EIGHT SOLUTIONS INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three month ended March 31, 2017

GENERAL

This Management's Discussion and Analysis has been prepared by management as of May 29, 2017 and should be read in conjunction with the unaudited condensed consolidated interim financial statements of Eight Solutions Inc. (the "Company") as at and for the three months ended March 31, 2017 and with the audited financial statements for the year ended December 31, 2016 prepared in accordance with International Financial Reporting Standards ("IFRS").

During the three months ended March 31, 2017, the Company's significant accounting policies have remained substantially unchanged. All amounts are expressed in Canadian dollars unless noted otherwise.

DISCLAIMER FOR FORWARD LOOKING STATEMENTS

The following Management's Discussion and Analysis contains statements which, to the extent that they are not recitations of historical fact, may constitute forward-looking information under applicable Canadian securities legislation. Such forward-looking statements or information includes financial and other projections as well as statements regarding the Company's future plans, objectives, performance, revenues, growth, profits, operating expenses or the Company's underlying assumptions. The words "may", "would", "could", "will", "likely", "expect", "anticipate", "intend", "plan", "forecast", "project", "estimate" and "believe" or other similar words and phrases may identify forward-looking statements or information. Persons reading this Management's Discussion and Analysis are cautioned that such statements or information are only predictions, and that the Company's actual future results or performance may be materially different. Factors that could cause actual events or results to differ materially from those suggested by these forward-looking statements include, but are not limited to: the possibility of development or deployment difficulties or delays; the dependence on its customers' satisfaction; the timing of entering into significant contracts; the risks involved in developing integrated software solutions and integrating them with third-party products and services; the performance of the global economy and growth in the data analytics industry sales; implementation and development of the Company's Cumul8 and Reelhouse technologies; customer and industry analyst perception of the Company and its technology vision and future prospects; the success of certain business combinations engaged in by the Company or by its competitors; possible disruptive effects of organizational or personnel changes; technological change, new products and standards; risks related to acquisitions and international expansion; reliance on large customers; dependence upon key personnel and hiring; reliance on a limited number of suppliers; risks related to the Company's competition; the Company not adequately protecting its intellectual property; currency exchange rate risk; and including, but not limited to, other factors described in the Company's reports filed on SEDAR, including its financial statements for the years ended December 31, 2016 and 2015, and those referred to under the heading "Risk Factors". In drawing a conclusion or making a forecast or projection set out in the forward-looking information, the Company takes into account the following material factors and assumptions in addition to the above factors: the Company's ability to execute on its business plan; the acceptance of the Company's products and services by its customers; the timing of execution of outstanding or potential customer contracts by the Company; the sales opportunities available to the Company; the Company's subjective assessment of the likelihood of success of a sales lead or opportunity; the Company's historic ability to generate sales leads or opportunities; and that sales will be completed at or above the Company's estimated margins. This list is not exhaustive of the factors that may affect the Company's forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. All forward-looking statements made in this Management's Discussion and Analysis are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Company will be realized. The Company disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

OVERVIEW

Eight Solutions Inc. was incorporated on January 24, 2011 pursuant to the provisions of the *Business Corporations Act* (British Columbia).

The Company's head office is located at Suite 100, 138 East 7th Avenue, Vancouver, British Columbia, V5T 1M6, Canada. The Company is in the business of developing 3D conversion software, cloud-based data management and analytic software, and an online film distribution platform. The Company is trading on the TSX Venture Exchange ("TSXV") under the stock symbol "ES".

The following discussion of the Company's financial performance is based on the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2017, and the audited consolidated financial statements for the year ended December 31, 2016.

OVERALL PERFORMANCE

For the three months ended March 31, 2017, the Company reported revenue of $610,520 compared to $649,535 for the three months ended March 31, 2016. Though revenue decreased slightly, the Company was able to decrease operating expenses by over $250,000 during the three months ended March 31, 2017 when compared with the three months ended March 31, 2016.

During the three months ended March 31, 2017, the Company reported a net loss attributable to the shareholders of the Company of $1,335,569 ($0.02 basic and diluted loss per share) compared to a net loss attributable to shareholders of $1,655,948 ($0.03 basic and diluted loss per share) for the three months ended March 31, 2016, a decrease in loss of $320,379 which is an improvement of 19%. As previously announced, the Company has successfully begun to restructure its operations and reduce operating expenses as evidenced by the 19% reduction of net loss attributable to the shareholders of the Company when compared to the prior year's quarter results, and the Company plans to continue to further minimize and reduce operating costs throughout this fiscal year.

As at March 31, 2017, the Company had $154,068 (December 31, 2016 - $179,865) of cash and cash equivalents and total current assets of $364,667 (December 31, 2016 - $1,081,497).

Current liabilities at March 31, 2017 total $4,224,620 (December 31, 2016 - $3,513,035). Shareholders' equity is comprised of share capital of $19,380,546 (December 31, 2016 - $19,281,546), contributed surplus of $4,332,244 (December 31, 2016 - $4,273,159), accumulated deficit of $26,255,682 (December 31, 2016 - $24,920,113) and non-controlling interest of $489,099 (December 31, 2016 – $705,982) for a net deficiency of $2,053,793 (December 31, 2016 –$659,426).

Working capital deficiency, which is comprised of current assets less current liabilities, was $3,859,953 at March 31, 2017, compared to a deficiency of $2,431,538 at December 31, 2016, a difference of $1,428,415 due to the maturity of a convertible promissory note due to a founding shareholder in January 2018.

BUSINESS HIGHLIGHTS

On March 31, 2017, the Company entered into a license termination agreement (the "**Agreement**') with Gener8 Digital Media Services Ltd. ("Gener8") and Prime Focus Limited ("Prime Focus") pursuant to which the parties agreed to terminate the March 23, 2015 license agreement between the parties (the "License Agreement") in consideration of and conditional upon, among other things, the payment of $3,000,000 to the Company on or before the closing date of May 30, 2017; the sale of the Company's 3D conversion technology to Prime Focus or an affiliate of Prime Focus for a purchase price of $2,000,000, the entry into a technology support agreement for the 3D technology and receipt of all required shareholder, exchange and regulatory approvals.

The Company believes it is of the best interest of the Company's shareholders to monetize the remaining fixed and performance-based royalty payments due under the 3D license agreement with Prime Focus rather than to seek additional equity at the Company's current share price and cause significant dilution to existing shareholders. At the same the time, the Company de-risks its reliance on the future of the 3D market and it allows the Company to focus on the sales and development its Cumul8 technologies.

Cumul8 is a data visualization solution that allows companies to easily align reporting so they can make faster decisions with more-accurate information. Cumul8 uses a unique customized design approach to data visualization, combined with a powerful live interactive system.

During the three months ended March 31, 2017, the Company has entered into an agreement with an industry partner to provide for two sawmills, a platform-based “Connected Mill” solution, where data from all machines and sensors within a mill is gathered and pushed to the cloud, so that data can be monitored live, insights can be discovered, and operational predictions can be made.

The Company's Cumul8 platform is comprised of two main parts: 1) the gathering of a client's disparate data from multiple sources all into a single cloud-based common data model and platform; and 2) is the visualization of the data though a) live interactive visuals, b) predictive analytics and c) communicate and collaboration through a mobile data analytic and collaboration tool.

Cumul8's Stratus product is a Digital Asset Management (“DAM”) system that provides a live dashboard solution for tracking assets and assigning tasks, allowing employees at different levels to communicate and manage data. This advanced tool set was designed to help analyze and visualize large amounts of information for maximum efficiency.

During the three months ended March 31, 2017, the Company prepared for the commercial deployment of their transfer system, *Cumul8 Jetstream*, which moves assets between storage assets between storage pools of connected facilities. Designed as a focused, lightweight component that can be easily integrated into a distributed asset management framework, the Company plans to have a downloadable version of the Cumul8 Jetstream in the second quarter of 2017, in time for NAB (the National Association of Broadcasters Show) in Las Vegas, one of the world's top media and technology trade shows.

Reelhouse Media Ltd. (Reelhouse)

Reelhouse is a direct-to-consumer film platform in the highly disruptive entertainment distribution space. The traditional film distribution model and industry are undergoing a radical shift, and Reelhouse is positioned as a studio-agnostic industry leader. Reelhouse allows filmmakers and major studios to customize, merchandise, and showcase engaging digital viewing experiences of their content

With interest in virtual reality (“VR”) continuing to grow, Reelhouse has launched an iOS VR app for cardboard that is available in the Apple App Store. This additional focus on VR has brought more content to Reelhouse where its site now contains over 8,000 two dimensional videos and over 55 VR films on its site provided by over 3,100 film creators.

Recently, Reelhouse launched a subscription video on demand (SVOD) product that is now available to users.

RECENT EVENTS

On May 1, 2017, the Company signed an Asset Purchase Agreement ("APA") and a Technology Support Agreement ("TSA") with Gener8, a subsidiary of Prime Focus, in connection with the Technology License Termination Agreement between the Company and Prime Focus which was signed on March 31, 2017 (together called the "Transaction"). Pursuant to the terms of the Transaction, the Company is expected to receive $2 million on the sale of its 3D conversion technology plus $3 million for terminating its original license agreement. Of the total $5 million, the Company has received $2 million, $1 million on March 23, 2017 and $1 million on April 4, 2017. The balance is payable upon closing, which is expected to occur on or around May 30, 2017. The TSA is an 18 month agreement totaling an estimated $810,000 in fees with an option for Prime Focus to renew for further one year terms. The closing of the Transaction is subject to the receipt of all required shareholder, exchange and regulatory approvals.

On May 1, 2017 the Company issued 500,000 common shares at a price of $0.09 per common share for gross proceeds of $45,000 to an industry partner in accordance with a product development and royalty agreement between the Company and the partner.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following table presents select unaudited consolidated financial information for each of the last eight quarters:

	31-Mar 2017	31-Dec 2016	30-Sep 2016	30-Jun 2016	31-Mar 2016	31-Dec 2015	30-Sep 2015	30-Jun 2015
Revenue	$ 610,520	$ 616,283	$ 637,418	$ 1,553,199	$ 649,535	$ 591,429	$ 640,708	589,539
Net income (loss)	(1,335,569)	(2,783,708)	(1,313,131)	2,883,282	(1,655,948)	(1,505,351)	(1,226,271)	(1,521,993)
Basic income (loss) per share attributable to shareholders	(0.02)	(0.05)	(0.02)	0.05	(0.03)	(0.03)	(0.02)	(0.03)
Total assets	5,115,206	6,485,697	9,559,180	10,856,389	11,397,693	13,412,938	15,026,254	15,143,321
Working capital (deficiency)	(3,859,953)	(2,431,538)	(1,758,791)	(949,688)	(4,802,604)	(3,982,266)	(2,890,806)	(2,689,874)

FINANCIAL RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2017

Revenue

	Three Months Ended March 31, 2017	December 31, 2016	March 31, 2016
3D licensing, royalty and support revenue	$ 505,000	$ 505,000	$ 505,000
Cumul8 licensing, support and other revenue	$ 105,520	$ 111,283	$ 144,535
Total	$ 610,520	$ 616,283	$ 649,535

During the three months ended March 31, 2017, the Company reported revenue of $610,520, and remained relatively unchanged compared to the three months ended December 31, 2016. Compared to the three months ended March 31, 2016, the Company's revenue had a decrease of 6% due to a contract in the transportation industry during the three months ended March 31, 2016.

Operating Expenses

	Three Months Ended		
	March 31, 2017	December 31, 2016	March 31, 2016
Employee expenses	$ 1,294,940	$ 1,154,649	$ 1,307,652
Contracted services	61,072	104,733	118,993
Supplies and materials	227,887	389,398	325,298
Amortization	641,410	638,615	638,210
Stock based compensation	59,085	(85,048)	142,988
Total	$ 2,284,394	$ 2,202,347	$ 2,533,141

Operating expenses increased by $82,047 during the three months ended March 31, 2017 compared to the three months ended December 31, 2016. The increase was attributable to a non-cash adjustment in stock based compensation expense to account for the forfeitures and expiration of stock option in the fiscal year recorded during the three months ended December 31, 2016. Compared to the three months ended March 31, 2016, the Company's operating expenses decreased by $248,747, an improvement of 10% due to the Company's efforts to reduce overall operating expenses in the 2017 fiscal year.

Employee Expenses

	Three Months Ended		
	March 31, 2017	December 31, 2016	March 31, 2016
Research and development	$ 921,356	$ 813,902	$ 976,538
General and administrative	373,584	340,747	331,114
Total	$ 1,294,940	$ 1,154,649	$ 1,307,652

The increase of $140,291 in employee expenses for the three months ended March 31, 2017 compared to the three months ended December 31, 2016 was primarily attributable to higher vacation usage during the three months ended December 31, 2016 which reduces the accrual balance on the balance sheet, and employer portion of payroll taxes being incurred predominantly in the first half of the calendar year. Compared to the three months ended March 31, 2016, the Company's employee expenses decreased by 1%.

Contracted Services

	Three Months Ended		
	March 31, 2017	December 31, 2016	March 31, 2016
Professional fees	$ 38,150	$ 85,053	$ 66,236
Other	22,922	19,680	52,757
Total	$ 61,072	$ 104,733	$ 118,993

Total contracted services decreased by $43,661 for the three months ended March 31, 2017 compared to the three months ended December 31, 2016, a 42% decrease, primarily due to audit fees incurred during the three months ended December 31, 2016.

For the three month ended March 31, 2017

Total contracted services decreased by $57,921 for the three months ended March 31, 2017 compared to the three months ended March 31, 2015. The decrease in contracted services is due primarily to legal fees related to the Tianjin Fu Feng Da Movie & Television Technology Investment and Development Co., Ltd. ("FFD") litigation incurred during the three months ended March 31, 2016.

Other Operating Expenses

	Three Months Ended		
	March 31, 2017	December 31, 2016	March 31, 2016
Supplies and materials	$ 227,887	$ 389,398	$ 325,298
Amortization	641,410	638,615	638,210
Stock based compensation	59,085	(85,048)	142,988
Total	$ 928,382	$ 942,965	$ 1,106,496

Other operating expenses decreased by $14,583 for the three months ended March 31, 2017 compared to the three months ended December 31, 2016, The decrease was primarily attributable to marketing and business development fees in the forestry sector recorded during the three months ended December 31, 2016. Other operating expenses decreased by $178,114 for the three months ended March 31, 2017 compared to the three months ended March 31, 2016, a decrease of 16%, primarily due an equipment lease expense incurred during the three months ended March 31, 2016 and previous years' stock option grants having been fully vested and amortized by the end of the 2016 fiscal year.

Other Income (Expense)

	Three Months Ended		
	March 31, 2017	December 31, 2016	March 31, 2016
Foreign exchange gain (loss)	$ (2,751)	$ 774	$ 6,858
Finance income (expense)	(59,381)	218,314	(165,649)
Deferred income tax recovery	147,554	215,638	157,645
Impairment on goodwill	-	(2,631,419)	-
Gain on conversion of debt	36,000	-	-
Total	$ 121,422	$ (2,196,693)	$ (1,146)

Other income for the three months ended March 31, 2017 increased by $2,318,115, compared to the three months ended December 31, 2016, due to an impairment of goodwill offset by a gain recorded from fair valuing the interest-free period of the government loan during the three months ended December 31, 2016.

Other income for the three months ended March 31, 2017 increased by $122,568 compared to the three months ended March 31, 2016 due to interest on the FFD loan recorded during the three months ended March 31, 2016.

Net Income (loss)

	Three Months Ended March 31, 2017	Three Months Ended December 31, 2016	Three Months Ended March 31, 2016
Net income (loss) attributable to Shareholders of the Company	$ (1,335,569)	$ (2,783,708)	$ (1,655,948)
Net income (loss) per share (basic)	(0.02)	(0.05)	(0.03)
Net income (loss) per share (diluted)	(0.02)	(0.05)	(0.03)

The net loss attributable to shareholders for the three months ended March 31, 2017 decreased by $1,448,139 compared to the three months ended December 31, 2016, which was attributable to an impairment on goodwill recorded during the three months ended December 31, 2016.

The net loss attributable to shareholders for the three months ended March 31, 2017 decreased by $320,379 compared to the three months ended March 31, 2016, a 19% improvement, which was a result of a general cost savings initiative taken on by the management of the Company.

FINANCING ACTIVITIES

(a) On January 20, 2017, the Company issued 450,000 common shares at a price of $0.20 per common share to one of its creditors to settle a debt of $90,000. Given the market price on the date of issuance was at $0.12 per common share, a gain of $36,000 was recorded due to the higher price per common share at which the debt was settled compared to the market price of the date issuance.

(b) On February 1, 2017 the Company issued 409,091 common shares at a price of $0.11 per common share for gross proceeds of $45,000 to an industry partner in accordance with their product development and royalty agreement. The partner has committed to paying the Company a total of $360,000 over a one-year period wherein the Company will issue common shares to the partner every three months for 50% thereof.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2016, the Company's cash balance was $154,068 (December 31, 2016 – $179,865), and the Company had a working capital deficiency of $3,859,953 (December 31, 2016 - $2,431,538).

Cash provided by (used in)	Three Months Ended March 31, 2017	Three Months Ended March 31, 2016
Operating activities	$ (30,792)	$ (298,702)
Financing activities	38,700	351,044
Investing activities	(33,705)	(12,758)
Total	$ (25,797)	$ 39,584

Cash used in operating activities for both comparable periods was primarily related to revenues earned being offset by employee and other development related expenses during the respective period. Cash used in operating activities improved by 90% during the three months ended March 31, 2017 compared to the three months ended March 31, 2016.

Financing activities for the three months ended March 31, 2017 related to advances from shareholders of the Company, and funds received from government loans net of a partial repayment of a bank credit facility.

Investing activities for the three months ended March 31, 2017 related to the purchase of computer hardware.

The Company's future operations are dependent upon many factors, including the ability of the Company to generate sufficient profit and cash flows from operations and the Company's ability to raise capital to fund its operations. The decision to fund the Company is ultimately at the lenders' or investors' discretion and there is no guarantee that funds will be provided at reasonable rates, or at all.

Trade Payables and Accrued Liabilities

Trade payables and accrued liabilities consist of the following:

	March 31, 2017	December 31, 2016
Trade accounts payable	$ 193,232	$ 172,656
Salary and benefits payable	734,142	597,238
Accrued liabilities	184,859	228,066
Total	$ 1,112,233	$ 997,960

The Company has a general practice of paying outstanding accounts payables within 30 days. Trade and other payables and accrued liabilities increased by $114,273 as at March 31, 2017 compared to December 31, 2016 primarily due an additional week accrued for payroll due to timing of payroll remittance as at March 31, 2017.

Government loan payable:

On May 22, 2015, the Company entered into an agreement with the Minister of Western Economic Diversification Canada ("the Minister") to borrow up to $1,375,000. The Minister funds 50% of certain costs incurred in the development and commercialization of the Company's data visualization product as specified in the terms of the agreement. The Company requests funding on a quarterly basis. The Company shall repay any amounts owing in equal instalments starting May 1, 2018 for 59 consecutive months ending April 1, 2023. The loan is unsecured and interest accrues at the average bank rate plus 3%, compounding monthly, and only accrues on the due date of the installment payment and ends on the day before the day on which the installment payment is received. As at March 31, 2017, the Company has borrowed $1,124,900 (March 31, 2016 - $379,327). Given the interest-free period, a gain of $80,237 was recognized in interest income with an accretion expense of $21,050 also being recorded during the three months ended March 31, 2017. Using the effective interest rate method, the loan's carrying value as at March 31, 2017 is $735,888 (March 31, 2016 - $379,327).

Bank Loan

On March 21, 2016, the Company entered into a $900,000 operating loan from the Royal Bank of Canada, which bears interest at the bank's prime rate plus 5.8% and is to be repaid on March 23, 2017. It is secured by amongst other terms, a credit insurance policy issued by Export Development Canada and a general security agreement on the assets of the Company. On April 26, 2016, the Company received $900,000 under the operating loan.

On October 5, 2016, the Company increased the operating loan from the Royal Bank of Canada from $900,000 to $1,800,000, of which $900,000 is to be repaid on March 23, 2017, and $900,000 is to be repaid on June 15, 2017. All other terms and security remain the same.

On March 28, 2017, the Company repaid $900,000 of the $1,800,000 operating loan to the Royal Bank of Canada

Purchase Obligations

The Company has an agreement with a third party vendor to design, rack, finance, monitor, and host an off-site production datacenter. The term of the agreement is for 24 months.

Operating Lease

The Company has an operating lease commitment for its office facilities. The lease expires in 2018 with an option to renew.

Due to Shareholder

Refer to Transactions with Related Parties (b) below.

OFF BALANCE SHEET ARRANGEMENTS

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

TRANSACTIONS WITH RELATED PARTIES

Below is a list of transactions that occurred during the period between the Company and a related party.

(a) Reelhouse convertible promissory note

As at December 31, 2016, the Company had a $333,034 convertible promissory note due from Reelhouse. The carrying value of the convertible promissory note was recorded at fair value but is eliminated upon consolidation. The Company has the option to convert the notes into common shares of Reelhouse at a price of $0.15 per share.

The founding shareholder of the Company holds a $270,000 convertible promissory note and 333,333 common shares of Reelhouse, which were received in exchange for the shareholder settling certain amounts owing to the Company and for software development services provided to Reelhouse by the Company in 2012. The shareholder reimbursed the Company for the cost of the services provided by way of a reduction of $320,000 of the amount otherwise due to the shareholder. This promissory note is non-interest bearing and can be converted at any time into common shares of Reelhouse at the option of the holder at $0.06 per common share. Although the note is due on demand, the holder has confirmed in writing that the note will not be demanded for repayment before April 1, 2018. Another shareholder of the Company holds a $30,000 convertible promissory note with similar terms, which can be converted into common shares of Reelhouse at any time at the option of the holder at $0.15 per common share. The $30,000 note is due on demand, and both notes bear interest at 4%.

An unrelated party also holds a convertible promissory note of $20,000 USD ($24,373 CAD) with an interest rate at 4%. The convertible promissory note is payable upon demand and can be converted into common shares of Reelhouse upon the next equity financing of greater than $1,000,000 USD at 80% of the price paid per share.

(b) Convertible promissory note due to founding shareholder

On July 28, 2015, the Company entered into an agreement to convert an aggregate of $2,932,869 of indebtedness owed to the Company's founding shareholder, through the issuance of 2,847,738 common shares at a deemed issuance price of $0.50 per common share and an unsecured convertible debenture in the principal amount of $1,500,000 with a maturity date of January 27, 2018. Under the terms of the debenture, the remaining outstanding balance of the indebtedness owed to the shareholder in the amount of $1,500,000 has been amended such that the previous demand loan bearing interest at 7.5% payable quarterly has been reduced to an interest rate of 6% and all amounts outstanding under the loan are convertible into common shares of the Company at a conversion price of $0.55 per common share at the option of the holder. On the date of issuance, the convertible promissory note was accounted for at fair value with $40,431 recorded as a deferred tax asset netted against the equity portion of the convertible promissory note of $155,504 with $115,073 recorded in equity and $1,344,496 as the fair value of the liability portion of the convertible promissory note. As at March 31, 2017, the carrying value of the liability portion of the convertible promissory note is $1,446,724.

(c) Promissory note due to founding shareholder

On November 26, 2015, the Company's majority shareholder provided a demand loan facility to the Company to borrow up to $1,000,000, and has subsequently been increased to $1,500,000. The shareholder has agreed to not demand repayment of any drawings against the facility until at least April 1, 2018, although the Company has the option to make earlier repayments. The loan bears interest of 12%. The loan is secured by a general security agreement against the assets of the Company. As at March 31, 2017, $1,525,763 was drawn on this facility.

(d) Promissory note due to director of the Company

On January 15, 2016, the Company entered into a loan agreement with a director of the Company in the amount of $500,000. The demand loan bears interest of 12% per annum, matures six months from the date of advance and is secured by a general security agreement against the assets of the Company. The lender may demand repayment of principal and interest any time after March 31, 2016. In connection with entering into the loan agreement the lender will receive a commitment fee equal to 2% of the principal amount. As at March 31, 2017, $546,422 was drawn on this facility including accrued interest.

SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies are fully disclosed in Note 3 of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2017.

FINANCIAL INSTRUMENTS

Fair value

The Company's financial instruments include cash and cash equivalents, trade and other receivables, convertible and other promissory notes, loan payable, government loan payable, bank loan and accounts payable and accrued liabilities.

Fair value hierarchy

IFRS 7 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

- Level 1 – Observable inputs such as quoted prices in active markets;
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

- Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions

The carrying amounts for cash and cash equivalents, trade and other receivables, and trade payables and accrued liabilities approximate their fair value because of the limited term of the instruments. The carrying amounts of the convertible promissory notes, bank loan and government loan payable approximate their fair value because the terms are consistent with similar instruments. All of the instruments have a fair value hierarchy of Level 3 excluding cash and cash equivalents which is Level 1. It is not possible to determine the fair value of the shareholder promissory notes as there is no comparable market value for such loans.

The fair value of financial instruments at March 31, 2017 and December 31, 2016 are summarized in the following table.

	March 31, 2017		December 31, 2016	
	Carrying Value ($)	Fair Value ($)	Carrying Value ($)	Fair Value ($)
Financial assets				
Cash and cash equivalents	$ 154,068	$ 154,068	$ 179,865	$ 179,865
Trade and other receivable	164,643	164,643	901,632	901,632
Financial liabilities				
Trade payables and accrued liabilities	1,112,233	1,112,233	997,960	997,960
Bank loan	900,000	900,000	1,800,000	1,800,000
Promissory note	2,072,185	NA	1,316,875	NA
Convertible promissory note	1,771,097	NA	1,755,351	NA
Government loan	735,888	735,888	571,711	571,711

Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents and trade and other receivables. The Company limits its exposure to credit loss by placing its cash and cash equivalents with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity Risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The following are the contractual maturities of financial liabilities:

		Payment Due by Period			
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade payables and accrued liabilities	$ 1,112,233	$ 1,112,233	$ -	$ -	$ -
Bank loan	900,000	900,000	-	-	-
Purchase obligations	48,724	47,474	1,250	-	-
Operating lease	279,473	279,473	-	-	-
Government loan	1,124,900	-	526,700	549,600	48,600
Convertible promissory note	2,067,484	1,797,484	270,000	-	-
Promissory note	2,072,185	546,422	1,525,763	-	-
	$ 7,604,999	$ 4,683,086	$ 2,323,713	$ 549,600	$ 48,600

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

Foreign Currency Risk

The Company's exposure to foreign currency risk is as follows based on notional amounts:

	March 31, 2017
Cash and cash equivalents	USD $ 21,171
Accounts payable	$ 28,497

A strengthening of the Canadian dollar, as indicated below, against the US dollar at March 31, 2017 would have increased comprehensive loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

		Loss
USD (10% strengthening of Canadian Dollar)	$	733

A weakening of the Canadian dollar against the US dollar at March 31, 2017 would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

Interest Rate Risk

At March 31, 2017, the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount
Fixed rate financial liabilities	$ 3,843,282
Floating rate financial liabilities	900,000

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss; therefore, a change in interest rates at the reporting date would not affect profit or loss.

OTHER

Disclosure of Outstanding Share Data

The Company's issued and outstanding share capital as at the date of this report is as follows:

1) Authorized: Unlimited common shares without par value.

2) As at the date of this Management Discussion and Analysis, the Company has 55,221,710 common shares, 2,247,370 warrants, and 3,798,899 options issued and outstanding.

ACCOUNTING STANDARDS AND INTERPRETATIONS

The financial information for the three months ended March 31, 2017 reflects the same accounting policies and methods of application as the Company's consolidated financial statements for the year ended December 31, 2016.

New accounting standards issued but not yet effective:

IFRS 9 - Financial Instruments:

In July 2014, the IASB issued IFRS 9 - Financial Instruments, which replaces the earlier versions of IFRS 9 (2009, 2010, and 2013) and completes the IASB's project to replace IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 includes a logical model for classification and measurement of financial assets; a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of IFRS 9 on its financial statements.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers, which supersedes IAS 18 - Revenue, IAS 11 - Construction Contracts and other interpretive guidance associated with revenue recognition. IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers to determine how and when an entity should recognize revenue. The standard also provides guidance on whether revenue should be recognized at a point in time or over time as well as requirements for more informative, relevant disclosures. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of IFRS 15 on its financial statements.

IFRS 16 – Leases:

In January 2016, the IASB issued IFRS 16 – *Leases* – which IAS 17 – *Leases.* The Company intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

CRITICAL JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the audited consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

(i) Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

(ii) Management estimates the fair values of share-based payment arrangements using the Black-Scholes option pricing model. Details of these can be found in Note 18 of the audited consolidated financial statements for the year ended December 31, 2016.

(iii) Determining the useful lives of property, equipment and intangible assets requires estimates and assumptions as to future events and circumstances.

(iv) Determining the value of the cash generating unit of Reelhouse, specifically impacting intellectual property, goodwill and non-controlling interest.

(v) Determining the fair value of the convertible debenture and the allocation of its value between equity and liabilities.

(vi) Determining the fair value of the government loan

RISKS AND UNCERTAINTIES

The Company is a relatively new company with a limited operating history and history of business, revenue generation or production history

During the period from January 1, 2016 to December 31, 2016, the Company had a net loss of $4,538,421. As at December 31, 2016 the Company had a deficit of $24,920,113 and a working capital deficiency of $2,431,538. As a result the Company's auditors have included a going concern note in the December 31, 2016 audit report of the Company. These conditions raise significant doubt about the Company's ability to continue as a going concern. The Company's future operations are dependent upon many factors, including the ability of the Company to generate sufficient profit and cash flows from operations and obtain additional funding.

The Company's future operations are dependent upon many factors, including the ability of the Company to generate sufficient profit and cash flows from operations and obtain additional funding. Whether and when the Company can attain profitability and positive cash flows from operations is uncertain. The ability to continue as a going concern is dependent on completing equity or debt financings or generating profitable operations in the future in order to meet liabilities as they come due and enable the Company to continue operations. The ability to continue as a going concern may also be adversely impacted by the loss of customers and falling sales per customer.

Additional funds for the continuation of the Company's planned operations may be required

To expand the Company's revenues, the Company may need substantial funding as a supplement to its cash flow. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Revenues, taxes, travel costs, capital expenditures and operating expenses are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion and pursue only those development plans that can be funded through cash flows generated from its existing operations.

Operating results may fluctuate significantly, which may cause the value of our Shares to decrease significantly

Operating results may fluctuate as a result of a number of factors, many of which will be outside of the Company's control. As a result of these fluctuations, financial planning and forecasting may be more difficult and comparisons of operating results on a period-to-period basis may not necessarily be meaningful.

Each of the risk factors described in this section, and the following factors, may affect the Company's operating results:

- ability to continue to attract clients for the Company's services;
- the amount and timing of operating costs and capital expenditures related to the maintenance and expansion of the businesses, operations and infrastructure;
- focus on long-term goals over short-term results;
- general economic conditions and those economic conditions specific to the Company's industries;
- changes in business cycles that affect the markets in which the Company will sell its products and services;
- ability to hire, integrate, train and retain skilled talent, including members of our direct sales force and software engineers;
- ability to maintain and expand our business, including our operations and infrastructure to support our growth, both domestically and internationally;
- competition with other companies, custom development efforts and open source initiatives that are currently in, or may in the future enter, the market for our software;
- expansion of our customer base, both domestically and internationally;
- improve the performance and capabilities of our software;
- increase market awareness of our products and enhance our brand; and
- maintain compliance with applicable governmental regulations and other legal obligations, including those related to intellectual property.

In response to these fluctuations, the share value could decrease significantly in spite of the Company's operating performance.

The Company's success depends on certain key personnel. If the Company is unable to continue to attract and retain qualified personnel that will adversely affect its businesses

The Company's performance to date has been and will continue to be largely dependent on the talents, efforts and performance of its senior management and key technical personnel. The Company's executive officers and top technical personnel have entered into employment and noncompetition agreements. However, while it is customary to use employment agreements as a method of retaining the services of key personnel, these agreements will not guarantee the Company the continued services of such employees. In addition, the Company may be unable to enter into employment agreements with most of its key creative, technical and engineering personnel. The loss of executive officers or other key personnel, particularly with little or no notice, could cause delays on projects and could have an adverse impact on client and industry relationships, business, operating results or financial condition.

The Company's success depends to a significant extent on its ability to identify, attract, hire, train and retain qualified creative, technical and managerial personnel. It is expected that competition for personnel with the specialized creative and technical skills needed to create the Company's products and provide its services will continue to intensify as film studios build or expand in-house visual effects and animation capabilities. If the Company has difficulty identifying, attracting, hiring, training and retaining qualified personnel, or must incur significant costs in order to do so, its business and financial results could be negatively impacted.

Acquisitions the Company pursues in its industry and related industries could result in operating difficulties, dilution to shareholders and other consequences harmful to its business

As part of the Company's growth strategy, it may selectively pursue strategic acquisitions in its industry and related industries. The Company may not be able to consummate such acquisitions, which could adversely impact the Company's growth. If the Company does consummate acquisitions, integrating an acquired company, business or technology may result in unforeseen operating difficulties and expenditures, including:

- increased expenses due to transaction and integration costs;
- potential liabilities of the acquired businesses;
- commencement of litigation or adverse results in litigation;
- potential adverse tax and accounting effects of the acquisitions;
- diversion of capital and other resources from the Company's existing businesses;
- diversion of management's attention during the acquisition process and any transition periods;
- loss of key employees of the acquired businesses following the acquisition; and
- inaccurate budgets and projected financial statements due to inaccurate valuation assessments of the acquired businesses.

Foreign acquisitions also involve unique risks related to integration of operations across different cultures and languages, currency risks and the particular economic, political and regulatory risks associated with specific countries. Evaluations of potential acquisitions may not accurately assess the value or prospects of acquisition candidates and the anticipated benefits from future acquisitions may not materialize. In addition, future acquisitions or dispositions could result in potentially dilutive issuances of the Company's equity securities, including the Company Shares, the incurrence of debt, contingent liabilities or amortization expenses, or write-offs of goodwill, any of which could harm its financial condition.

Risks associated with the Company's transaction with Prime Focus

Pursuant to the Company's transaction agreements with Prime Focus and its affiliate 1023182 B.C. Ltd, the parties agreed to royalty payment dates in the license agreement to provide that the annual license royalty of $1,000,000 will be payable on March 23rd of each of the five years following closing subject to any set-off for indemnities and the additional revenue royalty payable by Prime Focus will be paid on or before June 15th of each of the five years following closing subject to any set-off for indemnities. To the extent there is a need to satisfy claims from any holdback amounts or royalties, or to the extent that Prime Focus and its affiliates are not able to meet the revenue targets set out in the transaction agreements, the net proceeds of the Prime Focus transaction to the Company will be reduced. In the event of the aforesaid reductions the reduced net proceeds to the Company will also ultimately reduce cash available to the business of the Company following the closing.

Third-party technology licenses may not continue to be available to the Company in the future

The Company will also rely on certain technology that it licenses from third parties, including software that is integrated and used with internally developed software. These third-party technology licenses may not in the future be available to the Company on commercially reasonable terms, or at all. The loss of any of these technology licenses could result in delays in performance of work until the Company identifies, licenses and integrates equivalent technology, and it may not be able to identify, license or integrate any such equivalent technology in a timely manner or at all. Any resulting delays in performance could damage the Company's reputation and result in a decrease in its revenues during the period of delay, either of which could materially adversely affect its business, operating results or financial condition.

Others may assert intellectual property infringement claims against the Company

Infringement or misappropriation claims (or claims for indemnification resulting from such claims) against the Company may be asserted or prosecuted, regardless of their merit, and any such assertions or prosecutions may adversely affect its business and/or operating results. Irrespective of the validity or the successful assertion of such claims, the Company would incur significant costs and diversion of resources relating to the defense of such claims, which could have an adverse effect on its business, operating results or both.

If any claims or actions are asserted against the Company, it may seek to obtain a license of a third-party's intellectual property rights; however, under such circumstances such a license may not be available on reasonable terms or at all. Any such litigation could result in a material adverse effect on the business, prospects and financial results of the Company.

Inability to successfully manage the growth of the Company's business may have an adverse effect on its operating results

The Company expects to experience growth in the number of employees and the scope of its operations. Such growth will result in increased responsibilities for its management. If its management is unable to successfully manage expenses in a manner that allows it both to improve operations and at the same time pursue potential market opportunities, the growth of its business could be adversely impacted, which may, in turn, negatively affect its operating results or financial condition. In addition, a critical contributor to the Company's continued success will be its creative culture. As the Company attempts to grow and alter its business to focus increasingly on the creation, production and marketing of visual imagery, it may find it difficult to maintain important aspects of its corporate culture, which could negatively affect its future success.

Risks related to the Industry

The Company may face intense competition and may not be able to compete effectively, which could reduce demand for products and adversely affect business, growth, revenues and market share.

The market for the Company's products is intensely and increasingly competitive and subject to rapidly changing technology and evolving standards. In addition, many companies in the target market are offering, or may soon offer, products and services that may compete with the products the Company is offering.

Many of the Company's competitors, particularly the large software companies, have longer operating histories, significantly greater financial, technical, marketing, distribution, professional services or other resources and greater name recognition than the Company. In addition, many of the Company's competitors have strong relationships with current and potential customers and extensive knowledge of the business analytics industry. As a result, the competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements. Moreover, many of these competitors are bundling their analytics products into larger deals or maintenance renewals, often at significant discounts. Increased competition may lead to price cuts, alternative pricing structures or the introduction of products available for free or a nominal price, fewer customer orders, reduced gross margins, longer sales cycles and loss of market share. The Company may not be able to compete successfully against current and future competitors, and the business, results of operations and financial condition will be harmed if the Company fails to meet these competitive pressures.

The Company's ability to compete successfully in the market depends on a number of factors, both within and outside of the Company's control. Some of these factors include ease and speed of product deployment and use, discovery and visualization capabilities, analytical and statistical capabilities, performance and scalability, the quality and reliability of customer service and support, total cost of ownership, return on investment and brand recognition. Any failure to compete successfully in any one of these or other areas may reduce the demand for the Company's products, as well as adversely affect business, results of operations and financial condition.

Moreover, current and future competitors may also make strategic acquisitions or establish cooperative relationships among themselves or with others. By doing so, these competitors may increase their ability to meet the needs of the Company's customers or potential customers. In addition, the current or prospective indirect sales channel partners may establish cooperative relationships with the Company's current or future competitors. These relationships may limit the Company's ability to sell or certify products through specific distributors, technology providers, database companies and distribution channels and allow our competitors to rapidly gain significant market share. These developments could limit the Company's ability to obtain revenues from existing and new customers and to maintain maintenance and support revenues from existing and new customers. If the Company is unable to compete successfully against current and future competitors, the business, results of operations and financial condition would be harmed.

Success is highly dependent on the Company's ability to penetrate the existing market for business analytics software as well as the growth and expansion of that market.

Although the overall market for business analytics software is well-established, the market for business analytics software is relatively new, rapidly evolving, and unproven. The future success will depend in large part on the Company's ability to penetrate the existing market for business analytics software, as well as the continued growth and expansion of what the Company believes to be an emerging market for analytics solutions that are faster, easier to adopt, easier to use, and more focused on self-service capabilities. It is difficult to predict customer adoption and renewal rates, customer demand for the Company's products, the size, growth rate and expansion of these markets, the entry of competitive products, or the success of existing competitive products. The Company's ability to penetrate the existing market and any expansion of the emerging market depends on a number of factors, including the cost, performance and perceived value associated with the Company's products, as well as customer's willingness to adopt a different approach to data analysis. Furthermore, many potential customers have made significant investments in legacy business analytics software systems and may be unwilling to invest in new software. If the Company is unable to penetrate the existing market for business analytics software, the emerging market for self-service analytics solutions fails to grow or expand, or either of these markets decreases in size, the business, results of operations and financial condition would be adversely affected.

The popularity of 3D motion pictures may decline

A part of the Company's revenue will rely upon the success and popularity of motion picture entertainment containing 3D imagery. If other forms of entertainment with which 3D motion pictures compete for consumer's leisure time and disposable income, such as conventional motion pictures, television, concerts, amusement parks and sporting events, become more popular than 3D motion pictures, the Company's royalty revenue from the License Agreement with Prime Focus could be adversely effected.

The Company cannot predict the effect that rapid technological change may have on its business or industry

The film and media conversion industry is characterized by technological change, evolving customer needs and emerging technical standards. Digital technology poses additional risks including increased capital costs, increased maintenance costs, and changing requirements for digital hardware. The Company's inability to adapt to changing technologies may limit the competitiveness and demand for its services.

The entertainment industry in general, and the visual effects and animation segments thereof in particular, are rapidly evolving, primarily due to technological developments. The rapid growth of technology and shifting consumer tastes may prevent the Company from being able to accurately predict the overall effect that technological growth may have on its potential revenue and profitability. Furthermore, because the Company is required to provide advanced digital imagery conversion products to continue to win business, it must ensure that production environment integrates the latest tools and techniques developed in the industry. This will require the Company to either develop these capabilities by upgrading its own proprietary software, which can result in substantial research and development costs and substantial capital expenditures for new equipment, or to purchase third-party licenses, which can result in significant expenditures. In the event the Company seeks to obtain third-party licenses, it cannot guarantee that they will be available or, once obtained, will continue to be available on commercially reasonable terms, or at all. If the Company is unable to develop and effectively market new technologies that adequately or competitively address the needs of these changing industries, it could have an adverse effect on business and growth prospects.

Changes in U.S., regional or global economic conditions could adversely affect the Company's profitability

A decline in economic conditions in the United States or in other regions of the world could lead to a decrease in discretionary consumer spending, which in turn could adversely affect demand for feature films and box office revenue. In addition, an increase in price levels generally, or in price levels in a particular sector such as the energy sector, could result in a shift in consumer demand away from entertainment products such as feature films. Such events could cause a decrease in the demand for 3D motion picture entertainment which would have an adverse effect on the Company's royalty revenue from the License Agreement with Prime Focus.

Risks Related to the Company Shares

The value of the Company's shares will be affected by a number of factors, some of which are beyond the Company's control, including those described above and the following:

- significant contracts, acquisitions or capital commitments entered into by the Company or its competition;
- variations in quarterly operating results;
- general economic conditions;
- litigation involving the Company or investigations or audits by regulators into the operations of the Company or its competitors;
- future sales of the Company's common shares; and
- investor perception of the Company and the industries in which it operates.

These broad market and industry factors may materially reduce the value of the Company's common shares regardless of its operating performance.

ADDITIONAL INFORMATION

Additional information about the Company is available for viewing on SEDAR at www.sedar.com.