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2019

Iplayco Corporation Ltd.

Condensed Consolidated Interim Financial Statements

Three months ended December 31, 2018

Unaudited (*Expressed in U.S. dollars*)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsections 4.3(3)(a), if an auditor has not performed a review of these Condensed Consolidated Interim Financial Statements they must be accompanied by a notice indicating that these Condensed Consolidated Interim Financial Statements have not been reviewed by an auditor.

The accompanying unaudited Condensed Consolidated Interim Financial Statements of the Corporation have been prepared by and are the responsibility of the Corporation's management.

Iplayco Corporation Ltd.

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Iplayco Corporation Ltd.

Condensed Consolidated Interim Statements of Financial Position

Unaudited (Expressed in U.S. dollars)

	Notes	**December 31, 2018**	September 30, 2018
Assets			
Current assets			
Cash		**$ 1,212,484**	$ 2,798,928
Trade and other receivables	*5*	**4,010,009**	2,906,832
Income taxes receivable		**428,752**	417,473
Inventories		**2,695,164**	2,338,552
Prepaid expenses and deposits		**631,037**	660,588
		8,977,446	9,122,373
Non-current assets			
Equipment		**1,677,592**	1,687,942
Intangible assets		**699,018**	697,089
Goodwill		**117,109**	117,109
Deferred income tax assets		**99,777**	43,860
Total Assets		**$ 11,570,942**	$ 11,668,373
Liabilities and Shareholders' Equity			
Current liabilities			
Operating loans	*6*	**$ 1,840,091**	$ 330,000
Trade payables, accrued liabilities and other		**1,785,378**	1,866,124
Income taxes payable		**19,879**	17,144
Deferred revenue	*7*	**1,184,625**	2,621,847
Current portion of rent inducement		**29,411**	25,579
		4,859,384	4,860,694
Non-current liabilities			
Rent inducement		**82,587**	89,906
Deferred income tax liabilities		**41,558**	41,558
Total Liabilities		**4,983,529**	4,992,158
Shareholders' Equity			
Share capital		**5,944,971**	5,944,971
Warrants reserve		**397,982**	397,982
Share-based payments reserve		**216,583**	216,583
Retained earnings	*3*	**1,340,445**	1,418,287
Accumulated other comprehensive loss		**(1,312,568)**	(1,301,608)
Total Shareholders' Equity		**6,587,413**	6,676,215
Total Liabilities and Shareholders' Equity		**$ 11,570,942**	$ 11,668,373

/s/ Scott Forbes	/s/ Mel Barsky
President & CEO	Chairman of the Board

The accompanying notes form an integral part of these Condensed Consolidated Interim Financial Statements.

Iplayco Corporation Ltd.

Condensed Consolidated Interim Statements of Operations and Comprehensive Income (Loss)

Unaudited (Expressed in U.S. dollars, except number of shares)

	Notes	Three months ended December 31, 2018	2017 (Revised - See Note 2)
Sales	*8*	**$ 4,171,833**	$ 3,951,445
Cost of sales		**2,780,450**	2,091,035
Gross profit		**1,391,383**	1,860,410
Selling and administrative expenses		**1,660,430**	1,512,387
Foreign exchange loss (gain)		**45,236**	(12,713)
		1,705,666	1,499,674
Operating income (loss)		**(314,283)**	360,736
Finance income		**38,688**	105,019
Finance costs		**(47,475)**	(59,332)
Income (loss) before income taxes		**(323,070)**	406,423
Income tax provision (recovery)			
Current		**(29,994)**	82,778
Deferred		**(56,042)**	21,590
		(86,036)	104,368
Net income (loss) from operations		**(237,034)**	302,055
Other comprehensive income (loss)			
Currency translation adjustments		**(10,960)**	-
Total comprehensive income (loss)		**(247,994)**	302,055
Basic and diluted net income (loss) per common share		**$ (0.02)**	$ 0.01
Weighted average number of common shares outstanding : Basic and diluted		**10,220,187**	20,870,187

The accompanying notes form an integral part of these Condensed Consolidated Interim Financial Statements.

Iplayco Corporation Ltd.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

Unaudited (Expressed in U.S. dollars, except number of common shares)

	Share capital[1]						
	Number of common shares	Amount	Warrants reserve[2]	Share-based payments reserve[3]	Retained earnings	Accumulated other comprehensive income (loss)[4]	Total shareholders' equity
Balance at September 30, 2017 (Revised - See Note 2)	20,870,187	$ 8,511,821	$ 397,982	$ 216,583	$ 2,518,940	$ (950,064)	$ 10,695,262
Net income and total comprehensive income (Revised - See Note 2)	-	-	-	-	302,055	-	302,055
Adjustment to accumulated other comprehensive loss resulting from change in presentation currency (Note 2)	-	-	-	-	-	(51,525)	(51,525)
Balance at December 31, 2017 (Revised - See Note 2)	20,870,187	$ 8,511,821	$ 397,982	$ 216,583	$ 2,820,995	$ (1,001,589)	$ 10,945,792
Balance at September 30, 2018	**10,220,187**	**$ 5,944,971**	**$ 397,982**	**$ 216,583**	**$ 1,418,287**	**$(1,301,608)**	**$ 6,676,215**
Adjustment to beginning balance of retained earnings due to adoption of IFRS 15 effective October 1, 2018 (Note 3)	-	-	-	-	**159,192**	**-**	**159,192**
Net loss	-	-	-	-	**(237,034)**	-	**(237,034)**
Other comprehensive loss (Note 2)	-	-	-	-	-	**(10,960)**	**(10,960)**
Balance at December 31, 2018	**10,220,187**	**$ 5,944,971**	**$ 397,982**	**$ 216,583**	**$ 1,340,445**	**$(1,312,568)**	**$ 6,587,413**

[1] Authorized share capital is comprised of an unlimited number of voting common shares without par value and an unlimited number of preferred shares without par value. The preferred shares may be issued as either voting or non-voting. No preferred shares have been issued.

[2] The warrants reserve is comprised of the grant date fair value of share purchase warrants that have expired unexercised.

[3] The share-based payments reserve is comprised of the grant date fair value of share options that have expired unexercised.

[4] The accumulated other comprehensive income or loss is comprised of the retrospective change in presentation currency from the Canadian dollar to the U.S. dollar and the currency translation adjustments from the Corporation's European subsidiaries PMI and PP.

The accompanying notes form an integral part of these Condensed Consolidated Interim Financial Statements.

Iplayco Corporation Ltd.

Condensed Consolidated Interim Statements of Cash Flows

Unaudited (Expressed in U.S. dollars)

	Notes	Three months ended December 31, 2018	2017 (Revised - See Note 2)
Operating activities			
Net income (loss)		**$ (237,034)**	$ 302,055
Items not affecting cash			
Depreciation and amortization		**107,954**	90,555
Deferred income taxes expense (recovery)		**(56,109)**	21,590
Rent inducement		**(3,487)**	(416)
Unrealized loss on foreign exchange derivatives		**-**	7,453
Loss on disposal of equipment		**-**	326
Unrealized foreign exchange loss		**45,924**	24,017
Finance costs		**47,475**	59,331
		(95,277)	504,911
Change in non-cash operating working capital			
Trade and other receivables		**(847,899)**	(532,132)
Inventories		**(606,722)**	64,548
Prepaid expenses		**29,551**	(193,035)
Trade payables, accrued liabilities and other		**(35,471)**	(282,646)
Current income tax expense (recovery)		**(29,927)**	82,777
Deferred revenue		**(1,279,283)**	16,099
		(2,769,751)	(844,389)
Interest paid		**(47,475)**	(50,799)
Income taxes recovered		**-**	(331,421)
Cash used in operating activities		**(2,912,503)**	(721,698)
Investing activities			
Acquisition of European operations		**(58,351)**	(355,271)
Purchase of equipment		**(92,777)**	(46,159)
Purchase of intangible assets		**(4,540)**	-
Cash used in investing activities		**(155,668)**	(401,430)
Financing activities			
Proceeds from operating loans	*6*	**1,840,091**	865,197
Repayment of operating loans	*6*	**(330,000)**	-
Cash provided by financing activities		**1,510,091**	865,197
Net decrease in cash		**(1,558,080)**	(257,931)
Effect of foreign exchange rate changes on cash		**(28,364)**	(37,085)
Cash at beginning of the year		**2,798,928**	3,599,119
Cash at end of the year		**$ 1,212,484**	$ 3,304,103
Supplemental cash flow disclosures - non cash transactions			
Purchase of equipment		**$ 5,143**	$ 7,124
Increase in restricted cash to secure bank gurantees		**-**	169,000
Acquisition of European operations		**58,351**	559,289

The accompanying notes form an integral part of these Condensed Consolidated Interim Financial Statements.

Unaudited (Expressed in U.S. dollars)

1. Nature of business and corporate information

Iplayco Corporation Ltd. (the "Corporation") is incorporated under the Alberta Business Corporations Act and its common shares trade on the TSX Venture Exchange under the trading symbol "IPC".

The Corporation's head office is located at 215, 27353 – 58th Crescent, Langley, British Columbia, Canada V4W 3W7, and its registered office is located at 1600, 421 – 7th Avenue, SW, Calgary, Alberta, Canada T2P 4K9.

The Corporation's business is carried out through its subsidiaries listed below. The Corporation operates in two business segments: (i) Manufacturing of play structures for children ("MFG"); and (ii) Operating a family entertainment centre in Langley, British Columbia, Canada and managing a network of franchisees located throughout Italy under the Play Planet banner (collectively "FEC").

Subsidiary	Place of incorporation	Ownership percentage	Business segment
International Play Company Inc. ("IPC")	British Columbia, Canada	100.0%	MFG
Iplayco Canada Inc. ("ICI")	Alberta, Canada	100.0%	MFG
Iplayco Inc. ("IPI")	Delaware, USA	100.0%	MFG
IREC Corporation ("IREC")	Subic Bay, Philippines	99.9%	MFG
Play Mart International EOOD ("PMI")	Sofia, Bulgaria	100.0%	MFG
Outdoor Play Company Inc. ("OPC")	British Columbia, Canada	100.0%	FEC
Play Planet S.r.l. ("PP")	Milan, Italy	100.0%	FEC

2. Basis of preparation

Statement of compliance

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). These Condensed Consolidated Interim Financial Statements do not include all of the information required for complete annual financial statements.

These Condensed Consolidated Interim Financial Statements were authorized for issue by the Board of Directors on February 20, 2019.

Basis of measurement

These Condensed Consolidated Interim Financial Statements have been prepared on a going-concern basis, under the historical cost convention.

2. Basis of preparation (continued)

Functional and presentation currency

On April 1, 2018, the Corporation determined that the functional currency of its two European subsidiaries, PMI and PP, changed from the Canadian dollar ("CAD") to the Euro ("EUR") due to their net cash flow exposures being predominantly in EUR. The functional currency of the Corporation and its other subsidiaries changed from the CAD to the U.S. dollar ("USD") due to the diminishing net cash flow exposures in CAD, since the acquisition of the European operations, and the USD becoming the predominant currency impacting net cash flows. This change in accounting treatment is applied prospectively and the assets and liabilities of the Corporation have been translated from the CAD to the USD at the exchange rate on the date of change of the functional currency.

In addition, the Corporation changed its presentation currency from CAD to USD. Accordingly, all comparative amounts in the consolidated statements of operations and comprehensive income or loss, the consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows have been revised in USD using the average foreign exchange rates in the comparative periods. The comparative amounts for assets and liabilities in the consolidated statements of financial position have been revised in USD at the closing rate applicable at the end of each reporting period, and those for equity accounts have been re-presented using the rates at the date of the transactions. All resulting exchange rate differences are reported as accumulated other comprehensive income or loss in the consolidated statements of changes in shareholders' equity.

3. Significant accounting policies

The accompanying financial information reflects essentially the same accounting policies and methods of application as the Corporation's Consolidated Financial Statements for the year ended September 30, 2018, except for the adoption, effective October 1, 2018, of IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 replaces IAS 18, *Revenue, IAS 11, Construction Contracts*, and some revenue related interpretations. IFRS 15 establishes a new control-based revenue recognition model, changes the basis for deciding when revenue is recognized at a point in time or over time, provides new and more detailed guidance on specific topics and expands and improves disclosures about revenue. The Corporation has chosen the modified retrospective method, and as a result the 2018 comparative period will not be restated to conform to the new IFRS 15 requirements.

Upon adoption of IFRS 15, the timing of recognizing revenue from its manufacturing operations is being impacted as follows:

- For multiple element revenue transactions which are recognized on a percentage of completion basis, the performance obligations relevant to shipping and installation of the play structure equipment are recognized at a point in time, upon completion of the performance obligations, instead of over time, as these obligations are being performed. The timing of revenue recognition for the performance obligation relevant to design-manufacturing remains unchanged.

- For multiple element revenue transactions which are not recognized on a percentage of completion basis, the performance obligations relevant to design-manufacturing is recognized over time, as the obligation is being performed, instead of at a point in time, upon completion of the performance obligation. The performance obligations relevant to shipping and installation of the play structure equipment is recognized at a point in time, upon completion of these performance obligations.

Unaudited (Expressed in U.S. dollars)

3. Significant accounting policies (continued)

Design, manufacturing and sale of the play structure equipment involves multiple performance obligations. For these transactions, total transaction price is allocated to respective performance obligations according to the terms of the contract. Where the contract does not provide basis for allocation, the transaction price is allocated to the performance obligations relevant to shipping and installation on a cost-recovery basis of budgeted cost at the onset of the transaction, with the remainder allocated to the performance obligation relevant to design-manufacturing.

The impact of transition to IFRS 15 on the condensed consolidated interim statement of financial position at December 31, 2018 is as follows:

	As Reported at December 31, 2018	IFRS 15 Adjustments	Balances prior to IFRS 15 Adjustments
Assets			
Current assets			
Cash	**$ 1,212,484**	$ -	$ 1,212,484
Trade and other receivables	**3,603,267**	-	3,603,267
Unbilled receivables	**406,742**	67,611	474,353
Income taxes receivable	**428,752**	(1,385)	427,367
Inventories	**2,695,164**	(197,040)	2,498,124
Prepaid expenses and deposits	**631,037**	-	631,037
	8,977,446	(130,814)	8,846,632
Non-current assets			
Equipment	**1,677,592**	-	1,677,592
Intangible assets	**699,018**	-	699,018
Goodwill	**117,109**	-	117,109
Deferred income tax assets	**99,777**	-	99,777
Total Assets	**$ 11,570,942**	$ (130,814)	$ 11,440,128
Liabilities and Shareholders' Equity			
Current liabilities			
Operating loans	**$ 1,840,091**	$ -	$ 1,840,091
Trade payables, accrued liabilities and other	**1,785,378**	-	1,785,378
Income taxes payable	**19,879**	-	19,879
Deferred revenue	**1,184,625**	(134,757)	1,049,868
Current portion of rent inducement	**29,411**	-	29,411
	4,859,384	(134,757)	4,724,627
Non-current liabilities			
Rent inducement	**82,587**	-	82,587
Deferred income tax liabilities	**41,558**	-	41,558
Total Liabilities	**4,983,529**	(134,757)	4,848,772
Shareholders' Equity			
Share capital	**5,944,971**	-	5,944,971
Warrants reserve	**397,982**	-	397,982
Share-based payments reserve	**216,583**	-	216,583
Retained earnings	**1,340,445**	3,943	1,344,388
Accumulated other comprehensive loss	**(1,312,568)**	-	(1,312,568)
Total Shareholders' Equity	**6,587,413**	3,943	6,591,356
Total Liabilities and Shareholders' Equity	**$ 11,570,942**	$ (130,814)	$ 11,440,128

Unaudited (Expressed in U.S. dollars)

3. Significant accounting policies (continued)

The impact of transition to IFRS 15 on the condensed consolidated interim statement of operations and comprehensive loss for the three months ended December 31, 2018 is as follows:

	As reported three months ended December 31,	IFRS 15 Adjustments	Amounts prior to IFRS 15 Adjustments
Sales	**$ 4,171,833**	$ 202,368	$ 4,374,201
Cost of sales	**2,780,450**	197,040	2,977,490
Gross profit	**1,391,383**	5,328	1,396,711
Selling and administrative expenses	**1,660,430**	-	1,660,430
Foreign exchange loss	**45,236**	-	45,236
	1,705,666	-	1,705,666
Operating income (loss)	**(314,283)**	5,328	(308,955)
Finance income	**38,688**	-	38,688
Finance costs	**(47,475)**	-	(47,475)
Income (loss) before income taxes	**(323,070)**	5,328	(317,742)
Income tax expense (recovery)			-
Current	**(29,994)**	1,385	(28,609)
Deferred	**(56,042)**	-	(56,042)
	(86,036)	1,385	(84,651)
Net income (loss) from operations	**(237,034)**	3,943	(233,091)
Other comprehensive loss			-
Currency translation adjustments	**(10,960)**	-	(10,960)
Total comprehensive income (loss)	**(247,994)**	3,943	(244,051)
Basic and diluted net income (loss) per common share	**$ (0.02)**	$ 0.00	$ (0.02)
Weighted average number of common shares outstanding : Basic and diluted	**10,220,187**	10,220,187	10,220,187

4. Critical accounting estimates and judgments

The preparation of these Condensed Consolidated Interim Financial Statements requires the Corporation's management to make judgments, estimates and assumptions that affect the amounts reported in these financial statements and the accompanying notes. Actual results may differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions critical to the determination of carrying value of the Corporation's assets and liabilities are discussed below:

Functional currency

The Corporation has performed an analysis with respect to its functional currency and that of its subsidiaries. The functional currency of the Corporation's European subsidiaries PMI and PP is the EUR, since these entities denominate their sales prices in EUR and generate substantially all their revenues in EUR. The functional currency of the Corporation's subsidiaries IPC, ICI, IPI and IREC is the USD, since these entities denominate their sales prices in USD and generate substantially all their revenues in USD.

Revenue

Revenue recognized on the percentage of completion basis consists of recognizing revenue on a given contract proportionately with its percentage of completion at any given time. The percentage of completion is determined by dividing the cumulative costs incurred as at the reporting date by the sum of incurred and anticipated costs for completing the contract. The transaction price is allocated to respective multiple performance obligations based on certain estimates (e.g. budgeted cost of shipping and installation). Changes in management's estimated costs to complete a contract may result in an adjustment to previously recognized revenues.

Allowance for doubtful accounts and sales adjustments

In determining whether trade receivables are collectible from customers, management establishes an allowance for estimated losses arising from non-payment and other sales adjustments, taking into consideration customer creditworthiness, current economic trends and past experience. If future collections differ from management's estimates, future earnings would be affected.

Inventory

In determining the lower of cost and net realizable value of inventory and in establishing the appropriate impairment amount for inventory obsolescence, management estimates the likelihood that inventory carrying values will be affected by changes in market pricing or demand for the products and by changes in design which could make inventory on hand obsolete or recoverable at less than the recorded value. Management performs regular reviews to assess the impact of changes in design, sales trends and other changes on the carrying value of inventory. Where it is determined that such changes have occurred and will have an impact on the value of inventory on hand, appropriate adjustments are made. If there is a subsequent increase in the value of inventory on hand, reversals of previous write-downs to net realizable value are made. Unforeseen changes in these factors could result in additional inventory provisions, or reversals of previous provisions, being required.

Unaudited (Expressed in U.S. dollars)

4. Critical accounting estimates and judgments (continued)

Equipment

Management estimates the useful lives of equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear or commercial obsolescence. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Corporation’s equipment in the future.

Income taxes

The Corporation’s manufacturing operations generates sales from customers located in various tax jurisdictions and as a result, the Corporation’s income may become subject to taxation in those jurisdictions. The complexity of tax regulations requires assessments of uncertainties and judgments in estimating the taxes the Corporation will ultimately pay. The final taxes paid may be dependent upon many factors, including negotiations with various taxing authorities, outcomes of potential tax litigation and resolution of disputes arising from federal, provincial, state and local tax audits. The resolution of these potential uncertainties and the associated final taxes may result in adjustments to the Corporation's tax assets and tax liabilities.

The Corporation estimates deferred income taxes based upon temporary differences between the assets and liabilities that it reports in its consolidated financial statements and the tax bases of its assets and liabilities as determined under applicable tax laws. The amount of deferred tax assets recognized is generally limited to the extent that it is probable that taxable profit will be available against which the related deductible temporary differences can be utilized. Therefore, the amount of the deferred income tax asset recognized and considered realizable could be reduced if projected income is not achieved.

5. Trade and other receivables

Trade and other receivables are comprised of the following balances:

	December 31, 2018	September 30, 2018
Trade receivables	**$ 3,388,500**	$ 2,628,911
Unbilled receivables	**406,742**	297,287
Other receivables	**358,191**	124,080
Allowance for doubtful accounts	**(143,424)**	(143,446)
Trade and other receivables	**$ 4,010,009**	$ 2,906,832

Unbilled receivables are contract assets generated by revenue recognized from design-build performance obligations being completed over time by the Corporation’s Manufacturing business segment. Unbilled receivables are recorded as trade receivables when the Corporation invoices its customers in accordance with their respective contractual payment terms. A substantial portion of the Corporation’s sales arrangements require payment by the customer of a non-refundable deposit at contract signing, payment of another non-refundable deposit prior to delivery of the sold goods, and the balance of the transaction price after installation of the sold goods has been completed. For certain customers, the Corporation may offer extended credit terms after completion of installation.

Unaudited (Expressed in U.S. dollars)

5. Trade and other receivables (continued)

The Corporation purchases third-party insurance on trade receivables from customers with extended terms, and finances such contracts using its securitization facility.

Changes to unbilled receivables during the three-month period ended December 31, 2018 are as follows:

Balance at September 30, 2018	$	297,287
Ajustment on adoption of IFRS 15		251,363
Balance at October 1, 2018		548,650
Increase in unbilled receivables		**3,064,221**
Amounts invoiced		**(3,206,129)**
Balance at December 31, 2018	**$**	**406,742**

6. Operating loans

During the three-month period ended December 31, 2018, the Corporation obtained the following proceeds from operating loans and made the following repayments:

	Carrying Amounts						**U.S. dollars equivalent**
		U.S. dollars		Euros		Canadian dollars	
Balance at September 30, 2018	$	330,000	€	-	$	-	**$ 330,000**
Proceeds from operating loans		720,982		678,187		468,317	**1,840,091**
Repayment of operating loans		(330,000)		-		-	**(330,000)**
Balance at December 31, 2018	$	720,982	€	678,187	$	468,317	**$ 1,840,091**

7. Deferred revenue

Amounts received from customers in excess of revenue recognized on uncompleted contracts are contract liabilities recorded as deferred revenue.

Changes to deferred revenue during the three-month period ended December 31, 2018 are as follows:

Balance at September 30, 2018	$	2,621,847
Ajustment on adoption of IFRS 15		(157,939)
Balance at October 1, 2018		2,463,908
Customer deposits received		**2,576,204**
Revenue recognized		**(3,855,487)**
Balance at December 31, 2018	**$**	**1,184,625**

Unaudited (Expressed in U.S. dollars)

8. Sales

The Corporation recognizes revenue over time from design-build performance obligations by its Manufacturing business segment and from franchise royalties by its FEC business segment. Revenue from other sources is recognized at a point in time. Information related to timing of revenue recognition is as follows:

		Three months ended December 31, 2018
Timing of revenue recognition		
Over time	$	2,787,403
At a point in time		1,384,430
	$	4,171,833

The Corporation recorded the following sales and related direct costs from fixed-priced sales arrangements recognized over time using the percentage of completion basis of accounting in accordance with the revenue recognition policies described in Note 3 and Note 4:

		Three months ended December 31, 2018
Sales	$	3,064,221
Direct costs incurred		1,763,653
	$	1,300,568

Unfulfilled performance obligations from sales contracts at December 31, 2018 are as follows:

		Three months ended December 31, 2018
Contract revenue	$	8,556,486
Less: previously recorded contract revenue		(6,692,193)
Unfulfilled performance obligations	$	1,866,311

Management expects the unfulfilled performance obligations to be recognized as revenue in less than one year. Due to the customized nature of the Corporation's manufactured products, the Corporation generally does not offer refunds or returns of design-build playground equipment. The Corporation's goods are sold with product warranty covering manufacturing defects from the date of purchase or installation.

9. Segment reporting and concentration of sales

Business segments

The Corporation operates in the Manufacturing ("MFG") and Family Entertainment Centres ("FEC") business segments.

The accounting policies of the two business segments are the same as those described in Note 3. Inter-segment balances, transactions and revenues and expenses are eliminated upon consolidation.

Unaudited (Expressed in U.S. dollars)

9. Segment reporting and concentration of sales (continued)

Business segments (continued)

Information related to the two business segments' operations for the three-month period ended December 31, 2018 is as follows:

	Three months ended December 31, 2018		
	MFG	**FEC**	**Total**
Sales to external customers	$ 3,882,796	$ 289,037	$ 4,171,833
Cost of sales	2,618,091	162,359	2,780,450
Gross profit	1,264,705	126,678	1,391,383
Selling and administrative expenses	1,503,067	157,363	1,660,430
Foreign exchange loss (gain)	45,692	(456)	45,236
Finance income	(38,688)	-	(38,688)
Finance costs	47,475	-	47,475
Income taxes	(74,803)	(11,233)	(86,036)
Other comprehensive loss	10,792	168	10,960
Total comprehensive loss	$ (228,830)	$ (19,164)	$ (247,994)
Total assets	$ 10,977,854	$ 593,088	$ 11,570,942
Total liabilities	$ 4,739,816	$ 243,713	$ 4,983,529
Depreciation and amortization expense	$ 82,905	$ 25,049	$ 107,954
Purchase of equipment and intangible assets	$ 102,352	$ 108	$ 102,460

Unaudited (Expressed in U.S. dollars)

9. Segment reporting and concentration of sales (continued)

Business segments (continued)

Information related to the two business segments' operations for the three-month period ended December 31, 2017 is as follows:

	Three months ended December 31, 2017 (Revised - See Note 2)					
		MFG		FEC		Total
Sales to external customers	$	3,654,020	$	297,425	$	3,951,445
Cost of sales		1,914,921		176,114		2,091,035
Gross profit		1,739,099		121,311		1,860,410
Selling and administrative expenses		1,352,463		159,924		1,512,387
Foreign exchange loss (gain)		(13,990)		1,277		(12,713)
Finance income		(105,019)		-		(105,019)
Finance costs		59,332		-		59,332
Income tax recovery		107,287		(2,919)		104,368
Total comprehensive income (loss)	$	339,026	$	(36,971)	$	302,055
Total assets	$	18,615,129	$	855,620	$	19,470,749
Total liabilities	$	8,372,013	$	152,944	$	8,524,957
Depreciation expense	$	64,436	$	26,119	$	90,555
Purchase of equipment	$	45,969	$	7,314	$	53,283

Geographic and customer information

At December 31, 2018, approximately 65% of the Corporation's assets were in Canada, 21% in Europe and 14% in the Philippines.

The Corporation attributes sales amounts to geographical areas based on where the customer is located. Information related to geographical areas is as follows:

	Three months ended December 31,			
		2018		2017 (Revised - See Note 2)
Sales				
Canada	**$**	**631,713**	$	634,928
Americas		**1,013,365**		751,888
Europe, Middle East and Africa		**2,267,862**		1,663,788
Asia Pacific		**258,893**		900,841
	$	**4,171,833**	$	3,951,445

9. Segment reporting and concentration of sales (continued)

Geographic and customer information (continued)

The approximate sales to significant customers, all from the manufacturing business segment, are as follows:

	Three months ended December 31,	
	2018	2017 (Revised - See Note 2)
Customer A	**$ 734,587**	$ -
Customer B	**-**	657,999
Customer C	**-**	582,325
Customer D		497,697

iPlayCO

CORPORATION LTD (TSX-V: IPC)

Management's Discussion and Analysis

This discussion and analysis of financial condition and results of operations ("MD&A") of Iplayco Corporation Ltd. ("Iplayco", "the Corporation", "we", "us", or "our") is prepared as of February 20, 2019 and should be read together in conjunction with our condensed consolidated interim financial statements and accompanying notes for the three months ended December 31, 2018 and our annual audited consolidated financial statements and accompanying notes for the years ended September 30, 2018 and 2017.

The results reported herein are presented in U.S. dollars, unless otherwise stated, and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

We have prepared this MD&A with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators.

Certain statements in this MD&A constitute forward-looking statements or forward-looking information within the meaning of applicable securities laws. You should carefully read the cautionary note in this MD&A regarding forward looking statements and should not place undue reliance on any such forward looking statements. See "Cautionary Note Regarding Forward-looking Statements".

Additional information about Iplayco, including our Management Proxy Circular, are filed with Canadian securities regulatory authorities on SEDAR at www.sedar.com and are also available on our website at www.iplaycoltd.com.

Overview

Iplayco is incorporated under the Alberta Business Corporations Act and its common shares trade on the TSX Venture Exchange under the trading symbol "IPC". Iplayco's business is carried out through its wholly owned subsidiaries Iplayco Inc., Iplayco Canada Inc., International Play Company Inc., Outdoor Play Company Inc., IREC Corporation, Play Planet S.r.l and Play Mart International EOOD. Iplayco operates in two business segments: (i) Manufacturing of play structures for children, from its production plants in Langley, British Columbia, Canada; Subic Bay, Philippines, and Sofia, Bulgaria ("Manufacturing" or "MFG"); and (ii) Operating a family entertainment centre in Langley, British Columbia, Canada and managing a network of franchisees located throughout Italy under the Play Planet banner (collectively "Family Entertainment Centre" or "FEC").

Operations by Business Segment

Consolidated Results

Sales for the three months ended December 31, 2018 ("Q1-19") increased by 5.6% to $4,171,833 from $3,951,445 for the three months ended December 31, 2017 ("Q1-18"). Gross profit percentage decreased to 33.4% of sales in Q1-19 from 47.1% in Q1-18. Operating expenses, including foreign exchange gains and losses, and finance income and costs, increased to $1,714,453, or 41.1% of sales, in Q1-19 from $1,453,987, or 36.8% of sales, in Q1-18. The net comprehensive loss amounted to $247,994, or net loss per share of $0.02, in Q1-19, as compared to net comprehensive income of $302,055, or diluted net income per share of $0.01, in Q1-18.

Manufacturing Operations

Sales generated by our Manufacturing operations increased by 6.3% to $3,882,796 in Q1-19 from $3,654,020 in Q1-18. This increase is due primarily to higher sales to our customers located in Europe and the Middle East, who accounted for sales of $2,176,298 (or 56.0% of total Manufacturing sales) in Q1-19 compared to $1,663,788, (or 45.5%) in Q1-18.

We expected sales generated by our Manufacturing operations in Q1-19 to increase moderately as compared to sales for the three months ended September 30, 2018 ("Q4-18"). Sales generated by our Manufacturing operations increased by 12.0% to $3,882,796 in Q1-19 from $3,465,723 in Q4-18. Based on our updated sales forecast, we are expecting sales generated by our Manufacturing operations for the three months ending March 31, 2019 ("Q2-19") to increase moderately as compared to Q1-19.

Gross profit percentage decreased to 32.6% of sales by our Manufacturing operations in Q1-19 from 47.6% in Q1-18 due primarily to lower margin sales by our operations in Europe. We expected our gross profit percentage to increase moderately in Q1-19 as compared to Q4-18. Gross profit percentage increased to 32.6% of sales by our Manufacturing operations in Q1-19 from 28.1% in Q4-18 due primarily to non-recurring start-up manufacturing costs by our European operations. Based on our updated sales-mix forecast, we are expecting the gross profit percentage from our Manufacturing operations in Q2-19 to increase moderately as compared to Q1-19.

Our Manufacturing operations generated a net comprehensive loss of $228,830 in Q1-19 compared to net comprehensive income of $339,026 in Q1-18. We expected the net operating results from our Manufacturing operations to improve significantly in Q1-19 as compared to Q4-18. Our Manufacturing operations incurred a net comprehensive loss of $228,830 in Q1-19 compared to a net comprehensive loss of $720,141 in Q4-18 due primarily to higher gross profit and lower operating expenses in Q1-19 as compared to Q4-18. We are expecting the operating results of our Manufacturing operations to improve moderately in Q2-19 as compared to Q1-19 due primarily to higher anticipated sales and higher gross profit percentage.

Family Entertainment Centre Operations

Sales generated by our FEC operations decreased by 2.8% to $289,037 in Q1-19 from $297,425 in Q1-18 due primarily to a decrease in customer visits for our FEC operations in Canada. Sales generated by our FEC operations in Canada amounted to $248,945 (or 86.1% of total FEC sales) in Q1-19 compared to $297,425 in Q1-18. We expected sales generated by our FEC operations to increase moderately in Q1-19 as compared to Q4-18. Sales generated by our FEC operations increased by 17.4% to $289,037 in Q1-19 from $246,126 in Q4-18 due primarily to an increase in customer visits. Based on our updated sales forecast, we are expecting sales generated by our FEC operations to increase moderately in Q2-19 as compared to Q1-19, due primarily to seasonality.

Our FEC operations generated a net comprehensive loss of $19,164 in Q1-19 compared to a net comprehensive loss of $36,971 in Q1-18 due primarily to improved gross profit margin. We expected the net operating results from our FEC operations to improve moderately in Q1-19 as compared to Q4-18. Our FEC operations incurred a net loss of $19,164 in Q1-19 as compared to a net loss of $54,631 in Q4-18, due primarily to higher sales and lower selling and administrative expenses. Based on our updated forecasts, we are expecting the net operating results from our FEC operations to improve moderately in Q2-19 as compared to Q1-19, due primarily to higher anticipated sales.

The net operating results from our FEC operations will continue to fluctuate from quarter to quarter based on seasonality factors, such as weather conditions and school holidays. Seasonality trends have developed in sales and net operating results, with Q2 historically generating the strongest operating results, due primarily to a higher number of customer visits during the winter months. Conversely, our Q4 operating results have historically been the weakest due to a lower number of customer visits during the summer months.

Results of Operations

The following tables set forth the operating results of our Manufacturing and our FEC business segments for the three months ended December 31, 2018 and 2017, expressed as a percentage of total sales:

	Three months ended December 31, 2018			Three months ended December 31, 2017		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales to external customers	**93.1 %**	**6.9 %**	**100.0 %**	92.5 %	7.5 %	100.0 %
Cost of sales	**62.7**	**3.9**	**66.6**	48.4	4.5	52.9
Gross profit	**30.4**	**3.0**	**33.4**	44.1	3.0	47.1
Selling and administrative expenses	**36.0**	**3.8**	**39.8**	34.2	4.0	38.2
Foreign exchange loss (gain)	**1.1**	**-**	**1.1**	(0.4)	-	(0.4)
Finance income	**(0.9)**	**-**	**(0.9)**	(2.7)	-	(2.7)
Finance costs	**1.1**	**-**	**1.1**	1.5	-	1.5
Income taxes	**(1.8)**	**(0.3)**	**(2.1)**	2.7	(0.1)	2.6
Net income (loss) from operations	**(5.1)**	**(0.5)**	**(5.6)**	8.8	(0.9)	7.9
Other comprehensive loss	**0.3**	**-**	**0.3**	-	-	-
Total comprehensive income (loss)	**(5.4) %**	**(0.5) %**	**(5.9) %**	8.8 %	(0.9) %	7.9 %

Our sales by business segment, and geographical region, are as follows:

	Three months ended December 31, 2018			Three months ended December 31, 2017		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales						
Canada	**9.2 %**	**6.0 %**	**15.2 %**	8.5 %	7.5 %	16.0 %
Americas	**24.2**	**-**	**24.2**	19.0	-	19.0
Other	**59.6**	**1.0**	**60.6**	65.0	-	65.0
	93.0 %	**7.0 %**	**100.0 %**	92.5 %	7.5 %	100.0 %

Results of Operations – Three Months Ended December 31, 2018 Compared to Three Months Ended December 31, 2017

Sales

Sales increased by $220,388 (or 5.6%) to $4,171,833 in Q1-19 from $3,951,445 in Q1-18 due primarily to an increase in sales of $228,776 by our Manufacturing operations.

We expected our sales to increase moderately in Q1-19 as compared to Q4-18. Sales increased by $459,984 (or 12.4%) to $4,171,833 in Q1-19 from $3,711,849 in Q4-18, due primarily to an increase in sales by our European operations. Based on our updated sales forecasts, we are expecting sales to increase moderately in Q2-19 as compared to Q1-19.

Gross Profit

Gross profit percentage decreased to 33.4% of sales in Q1-19 from 47.1% in Q1-18. This decrease is due primarily to our Manufacturing operations which generated a gross profit percentage of 32.6% in Q1-19 compared to 47.6% in Q1-18.

We expected our gross profit percentage to increase moderately in Q1-19 as compared to Q4-18. Gross profit percentage increased to 33.4% in Q1-19 from 29.2% in Q4-18 due to improved margins on sales by our European manufacturing operations. Based on our updated sales-mix forecast, we are expecting our gross profit percentage to increase moderately in Q2-19 as compared to Q1-19.

Operating Expenses

Operating expenses, including foreign exchange gains and losses, and finance income and costs, increased by $260,466 (or 17.9%) to $1,714,453 in Q1-19, from $1,453,987 in Q1-18. This increase is due primarily to additional expenses from the acquisition and start-up of our new European operations.

We expected our operating expenses to decrease moderately, as a percentage of sales, in Q1-19 as compared to Q4-18. Our operating expenses decreased to 41.1% of sales in Q1-19 from 58.2% in Q4-18. Based on our updated forecasts, we are expecting operating expenses to decrease moderately, as a percentage of sales, in Q2-19 as compared to Q1-19.

Income Taxes

The income tax recoveries of $86,036 in Q1-19 is primarily due to the loss before income taxes incurred by our manufacturing operations, compared to the income tax expense $104,368 in Q1-18 due primarily due to the income before income taxes generated by our manufacturing operations in Q1-18.

Net Operating Results

The net comprehensive loss amounted to $247,994, or net loss per share of $0.02, in Q1-19, compared to net comprehensive income of $302,055, or diluted net income per share of $0.01, in Q1-18. The decrease in net operating results is due primarily to lower gross profit margin and higher administrative expenses resulting from the acquisition and start-up of our European operations in Q1-19 as compared to Q1-18.

We expected our net operating results to improve significantly in Q1-19 as compared to Q4-18. We incurred a net comprehensive loss of $247,994 in Q1-19 compared to a net comprehensive loss of $774,772 in Q4-18. We are expecting our results of operations to improve moderately in Q2-19 as compared to Q1-19 due primarily to higher anticipated sales and higher gross profit percentage.

Quarterly Results of Operations

The following tables set forth unaudited statements of operations data for the Manufacturing and FEC business segments, for each of the eight most recent quarters that, in management's opinion, have been prepared on a basis consistent with the consolidated financial statements for the years ended September 30, 2018 and 2017. The unaudited quarterly statements of operations data presented below reflects all adjustments, consisting primarily of normal recurring adjustments, which are, in the opinion of management, necessary for a fair presentation of results for the interim periods. These operating results are not necessarily indicative of results for any future period.

CONSOLIDATED	Q2-17 31-Mar-17	Q3-17 30-Jun-17	Q4-17 30-Sep-17	Q1-18 31-Dec-17	Q2-18 31-Mar-18	Q3-18 30-Jun-18	Q4-18 30-Sep-18	**Q1-19 31-Dec-18**
Sales	$ 2,770,622	$ 4,094,225	$ 2,821,070	$ 3,951,445	$ 3,022,616	$ 2,304,029	$ 3,711,849	**$ 4,171,833**
Cost of sales	1,371,637	2,252,005	1,560,261	2,091,035	1,911,829	1,510,555	2,627,155	**2,780,450**
Gross profit	1,398,985	1,842,220	1,260,809	1,860,410	1,110,787	793,474	1,084,694	**1,391,383**
Selling and administrative expenses	1,250,062	1,179,712	1,452,999	1,512,387	1,634,663	1,445,423	2,150,086	**1,660,430**
Foreign exchange loss (gain)	10,425	210,624	304,594	(12,713)	(183,018)	29,263	(8,970)	**45,236**
Finance income	-	-	-	(105,019)	(153,098)	(154,422)	(22,634)	**(38,688)**
Finance costs	71,804	3,112	17,516	59,332	17,413	69,842	41,308	**47,475**
Income taxes	22,314	122,818	(85,490)	104,368	(32,319)	(142,753)	(299,121)	**(86,036)**
Net income (loss) from operations	44,380	325,954	(428,810)	302,055	(172,854)	(453,879)	(775,975)	**(237,034)**
Other comprehensive loss (income)	-	-	-	-	-	8,567	(1,203)	**10,960**
Total comprehensive income (loss)	$ 44,380	$ 325,954	$ (428,810)	$ 302,055	$ (172,854)	$ (462,446)	$ (774,772)	**$ (247,994)**
Basic and diluted net income (loss) per share	$ 0.00	$ 0.02	$ (0.02)	$ 0.01	$ 0.00	$ (0.02)	$ (0.04)	**$ (0.02)**

MANUFACTURING	Q2-17 31-Mar-17	Q3-17 30-Jun-17	Q4-17 30-Sep-17	Q1-18 31-Dec-17	Q2-18 31-Mar-18	Q3-18 30-Jun-18	Q4-18 30-Sep-18	**Q1-19 31-Dec-18**
Sales	$ 2,454,429	$ 3,910,738	$ 2,613,319	$ 3,654,020	$ 2,662,905	$ 2,071,310	$ 3,465,723	**$ 3,882,796**
Cost of sales	1,215,934	2,125,732	1,425,227	1,914,921	1,733,512	1,366,400	2,490,858	**2,618,091**
Gross profit	1,238,495	1,785,006	1,188,092	1,739,099	929,393	704,910	974,865	**1,264,705**
Selling and administrative expenses	1,144,595	1,063,739	1,350,818	1,352,463	1,438,714	1,266,853	1,979,809	**1,503,067**
Foreign exchange loss (gain)	10,425	210,624	304,594	(13,990)	(193,002)	29,561	(8,572)	**45,692**
Finance income	-	-	-	(105,019)	(153,098)	(154,422)	(22,634)	**(38,688)**
Finance costs	71,804	3,112	17,516	59,332	17,413	69,842	41,308	**47,475**
Income taxes	8,009	138,095	(72,718)	107,287	(20,539)	(139,890)	(293,701)	**(74,803)**
Net income (loss) from operations	3,662	369,436	(412,118)	339,026	(160,095)	(367,034)	(721,345)	**(218,038)**
Other comprehensive loss (income)	-	-	-	-	-	9,140	(1,204)	**10,792**
Total comprehensive income (loss)	$ 3,662	$ 369,436	$ (412,118)	$ 339,026	$ (160,095)	$ (376,174)	$ (720,141)	**$ (228,830)**

Our quarterly results fluctuate due primarily to the combined effect of significant variability in our sales, and operating expenses that are generally fixed. The impact of significant items incurred during these interim periods is discussed in more detail in our condensed consolidated interim financial statements and MD&A.

The following are significant items affecting our consolidated quarterly results of operations:

- The increase in net operating results from Q2-17 to Q3-17 is due primarily to higher sales in Q3-17 compared to Q2-17.
- The decrease in net operating results from Q3-17 to Q4-17 is due primarily to lower sales and higher selling and administrative expenses in Q4-17 compared to Q3-17.
- The increase in net operating results from Q4-17 to Q1-18 is due primarily to higher sales and the non-recurrence of unrealized foreign exchange loss in Q1-18 compared to Q4-17.
- The decrease in net operating results from Q1-18 to Q2-18 is due primarily to lower sales and higher selling and administrative expenses in Q2-18 compared to Q1-18.

- The decrease in net operating results from Q2-18 to Q3-18 is due primarily to lower sales in Q3-18 compared to Q2-18.
- The decrease in net operating results from Q3-18 to Q4-18 is due primarily to additional expenses from the acquisition and start-up of our new European operations.
- The increase in net operating results from Q4-18 to Q1-19 is due primarily to higher sales and lower selling and administrative expenses in Q1-19 compared to Q2-18.

Liquidity and Capital Resources

Operating Activities

Cash used in operating activities amounted to $2,912,503 in Q1-19, compared to $721,698 in Q1-18. The change is due primarily to the increase in trade and other receivables and the decrease in customer deposits in Q1-19 as compared to Q1-18.

The increase in trade and finance receivables is due primarily to the higher sales in Q1-19 as compared to Q1-18. We expect our operating activities to continue to use cash to support the growth in our sales.

Investing Activities

Cash used in investing activities decreased to $155,668 in Q1-19 from $401,430 in Q1-18 due primarily to the amount of cash paid at the acquisition date for our European operations in Q1-18.

We anticipate capital expenditures in Q2-19 to remain in-line with Q1-19.

Financing Activities

Cash provided by financing activities amounted to $1,510,091 in Q1-19, compared to $865,197 in Q1-18 due primarily to higher proceeds from our operating loans to fund working capital requirements.

Our off-balance sheet financing is comprised of long-term operating lease arrangements for premises concluded in the normal course of business. The Corporation has no off-balance sheet special purpose entities.

Cash Requirements

Our near-term cash requirements are primarily related to funding our operations, repaying our operating loans, and funding our capital expenditures. We expect our working capital requirements to continue to increase due primarily to the anticipated growth in our sales.

Our sources of cash include cash on hand, trade receivables, customer deposits, cash from operations, and funding from our credit facilities (see "Credit Facilities"). We expect our sources of cash to be sufficient to fund our forecast cash outflows for at least the next twelve months.

Sources and Uses of Cash

The sources of funds for our future capital expenditures and commitments include cash on hand, cash from the collection of trade receivables, cash from operations, and borrowings (see "Credit Facilities") as follows:

- Cash of $1,212,484 at December 31, 2018 (September 30, 2018 – $2,798,928).
- Trade and other receivables of $4,010,009 at December 31, 2018 (September 30, 2018 – $2,906,832).

Our objective when managing capital is to maintain sufficient liquidity for normal operating and capital expenditures, while maintaining an adequate return for our shareholders.

The Corporation's capital is comprised of operating loans and shareholders' equity.

The Corporation funds its working capital requirements with cash and an available Overdraft Facility of $600,000 Canadian dollars ($440,000 U.S. dollars), an Operating Loan Facility of $4,000,000, and a Securitization Facility of $7,920,000, which are subject to annual renewals (see "Credit Facilities").

We choose securitization as part of our capital strategy to reduce our credit risk when offering extended credit terms to certain customers with larger orders. The servicing of finance receivables remains the responsibility of the Corporation and the Bank retains the right of recourse against the Corporation if any finance receivable is not collected by the Bank on its due date. Any finance receivable not collected by the Bank on its due date is subject to payment upon demand to the Bank at the Bank's U.S. dollar annual prime rate plus 3.00% per annum payable monthly in arrears.

Our debt is subject to covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. At December 31, 2018, all financial ratios and tests have been met.

The Corporation manages its capital structure to maintain the flexibility to adjust to changes in economic conditions and to respond to interest rate, foreign exchange, credit, and other market risks. In management's opinion, the Corporation's capital and ongoing cash flows from operations are sufficient to fund its anticipated contractual obligations, future operations, and capital expenditures.

Credit Facilities

The Corporation has the following credit facilities (the "Credit Facilities") with financial institutions in Canada, Bulgaria, Italy and the Philippines:

(a) Overdraft Facilities

(i) Canada:

Demand revolving loan of up to $600,000 in Canadian dollars ($440,000 in U.S. dollars) bearing interest at the Canadian bank's prime rate plus 1.50% per annum and margined by trade receivables and certain equipment of the Corporation. At December 31, 2018, $468,317 in Canadian dollars and $50,982 in U.S. dollars (total equivalent of $394,556 in U.S. dollars) were drawn under this facility.

(ii) Bulgaria:

In June 2018, the Corporation's subsidiary PMI obtained a demand revolving loan of up to €1,500,000 ($1,717,000 in U.S. dollars), maturing on June 30, 2019, bearing interest at the one-month EURIBOR plus 3.00% per annum, and secured by a standby letter of credit of issued by the Canadian bank. At December 31, 2018, €536,044 ($613,400 in U.S. dollars) was drawn under this facility.

(iii) Italy:

In June 2018, the Corporation's subsidiary PP obtained a demand revolving loan of up to €500,000 ($572,000 in U.S. dollars), maturing on January 31, 2019, bearing interest at an annual nominal rate of 1.05%, and secured by a standby letter of credit issued by the Canadian Bank. At December 31, 2018, €142,143 ($162,135 in U.S. dollars) was drawn under this facility.

(iv) Philippines:

In June 2018, the Corporation's subsidiary IREC obtained a demand revolving loan of up to $1,000,000, maturing on March 31, 2019, bearing interest at the Philippine bank's prevailing lending rate, and secured by a standby letter of credit issued by the Canadian bank. At December 31, 2018, $670,000 was drawn under this facility.

(b) Export Loan Facility - Canada

The Export Loan Facility is comprised of a manufacturer's advance facility in the form of a demand revolving line of $4,000,000 ("Operating Loan Facility") and a trade invoice non-recourse financing facility in the form of a demand revolving line of $7,920,000 ("Securitization Facility").

Operating Loan Facility

Under the Operating Loan Facility, the Corporation may finance up to 60% of customer purchase orders approved by the Canadian bank. The Operating Loan Facility bears interest at the U.S. dollar London Interbank Offered Rate ("USD LIBOR") plus 4.00% per annum and is payable on demand or within 160 days of funding.

Securitization Facility

Under the Securitization Facility, the Corporation may sell to the Canadian bank select insured trade receivables net of a discount fee of USD LIBOR plus 3.50%.

(c) Foreign Exchange Loan Facility - Canada

The Foreign Exchange Loan Facility is a demand revolving line of $1,840,000 for the purchase of foreign exchange forward contracts and options up to an aggregate of $8,000,000 with a maximum maturity of 12 months.

(d) Standby Letters of Credit - Canada

Standby Letters of Credit of €1,500,000 ($1,717,000 in U.S. dollars), €500,000 ($572,000 in U.S. dollars) and $1,000,000, expiring on July 31, 2019, March 31, 2019, and June 19, 2019, respectively, have been issued to secure the credit facilities of the Corporation's subsidiaries, PMI, PP and IREC. The Standby Letters of Credit bear fees of 1.50% per annum and are secured by export guarantees issued by Export Development Canada.

(e) Guarantee Line - Canada

The Guarantee Line of $2,900,000 provides for the issuance of bank guarantees in favour of beneficiaries approved by the Canadian bank. The Guarantee Line bears a fee of 1.50% per annum and is secured by export guarantees issued by Export Development Canada.

All amounts outstanding under the Guarantee Line are repayable by the Corporation upon demand by the Canadian Bank.

At December 31, 2018, no amounts were drawn under the Guarantee Line (September 30, 2018 – nil).

The Credit Facilities are governed and secured by a general security agreement creating a first-priority security interest in all property of the Corporation. The conditions of credit include compliance with various covenants. At December 31, 2018, all financial ratios and tests have been met.

Market Risk Disclosure

Currency risk

We are exposed to currency fluctuations and exchange rate risk on all operations conducted in currencies other than the U.S. dollar, most notably from operations conducted in Canadian dollars and the Euro. We cannot accurately predict the future effects of foreign currency fluctuations on our financial condition or results of operations.

We are exposed to foreign currency fluctuations because our sales are primarily denominated in U.S. dollars and we incur expenses in Canadian dollars, Bulgarian Leva, Euros, and Philippine Pesos (collectively the "Foreign Currencies"). We monitor our exposure to fluctuations between the U.S. dollar and the Foreign Currencies, and manage this risk by entering into foreign exchange forward contracts. We do not enter into foreign exchange forward contracts for speculative purposes.

As described above in "Credit Facilities", we have a demand revolving line of $1,840,000 to purchase foreign exchange forward contracts and options up to an aggregate of $8,000,000, with a maximum maturity of 12 months. We use this facility to manage our currency risk resulting from fluctuations in foreign exchange rates between primarily the U.S. dollar and the Canadian dollar. At December 31, 2018, we did not have any foreign exchange forward contract outstanding.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The carrying amounts of cash, trade and finance receivables recorded in the consolidated statements of financial position represent the Corporation's maximum exposure to credit risk.

The credit risk associated with the Corporation's cash is limited because this financial asset is held through large financial institutions with high investment grade ratings.

We perform ongoing credit evaluations of our customers and carry third party insurance on trade receivables from customers with larger orders.

At December 31, 2018, trade receivables of $1,701,812 from two customers, representing approximately 47% of the balance of trade receivables, are past due (September 30, 2018 - $1,778,163 was past due from two customers with trade receivables amounting to $2,782,752 and representing approximately 64% of the balance of trade receivables). We expect collection of the entire balance of trade receivables. Of the trade receivables past due by more than 90 days, $1,238,545 (or 60%) are insured by a third party. Should the customer default on payment, such insurance coverage would pay 90% of the outstanding balance, leaving an unrecoverable balance of 10%, or $123,855 at December 31, 2018.

Interest rate risk

Interest rate risk refers to the risk that the fair value of a financial instrument or the future cash flows associated with the instrument will fluctuate due to changes in market interest rates. The Corporation's interest rate risk arises primarily from its operating loans, which are subject to variable interest rates. At December 31, 2018, the Corporation had operating loans of $1,840,091 (September 30, 2018 - $330,000) which are subject to variable interest rate obligations as set periodically by the lending bank.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due.

We manage our liquidity risk by maintaining cash and available funds from our existing credit facilities, as outlined above in "Liquidity and Capital Resources".

Legal Proceedings

We are engaged in various legal actions in the ordinary course of business due primarily to injury claims from the use of equipment we have supplied to certain customers. We carry commercial general liability insurance and believe that the ultimate outcome of these actions will not have a material adverse effect on our operating results, liquidity or financial position.

Outstanding Share Capital

At September 30, 2018, and February 20, 2019, the Corporation had 10,220,187 common shares issued and outstanding, and no warrants or share options outstanding.

Cautionary Note Regarding Forward-looking Statements

Certain statements in this report that are not based on historical facts constitute forward-looking statements or forward-looking information within the meaning of Canadian securities laws ("forward-looking statements"). These forward-looking statements are not promises or guarantees of future performance but are only predictions that relate to future events, conditions or circumstances or our future results, performance, achievements or developments and are subject to substantial known and unknown risks, assumptions, uncertainties and other factors that could cause our actual results, performance, achievements or developments in our business or in our industry to differ materially from those expressed, anticipated or implied by such forward-looking statements. Forward-looking statements include disclosure regarding possible events, conditions circumstances or results of operations that are based on assumptions about future economic conditions, courses of action and other future events. We caution you not to place undue reliance upon any such forward-looking statements, which speak only as of the date they are made. These forward-looking statements appear in a number of different places in this report and can be identified by words such as "may", "estimates", "projects", "expects", "intends", "believes", "plans", "anticipates", "continue", "growing", "expanding" or their negatives or other comparable words. Forward-looking statements include statements regarding the outlook for our future operations, plans and timing for the introduction or enhancement of our services and products, statements concerning strategies or developments, statements about future market conditions, supply conditions, end customer demand conditions, sales, gross profit, operating expenses, profits, forecasts of future costs and expenditures, the outcome of legal proceedings, and other expectations, intentions and plans that are not historical fact. The risk factors and uncertainties that may affect our actual results, performance, achievements or developments are many and include, amongst others, our ability to develop, manufacture, supply and market new products that we do not produce today and that meet the needs of customers, the continuous commitment of our customers and increased competition. Many of the risk factors that affect our business are beyond our control. Consequently, all forward-looking statements in this report are qualified by this cautionary statement and we cannot assure you that the actual results, performance, achievements or developments that we anticipate will be realized. Forward-looking statements are based on management's current plans, estimates, projections, beliefs and opinions and we do not undertake any obligation to update forward-looking statements should the assumptions related to these plans, estimates, projections, beliefs and opinions change, except as required by law.

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