the timing of release and promotional support of the Company's films, television programs and related products are important in determining the success of these films, programs, and related products. The Company does not control the timing and manner in which our licensed distributors distribute our films, television programs, or related products. Any decision by those distributors not to distribute or promote one of the Company's films, television programs, or related products or to promote competitors' films, programs, or related products to a greater extent than they promote the Company's, could have a material adverse effect on the Company's business, results of operations, or financial condition.

Risks Related to Doing Business Internationally

The Company distributes films and television productions outside Canada through third party licensees and derives revenues from these sources. As a result, the Company's business is subject to certain risks inherent in international business, many of which are beyond its control. These risks include: changes in local regulatory requirements, including restrictions on content; changes in the laws and policies affecting trade, investment and taxes (including laws and policies relating to the repatriation of funds and to withholding taxes); differing degrees of protection for intellectual property; instability of foreign economies and governments; cultural barriers; wars and acts of terrorism; and the spread of swine flu or other widespread health hazard.

Loss of Canadian Status

The Company could lose its ability to exploit Canadian government tax credits and incentives described above if it ceases to be "Canadian" as defined under the Investment Canada Act. In particular, the Company would not qualify as a Canadian if Canadian nationals cease to beneficially own shares of the Company having more than 50% of the combined voting power of its outstanding shares. In Canada and under international treaties, under applicable regulations, a program will qualify as a Canadian-content production if, among other things: (i) it is produced by Canadians with the involvement of Canadians in principal functions; and (ii) a substantial portion of the budget is spent on Canadian elements. As well, substantially all of the Company's programs are contractually required by broadcasters to be certified as "Canadian". In the event a production does not qualify for certification as Canadian, the Company would be in default under any government incentive and broadcast licenses for that production. In the event of such default, the broadcaster could refuse acceptance of the Company's productions.

Competition

Substantially all of the Company's revenues are derived from the production and distribution of television and film programs. The business of producing and distributing television and film programs is highly competitive. The Company faces intense competition with other producers and distributors, both in the cable television market, but now also from on-line broadcasters like Netflix and Amazon, many of whom are substantially larger and have greater financial, technical, and marketing resources than the Company. The Company competes with other television and film production companies for ideas and storylines created by third parties as well as for actors, directors, and other personnel required for a production. The Company may not be successful in any of these efforts which may adversely affect business, results of operations, or financial condition.

The Company intends to increase its penetration of the prime-time television network market. The Company competes for time slots with a variety of companies which produce televised programming. The number of network prime-time slots remains limited (a "slot" being a broadcast time period for a program), even though the total number of outlets for television programming has increased over the last decade. Competition created by the emergence of new broadcasters has generally caused the market shares of the major networks to decrease. Even so, the license fees paid by the major networks remain the most lucrative. As a result, there continues to be intense competition for the time slots offered by those networks. There can be no assurance that the Company will be able to increase its penetration of the prime-time network market or obtain favourable stats, the failure to do so may have a negative impact on the Company's business.

Limited Ability to Exploit Filmed and Television Content Library

The Company depends on a limited number of titles for the majority of the revenues generated by its film and television content library. In addition, many of the titles in its library are not presently distributed and generate substantially no revenue. If the Company cannot acquire new products and rights to popular titles through production, distribution agreements, acquisitions, mergers, joint ventures, or other strategic alliances, it could have a material adverse effect on its business, results of operations or financial condition.

Protecting and Defending Against Intellectual Property Claims

The Company's ability to compete depends, in part, upon successful protection of its intellectual property. Furthermore, the Company's revenues are dependent on the unrestricted ownership of its rights to television and film productions. Any successful claims to the ownership of these intangible assets could hinder the Company's ability to exploit these rights. The Company does not have the financial resources to protect its rights to the same extent as its competitors. The Company attempts to protect proprietary and intellectual property rights to its productions through available copyright and trademark laws in a number of jurisdictions and licensing and distribution arrangements with reputable international companies in specific territories and media for limited durations. Despite these precautions, existing copyright and trademark laws afford only limited practical protection in certain countries in which the Company may distribute its products and in other jurisdictions no assurance can be given that challenges will not be made to the Company's copyright and trade-marks. In addition, technological advances and conversion of motion pictures into digital format have made it easier to create, transmit, and share unauthorized copies of motion pictures, DVDs, and television shows. Users may be able to download and distribute unauthorized or "pirated" copies of copyrighted material over the Internet. As long as pirated content is available to download digitally, some consumers may choose to digitally download material illegally. As a result, it may be possible for unauthorized third parties to copy and distribute the Company's productions or certain portions or applications of its intended productions, which could have a material adverse effect on its business, results of operations, or financial condition.

Litigation may also be necessary in the future to enforce the Company's intellectual property rights, to protect its trade secrets, or to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Any such litigation could result in substantial costs and the diversion of resources and could have a material adverse effect on the Company's business, results of operations, or financial condition. The Company cannot provide assurances that infringement or invalidity claims will not materially adversely affect its business, results of operations, or financial condition. Regardless of the validity or the success of the assertion of these claims, the Company could incur significant costs and diversion of resources in enforcing its intellectual property rights or in defending against such claims, which could have a material adverse effect on the Company's business, results of operations, or financial condition.

Fluctuating Results of Operations

Results of operations for any period are significantly dependent on the number and timing of television programs and films delivered or made available to various media. Consequently, the Company's results of operations may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition. Although traditions are changing, due in part to increased competition from new channels, industry practice is that broadcasters make most of their annual programming commitments between February and June in order that new programs can be ready for telecast at the start of the broadcast season in September, or as mid-season replacements in January. Because of this annual production cycle, the Company's revenues are not earned on an even basis throughout the year. Results from operations fluctuate materially from quarter to quarter and the results for any one quarter are not necessarily indicative of results for future quarters.

Raising Additional Capital – Going Concern Risk

The Company is likely to require capital in the future, to meet additional working capital requirements or capital expenditures or to take advantage of investment or acquisition opportunities. Accordingly, it may need to raise additional capital in the future. The Company's ability to obtain additional financing will be subject to a number of factors including market conditions and its operating performance. These factors may make the timing, amount, terms and conditions of additional financing unattractive or unavailable for the Company. If the Company raises additional funds by issuing equity securities, the relative equity ownership of its existing investors could be diluted or new investors could obtain terms more favourable than previous investors. If the Company raises additional funds through debt financing it could incur significant borrowing costs. If the Company is unable to raise additional funds when needed, or on terms acceptable to the Company, its ability to operate as a going concern and grow its business could be impeded.

Concentration Risk

Revenue may originate from disproportionately few productions and broadcasters. The value of the Common Shares may be substantially adversely affected should the Company lose the revenue generated by any such production or broadcaster.

Reliance on Key Personnel

The Company is substantially dependent upon the services of certain key personnel, particularly Derik Murray. The loss of the services of any one or more of such individuals could have a material adverse effect on the business, results of operations or financial condition of the Company.

Market Share Price Fluctuation

The market price of the Company's Common Shares may be subject to significant fluctuation in response to numerous factors, including variations in its annual or quarterly financial results or those of its competitors, changes by financial research analysts in their recommendations or estimates of the Company's earnings, conditions in the economy in general or in the broadcasting, film or television sectors in particular, unfavourable publicity or changes in applicable laws and regulations, exercise of the Company's outstanding options and/or warrants, or other factors. Moreover, from time to time, the stock markets on which the Company's Common Shares will be listed may experience significant price and volume volatility that may affect the market price of the Company's Common Shares for reasons unrelated to its economic performance. No prediction can be made as to the effect, if any, that future sales of Common Shares or the availability of Common Shares for future sale (including Common Shares issuable upon the exercise of stock options) will have on the market price of the Common Shares prevailing from time to time. Sales of substantial numbers of Common Shares, or the perception that such sales could occur, could adversely affect the prevailing price of the Company's Common Shares.

Risks Associated with Acquisitions and Joint Ventures

The Company has made or entered into, and will continue to pursue, various acquisitions, business combinations, and joint ventures intended to complement or expand its business. Any indebtedness incurred or assumed in any such transaction may or may not increase the Company's leverage relative to its earnings before interest, provisions for income taxes, amortization, non-controlling interests, gain on dilution of investment in subsidiary and discounted operation, or EBITDA, or relative to its equity capitalization, and any equity issued may or may not be at prices dilutive to its then existing shareholders. The Company may encounter difficulties in integrating acquired assets with its operations. Furthermore, the Company may not realize the benefits it anticipated when it entered into these transactions. In addition, the negotiation of potential acquisitions, business combinations or joint ventures as well as the integration of an acquired business could require the Company to incur significant costs and cause diversion of Management's time and resources. Future acquisitions could also result in impairment of goodwill and other intangibles, development write-offs and other acquisition-related expenses.

The Company continues to pursue opportunities to expand its distribution capacity, production capacity, and product libraries. There can be no assurance that appropriate acquisitions or expansion opportunities will be identified or available; that the Company will have or be able to obtain sufficient financing or acceptable terms to fund any such acquisition or expansion; that any such acquisition or expansion will be consummated, or, if consummated, the timing thereof; or that any such acquisition or expansion can be successfully integrated into or with the Company's existing operations and business strategy and ultimately prove beneficial to the Company.

Potential for Budget Overruns and Other Production Risks

A production's costs may exceed its budget. Unforeseen events such as labour disputes, death or disability of a star performer, changes related to technology, special effects or other aspects of production, shortage of necessary equipment, damage to film negatives, master tapes and recordings, or adverse weather conditions, or other unforeseen events may cause cost overruns and delay or frustrate completion of a production. Although the Company has historically completed its productions within budget, there can be no assurance that it will continue to do so. The Company currently maintains insurance policies and when necessary, completion bonds, covering certain of these risks. There can be no assurance that any overrun resulting from any occurrence will be adequately covered or that such insurance and completion bonds will continue to be available or, if available, on terms acceptable to the Company. The Company has never made a material claim on its insurance or called on a completion bond. In the event of budget overruns, the Company may have to seek additional financing from outside sources in order to complete production of a television program. No assurance can be given as to the availability of such financing or, if available, on terms acceptable to the Company. In addition, in the event of substantial budget overruns, there can be no assurance that such costs will be recouped, which could have a significant impact on the Company's results of operations or financial condition.

Management Estimates in Revenues and Earnings

The Company makes numerous estimates as to its revenues and matching production and direct distribution expenses on a project–by-project basis. As a result of this accounting policy, earnings can widely fluctuate if Management has not accurately forecast the revenue potential of a production.

Financial Risks Resulting from the Company's Capital Requirements

The production, acquisition and distribution of films and television programs requires a significant amount of capital. The Company cannot provide assurance that it will be able to continue to successfully implement financing arrangements or that it will not be subject to substantial financial risks relating to the production, acquisition, completion, and release of future films and television programs. If the Company increases (through internal growth or acquisition) its production slate or its production budgets, it may be required to increase overhead, make larger up-front payments to talent, and consequently bear greater financial risks. The occurrence of any of the foregoing could have a material adverse effect on the Company's business, results of operations, or financial condition.

Government Incentive Programs

In addition to license fees from domestic and foreign broadcasters and financial contributions from co-producers, the Company finances a significant portion of its production budgets from federal and provincial governmental agencies and incentive programs, including the Canadian Television and Cable Production Fund, the provincial film equity investment programs, federal tax credits, and provincial tax credits. The tax credits are considered part of the Company's equity in any production for which they are used as financing. There can be no assurance that individual incentive programs available to the Company will not be reduced, amended, or eliminated or that the Company or any production will qualify for them, any of which may have an adverse effect on the Company's business, results of operations, or financial condition.

Changes in Regulatory Environment

At the present time, the film industry is subject to a regulatory environment. The Company's operations may be affected in varying degrees by future changes in the regulatory environment. Any change in the regulatory environment could have a material adverse effect on the Company's revenues and earnings.

Litigation

Governmental, legal, or arbitration proceedings may be brought or threatened against the Company in the future. Regardless of their merit, any such claims could be time consuming and expensive to evaluate and defend, divert Management's attention and focus away from the business, and subject the Company to potentially significant liabilities.

Exchange Rates

The returns to the Company from foreign exploitations of its properties are customarily paid in USD, and, as such, may be affected by fluctuations in the exchange rate of the USD. Currency exchange rates are determined by market factors beyond the control of the Company and may vary substantially during the course of a production period. In addition, the ability of the Company to repatriate to Canadian funds arising in connection with foreign exploitation of its properties may also be adversely affected by currency and exchange control regulations imposed by the country in which the production is exploited. At present, the Company is not aware of any existing currency or exchange control regulations in any country in which the Company currently contemplates exploiting its properties which would have an adverse effect on the Company's ability to repatriate such funds. Where appropriate, the Company will hedge its foreign exchange risk through the use of derivatives.

Any of these factors could have a material adverse effect on the Company's business, results of operations or financial condition.

Outstanding Shares

As at March 29, 2017, the Company had 55,660,370 common shares issued and outstanding, and has 5,866,280 stock options outstanding.

Other

Additional information and other publicly filed documents relating to Network are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at www.sedar.com.