Q3
2018

Iplayco Corporation Ltd.

Condensed Consolidated Interim Financial Statements

For the three and nine months ended June 30, 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.

Table of contents

Iplayco Corporation Ltd.

Condensed Consolidated Interim Statements of Financial Position

Unaudited (Expressed in U.S. dollars)

	Notes	June 30, 2018	September 30, 2017 (Restated - See Note 2)
Assets			
Current assets			
Cash		**$ 2,847,310**	$ 3,599,119
Restricted cash	8	**116,478**	-
Finance receivables	6	**2,089,027**	4,594,870
Trade and other receivables		**4,940,615**	5,886,475
Inventories		**2,271,477**	2,211,991
Prepaid expenses and deposits		**1,024,976**	349,030
		13,289,883	16,641,485
Non-current assets			
Equipment		**1,552,890**	1,798,347
Intangible assets	8	**694,594**	-
Goodwill	8	**117,109**	-
Deferred income tax assets		**113,264**	70,426
Total Assets		**$ 15,767,740**	$ 18,510,258
Liabilities and Shareholders' Equity			
Current liabilities			
Securitization debt	6	**$ 1,791,449**	$ 4,135,383
Trade payables, accrued liabilities and other		**1,745,328**	1,541,098
Income taxes payable		**2,717**	360,401
Customer deposits and deferred revenue		**2,062,196**	1,603,641
Current portion of rent inducement		**21,225**	12,812
		5,622,915	7,653,335
Non-current liabilities			
Rent inducement		**95,910**	111,704
Deferred income tax liabilities		**31,078**	49,957
Total Liabilities		**5,749,903**	7,814,996
Shareholders' Equity			
Share capital		**8,511,821**	8,511,821
Warrants reserve		**397,982**	397,982
Share-based payments reserve		**216,583**	216,583
Retained earnings		**2,194,262**	2,518,940
Accumulated other comprehensive loss		**(1,302,811)**	(950,064)
Total Shareholders' Equity		**10,017,837**	10,695,262
Total Liabilities and Shareholders' Equity		**$ 15,767,740**	$ 18,510,258

Subsequent events (Note 10)

"Scott Forbes"	"Muhanad Awad"
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)

	Three months ended June 30,		Nine months ended June 30,	
	2018	2017 (Restated - See Note 2)	**2018**	2017 (Restated - See Note 2)
Sales	**$ 2,458,451**	$ 4,094,225	**$ 9,690,629**	$ 12,290,907
Cost of sales	**1,510,555**	2,252,005	**5,513,419**	6,895,957
Gross profit	**947,896**	1,842,220	**4,177,210**	5,394,950
Selling and administrative expenses	**1,445,423**	1,179,712	**4,592,473**	3,512,750
Foreign exchange loss (gain)	**29,263**	210,624	**(166,468)**	242,711
	1,474,686	1,390,336	**4,426,005**	3,755,461
Operating income (loss)	**(526,790)**	451,884	**(248,795)**	1,639,489
Finance costs	**69,842**	3,112	**146,587**	133,099
Income (loss) before income taxes	**(596,632)**	448,772	**(395,382)**	1,506,390
Income tax provision (recovery)				
Current	**(61,589)**	112,568	**(8,405)**	380,182
Deferred	**(81,164)**	10,250	**(62,299)**	35,892
	(142,753)	122,818	**(70,704)**	416,074
Net income (loss) from operations	**(453,879)**	325,954	**(324,678)**	1,090,316
Other comprehensive income (loss)				
Currency translation adjustments	**(8,567)**	-	**(8,567)**	-
Total comprehensive income (loss)	**(462,446)**	325,954	**(333,245)**	1,090,316
Basic and diluted net income (loss) per common share	**$ (0.02)**	$ 0.02	**$ (0.02)**	$ 0.05
Weighted average number of common shares outstanding : Basic and diluted	**20,870,187**	20,870,187	**20,870,187**	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, 2016 (Restated - See Note 2)	20,870,187	$ 8,511,821	$ 397,982	$ 216,583	$ 1,857,434	$ (1,507,223)	$ 9,476,597
Net income and total comprehensive income (Restated - See Note 2)	-	-	-	-	1,090,316	-	1,090,316
Adjustment to accumulated other comprehensive income resulted from changing presentation currency retrospectively (Note 2)	-	-	-	-	-	134,625	134,625
Balance at June 30, 2017 (Restated - See Note 2)	20,870,187	$ 8,511,821	$ 397,982	$ 216,583	$ 2,947,750	$ (1,372,598)	$ 10,701,538
Balance at September 30, 2017 (Restated - See Note 2)	20,870,187	$ 8,511,821	$ 397,982	$ 216,583	$ 2,518,940	$ (950,064)	$ 10,695,262
Net loss	-	-	-	-	**(324,678)**	-	**(324,678)**
Other comprehensive loss (Note 2)	-	-	-	-	-	**(8,567)**	**(8,567)**
Adjustment to accumulated other comprehensive income resulted from changing presentation currency retrospectively (Note 2)	-	-	-	-	-	**(344,180)**	**(344,180)**
Balance at June 30, 2018	**20,870,187**	**$8,511,821**	**$ 397,982**	**$ 216,583**	**$2,194,262**	**$ (1,302,811)**	**$ 10,017,837**

[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 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	2018	2017 (Restated - See Note 2)
		Nine months ended June 30,	
Operating activities			
Net income (loss)		**$ (324,678)**	$ 1,090,315
Items not affecting cash			
Depreciation and amortization		**326,022**	240,926
Deferred income tax expense (recovery)		**(62,299)**	35,892
Rent inducement		**(7,381)**	(1,755)
Unrealized gain on foreign exchange derivatives		**-**	(60,665)
Loss on disposal of equipment		**326**	-
Unrealized foreign exchange loss		**28,475**	294,300
Finance costs		**146,587**	133,097
		107,052	1,732,110
Change in non-cash operating working capital			
Finance receivables		**2,505,843**	1,127,302
Trade and other receivables		**945,860**	(2,316,865)
Inventories		**(42,396)**	(129,089)
Prepaid expenses		**(675,946)**	(23,614)
Trade payables, accrued liabilities and other		**(293,499)**	(427,750)
Current income tax expense		**8,405**	380,181
Customer deposits and deferred revenue		**458,555**	(25,122)
		2,906,822	(1,414,957)
Interest paid		**(140,293)**	(133,112)
Income taxes recovered (paid)		**(366,089)**	444,826
Cash provided by operating activities		**2,507,492**	628,867
Investing activities			
Acquisition of European operations	*8*	**(408,523)**	-
Purchase of equipment		**(131,823)**	(428,629)
Purchase of intangible assets		**(45,940)**	-
Cash used in investing activities		**(586,286)**	(428,629)
Financing activities			
Proceeds from operating loans		**856,000**	3,605,339
Repayment of operating loans		**(856,000)**	(2,043,910)
Proceeds from securitization debt		**-**	838,982
Repayment of securitization debt		**(2,343,934)**	(3,412,573)
Cash used in financing activities		**(2,343,934)**	(1,012,162)
Net decrease in cash		**(422,728)**	(811,924)
Effect of foreign exchange rate changes on cash		**(329,081)**	(21,900)
Cash at beginning of the year		**3,599,119**	3,894,965
Cash at end of the period		**$ 2,847,310**	$ 3,061,141
Supplemental cash flow disclosures - non cash transactions			
Purchase of equipment		**$ 1,424**	$ 29,332
Increase in restricted cash to secure bank gurantees	*8*	**116,478**	-
Acquisition of European operations	*8*	**362,122**	-
Settlement of operating loans with proceeds from securitization debt		**-**	1,478,024

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 28 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 Aug 21, 2018.

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 March 31, 2018, the Corporation determined that the functional currency of its two European subsidiaries, PMI and PP, has 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 has 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 has changed its presentation currency from CAD to USD. Accordingly, all comparative amounts in the condensed consolidated interim statements of operations and comprehensive income or loss, the condensed consolidated interim statements of changes in shareholders' equity and the condensed consolidated interim statements of cash flows have been re-presented in USD using the foreign exchange rates in effect at the date of the transactions. The comparative amounts for assets and liabilities in the condensed consolidated interim statements of financial position have been re-presented 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 condensed consolidated statements of changes in shareholders' equity.

The change in presentation currency resulted in the following impact on the statement of financial position as at March 31, 2018:

	March 31, 2018 (Reported in CAD)	Impact of change in presentation currency	**March 31, 2018 (Restated in USD)**
Total Assets	$ 21,696,619	$ (4,869,774)	**$ 16,826,845**
Total Liabilities	8,183,260	(1,836,698)	**6,346,562**
Total Shareholders' Equity	13,513,359	(3,033,076)	**10,480,283**

The change in presentation currency resulted in the following impact on the statement of Financial Position as at September 30, 2017:

	September 30, 2017 (Reported in CAD)	Impact of change in presentation currency	**September 30, 2017 (Restated in USD)**
Total Assets	$ 23,100,915	$ (4,590,657)	**$ 18,510,258**
Total Liabilities	9,753,112	(1,938,116)	**7,814,996**
Total Shareholders' Equity	13,347,803	(2,652,541)	**10,695,262**

3. Significant accounting policies

The accompanying financial information reflects the same accounting policies and methods of application as the Corporation's Consolidated Financial Statements for the year ended September 30, 2017.

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. The Corporation and its subsidiary OPC are financially dependent on revenues generated by ICI.

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. 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.

4. Critical accounting estimates and judgments (continued)

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.

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 generate 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. Credit facilities

On January 19, 2018, the Corporation's credit facilities were amended to include bank guarantees of €1,500,000 ($1,753,000 in U.S. dollars), €500,000 ($584,000 in U.S. dollars) and U.S. $1,000,000 to secure credit facilities of the Corporation's subsidiaries, PMI, PP and IREC, respectively.

Unaudited (Expressed in U.S. dollars)

6. Finance receivables and securitization debt

The carrying amounts of finance receivables are comprised of trade receivables, which have been sold to a large Canadian financial institution (the "Bank"), net of a retainer, representing the portion of the proceeds retained by the Bank to reduce their exposure to potential credit losses.

Upon completion of the sale, the finance receivables are not derecognized since the Corporation does not transfer substantially all risks and rewards relevant to the sale of the finance receivables. The servicing of the 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.

The following finance receivables, due to the bank on or before January 2, 2018, remain unpaid at June 30, 2018. An entity affiliated with the Corporation has entered into a payment plan to extinguish the balance due to the bank by August 31, 2018.

	June 30, 2018
Finance receivables	**$ 2,089,027**
Less: Retainer	**(297,578)**
Securitization debt	**$ 1,791,449**

7. Related party transactions

The Corporation's ultimate parent company, Saudi FAS Holding Company, controls various other entities, which are also customers of the Corporation (the "Affiliates"). The Corporation recorded the following sales to the Affiliates:

	Three months ended June 30,		Nine months ended June 30,	
	2018	2017	**2018**	2017
Sales	**$ 137,094**	$ 1,219,887	**$ 400,367**	$ 3,909,500

The Corporation's finance receivables include the following amounts due from the Affiliates:

	June 30, 2018	September 30, 2017
Finance receivables	**$ 2,089,027**	$ 4,594,870

The Corporation's trade and other receivables include the following amounts due from the Affiliates:

	June 30, 2018	September 30, 2017
Trade receivables	**$ 3,657,531**	$ 4,867,487

8. Business combination

On October 19, 2017, the Corporation entered into agreements covering purchases of assets, intellectual property, and product distribution with three companies possessing long-established brands and sales networks in continental Europe. The agreements encompass the acquisition of a franchising business with one employee, the revenue stream from 28 franchisees, and the purchase of various assets from Italy-based companies Play Way S.r.l. and The Play Company S.r.l. ("TPC"). Also included is an intellectual property agreement with TPC and a distribution agreement with TPC and its wholly owned subsidiary Play Mart Co. S.r.l. Once the acquisitions are concluded, the Corporation will own the intellectual property rights to the Play Mart and Play Planet brands, as well as the Play Planet franchising business. The distribution agreements are for the supply of playground equipment. Financial terms of the transactions involve an aggregate cash purchase price of €450,000 ($525,762 in U.S. dollars) and 15% of pre-tax earnings for the next five years of the Corporation's European operations, comprised of PP and PMI (the "Contingent Consideration").

The fair value of the identifiable assets acquired, and liabilities assumed, as at October 19, 2017 are as follows:

Assets acquired		
Inventories	$	**17,090**
Equipment		**1,424**
Intangible assets		**651,466**
Total assets acquired		**669,980**
Liabilities assumed		
Trade payables and accrued liabilities		**16,444**
Total liabilities assumed		**16,444**
Net assets acquired	$	**653,536**

Cash paid at acquisition date	$	**350,105**
Estimated fair value at acquisition date of bank guarantees issued with restricted cash to secure balance of purchase price payable in cash		**164,650**
Estimated fair value of Contingent Consideration at acquisition date		**255,890**
Total estimated purchase price		**770,645**
Less: Net assets acquired		**653,536**
Goodwill	$	**117,109**

On October 19, 2017, the Corporation paid €300,000 ($350,508 in U.S. dollars) in cash and issued bank guarantees backed by restricted cash of €150,000 ($175,254 in U.S. dollars) to secure the balance of purchase price payable in three installments of €50,000 ($58,015 in U.S. dollars) on April 18, 2018, October 18, 2018 and April 18, 2019, respectively. The payment obligation with regards to the restricted cash had an estimated fair value at October 19, 2017 and June 30, 2018 of $164,650 and $116,478, respectively.

8. Business combination (continued)

The purchase price for the acquisition also includes the fair value of the Contingent Consideration, which has been estimated to be $255,890 at the acquisition date. The Contingent Consideration will be remeasured to fair value at each reporting period with changes recorded in the statement of operations and comprehensive income or loss. The fair value of the Contingent Consideration is dependent on management's forecasts and expectations of the Corporation's European operations' pre-tax earnings over the next five years, currently estimated to aggregate between $4 million and $5 million.

The amount of goodwill recorded upon acquisition represents the excess of the purchase price paid over the individually identifiable and separately recognizable assets. None of the goodwill is expected to be deductible for tax purposes.

From October 19, 2017 to June 30, 2018, PMI had operating expenses of $414,385 and sales to external customers of $2,128, and PP had operating expenses of $145,008 and revenues from franchisees of $55,739.

The Corporation incurred $114,286 of acquisition-related costs of which $61,301 was recorded in selling and administrative expenses in the year ended September 30, 2017 and $52,985 was recorded in selling and administrative expenses in the nine months ended June 30, 2018.

At June 30, 2018, the initial accounting for the acquisition of PMI and PP has been provisionally determined. If new information obtained within one year of the date of acquisition results in other identifiable intangible assets, adjustments to the fair value of the assets acquired and liabilities assumed, or additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

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 periods ended June 30, 2018 and 2017 are as follows:

	Three months ended June 30, 2018		
	Manufacturing	**FEC**	**Total**
Sales to external customers	$ 2,225,732	$ 232,719	$ 2,458,451
Cost of sales	1,366,400	144,155	1,510,555
Gross profit	859,332	88,564	947,896
Selling and administrative expenses	1,266,853	178,570	1,445,423
Foreign exchange loss (gain)	29,561	(298)	29,263
Finance costs	69,842	-	69,842
Income taxes	(139,890)	(2,863)	(142,753)
Other comprehensive loss (income)	9,140	(573)	8,567
Total comprehensive loss	$ (376,174)	$ (86,272)	$ (462,446)
Total assets	$ 15,088,263	$ 679,477	$ 15,767,740
Total liabilities	$ 5,349,869	$ 400,034	$ 5,749,903
Depreciation expense	$ 69,299	$ 26,341	$ 95,640
Purchase of equipment and intangible assets	$ 24,068	$ -	$ 24,068

	Three months ended June 30, 2017 (Restated - See Note 2)		
	MFG	FEC	Total
Sales to external customers	$ 3,910,738	$ 183,487	$ 4,094,225
Cost of sales	2,125,732	126,273	2,252,005
Gross profit	1,785,006	57,214	1,842,220
Selling and administrative expenses	1,063,739	115,973	1,179,712
Foreign exchange loss	210,624	-	210,624
Finance costs	3,112	-	3,112
Income taxes	138,095	(15,277)	122,818
Net income (loss)	$ 369,436	$ (43,482)	$ 325,954
Total assets	$ 17,438,213	$ 569,606	$ 18,007,819
Total liabilities	$ 7,180,239	$ 126,042	$ 7,306,281
Depreciation expense	$ 59,143	$ 24,794	$ 83,937
Purchase of equipment	$ 186,285	$ 24,131	$ 210,416

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 nine-month periods ended June 30, 2018 and 2017 are as follows:

	Nine months ended June 30, 2018		
	Manufacturing	**FEC**	**Total**
Sales to external customers	$ 8,800,774	$ 889,855	$ 9,690,629
Cost of sales	5,014,833	498,586	5,513,419
Gross profit	3,785,941	391,269	4,177,210
Selling and administrative expenses	4,058,030	534,443	4,592,473
Foreign exchange loss (gain)	(177,431)	10,963	(166,468)
Finance costs	146,587	-	146,587
Income taxes	(53,142)	(17,562)	(70,704)
Other comprehensive loss (income)	9,140	(573)	8,567
Total comprehensive loss	$ (197,243)	$ (136,002)	$ (333,245)
Total assets	$ 15,088,263	$ 679,477	$ 15,767,740
Total liabilities	$ 5,349,869	$ 400,034	$ 5,749,903
Depreciation expense	$ 214,356	$ 111,666	$ 326,022
Purchase of equipment and intangible assets	$ 167,848	$ 11,339	$ 179,187

	Nine months ended June 30, 2017 (Restated - See Note 2)		
	MFG	FEC	Total
Sales to external customers	$ 11,501,019	$ 789,888	$ 12,290,907
Cost of sales	6,445,061	450,896	6,895,957
Gross profit	5,055,958	338,992	5,394,950
Selling and administrative expenses	3,177,425	335,325	3,512,750
Foreign exchange loss	242,711	-	242,711
Finance costs	133,099	-	133,099
Income taxes	415,121	953	416,074
Net income	$ 1,087,602	$ 2,714	$ 1,090,316
Total assets	$ 17,438,213	$ 569,606	$ 18,007,819
Total liabilities	$ 7,180,239	$ 126,042	$ 7,306,281
Depreciation expense	$ 167,084	$ 73,844	$ 240,928
Purchase of equipment	$ 399,324	$ 58,637	$ 457,961

Unaudited (Expressed in U.S. dollars)

9. Segment reporting and concentration of sales (continued)

Geographic and customer information

At June 30, 2018, 83% of the Corporation's assets were in Canada, 11% in Europe and 6% 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 June 30,		Nine months ended June 30,	
	2018	2017 (Restated - See Note 2)	**2018**	2017 (Restated - See Note 2)
Sales				
Canada	**$ 352,398**	$ 660,852	**$ 1,530,794**	$ 1,634,864
Americas	**1,726,763**	1,218,646	**3,936,079**	4,808,457
Other	**379,290**	2,214,727	**4,223,756**	5,847,586
	$ 2,458,451	$ 4,094,225	**$ 9,690,629**	$ 12,290,907

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

	Three months ended June 30,		Nine months ended June 30,	
	2018	2017 (Restated - See Note 2)	**2018**	2017 (Restated - See Note 2)
Customer A	**$ -**	$ -	**$ 1,585,155**	$ -
Customer B	**-**	1,219,887	**-**	3,909,500
Customer C	**-**	489,638	**-**	-
Customer D	**461,768**	-	**-**	-
Customer E	**364,053**			
Customer F	**269,000**	-	**-**	-

10. Subsequent events

On July 18, 2018, the Corporation entered into a share purchase agreement (the "Acquisition") with FAS Entertainment B.C. Ltd., Saudi FAS Holding Company, and Billy Games Company Ltd. (collectively "FAS") to buy back 10,650,000 of the Corporation's common shares (the "Acquired Shares"). The Acquired Shares represent FAS's entire ownership position in the Corporation and constitute 51.03% of the Corporation's common shares issued and outstanding. Under the terms of the agreement, and subject to regulatory and disinterested shareholder approval, the Corporation will pay FAS $2,500,000 (the "Cash Consideration") and offer price discounts of up to $1,000,000 toward future purchases of playground equipment from the Corporation. The Cash Consideration is comprised of $1,500,000 in cash and $1,000,000 in settlement of trade receivables. Upon completion of the Acquisition, the Corporation will cancel all the Acquired Shares.

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 Aug 21, 2018 and should be read together in conjunction with our condensed consolidated interim financial statements and accompanying notes for the three and nine months ended June 30, 2018 and our annual audited consolidated financial statements and accompanying notes for the years ended September 30, 2017 and 2016.

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 28 franchisees located throughout Italy under the Play Planet banner (collectively "Family Entertainment Centre" or "FEC").

Change in Functional and Presentation Currency

On March 31, 2018, the Corporation determined that the functional currency of its two European subsidiaries has 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 has 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 has changed its presentation currency from CAD to USD. Accordingly, all comparative amounts in the condensed consolidated interim statements of operations and comprehensive income or loss, the condensed consolidated interim statements of changes in shareholders' equity and the condensed consolidated interim statements of cash flows have been re-presented in USD using the foreign exchange rates in effect at the date of the transactions. The comparative amounts for assets and liabilities in the condensed consolidated interim statements of financial position have been re-presented 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 condensed consolidated statements of changes in shareholders' equity.

The change in presentation currency resulted in the following impact on the statement of financial position as at March 31, 2018:

	March 31, 2018 (Reported in CAD)	Impact of change in presentation currency	**March 31, 2018 (Restated in USD)**
Total Assets	$ 21,696,619	$ (4,869,774)	**$ 16,826,845**
Total Liabilities	8,183,260	(1,836,698)	**6,346,562**
Total Shareholders' Equity	13,513,359	(3,033,076)	**10,480,283**

The change in presentation currency resulted in the following impact on the statement of financial position as at September 30, 2017:

	September 30, 2017 (Reported in CAD)	Impact of change in presentation currency	**September 30, 2017 (Restated in USD)**
Total Assets	$ 23,100,915	$ (4,590,657)	**$ 18,510,258**
Total Liabilities	9,753,112	(1,938,116)	**7,814,996**
Total Shareholders' Equity	13,347,803	(2,652,541)	**10,695,262**

Share Purchase Agreement and Adoption of Advance Notice By-Law

On July 18, 2018, the Corporation entered into a share purchase agreement (the "**Acquisition**") with FAS Entertainment B.C. Ltd., Saudi FAS Holding Company, and Billy Games Company Ltd. (collectively "**FAS**") to buy back 10,650,000 of the Corporation's common shares (the "**Acquired Shares**"). The Acquired Shares represent FAS' entire ownership position in Iplayco and constitute 51.03% of all Iplayco common shares issued and outstanding.

Under the terms of the agreement, and subject to regulatory and disinterested shareholder approval, Iplayco will pay FAS $2,500,000 (the "**Cash Consideration**") and offer price discounts of up to $1,000,000 toward future purchases of playground equipment from Iplayco (the "**Future Purchase Credit**"). Upon completion of the Acquisition, Iplayco will cancel all the Acquired Shares.

Iplayco's management and its board of directors (the "**Board**") unanimously recommend that disinterested shareholders vote in favour of the Acquisition.

Highlights of the Acquisition:

- FAS currently owns 10,650,000 common shares of Iplayco (51.03% of issued and outstanding common shares), purchased by way of a private placement in November 2014;
- Iplayco will purchase all of common shares held by FAS for Cash Consideration of $2,500,000 and the Future Purchase Credit;
- The Cash Consideration of $2,500,000 is comprised of $1,500,000 in cash and $1,000,000 in settlement of trade receivables (the "**Trade Receivable Amount**");
- The Future Purchase Credit is the right to receive a non-assignable credit (unless assigned to an affiliate of FAS) to a maximum aggregate amount of $1,000,000 in the form of five purchase price discounts of 20% each to be applied toward future purchases by FAS of playground equipment from Iplayco on or before September 29, 2021;
- FAS has agreed to settle all outstanding trade receivables in cash, net of the Trade Receivable Amount, by the end of November 2018. Trade receivables from FAS amount to $5,746,558 as at June 30, 2018;
- Upon completion of the Acquisition and cancellation of the Acquired Shares, Iplayco will have 10,220,187 common shares issued and outstanding;

- Closing of the Acquisition is subject to conditions standard for a transaction of this nature, including, without limitation, approval of the Acquisition by the disinterested shareholders of Iplayco, approval of the TSX Venture Exchange (the "**TSXV**"), as the Acquisition is considered a "related party transaction" (for more information, see "**MI 61-101 and TSXV Requirements**" below), and receiving the resignations of Sultan Alhokair, Muhanad Awad, Shad Azimi, Zaher Fattouh and Shaun Kriel, being all the nominees of FAS to Iplayco's Board.

Background of the Acquisition

On June 25, 2014, the Corporation entered into an investment agreement (the "**Investment Agreement**") with FAS pursuant to which FAS agreed to invest CDN$8,839,500 in the Corporation by subscribing for 10,650,000 units (the "**Units**") of the Corporation (the "**Private Placement**") at a price of CND$0.83 per Unit. Each Unit was comprised of one Common Share and one tenth of a share purchase warrant (each whole warrant, a "**Warrant**"), with each Warrant exercisable to purchase one Common Share at a price of CND$0.85 per Common Share until October 1, 2016. On closing of the Private Placement, FAS acquired and became the owner of 10,650,000 Common Shares, representing approximately 51% of the then issued and outstanding Common Shares, and 1,065,000 Warrants. The Warrants subsequently expired unexercised. The Investment Agreement provided, among other things, that, effective as of the closing date of the Private Placement, the Board be comprised of nine directors, of whom at least 50% be nominated by the Seller (the "**FAS Nominee Directors**"). Following the completion of the Private Placement, five FAS Nominee Directors were appointed to the Board. In addition, under the terms of the Investment Agreement, FAS was granted certain pre-emptive rights to participate on a pro-rata basis in any future financings of the Corporation to maintain its percentage interest in the Common Shares post-closing of the Private Placement. The Private Placement was approved by the Shareholders on August 15, 2014. The Private Placement closed on November 19, 2014. The Investment Agreement will be terminated upon closing of the Acquisition.

FAS controls various entities (collectively the "**FAS Group**") that operate family entertainment centres. Certain of the FAS Group entities were significant customers of the Corporation. From 2014 to 2017, the Corporation generated aggregate sales of $21.5 million from Billy Beez. However, owing to capital constraints, the expansion of Billy Beez slowed significantly and is no longer expected to reach the number of new locations originally forecast at the time of the Private Placement. The purpose of Acquisition is to reverse the Private Placement as the expected benefits from the Private Placement did not materialize. In addition, the Board believes the Acquisition to be in the best interest of the Shareholders as: (i) the Corporation is acquiring the Acquired Shares at a significant discount to the purchase price paid by FAS under the Private Placement as well as the market price for the Common Shares on the TSXV on the date immediately prior to announcement of the Acquisition and the date hereof; (ii) the FAS Group has agreed to settle in cash all outstanding Trade Receivables, net the Trade Receivable Amount included as part of the Cash Consideration; (iii) the Corporation is settling a large portion of the outstanding Trade Receivables, being the Trade Receivables Amount, on a dollar-for-dollar basis; and (iv) the Corporation will use cash received from the collection of the Trade Receivables to satisfy the balance of the Cash Consideration.

Review and Approval Process

At a meeting of the Corporation's Board held on May 3, 2018, management presented the material terms of the Acquisition. At that meeting, the Board resolved to pursue the Acquisition, and management subsequently presented to FAS a draft letter of intent. The Board determined it was not necessary to strike a special committee to consider the Acquisition, as only four directors (not including the FAS Nominee Directors), none of whom was or represented an "interested party" (as defined by Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("**MI 61-101**")) in the Acquisition, were eligible to participate in the Board's vote thereon.

The Board held further meetings and discussions and considered the fairness of the Acquisition and determined it to be in the best interests of the Shareholders, excluding FAS. In its deliberations the Board considered, among other factors, that as a result of the Acquisition, the FAS Group will settle all outstanding Trade Receivables in cash, net of the $1,000,000 Trade Receivable Amount included as part of the Cash Consideration, that the Corporation will use $1,500,000 from the collection of Trade Receivables from the FAS Group to satisfy the balance of the Cash Consideration, and as a result of the

Acquisition the number of issued and outstanding Common Shares will be significantly reduced without the necessity of the Corporation having to turn to the financial markets to finance the Acquisition.

A key aspect of the Board's decision making in respect of entering into the Share Purchase Agreement and undertaking the Acquisition was the fact that it would reverse the non-accretive dilution from the June 2014 Investment Agreement with FAS.

On July 18, 2018, the Board, with Sultan Alhokair, Muhanad Awad, Shad Azimi, Zahar Fattouh and Shaun Kriel (each being the current FAS Nominee Directors) abstaining from voting, unanimously determined, acting in good faith, that:

(a) the Acquisition is in the best interests of the Corporation; and

(b) the Acquisition will not adversely affect the financial position of the Corporation.

Special Meeting of the Shareholders

Iplayco has called a special meeting of shareholders to be held on September 13, 2018, for the purpose of obtaining disinterested shareholder approval of the Acquisition, shareholder approval of adoption of advance notice by-law (see below "*Adoption of Advance Notice By-Law*") and such other purposes as the Board may determine. Further details relating to the Acquisition are provided in the Management Information Circular filed with regulatory authorities and mailed to Iplayco shareholders in accordance with applicable laws. Anyone may obtain copies of these documents free of charge at the Canadian Securities Administrators' website at www.sedar.com.

Adoption of Advance Notice By-Law

On July 18, 2018, the Board approved certain amendments to the Corporation's By law No. 1 (the "**By-law Amendment**") with immediate effect, to require provisions requiring advance notice of director nominees from Shareholders (the "**Advance Notice Provisions**"). The full text of the By-law Amendment is available at the Canadian Securities Administrators' website at www.sedar.com.

The purpose of the Advance Notice Provisions is to ensure that an orderly nomination process is observed, that Shareholders are well informed about the identity, intentions and credentials of director nominees and that Shareholders vote in an informed manner after having been afforded reasonable time for appropriate deliberation. Among other things, the Advance Notice Provisions fix a deadline by which Shareholders must provide notice to the Corporation of nominations for election to the Board. The notice must include all information that would be required to be disclosed, under applicable corporate and securities laws, in a dissident proxy circular in connection with the solicitations of proxies for the election of directors relating to the Shareholder making the nominations (as if that Shareholder were a dissident soliciting proxies) and each person that the Shareholder proposes to nominate for election as a director. In addition, the notice must provide information as to the shareholdings of the Shareholder making the nominations, confirmation that the proposed nominees meet the qualifications of directors and residency requirements imposed by corporate law, and confirmation as to whether each proposed nominee is independent for the purposes of National Instrument 52 110 Audit Committees. The deadline by which the notice must be delivered to the Corporation is set out in the table below.

Meeting Type	Nomination Deadline
Annual meeting of Shareholders	Either (a) no more than 10 days after the date of the first public filing or announcement of the date of the meeting, if the meeting is called for a date that is fewer than 50 days after the date of that public filing or announcement or (b) no fewer than 30 days and no more than 65 days prior to the date of the meeting.

Meeting Type	Nomination Deadline
Special meeting of Shareholders (which is not also an annual meeting)	No more than 15 days after the date of the first public filing or announcement of the date of the meeting.

The Advance Notice Provisions do not affect nominations made pursuant to Shareholder proposals or the requisition of a meeting of Shareholders, in each case made in accordance with the provisions of Business Corporations Act (Alberta) ("ABCA").

Business Combination

On October 19, 2017, the Corporation entered into agreements covering purchases of assets, intellectual property, and product distribution with three companies possessing long-established brands and sales networks in continental Europe. The agreements encompass the acquisition of a franchising business with one employee, the revenue stream from 28 franchisees, and the purchase of various assets from Italy-based companies Play Way S.r.l. and The Play Company S.r.l. ("TPC"). Also included is an intellectual property agreement with TPC and a distribution agreement with TPC and its wholly owned subsidiary Play Mart Co. S.r.l. Once the acquisitions are concluded, the Corporation will own the intellectual property rights to the Play Mart and Play Planet brands, as well as the Play Planet franchising business. The distribution agreements are for the supply of playground equipment. Financial terms of the transactions involve an aggregate cash purchase price of €450,000 ($525,762 in U.S. dollars) and 15% of pre-tax earnings for the next five years of the Corporation's European operations, comprised of Play Planet S.r.l and Play Mart International EOOD (the "Contingent Consideration").

On October 19, 2017, the Corporation paid €300,000 ($350,508 in U.S. dollars) in cash and issued bank guarantees backed by restricted cash of €150,000 ($175,254 in U.S. dollars) to secure the balance of purchase price payable in three installments of €50,000 ($58,015 in U.S. dollars) on April 18, 2018, October 18, 2018 and April 18, 2019, respectively. The payment obligation with regards to the restricted cash had an estimated fair value at October 19, 2017 and June 30, 2018 of $164,650 and $116,478, respectively.

The purchase price for the acquisition also includes the fair value of the Contingent Consideration, which has been estimated to be $255,890 at the acquisition date. The Contingent Consideration will be remeasured to fair value at each reporting period with changes recorded in the statement of operations and comprehensive income or loss. The fair value of the Contingent Consideration is dependent on management's forecasts and expectations of the Corporation's European operations' pre-tax earnings over the next five years, currently estimated to aggregate between $4 million and $5 million.

Operations by Business Segment

Consolidated Results

Sales for the three months ended June 30, 2018 ("Q3-18") decreased by 40.0% to $2,458,451 from $4,094,225 for the three months ended June 30, 2017 ("Q3-17"). Gross profit percentage decreased to 38.6% of sales in Q3-18 from 45.0% in Q3-17. Operating expenses, including foreign exchange gains and losses and finance costs, increased to $1,544,528, or 62.8% of sales, in Q3-18 from $1,393,448, or 34.0% of sales, in Q3-17. The net loss amounted to $453,879, or net loss per share of $0.02, in Q3-18, as compared to net income of $325,954, or diluted net income per share of $0.02, in Q3-17.

Sales for the nine months ended June 30, 2018 ("YTD – Q3-18") decreased by 21.2% to $9,690,629 from $12,290,907 for the nine months ended June 30, 2017 ("YTD – Q3-17"). Gross profit percentage decreased to 43.1% of sales for YTD – Q3-18 from 43.9% for YTD – Q3-17. Operating expenses, including foreign exchange gains and losses and finance costs, increased to $4,572,592 or 47.2% of sales for YTD – Q3-18 from $3,888,560 or 31.6% of sales for YTD – Q3-17. The net operating loss amounted to $324,678, or net loss per share of $0.02, for YTD – Q3-18, as compared to net income of $1,090,316, or diluted net income per share of $0.05, for YTD – Q3-17.

Manufacturing Operations

Sales generated by our Manufacturing operations decreased by 43.1% to $2,225,732 in Q3-18 from $3,910,738 in Q3-17. This decrease is due to lower sales to our customers located outside of the Americas, who accounted for sales of $359,957 (or 16.2% of total Manufacturing sales) in Q3-18 compared to $2,214,727, (or 56.6%) in Q3-17.

Sales generated by our Manufacturing operations decreased by 23.5% to $8,800,774 for YTD – Q3-18 from $11,501,019 for YTD – Q3-17. This decrease is due primarily to lower sales to our customer base worldwide. Sales to customers in the Americas amounted to $4,632,757 (or 52.6% of total Manufacturing sales) for YTD – Q3-18 as compared to $5,653,433 (or 49.2%) for YTD – Q3-17 and sales to customers located outside of the Americas amounted to $4,168,017 (or 47.4%) for YTD – Q3-18 compared to $5,847,586 (or 50.8%) for YTD – Q3-17.

We expected sales generated by our Manufacturing operations in Q3-18 to increase moderately as compared to sales for the three months ended March 31, 2018 ("Q2-18"). Sales generated by our Manufacturing operations decreased by 21.0% to $2,225,732 in Q3-18 from $2,816,003 in Q2-18. Based on our updated sales forecast, we are expecting sales generated by our Manufacturing operations for the three months ending September 30, 2018 ("Q4-18") to increase moderately as compared to Q3-18.

Gross profit percentage decreased to 38.6% of sales by our Manufacturing operations in Q3-18 from 45.6% in Q3-17. We expected our gross profit percentage to increase moderately in Q3-18 as compared to Q2-18. Gross profit percentage increased to 38.6% of sales by our Manufacturing operations in Q3-18 from 38.4%. Based on our updated sales-mix forecast, we are expecting the gross profit percentage from our Manufacturing operations in Q4-18 to increase moderately as compared to Q3-18.

Gross profit percentage decreased to 43.0% of sales by our Manufacturing operations for YTD – Q3-18 from 44.0% for YTD – Q3-17.

Our Manufacturing operations generated a net operating loss of $367,034 in Q3-18 compared to net income of $369,436 in Q3-17. We expected the net operating results from our Manufacturing operations to increase moderately in Q3-18 as compared to Q2-18. Our Manufacturing operations generated a net operating loss of $367,034 in Q3-18 compared to net loss of $160,095 in Q2-18 due primarily to lower sales and lower gross profit in Q3-18 as compared to Q2-18. We are expecting the operating results of our Manufacturing operations to improve in Q4-18 as compared to Q3-18 due primarily to higher anticipated sales and higher gross profit percentage.

Our Manufacturing operations generated a net loss of $188,103 for YTD – Q3-18 compared to net income of $1,087,602 for YTD – Q3-17. This decrease in net operating results is due primarily to the net loss in Q2-18 and Q3-18 as compared to the net income in Q2-17 and Q3-17.

Family Entertainment Centre Operations

Sales generated by our FEC operations increased by 26.8% to $232,719 in Q3-18 from $183,487 in Q3-17 due primarily to royalty income from our network of 28 franchisees located throughout Italy. We expected sales generated by our FEC operations to decrease moderately in Q3-18 as compared to Q2-18. Sales generated by our FEC operations decreased by 35.3% to $232,719 in Q3-18 from $359,711 in Q2-18 due primarily to seasonality. Based on our updated sales forecast, we are expecting sales generated by our FEC operations to decrease moderately in Q4-18 as compared to Q3-18, due primarily to seasonality resulting in an expected decrease in the number of customer visits.

Sales generated by our FEC operations increased by 12.7% to $889,855 for YTD – Q3-18 from $789,888 for YTD – Q3-17, due primarily to royalty income from our network of 28 franchisees located throughout Italy.

Our FEC operations generated a net loss of $86,845 in Q3-18 compared to a net loss of $43,482 in Q3-17. We expected the net operating results from our FEC operations to decrease moderately in Q3-18 as compared to Q2-18. Our FEC operations generated a net operating of $86,845 in Q3-18 as compared to a net loss of $12,759 in Q2-18, due primarily to lower sales. Based on our updated forecasts, we are expecting the net operating results from our FEC operations to decrease moderately in Q4-18 as compared to Q3-18, due primarily to lower anticipated sales.

Our FEC operations generated a net operating loss of $136,575 for YTD – Q3-18, compared to net income of $2,714 for YTD – Q3-17. The decrease in net operating results for YTD – Q3-18 as compared to YTD – Q3-17 is due primarily to higher selling and administrative expenses and additional costs incurred from the acquisition of our new franchising operations in Italy.

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 and nine months ended June 30, 2018 and 2017, expressed as a percentage of total sales:

	Three months ended June 30, 2018			Three months ended June 30, 2017		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales to external customers	**90.5 %**	**9.5 %**	**100.0 %**	95.5 %	4.5 %	100.0 %
Cost of sales	**55.6**	**5.8**	**61.4**	51.9	3.1	55.0
Gross profit	**34.9**	**3.7**	**38.6**	43.6	1.4	45.0
Selling and administrative expenses	**51.5**	**7.3**	**58.8**	26.0	2.8	28.8
Foreign exchange loss	**1.2**	**-**	**1.2**	5.1	-	5.1
Finance costs	**2.8**	**-**	**2.8**	0.1	-	0.1
Income taxes	**(5.7)**	**(0.1)**	**(5.8)**	3.4	(0.4)	3.0
Net income (loss) from operations	**(14.9)**	**(3.5)**	**(18.4)**	9.0	(1.0)	8.0
Other comprehensive loss	**0.4**	**-**	**0.4**	-	-	-
Total comprehensive income (loss)	**(15.3) %**	**(3.5) %**	**(18.8) %**	9.0 %	(1.0) %	8.0 %

	Nine months ended June 30, 2018			Nine months ended June 30, 2017		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales to external customers	**90.8 %**	**9.2 %**	**100.0 %**	93.6 %	6.4 %	100.0 %
Cost of sales	**51.7**	**5.2**	**56.9**	52.4	3.7	56.1
Gross profit	**39.1**	**4.0**	**43.1**	41.2	2.7	43.9
Selling and administrative expenses	**41.9**	**5.5**	**47.4**	25.9	2.7	28.6
Foreign exchange loss (gain)	**(1.8)**	**0.1**	**(1.7)**	2.0	-	2.0
Finance costs	**1.5**	**-**	**1.5**	1.1	-	1.1
Income taxes	**(0.5)**	**(0.2)**	**(0.7)**	3.4	-	3.4
Net income (loss) from operations	**(2.0)**	**(1.4)**	**(3.4)**	8.8	-	8.8
Other comprehensive loss	**0.1**	**-**	**0.1**	-	-	-
Total comprehensive income (loss)	**(2.1) %**	**(1.4) %**	**(3.5) %**	8.8 %	- %	8.8 %

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

	Three months ended June 30, 2018						Three months ended June 30, 2017					
	MFG		**FEC**		**Total**		MFG		FEC		Total	
Sales												
Canada	**6.6**		**10.5**	**%**	**17.1**	**%**	11.7	%	4.5	%	16.2	%
Americas	**42.6**		**-**		**42.6**		29.7		-		29.7	
Other	**39.5**		**0.8**		**40.3**		54.1		-		54.1	
	88.7	**%**	**11.3**	**%**	**100.0**	**%**	95.5	%	4.5	%	100.0	%

	Nine months ended June 30, 2018						Nine months ended June 30, 2017					
	MFG		**FEC**		**Total**		MFG		FEC		Total	
Sales												
Canada	**7.2**	**%**	**8.6**	**%**	**15.8**	**%**	6.9	%	6.4	%	13.3	%
Americas	**40.6**		**-**		**40.6**		39.1		-		39.1	
Other	**43.0**		**0.6**		**43.6**		47.6		-		47.6	
	90.8	**%**	**9.2**	**%**	**100.0**	**%**	93.6	%	6.4	%	100.0	%

Results of Operations – Three Months Ended June 30, 2018 Compared to Three Months Ended June 30, 2017

Sales

Sales decreased by $1,635,774 (or 40.0%) to $2,458,451 in Q3-18 from $4,094,225 in Q3-17 due primarily to a decrease in sales of $1,685,006 by our Manufacturing operations.

We expected our sales to increase moderately in Q3-18 as compared to Q2-18. Sales decreased by $717,263 (or 22.6%) to $2,458,451 in Q3-18 from $3,175,714 in Q2-18. Based on our updated sales forecasts, we are expecting sales to increase moderately in Q4-18 as compared to Q3-18.

Gross Profit

Gross profit percentage decreased to 38.6% of sales in Q3-18 from 45.0% in Q3-17. This decrease is due primarily to our Manufacturing operations which generated a gross profit percentage of 35.0% in Q3-18 compared to 43.6% in Q3-17.

We expected our gross profit percentage to increase moderately in Q3-18 as compared to Q2-18. Gross profit percentage decreased to 38.5% in Q3-18 from 39.8% in Q2-18 due to sales-mix. Based on our updated sales-mix forecast, we are expecting our gross profit percentage to increase moderately in Q4-18 as compared to Q3-18.

Operating Expenses

Operating expenses, including foreign exchange gains and losses and finance costs, increased by $151,080 (or 10.8%) to $1,544,528 in Q3-18, from $1,393,448 in Q3-17. 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 increase moderately, as a percentage of sales, in Q3-18 as compared to Q2-18. Our operating expenses increased to 62.8% of sales in Q3-18 from 34.0% in Q2-18. Based on our updated forecasts, we are expecting operating expenses to decrease moderately, as a percentage of sales, in Q4-18 as compared to Q3-18.

Income Taxes

The income tax recovery of $142,753 in Q3-18 is due primarily to the loss before income taxes by our manufacturing operations. The income tax expense of $122,818 in Q3-17 is due primarily to the income before income taxes generated by our Manufacturing operations.

Net Operating Results

The net loss amounted to $453,879, or net loss per share of $0.02, in Q3-18, compared to net income of $325,954, or diluted net income per share of $0.02, in Q3-17. The decrease in net operating results is due primarily to lower sales and higher administrative expenses resulting from the acquisition and start-up of our European operations in Q3-18 as compared to Q3-17.

We expected our net operating results to improve significantly in Q3-18 as compared to Q2-18. We incurred a net loss of $453,879 in Q3-18 compared to net loss of $172,854 in Q2-18. We are expecting our results of operations to improve in Q4-18 as compared to Q3-18 due primarily to higher anticipated sales and higher gross profit percentage.

Results of Operations – Nine Months Ended June 30, 2018 Compared to Nine Months Ended June 30, 2017

Sales

Sales decreased by $2,600,278 (or 21.2%) to $9,690,629 for YTD – Q3-18 from $12,290,907 for YTD – Q3-17 due primarily to a decrease in sales of $2,700,245 by our Manufacturing operations.

We are expecting an increase in sales in Q4-18 as compared to Q3-18 due primarily to an anticipated increase in sales by our Manufacturing operations resulting from sales backlog at the end of Q3-18.

Gross Profit

Gross profit percentage decreased to 43.1% of sales for YTD – Q3-18 from 43.9% for YTD – Q3-17 due primarily to a decrease in gross profit percentage by our Manufacturing operations.

We expect our gross profit percentage in Q4-18 to remain in-line with YTD – Q3-18.

Operating Expenses

Operating expenses, including foreign exchange gains and losses and finance costs, increased by $684,032 (or 17.6%) to $4,572,592 for YTD – Q3-18 from $3,888,560 for YTD – Q3-17. This increase is due primarily to higher administrative expenses from the acquisition and start-up of our European operations during YTD – Q3-18 as compared to YTD – Q3-17.

Income Taxes

The income tax recovery of $70,704 for YTD – Q3-18 is due primarily to the loss before income taxes from our Manufacturing operations, as compared to the income tax expense of $416,074 for YTD – Q3-17 due primarily from the income before income taxes from our Manufacturing operations. We expect our effective tax rate to increase moderately in Q4-18 as compared to the effective tax rate of 17.5% during YTD – Q3-18 due primarily to anticipated taxable income generated in higher taxation jurisdictions.

Net Operating Results

Net loss and total comprehensive loss amounted to $333,245, or net loss per share of $0.02 for YTD – Q3-18 compared to net income and total comprehensive income of $1,090,316, or diluted net income per share of $0.05, for YTD – Q3-17. The decrease in net operating results is due primarily to lower sales and lower gross profit generated by our Manufacturing operations.

Based on our updated forecasts, we expect the net operating results by our Manufacturing operations to improve in Q4-18 as compared to YTD – Q3-18. We expect the net operating results from our FEC operations to decrease moderately due primarily to seasonality.

Quarterly Results of Operations

The following tables set forth unaudited consolidated statements of operations data, and 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, 2017 and 2016. 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.

	Restated - See "Change in Functional and Presentation Currency"							
	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	**Q3-18**
CONSOLIDATED	30-Sep-16	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	31-Mar-18	**30-Jun-18**
Sales	$ 4,209,660	$ 5,426,060	$ 2,770,622	$ 4,094,225	$ 2,821,070	$ 4,056,464	$ 3,175,714	**$ 2,458,451**
Cost of sales	3,395,739	3,272,315	1,371,637	2,252,005	1,560,261	2,091,035	1,911,829	**1,510,555**
Gross profit	813,921	2,153,745	1,398,985	1,842,220	1,260,809	1,965,429	1,263,885	**947,896**
Selling and administrative expenses	1,139,427	1,082,976	1,250,062	1,179,712	1,452,999	1,512,387	1,634,663	**1,445,423**
Foreign exchange loss (gain)	23,167	21,662	10,425	210,624	304,594	(12,713)	(183,018)	**29,263**
Finance costs	56,837	58,183	71,804	3,112	17,516	59,332	17,413	**69,842**
Income taxes	(140,295)	270,942	22,314	122,818	(85,490)	104,368	(32,319)	**(142,753)**
Net income (loss) from operations	(265,215)	719,982	44,380	325,954	(428,810)	302,055	(172,854)	**(453,879)**
Other comprehensive loss (income)	-	-	-	-	-	-	-	**8,567**
Total comprehensive income (loss)	$ (265,215)	$ 719,982	$ 44,380	$ 325,954	$ (428,810)	$ 302,055	$ (172,854)	**$ (462,446)**
Basic and diluted net income (loss) per share	$ (0.01)	$ 0.03	$ 0.00	$ 0.02	$ (0.02)	$ 0.01	$ (0.01)	**$ (0.02)**

	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	**Q3-18**
MANUFACTURING	30-Sep-16	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	31-Mar-18	**30-Jun-18**
Sales	$ 3,983,808	$ 5,135,852	$ 2,454,429	$ 3,910,738	$ 2,613,319	$ 3,759,039	$ 2,816,003	**$ 2,225,732**
Cost of sales	3,260,410	3,103,395	1,215,934	2,125,732	1,425,227	1,914,921	1,733,512	**1,366,400**
Gross profit	723,398	2,032,457	1,238,495	1,785,006	1,188,092	1,844,118	1,082,491	**859,332**
Selling and administrative expenses	1,025,700	969,091	1,144,595	1,063,739	1,350,818	1,352,463	1,438,714	**1,266,853**
Foreign exchange loss (gain)	23,167	21,662	10,425	210,624	304,594	(13,990)	(193,002)	**29,561**
Finance costs	56,837	58,183	71,804	3,112	17,516	59,332	17,413	**69,842**
Income taxes	(138,666)	269,017	8,009	138,095	(72,718)	107,287	(20,539)	**(139,890)**
Net income (loss) from operations	(243,640)	714,504	3,662	369,436	(412,118)	339,026	(160,095)	**(367,034)**
Other comprehensive loss (income)	-	-	-	-	-	-	-	**9,140**
Total comprehensive income (loss)	$ (243,640)	$ 714,504	$ 3,662	$ 369,436	$ (412,118)	$ 339,026	$ (160,095)	**$ (376,174)**

	Q4-16	Q1-17	Q2-17	Q3-17	Q4-17	Q1-18	Q2-18	**Q3-18**
FEC	30-Sep-16	31-Dec-16	31-Mar-17	30-Jun-17	30-Sep-17	31-Dec-17	31-Mar-18	**30-Jun-18**
Sales	$ 225,852	$ 290,208	$ 316,193	$ 183,487	$ 207,751	$ 297,425	$ 359,711	**$ 232,719**
Cost of sales	135,329	168,920	155,703	126,273	135,034	176,114	178,317	**144,155**
Gross profit	90,523	121,288	160,490	57,214	72,717	121,311	181,394	**88,564**
Selling and administrative expenses	113,727	113,885	105,467	115,973	102,181	159,924	195,949	**178,570**
Foreign exchange loss (gain)	-	-	-	-	-	1,277	9,984	**(298)**
Income taxes	(1,629)	1,925	14,305	(15,277)	(12,772)	(2,919)	(11,780)	**(2,863)**
Net income (loss) from operations	(21,575)	5,478	40,718	(43,482)	(16,692)	(36,971)	(12,759)	**(86,845)**
Other comprehensive loss (income)	-	-	-	-	-	-	-	**(573)**
Total comprehensive income (loss)	$ (21,575)	$ 5,478	$ 40,718	$ (43,482)	$ (16,692)	$ (36,971)	$ (12,759)	**$ (86,272)**

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 improvement in net operating results from Q4-16 to Q1-17 is due primarily to the significant improvement in gross profit margin in Q1-17 compared to Q4-16.
- The decrease in net operating results from Q1-17 to Q2-17 is due primarily to significantly lower sales in Q2-17 compared to Q1-17.
- 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 manufacturing sales and the non-recurrence of unrealized foreign exchange loss in Q1-18 as 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 as 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 as compared to Q2-18.

Liquidity and Capital Resources

Operating Activities

Cash provided by operating activities amounted to $2,806,434 in Q3-18, compared to cash used by operating activities of $64,596 in Q3-17. The change is due primarily to increases in collection of trade receivables and finance receivables, and an increase in customer deposits in Q3-18 as compared to Q3-17.

Cash provided in operating activities amounted to $2,507,492 during YTD – Q3-18, compared to $628,867 during YTD – Q3-17. This change is due primarily to increases in collection of trade receivables and finance receivables, and an increase in customer deposits, partially offset by a decrease in net operating results, during YTD – Q3-18 as compared to YTD – Q3-17.

The decrease in trade and finance receivables is due primarily to payments received from the FAS Group. Except for the collection of overdue receivables from the FAS Group, 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 $77,302 in Q3-18 from $187,240 in Q3-17 due primarily to a decrease in the purchase of equipment in Q3-18 as compared to Q3-17.

Cash used in investing activities increased to $586,286 during YTD – Q3-18 from $428,629 during YTD – Q3-17 due primarily to the acquisition of European operations.

With our new European operations, we anticipate a significant increase in our capital expenditures in 2018 as compared to 2017.

Financing Activities

Cash used in financing activities amounted to $1,526,441 in Q3-18, compared to cash provided in financing activities amounted to $600,271 in Q3-17 due primarily to repayments of operating loans and securitization debt in Q3-18.

Cash used in financing activities amounted to $2,343,934 during YTD – Q3-18, compared to $1,012,162 during YTD – Q3-17. This increase is due primarily to decreases in proceeds from operating loans and securitization debt during YTD – Q3-18 as compared to YTD – Q3-17.

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 investments required to start-up our new operations in Europe and 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 $2,847,310 at June 30, 2018 (September 30, 2017 – $3,599,119).
- Trade and other receivables of $4,940,615 at June 30, 2018 (September 30, 2017 – $5,886,475).

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, securitization debt, and shareholders' equity.

The Corporation funds its working capital requirements with cash and an available Overdraft Facility of CND$600,000 ($455,000 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 June 30, 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 a Canadian Chartered Bank (the "Bank"):

(a) Overdraft Facility

The Overdraft Facility is a demand revolving loan of up to CND$600,000 ($455,000 U.S. dollars) bearing interest at the bank's prime rate plus 1.50% per annum and margined by trade receivables and certain equipment of the Corporation.

(b) Export Loan Facility

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 receivables 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 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 Bank select insured trade receivables net of a discount fee of USD LIBOR plus 3.50%.

(c) Foreign Exchange Loan Facility

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.

On January 19, 2018, the Corporation's credit facilities were amended to include bank guarantees of €1,500,000 ($1,753,000 in U.S. dollars), €500,000 ($584,000 in U.S. dollars) and U.S. $1,000,000 to secure credit facilities for the Corporation's subsidiaries, Play Mart International EOOD, Play Planet S.r.l and IREC Corporation, respectively.

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.

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 a significant portion of our sales are denominated in U.S. dollars and significant portions of our expenses are incurred in Canadian dollars and in Euros. We monitor our exposure to fluctuations between the U.S. dollar, the Canadian dollar and the Euro, 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 June 30, 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.

Our most significant credit risk arises from trade and finance receivables from the FAS Group, which at June 30, 2018, amount to U.S. $5,746,558. If the FAS Group defaults, Iplayco's third-party insurance provider would pay up to 90% of the unpaid balance, leaving a potentially unrecoverable balance for Iplayco of 10%, or U.S. $574,656 at June 30, 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 and securitization debt, which are subject to variable interest rates. At June 30, 2018, the Corporation's securitization debt of $1,791,449 (September 30, 2017 - $4,135,383) is subject to variable interest rate obligations ranging from USD LIBOR plus 3.50% to USD LIBOR plus 4.00% per annum.

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.

Related Party Transactions

We have recorded the following sales to various entities controlled by FAS (the "Affiliates"):

	Three months ended June 30,		Nine months ended June 30,	
	2018	2017	**2018**	2017
Sales	**$ 137,094**	$ 1,219,887	**$ 400,367**	$ 3,909,500

Our finance receivables include the following amounts due from the Affiliates:

	June 30, 2018	September 30, 2017
Finance receivables	**$ 2,089,027**	$ 4,594,870

Our trade and other receivables include the following amounts due from the Affiliates:

	June 30, 2018	September 30, 2017
Trade receivables	**$ 3,657,531**	$ 4,867,487

Outstanding Share Capital

At June 30, 2018, and August 21, 2018, the Corporation had 20,870,187 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.

iPlayCO

CORPORATION LTD (TSX-V: IPC)