2012

Iplayco Corporation Ltd.

Condensed Consolidated Interim Financial Statements

Three and nine months ended June 30, 2012

Unaudited (*Expressed in Canadian 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

Condensed Consolidated Interim Statements of Financial Position 1

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss 2

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity 3

Condensed Consolidated Interim Statements of Cash Flows 4

Notes to the Condensed Consolidated Interim Financial Statements 5-15

Iplayco Corporation Ltd.

Condensed Consolidated Interim Statements of Financial Position

Unaudited *(Expressed in Canadian dollars)*

	June 30, 2012	September 30, 2011
Assets		
Current assets		
Cash	**$ 483,952**	$ -
Restricted cash (Note 7)	**300,000**	-
Trade and other receivables	**505,419**	833,458
Inventories (Note 5)	**936,107**	741,630
Prepaid expenses	**213,790**	169,995
	2,439,268	1,745,083
Non-current assets		
Restricted cash (Note 7)	**-**	250,000
Property, plant, and equipment	**1,632,661**	1,813,247
Net deferred income tax asset	**445,350**	421,753
Total Assets	**$ 4,517,279**	$ 4,230,083
Liabilities and Shareholders' Equity		
Current liabilities		
Operating loan (Note 6)	**$ -**	$ 157,045
Trade payables and accrued charges	**1,261,532**	1,450,544
Warranty provision	**5,361**	9,500
Customer deposits	**550,770**	184,684
Non-hedging financial derivatives	**-**	4,474
Current portion of rent inducement	**42,084**	32,958
Current portion of finance lease liability	**83,266**	137,458
Notes payable (Note 7)	**300,000**	-
Revolving loans (Note 7)	**410,000**	-
	2,653,013	1,976,663
Non-current liabilities		
Rent inducement	**168,745**	175,329
Finance lease liability	**7,656**	60,652
Notes payable (Note 7)	**-**	250,000
Total Liabilities	**2,829,414**	2,462,644
Shareholders' Equity		
Share capital	**1,757,643**	1,757,643
Share-based payments reserve	**256,858**	256,858
Deficit	**(326,636)**	(247,062)
Total Shareholders' Equity	**1,687,865**	1,767,439
Total Liabilities and Shareholders' Equity	**$ 4,517,279**	$ 4,230,083

Nature of business and corporate information (Note 1)

Approved and authorized for issue by the Board of Directors on August 2, 2012.

"Franco Aquila" .... Chief Executive Officer

"David A. Perkins" .... 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 Loss

Unaudited *(Expressed in Canadian dollars, except number of shares)*

	Three months ended June 30,		Nine months ended June 30,	
	2012	2011	**2012**	2011
Sales	**$ 2,446,089**	$ 1,935,179	**$ 6,993,082**	$ 5,045,360
Cost of sales	**1,553,602**	1,430,395	**4,383,213**	3,588,547
Gross profit	**892,487**	504,784	**2,609,869**	1,456,813
Selling and administrative expenses	**899,554**	837,951	**2,637,475**	2,516,199
Foreign exchange loss (gain)	**(5,248)**	(5,305)	**5,596**	28,810
	894,306	832,646	**2,643,071**	2,545,009
Operating loss	**(1,819)**	(327,862)	**(33,202)**	(1,088,196)
Finance costs	**25,078**	11,800	**69,969**	35,373
Loss before income taxes	**(26,897)**	(339,662)	**(103,171)**	(1,123,569)
Deferred income taxes	**(6,072)**	(104,747)	**(23,597)**	(293,122)
Net loss and total comprehensive loss for the period	**(20,825)**	(234,915)	**(79,574)**	(830,447)
Net loss per share				
Basic and diluted	**$ (0.00)**	$ (0.02)	**$ (0.01)**	$ (0.08)
Weighted average number of common shares outstanding				
Basic and diluted	**10,220,187**	10,220,187	**10,220,187**	10,220,187

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 Canadian dollars)*

	Share capital[1]				
	Number of common shares	Amount	Share-based payments reserve[2]	Retained earnings (deficit)	Total shareholders' equity
Balance at October 1, 2010	10,220,187	$ 1,757,643	$ 256,858	$ 514,488	$ 2,528,989
Net loss and total comprehensive loss				(830,447)	(830,447)
Balance at June 30, 2011	10,220,187	1,757,643	256,858	(315,959)	1,698,542
Balance at September 30, 2011	10,220,187	1,757,643	256,858	(247,062)	1,767,439
Net loss and total comprehensive loss				(79,574)	(79,574)
Balance at June 30, 2012	**10,220,187**	**$1,757,643**	**$ 256,858**	**$ (326,636)**	**$1,687,865**

[1] Authorized share capital is comprised of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value.

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

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 Canadian dollars)*

	Nine months ended June 30,	
	2012	2011
Operating activities		
Net loss for the period	**$ (79,574)**	$ (830,447)
Items not affecting cash		
Depreciation	**228,850**	284,506
Deferred income taxes	**(23,597)**	(293,122)
Non-hedging financial derivative	**(4,311)**	-
Rent inducement	**2,542**	133,612
Unrealized foreign exchange loss	**3,689**	5,918
Finance costs	**69,969**	35,373
	197,568	(664,160)
Change in non-cash operating working capital		
Trade and other receivables	**324,350**	61,622
Inventories	**(194,477)**	(99,507)
Prepaid expenses	**(43,795)**	(84,860)
Trade payables and accrued charges	**(250,495)**	184,469
Warranty provision	**(4,139)**	-
Customer deposits	**366,086**	543,043
	197,530	604,767
Interest paid	**(21,988)**	(35,373)
Cash provided by (used in) operating activities	**373,110**	(94,766)
Investing activities		
Increase in restricted cash (Note 7)	**(50,000)**	-
Purchase of property, plant and equipment	**(34,925)**	(129,038)
Cash used in investing activities	**(84,925)**	(129,038)
Financing activities		
Proceeds from revolving loans (Note 7)	**410,000**	-
Proceeds from notes payable (Note 7)	**50,000**	-
Repayment of finance lease liability	**(107,188)**	(109,711)
Repayment of loan payable	**-**	(124,998)
Cash provided by (used in) financing activities	**352,812**	(234,709)
Net increase (decrease) in cash	**640,997**	(458,513)
Cash (overdraft) at beginning of period	**(157,045)**	369,573
Cash (overdraft) at end of period	**$ 483,952**	$ (88,940)
Supplemental cash flow disclosure:		
Non-cash transactions - property, plant and equipment	**$ 13,339**	$ -

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

1. Nature of business and corporate information

The Corporation is incorporated under the Alberta Business Corporations Act and its shares trade on the TSX Venture Exchange (TSX-V: IPC).

The Corporation's business is carried out through its wholly owned subsidiaries, International Play Company Inc. ("IPC") and Outdoor Play Company Inc. ("OPC"). IPC designs and manufactures play structures for children, from its plant in Langley, British Columbia, Canada. OPC owns and operates a family entertainment centre in Langley, British Columbia, Canada.

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 #1200 – 700 2nd Street S.W., Calgary, Alberta, Canada, T2P 4V5.

The Corporation has incurred a net operating loss of $79,574 for the nine-month period ended June 30, 2012, and has a deficit of $326,636 and a working capital deficit of $213,745 as at June 30, 2012. The Corporation's future operations are dependent on management's business plan to implement growth strategies to increase sales and gross profit and to contain operating expenses in order to ultimately generate future profitable operations. As previously announced, the Corporation has entered into a total of five significant sales agreements with contract values amounting to approximately $6 million U.S. dollars (similar corresponding value in Canadian dollars at August 2, 2012). Management expects a substantial portion of these sales agreements to favourably impact the operating results for the fiscal year ending September 30, 2012. Further, as described in Note 7, the Corporation has obtained proceeds of $410,000 from revolving loans to repay its operating loan and to fund its working capital requirements. Management expects ongoing cash flows from operations to be sufficient to fund forecast cash outflows for at least the next twelve months.

2. Basis of preparation and adoption of International Financial Reporting Standards

Statement of compliance

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, *Interim Financial Reporting*, and IFRS 1, *First-time Adoption of IFRS*. The impact on the Corporation's Condensed Consolidated Interim Financial Statements of the transition from Canadian Generally Accepted Accounting Principles ("Canadian GAAP") to IFRS is described in Note 9.

The policies applied in these Condensed Consolidated Interim Financial Statements are based on IFRS issued and outstanding as of August 2, 2012, the date the Board of Directors approved these financial statements. Any subsequent changes to IFRS that are given effect in the Corporation's annual consolidated financial statements for the year ending September 30, 2012 could result in restatement of these Condensed Consolidated Interim Financial Statements, including the adjustments recognized on transition to IFRS.

Basis of measurement

These Condensed Consolidated Interim Financial Statements have been prepared on a going-concern basis, under the historical cost convention, except for certain financial assets and financial liabilities recorded at fair value through profit or loss.

Functional and presentation currency

The functional and presentation currency of the Corporation and its subsidiaries is the Canadian dollar.

2. Basis of preparation and adoption of IFRS (continued)

Use of estimates and judgments

The preparation of the Condensed Consolidated Interim Financial Statements in conformity with IFRS requires the Corporation's management to make judgments, estimates and assumptions that affect the amounts reported in these Condensed Consolidated Interim Financial Statements and notes. Estimates and assumptions are used for, but are not limited to, revenue recognition, specifically for contracts recorded using the percentage of completion method of accounting, the recoverability of trade and other receivables, the net realizable value of inventory, the useful lives and impairment of property, plant and equipment, the recoverability of deferred tax assets, accrued charges, the fair value of share-based compensation, the fair value of derivative financial instruments from foreign exchange contracts, and the provision for warranty liabilities. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The estimates and judgments that have a significant risk of causing material adjustments to the carrying amounts of the Corporation's assets and liabilities are discussed in Note 4.

3. Significant accounting policies

Basis of consolidation

The accompanying financial information reflects the same accounting policies and methods of application as in the Corporation's Condensed Consolidated Interim Financial Statements for the three months ended December 31, 2011.

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

Revenue

Revenues under long-term fixed price contracts provide for receipt of payment based on achieving defined milestones. Revenues are recognized under these contracts based on management's estimate of progress achieved against these milestones. Changes in management's estimated costs to complete a contract may result in an adjustment to previously recognized revenues.

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.

Property plant and equipment

Management estimates the useful lives of property, plant and 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 property, plant and 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 property, plant and 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. Inventories

At June 30, 2012, raw materials include inventories measured at net realizable value of $54,353 (September 30, 2011 - $104,456).

Inventories included in cost of sales during the three and nine months ended June 30, 2012 amount to $1,707,253 and $4,577,690, respectively (June 30, 2011 - $1,396,996 and $3,688,054).

Write-downs of inventories and reversals of write-downs are included in cost of sales. During the three and nine months ended June 30, 2012, write-downs of inventories to net realizable value amounted to nil and $14,647, respectively (three and nine months ended June 30, 2011 - $8,924 and $12,791, respectively). During the three and nine months ended June 30, 2012, reversals of write-downs amounted to $3,288 (no reversals of write-downs during the three and nine months ended June 30, 2011).

6. Operating loan

On March 27, 2012, Royal Bank of Canada advised the Corporation that it requires increased security by way of $500,000 in guarantees supported by term deposits and/or mortgage security in order to maintain the Corporation's operating loan facility. On May 15, 2012, the Corporation used proceeds of $195,000 from the Revolving Loans described in Note 7 to repay its operating loan. On May 16, 2012, the Corporation closed its operating loan facility.

7. Related party transactions

On September 30, 2011, the Corporation entered into promissory note agreements with four of its directors, including the Corporation's President and Executive Vice-President, to borrow $250,000 at an annual interest rate of 18.00%, and on October 19, 2011, the Corporation entered into a promissory note agreement with its Chief Executive Officer to borrow $50,000 at an annual interest rate of 18.00% ("Notes Payable"). The Corporation invested the proceeds from the Notes Payable in non-redeemable Guaranteed Investment Certificates with Royal Bank of Canada ("GICs"), maturing on December 31, 2012 and earning interest at 1.10% per annum. The GICs are pledged as collateral to secure an irrevocable standby letter of credit of $300,000, expiring on December 31, 2012, in favour of Export Development Canada ("Letter of Credit") to underwrite a performance bond of U.S. $1,444,000 for a customer of the Corporation ("Performance Bond"). On October 19, 2011, the Performance Bond of U.S. $1,444,000 (or $1,473,169 – approximate value in Canadian dollars at October 19, 2011) was issued to the Corporation's customer ("Holder of the Performance Bond"), and on November 17, 2011, the Corporation entered into a sales agreement of U.S. $1,750,000 (or $1,790,000 – approximate value in Canadian dollars at November 17, 2011) to design, manufacture and install a large indoor play structure for the Holder of the Performance Bond. The Corporation is expected to complete its obligations under this contract on or about December 31, 2012, at which time the Performance Bond would expire and payment of interest and capital from the Notes Payable would become due.

On May 15, 2012, the Corporation entered into revolving loan agreements with four of its directors, including the Corporation's Chief Executive Officer and President, and the Corporation's Chief Financial Officer, to borrow $410,000 at an annual interest rate of 15.00% ("Revolving Loans"). The Revolving Loans are unsecured, mature on January 31, 2013 and can be renewed for additional six-month periods.

8. Segment reporting and concentration of sales

(a) Business segments

The Corporation operates in two business segments: Manufacturing of indoor and outdoor play structures for children, and operating a Family Entertainment Centre.

The accounting policies of the two business segments are the same as those described in Note 3 to these Condensed Consolidated Interim Financial Statements. Inter-segment transactions are eliminated upon consolidation.

Information related to the two business segments' operations is as follows:

	Three months ended June 30, 2012		
	Manufacturing	Family Entertainment Centre	Total
Sales to external customers	$ 2,113,724	$ 332,365	$ 2,446,089
Cost of sales	1,352,107	201,495	1,553,602
Gross profit	761,617	130,870	892,487
Selling and administrative expenses	765,176	134,378	899,554
Foreign exchange gain	(5,248)	-	(5,248)
Finance costs	25,121	(43)	25,078
Income taxes	1,608	(7,680)	(6,072)
Net income (loss)	$ (25,040)	$ 4,215	$ (20,825)
Total assets	$ 3,199,330	$ 1,317,949	$ 4,517,279
Total liabilities	$ 2,592,823	$ 236,591	$ 2,829,414
Depreciation expense	$ 35,808	$ 38,325	$ 74,133
Acquisition of property, plant and equipment	$ 5,247	$ 17,836	$ 23,083

8. Segment reporting and concentration of sales (continued)

(a) Business segments (continued)

	Nine months ended June 30, 2012		
	Manufacturing	Family Entertainment Centre	Total
Sales to external customers	$ 5,875,872	$ 1,117,210	$ 6,993,082
Cost of sales	3,773,693	609,520	4,383,213
Gross profit	2,102,179	507,690	2,609,869
Selling and administrative expenses	2,222,078	415,397	2,637,475
Foreign exchange loss	5,596	-	5,596
Finance costs	64,236	5,733	69,969
Income taxes	(20,484)	(3,113)	(23,597)
Net income (loss)	$ (169,247)	$ 89,673	$ (79,574)
Total assets	$ 3,199,330	$ 1,317,949	$ 4,517,279
Total liabilities	$ 2,592,823	$ 236,591	$ 2,829,414
Depreciation expense	$ 111,626	$ 117,224	$ 228,850
Acquisition of property, plant and equipment	$ 23,437	$ 24,827	$ 48,264

8. Segment reporting and concentration of sales (continued)

(a) Business segments (continued)

	Three months ended June 30, 2011		
	Manufacturing	Family Entertainment Centre	Total
Sales to external customers	$ 1,582,484	$ 352,695	$ 1,935,179
Cost of sales	1,244,564	185,831	1,430,395
Gross profit	337,920	166,864	504,784
Selling and administrative expenses	692,695	145,256	837,951
Foreign exchange gain	(5,305)	-	(5,305)
Finance costs	5,361	6,439	11,800
Income taxes	(89,933)	(14,814)	(104,747)
Net income (loss)	$ (264,898)	$ 29,983	$ (234,915)
Total assets	$ 2,923,094	$ 1,299,712	$ 4,222,806
Total liabilities	$ 2,090,109	$ 434,155	$ 2,524,264
Depreciation expense	$ 40,290	$ 43,512	$ 83,802
Acquisition of property, plant and equipment	$ 20,707	$ 5,264	$ 25,971

	Nine months ended June 30, 2011		
	Manufacturing	Family Entertainment Centre	Total
Sales to external customers	$ 3,885,237	$ 1,160,123	$ 5,045,360
Cost of sales	2,997,859	590,688	3,588,547
Gross profit	887,378	569,435	1,456,813
Selling and administrative expenses	2,031,431	484,768	2,516,199
Foreign exchange loss	28,810	-	28,810
Finance costs	11,989	23,384	35,373
Income taxes	(272,018)	(21,104)	(293,122)
Net income (loss)	$ (912,834)	$ 82,387	$ (830,447)
Total assets	$ 2,923,094	$ 1,299,712	$ 4,222,806
Total liabilities	$ 2,090,109	$ 434,155	$ 2,524,264
Depreciation expense	$ 149,457	$ 135,049	$ 284,506
Acquisition of property, plant and equipment	$ 116,247	$ 12,791	$ 129,038

8. Segment reporting and concentration of sales (continued)

(b) Geographic and customer information

All of the Corporation's assets are located in Canada.

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,	
	2012	2011	**2012**	2011
Sales				
Canada	**$ 495,372**	$ 733,354	**$ 1,874,145**	$ 1,722,361
Americas	**614,992**	711,056	**2,557,079**	2,353,945
Other	**1,335,725**	490,769	**2,561,858**	969,054
	$ 2,446,089	$ 1,935,179	**$ 6,993,082**	$ 5,045,360

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,	
	2012	2011	**2012**	2011
Customer A	**$1,090,036**	$ 246,636	**$2,152,006**	$ -
Customer B	**-**	246,805	**-**	-
Customer C	**-**	-	**-**	667,143

9. Transition to IFRS

The Corporation transitioned to IFRS as of October 1, 2010. These Condensed Consolidated Interim Financial Statements have been prepared in accordance with the accounting policies as described in Note 3 of the Corporation's Condensed Consolidated Interim Financial Statements for the three months ended December 31, 2011. Note 18 of the Corporation's Condensed Consolidated Interim Financial Statements for the three months ended December 31, 2011 discloses the impact of the transition to IFRS on the Corporation's reported financial position, financial performance and cash flows, including certain mandatory elections and optional exemptions applicable for first time adopters under IFRS 1, *First-Time Adoption of International Financial Reporting Standards,* and the nature and effect of significant changes in accounting policies from those used in the Corporation's annual consolidated financial statements for the year ended September 30, 2011.

The following discloses the impact of the transition to IFRS on the Corporation's financial position and financial performance as at and for the three and nine months ended June 30, 2011.

9. Transition to IFRS (continued)

Shareholder's equity under Canadian GAAP and IFRS as at:

	June 30, 2011
Shareholders' equity - Canadian GAAP	$ 1,698,542
Total shareholders' equity - IFRS	$ 1,698,542

Net loss and comprehensive loss under Canadian GAAP and IFRS for the following periods:

	Three months ended June 30, 2011	Nine months ended June 30, 2011
Net loss and comprehensive loss - Canadian GAAP	$ (234,915)	$ (830,447)
Net loss and total comprehensive loss - IFRS	$ (234,915)	$ (830,447)

9. Transition to IFRS (continued)

Reconciliation of Consolidated Statements of Financial Position under Canadian GAAP and IFRS as at June 30, 2011:

	Note	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets				
Current assets				
Trade and other receivables		$ 639,004	$ -	**$ 639,004**
Inventories		1,073,585	-	**1,073,585**
Prepaid expenses		174,733	-	**174,733**
		1,887,322	-	**1,887,322**
Non-current assets				
Property, plant, and equipment		1,863,285	-	**1,863,285**
Net deferred income tax asset		472,199	-	**472,199**
Total Assets		$ 4,222,806	$ -	**$ 4,222,806**
Liabilities and Shareholders' Equity				
Current liabilities				
Operating loan		$ 88,940	$ -	**$ 88,940**
Trade payables and accrued charges	**(i)**	1,131,015	(34,931)	**1,096,084**
Warranty provision	**(i)**	-	34,931	**34,931**
Customer deposits		831,516	-	**831,516**
Current portion of rent inducement		59,091	-	**59,091**
Current portion of finance lease liability		142,525	-	**142,525**
Loan payable		27,777	-	**27,777**
		2,280,864	-	**2,280,864**
Non-current liabilities				
Rent inducement		152,478	-	**152,478**
Finance lease liability		90,922	-	**90,922**
Total Liabilities		2,524,264	-	**2,524,264**
Shareholders' Equity				
Share capital		1,757,643	-	**1,757,643**
Share-based payments reserve		256,858	-	**256,858**
Deficit		(315,959)	-	**(315,959)**
Total Shareholders' Equity		1,698,542	-	**1,698,542**
Total Liabilities and Shareholders' Equity		$ 4,222,806	$ -	**$ 4,222,806**

(i) The Corporation has concluded that there is no adjustment to the measurement of provisions however the warranty provision has been reclassified.

9. Transition to IFRS (continued)

Reconciliation of Consolidated Statements of Operations and Comprehensive Loss under Canadian GAAP and IFRS for the following periods:

		Three months ended June 30, 2011			Nine months ended June 30, 2011		
	Note	Canadian GAAP	Effect of transition to IFRS	**IFRS**	Canadian GAAP	Effect of transition to IFRS	**IFRS**
Sales		$ 1,935,179	$ -	**$ 1,935,179**	$ 5,045,360	$ -	**$ 5,045,360**
Cost of sales		1,430,395	-	**1,430,395**	3,588,547	-	**3,588,547**
Gross profit		504,784	-	**504,784**	1,456,813	-	**1,456,813**
Selling and administrative expenses	**(ii)**	754,149	83,802	**837,951**	2,231,693	284,506	**2,516,199**
Depreciation expense	**(ii)**	83,802	(83,802)	**-**	284,506	(284,506)	**-**
Foreign exchange loss (gain)		(5,305)	-	**(5,305)**	28,810	-	**28,810**
		832,646	-	**832,646**	2,545,009	-	**2,545,009**
Operating loss		(327,862)	-	**(327,862)**	(1,088,196)	-	**(1,088,196)**
Finance costs		11,800	-	**11,800**	35,373	-	**35,373**
Loss before income taxes		(339,662)	-	**(339,662)**	(1,123,569)	-	**(1,123,569)**
Deferred income taxes		(104,747)	-	**(104,747)**	(293,122)	-	**(293,122)**
Net loss and total comprehensive loss for the period		(234,915)	-	**(234,915)**	(830,447)	-	**(830,447)**
Net loss per share							
Basic and diluted		$ (0.02)	$ -	**$ (0.02)**	$ (0.08)	$ -	**$ (0.08)**
Weighted average number of common shares outstanding							
Basic and diluted		10,220,187	-	**10,220,187**	10,220,187	-	**10,220,187**

(ii) Under IFRS, the Statements of Operations and Comprehensive Loss must be presented on a basis either by function or by nature. Under Canadian GAAP, the Statements of Operations and Comprehensive Loss could be presented using a mix of both function and nature of expenditure. The Corporation has elected to use the functional classification basis for the presentation of its Consolidated Statements of Operations and Comprehensive Loss. As a result, the operating expense of depreciation, which is presented separately under Canadian GAAP, has been reallocated to selling and administrative expenses under IFRS.

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 August 2, 2012 and should be read together in conjunction with the unaudited condensed consolidated interim financial statements and the accompanying notes for the three and nine months ended June 30, 2012 and with the audited consolidated financial statements and accompanying notes for the year ended September 30, 2011.

The results reported herein are presented in Canadian 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 related to 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

Our business is carried out through the Corporation's wholly owned subsidiaries International Play Company Inc. and Outdoor Play Company Inc. We operate in two business segments: (1) We design, manufacture and install customized indoor and outdoor play structures for children, from our plant in Langley, British Columbia ("Manufacturing" or "MFG"); and (2) we own and operate a family entertainment centre in Langley, British Columbia ("Family Entertainment Centre" or "FEC").

Consolidated Results

Sales for the three-month period ended June 30, 2012 ("Q3-12") increased by 26.4% to $2,446,089 from $1,935,179 for the three-month period ended June 30, 2011 ("Q3-11"). Gross profit percentage was 36.5% of sales in Q3-12 compared to 26.1% in Q3-11. Operating expenses, including foreign exchange gains and losses and finance costs, were $919,384 or 37.6% of sales in Q3-12 compared to $844,446 or 43.6% of sales in Q3-11. Net loss in Q3-12 was $20,825, or loss per share of $0.00, compared to a net loss of $234,915, or loss per share of $0.02, in Q3-11.

Sales for the nine-month period ended June 30, 2012 ("YTD – Q3-12") increased by 38.6% to $6,993,082 from $5,045,360 for the nine-month period ended June 30, 2011 ("YTD – Q3-11"). Gross profit percentage was 37.3% of sales for YTD – Q3-12 compared to 28.9% for YTD – Q3-11. Operating expenses, including foreign exchange gains and losses and finance costs, were $2,713,040 or 38.8% of sales for YTD – Q3-12 compared to $2,580,382 or 51.1% of sales for YTD – Q3-11. Net loss for YTD – Q3-12 was $79,574, or loss per share of $0.01, compared to a net loss of $830,447, or loss per share of $0.08, for YTD – Q3-11.

Manufacturing Operations

The time required to manufacture, deliver, and install playgrounds is largely dependent on the size and complexity of the play structures ordered by our customers. Factors such as customer location, capital expenditure budgets, and theme requirements, may cause project completion timelines to vary from a few weeks to a few months. Our products are sold and installed worldwide. Our customer base includes family entertainment centres, theme parks, shopping malls, daycare centres, fitness clubs, municipalities and not-for-profit organizations. Over the past few years there has been an increase in customer demand for larger and more complex play structures however the general state of the economy has had a significant impact on the volume of orders for our larger and more complex play structures.

Sales generated by our Manufacturing operations increased by 33.6% to $2,113,724 in Q3-12 from $1,582,484 in Q3-11. This increase is due primarily to higher sales to our customers located outside of the Americas, who accounted for sales of $1,335,725 (or 63.2% of total Manufacturing sales) in Q3-12 compared to $490,769 (or 31.0%) in Q3-11.

Sales generated by our Manufacturing operations increased by 51.2% to $5,875,872 for YTD – Q3-12 from $3,885,237 for YTD – Q3-11. This increase is due primarily to higher sales to our customers located outside of the Americas, who accounted for sales of $2,561,858 (or 43.6% of total Manufacturing sales) for YTD – Q3-12 compared to $969,054 (or 24.9%) for YTD – Q3-11.

We generate a significant portion of our total sales in the United States of America ("U.S.") therefore our Manufacturing operations continue to be affected by the challenging economic environment in the U.S. If the resulting economic pressure on our customers causes them to end their relationship with us, reduce or postpone current or expected purchase orders for our play structures, or suffer from business failure, our sales and profitability could decline, perhaps materially. To manage this risk we are taking measures to broaden our customer base in markets located outside of North America.

We expected sales generated by our Manufacturing operations in Q3-12 to increase moderately as compared to the prior quarter ("Q2-12") however we did not meet expectations due to primarily to a lower than anticipated progress to completion on one large sale order. Sales generated by our Manufacturing operations decreased by 10.3% to $2,113,724 in Q3-12 from $2,355,745 in Q2-12. Based on our updated sales forecast, we are expecting sales in Q4-12 to increase moderately as compared to Q3-12.

Gross profit percentage increased to 36.0% of sales from our Manufacturing operations in Q3-12 (or 35.8% for YTD – Q3-12) from 21.4% in Q3-11 (or 22.8% for YTD – Q3-11). This increase is due primarily to sales mix resulting from higher margin sales in Q3-12 and YTD – Q3-12 as compared to Q3-11 and YTD – Q3-11. We expected our gross profit percentage in Q3-12 to remain in-line with the prior quarter and we met expectations. Gross profit percentage increased marginally to 36.0% of sales from our Manufacturing operations in Q3-12 from 35.4% in Q2-12. Based on our updated sales-mix forecast, we are expecting gross profit percentage in Q4-12 to remain in-line with Q3-12.

Our Manufacturing operations generated a net loss of $25,040 in Q3-12 (or net loss of $169,247 for YTD – Q3-12) compared to a net loss of $264,898 in Q3-11 (or net loss of $912,834 for YTD – Q3-11). The significant improvement in net operating results is due primarily to the combined effect of significantly higher sales volumes and sales margins in Q3-12 and YTD – Q3-12 as compared to Q3-11 and YTD – Q3-11. We expected our net operating results in Q3-12 to improve moderately as compared to the prior quarter however we did not meet expectations due primarily to lower than anticipated sales. Our Manufacturing operations generated a net loss of $25,040 in Q3-12 compared to net income of $32,926 in Q2-12. Based on our updated forecast, we are expecting the net operating results to improve significantly in Q4-12 as compared to Q3-12.

Family Entertainment Centre Operations

Our FEC began operating in December 2008. Our decision to enter into the consumer entertainment market was to create a new revenue stream that would stabilize earnings from our Manufacturing operations, which as described above, are inherently subject to fluctuations from various market risks.

Sales generated by our FEC operations decreased by 5.8% to $332,365 in Q3-12 from $352,695 in Q3-11 and decreased by 3.7% to $1,117,210 for YTD – Q3-12 from $1,160,123 for YTD – Q3-11 due primarily to a lower volume of customer visits. We expected sales in Q3-12 to decrease moderately as compared to the prior quarter due primarily to seasonality. Sales generated by our FEC operations decreased by 18.3% to $332,365 in Q3-12 from $406,920 in Q2-12. Based on our updated sales forecast, we are expecting sales in Q4-12 to remain in-line with Q3-12.

Our FEC operations generated net income of $4,215 in Q3-12 (or net income of $89,673 for YTD – Q3-12), compared to net income of $29,983 in Q3-11 (or net income of $82,387 for YTD – Q3-11). The decrease in net income in Q3-12 as compared to Q3-11 is due primarily to lower sales resulting from a lower volume of customer visits. The increase in net income for YTD – Q3-12 as compared to YTD – Q3-11 is due primarily to lower selling and administrative expenses for YTD – Q3-12 as compared to YTD – Q3-11. We expected net operating results in Q3-12 to decrease moderately as compared to the prior quarter due primarily to lower sales. Net income from our FEC operations decreased by 92.1% to $4,215 in Q3-12 from $53,181 in Q2-12. Based on our updated forecast, we are expecting net operating results in Q4-12 to remain in-line with Q3-12.

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 winter weather conditions that are generally conducive to indoor activities for children, resulting in a higher number of customer visits to our FEC. Conversely, our Q4 operating results have historically been the weakest due to summer weather conditions that are generally conducive to outdoor activities for children, resulting in a lower number of visits to our FEC.

Our business plan is to continue to search for new growth opportunities for our FEC operations. Our decision to expand will depend on finding appropriate facilities and obtaining additional financing. In order to continue our growth strategy, we will require additional financing to open new FECs, however, should our expansion plans succeed, it is our belief that our Manufacturing operations would also benefit by supplying play structures to the new FECs and in turn, these FECs would serve as a valuable showcase for our new play structures.

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, 2012 and 2011, expressed as a percentage of total sales:

	Three months ended June 30, 2012						Three months ended June 30, 2011					
	MFG		**FEC**		**Total**		MFG		FEC		Total	
Sales to external customers	**86.4**	**%**	**13.6**	**%**	**100.0**	**%**	81.8	%	18.2	%	100.0	%
Cost of sales	**55.3**		**8.2**		**63.5**		64.3		9.6		73.9	
Gross profit	**31.1**		**5.4**		**36.5**		17.5		8.6		26.1	
Selling and administrative expenses	**31.3**		**5.5**		**36.8**		35.8		7.5		43.3	
Foreign exchange gain	**(0.2)**		**-**		**(0.2)**		(0.3)		-		(0.3)	
Finance costs	**1.0**		**-**		**1.0**		0.3		0.3		0.6	
Income taxes	**0.1**		**(0.3)**		**(0.2)**		(4.6)		(0.8)		(5.4)	
Net income (loss)	**(1.1)**	**%**	**0.2**	**%**	**(0.9)**	**%**	(13.7)	%	1.6	%	(12.1)	%

	Nine months ended June 30, 2012						Nine months ended June 30, 2011					
	MFG		**FEC**		**Total**		MFG		FEC		Total	
Sales to external customers	**84.0**	**%**	**16.0**	**%**	**100.0**	**%**	77.0	%	23.0	%	100.0	%
Cost of sales	**54.0**		**8.7**		**62.7**		59.4		11.7		71.1	
Gross profit	**30.0**		**7.3**		**37.3**		17.6		11.3		28.9	
Selling and administrative expenses	**31.8**		**5.9**		**37.7**		40.3		9.6		49.9	
Foreign exchange loss	**0.1**		**-**		**0.1**		0.6		-		0.6	
Finance costs	**0.9**		**0.1**		**1.0**		0.2		0.5		0.7	
Income taxes	**(0.3)**		**-**		**(0.3)**		(5.4)		(0.4)		(5.8)	
Net income (loss)	**(2.5)**	**%**	**1.3**	**%**	**(1.2)**	**%**	(18.1)	%	1.6	%	(16.5)	%

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

	Three months ended June 30, 2012				Three months ended June 30, 2011			
	MFG	FEC	Total		MFG	FEC	Total	
Sales								
Canada	6.7 %	13.6 %	20.3	%	19.7 %	18.2 %	37.9	%
Americas	25.1	-	25.1		36.7	-	36.7	
Other	54.6	-	54.6		25.4	-	25.4	
	86.4 %	13.6 %	100.0	%	81.8 %	18.2 %	100.0	%

	Nine months ended June 30, 2012				Nine months ended June 30, 2011			
	MFG	FEC	Total		MFG	FEC	Total	
Sales								
Canada	10.8 %	16.0 %	26.8	%	11.2 %	23.0 %	34.2	%
Americas	36.6	-	36.6		46.6	-	46.6	
Other	36.6	-	36.6		19.2	-	19.2	
	84.0 %	16.0 %	100.0	%	77.0 %	23.0 %	100.0	%

Results of Operations – Three Months Ended June 30, 2012 Compared to Three Months Ended June 30, 2011

Sales

Sales increased significantly by $510,910 (or 26.4%) to $2,446,089 in Q3-12 from $1,935,179 in Q3-11 due primarily to an increase in sales of $531,240 by our Manufacturing operations.

In Q3-12, one significant customer accounted for 44.6% of our total sales. In Q3-11, two significant customers accounted for 25.5% of our total sales.

We expected our sales to increase moderately in Q3-12 as compared to the prior quarter however we did not meet expectations due primarily to a lower than anticipated progress to completion on one large sales order for our Manufacturing operations. Sales decreased by $316,576 (or 11.5%) to $2,446,089 in Q3-12 from $2,762,665 in Q2-12. Based on our updated sales forecasts, we are expecting total sales to increase moderately in Q4-12 as compared to Q3-12 due primarily to higher anticipated sales by our Manufacturing operations in Q4-12 as compared to Q3-12.

Gross Profit

Gross profit percentage in Q3-12 was 36.5% of sales, compared to 26.1% in Q3-11. This increase is due primarily to our Manufacturing operations which generated a gross profit percentage of 36.0% in Q3-12, compared to 21.4% in Q3-11. Higher margins from our larger sales orders contributed to significantly increase gross profit percentage in Q3-12 as compared to Q3-11.

We expected our gross profit percentage in Q3-12 to remain in-line with the prior quarter and we met expectations. Gross profit percentage decreased marginally to 36.5% in Q3-12, compared to 37.4% in Q2-12. Based on our updated sales-mix forecast, we are expecting our gross profit percentage in Q4-12 to remain in-line with Q3-12 due primarily to anticipated margins by our Manufacturing operations.

Operating Expenses

Operating expenses, including foreign exchange gains and losses and finance costs, increased in Q3-12 by $74,938 (or 8.9%) to $919,384, from $844,446 in Q3-11. This increase is due primarily to higher selling and administrative expenses by our Manufacturing operations in Q3-12 as compared to Q3-11.

We expected our operating expenses, as a percentage of total sales, in Q3-12 to remain in-line with the prior quarter, and we met expectations. Our operating expenses in Q3-12 amounted to 37.6% of total sales, compared to 33.2% in Q2-12. Based on our updated forecast, we are expecting operating expenses in Q4-12 to remain in-line, as a percentage of total sales, compared to Q3-12.

Income Taxes

The deferred tax income of $6,072 in Q3-12 is comprised of a deferred tax expense of $1,608 by our Manufacturing operations and deferred tax income of $7,680 by our FEC operations. The deferred tax income of $104,747 in Q3-11 is comprised of deferred tax income of $89,933 by our Manufacturing operations and deferred tax income of $14,814 by our FEC operations.

Although our income taxes will continue to fluctuate based on the variability in our operating results, we do not expect to incur a current income tax expense during our 2012 fiscal year.

Net Operating Results

Net loss and total comprehensive loss in Q3-12 was $20,825, or loss per share of $0.00, compared to a net loss and total comprehensive loss of $234,915, or loss per share of $0.02, in Q3-11. The improved net operating results are due primarily to a decrease in the net loss by our Manufacturing operations in Q3-12 as compared to Q3-11.

We expected our net operating results to improve moderately in Q3-12 as compared to the prior quarter however we did not meet expectations due primarily to lower than anticipated sales by our Manufacturing operations. Our Manufacturing operations generated a net loss of $25,040 in Q3-12, compared to net income of $32,926 in Q2-12. Based on our updated forecasts, we are expecting net operating results to improve significantly in Q4-12 as compared to Q3-12, due primarily to our Manufacturing operations.

Results of Operations – Nine Months Ended June 30, 2012 Compared to Nine Months Ended June 30, 2011

Sales

Sales increased significantly by $1,947,722 (or 38.6%) to $6,993,082 for YTD – Q3-12 from $5,045,360 for YTD – Q3-11 due primarily to an increase in sales of $1,990,635 by our Manufacturing operations.

For YTD – Q3-12, one customer accounted for 30.8% of our total sales. For YTD – Q3-11, one customer accounted for 13.2% of our total sales.

We are expecting to end our 2012 fiscal year with annual sales that are significantly higher than in 2011, due primarily to our Manufacturing operations.

Gross Profit

Gross profit percentage was 37.3% of sales for YTD – Q3-12 compared to 28.9% for YTD – Q3-11. This increase is due primarily to a higher gross profit percentage by our Manufacturing operations.

We are expecting to end our 2012 fiscal year with an annual gross profit percentage that is significantly higher than in 2011, due primarily to our Manufacturing operations.

Operating Expenses

Operating expenses, including foreign exchange gains and losses and finance costs, increased by $132,658 (or 5.1%) to $2,713,040 for YTD – Q3-12 from $2,580,382 for YTD – Q3-11. This increase is due primarily to higher selling and administrative expenses from higher wages and benefits.

We expect that our operating expenses will generally continue to fluctuate from quarter to quarter however on an annual basis we are expecting the following for our fiscal year ending September 30, 2012 as compared to 2011:

- Higher administration expenses due to higher wages and benefits, and higher selling and marketing expenses to broaden the customer base of our Manufacturing operations.
- Lower depreciation expense resulting from a decrease in budgeted capital expenditures.
- Lower foreign exchange losses due to the weakening of the Canadian dollar against the U.S. dollar.
- Higher finance costs due primarily to the interest expense on the notes payable and the revolving loans.

Income Taxes

Deferred tax income decreased to $23,597 for YTD – Q3-12 from $293,122 for YTD – Q3-11 due primarily to a decrease in the loss before income taxes by our Manufacturing operations.

Although our income taxes will continue to fluctuate based on the variability in our operating results, we do not expect to incur a current income tax expense for our fiscal year ending September 30, 2012.

Net Operating Results

Net loss and total comprehensive loss for YTD – Q3-12 was $79,574, or loss per share of $0.01, compared to a net loss and total comprehensive loss for YTD – Q3-11 of $830,447, or loss per share of $0.08. The decrease in net loss and total comprehensive loss is due to the improved operating results by our Manufacturing operations.

We are expecting to end our 2012 fiscal year with annual net operating results that are significantly higher than in 2011, due primarily to our Manufacturing operations. We are also expecting annual net operating results by our FEC operations to increase moderately in 2012 as compared to 2011.

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 unaudited condensed consolidated interim financial statements for the three and nine months ended June 30, 2012. 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.

	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12	**Q3-12**
CONSOLIDATED	30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	**30-Jun-12**
Sales	$ 2,492,158	$ 1,790,531	$ 1,319,650	$ 1,935,179	$ 3,422,258	$ 1,784,328	$ 2,762,665	**$2,446,089**
Cost of sales	1,423,955	1,312,317	845,835	1,430,395	2,364,400	1,099,320	1,730,291	**1,553,602**
Gross profit	1,068,203	478,214	473,815	504,784	1,057,858	685,008	1,032,374	**892,487**
Selling and administrative expenses	1,034,204	958,637	719,611	837,951	944,727	839,586	898,335	**899,554**
Foreign exchange loss (gain)	3,935	28,782	5,333	(5,305)	(15,417)	15,328	(4,484)	**(5,248)**
Finance costs	12,071	11,554	12,019	11,800	9,205	22,344	22,547	**25,078**
Income taxes	(63,846)	(123,630)	(64,745)	(104,747)	50,446	(47,394)	29,869	**(6,072)**
Net income (loss)	$ 81,839	$ (397,129)	$ (198,403)	$ (234,915)	$ 68,897	$ (144,856)	$ 86,107	**$ (20,825)**
Basic and diluted earnings (loss) per share	0.01	(0.04)	(0.02)	(0.02)	0.01	(0.01)	0.01	**0.00**

	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12	**Q3-12**
MANUFACTURING	30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	**30-Jun-12**
Sales	$ 2,191,177	$ 1,409,897	$ 892,856	$ 1,582,484	$ 3,147,834	$ 1,406,403	$ 2,355,745	**$2,113,724**
Cost of sales	1,244,699	1,109,724	643,571	1,244,564	2,177,564	899,051	1,522,535	**1,352,107**
Gross profit	946,478	300,173	249,285	337,920	970,270	507,352	833,210	**761,617**
Selling and administrative expenses	883,968	767,879	570,857	692,695	777,162	696,295	760,607	**765,176**
Foreign exchange loss (gain)	3,935	28,782	5,333	(5,305)	(15,417)	15,328	(4,484)	**(5,248)**
Finance costs	1,458	2,416	4,212	5,361	4,139	19,062	20,053	**25,121**
Income taxes	(20,464)	(109,644)	(72,441)	(89,933)	71,811	(46,200)	24,108	**1,608**
Net income (loss)	$ 77,581	$ (389,260)	$ (258,676)	$ (264,898)	$ 132,575	$ (177,133)	$ 32,926	**$ (25,040)**

	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12	**Q3-12**
FEC	30-Sep-10	31-Dec-10	31-Mar-11	30-Jun-11	30-Sep-11	31-Dec-11	31-Mar-12	**30-Jun-12**
Sales	$ 300,981	$ 380,634	$ 426,794	$ 352,695	$ 274,424	$ 377,925	$ 406,920	**$ 332,365**
Cost of sales	179,256	202,593	202,264	185,831	186,836	200,269	207,756	**201,495**
Gross profit	121,725	178,041	224,530	166,864	87,588	177,656	199,164	**130,870**
Selling and administrative expenses	150,236	190,758	148,754	145,256	167,565	143,291	137,728	**134,378**
Finance costs	10,613	9,138	7,807	6,439	5,066	3,282	2,494	**(43)**
Income taxes	(43,382)	(13,986)	7,696	(14,814)	(21,365)	(1,194)	5,761	**(7,680)**
Net income (loss)	$ 4,258	$ (7,869)	$ 60,273	$ 29,983	$ (63,678)	$ 32,277	$ 53,181	**$ 4,215**

Our quarterly results fluctuate because our operating expenses are determined based on anticipated sales, however these operating expenses are generally fixed and are incurred throughout each quarter. The impact of significant items incurred during these interim periods is discussed in more detail in our consolidated interim financial statements and MD&A.

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

- The decrease in net operating results from Q4-10 to Q1-11 is due primarily to lower sales and lower gross profit percentage in Q1-11 compared to Q4-10.
- The increase in net operating results from Q1-11 to Q2-11 is due primarily to higher gross profit percentage and lower operating expenses in Q2-11 compared to Q1-11.
- The decrease in net operating results from Q2-11 to Q3-11 is due primarily to lower gross profit percentage and higher selling and administrative expenses in Q3-11 compared to Q2-11.
- The increase in net operating results from Q3-11 to Q4-11 is due primarily to higher sales and gross profit in Q4-11 compared to Q3-11.
- The decrease in net operating results from Q4-11 to Q1-12 is due primarily to lower sales, partially offset by higher gross profit percentage and lower operating expenses in Q1-12 compared to Q4-11.
- The increase in net operating results from Q1-12 to Q2-12 is due primarily to higher sales and gross profit in Q2-12 compared to Q1-12.
- The decrease in net operating results from Q2-12 to Q3-12 is due primarily to lower sales and gross profit in Q3-12 compared to Q2-12.

International Financial Reporting Standards ("IFRS")

Canadian publicly listed entities are required to prepare their financial statements in accordance with IFRS. We are reporting the three and nine months ended June 30, 2012 under IFRS. Due to the requirement to present comparative financial information, our effective transition date is October 1, 2010.

Our IFRS conversion plan is comprised of four phases: (1) Assessment and Planning; (2) Design; (3) Implementation; and (4) Post-Implementation. We have completed the first three phases of our conversion plan and are now into our fourth phase. The Post-Implementation phase will continue in future periods, as outlined below.

Our consolidated financial statements for the year ended September 30, 2012 will be our first annual financial statements that comply with IFRS. As this will be our first year of reporting under IFRS, IFRS 1 – *First-time Adoption of IFRS* is applicable. In accordance with IFRS 1, we have applied IFRS retrospectively as of October 1, 2010, for comparative purposes, as if IFRS had always been in effect, subject to certain mandatory exceptions and optional exemptions applicable to us, discussed below.

Management and the Audit Committee have approved the Corporation's IFRS accounting policies which are presented in our unaudited condensed consolidated interim financial statements for the three months ended December 31, 2011. However, as IFRS are evolving and the International Accounting Standards Board ("IASB") has several ongoing projects and may issue new accounting standards throughout 2012, the final impact of IFRS on our consolidated financial statements will only be measured once all the IFRS applicable at the conversion date are known which could also affect the differences currently identified between Canadian GAAP and IFRS.

Transitional Elections under IFRS 1 – First Time Adoption

The following transitional provisions were adopted effective October 1, 2010:

- *Share Based Payments (IFRS 2, Share Based Payment)*: As allowed, we did not restate share based payment balances in relation to fully vested awards of share based payments prior to October 1, 2010.
- *Property, plant and equipment*: No transitional elections were taken. The Corporation has retained assets at historical cost upon transition rather than taking the allowed election to recognize assets at fair value.

Opening Statement of Financial Position under IFRS

Note 18 to the Corporation's condensed consolidated interim financial statements for the three months ended December 31, 2011 summarizes the quantitative impact on the consolidated statement of financial position of our transition to IFRS at October 1, 2010. Differences have been identified with reference to IFRS effective at the date of this MD&A. In the event that new or amended accounting standards or interpretations become effective prior to the inclusion of the Corporation's statement of financial position in its first annual audited IFRS financial statements at September 30, 2012, the differences currently identified between historic Canadian GAAP and IFRS may change.

IFRS Accounting Policies Choices

In addition to the effects of transition to IFRS described above, the following main accounting policy choices under IFRS apply to the Corporation effective October 1, 2011, with comparatives presented for 2010:

- *Share-based payments*: All share-based payments will be valued at fair value under IFRS using an option-pricing model. The Corporation has selected the Black-Scholes option-pricing model. This is consistent with the Corporation's current accounting policy. However, under IFRS, the valuation of share options requires individual "tranche-based" valuations for those option plans with graded vesting, while former Canadian GAAP allows a single valuation for all tranches. Therefore, under IFRS each instalment of option awards will be treated as a separate option, and the fair value of each instalment will be amortized over each instalment's vesting period instead of recognizing the entire award on a straight-line basis over the term of the grant. This change has had no impact on the Corporation's statement of operations on transition to IFRS.
- *Property, Plant and Equipment ("PP&E")*: Under IFRS, PP&E may be accounted for using either a cost or revaluation model. We have elected to use the cost model under IFRS for all classes of PP&E. As this is consistent with our historic accounting policy under former Canadian GAAP, this election has had no impact on our PP&E balances.
- *Impairment of Assets*: If there is an indication that an asset may be impaired, an impairment test must be performed. Under former Canadian GAAP, this is a two-step impairment test in which (i) undiscounted future cash flows are compared to the carrying value; and (ii) if those undiscounted cash flows are less than the carrying value, the asset is written down to fair value. Under IFRS, an entity is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If such a condition exists, the entity shall estimate the recoverable amount of the asset by performing a one-step impairment test, which requires a comparison of the carrying value of the asset to the higher of (i) value in use; and (ii) fair value less costs to sell. Value in use is defined as the present value of future cash flows expected to be derived from the asset in its current state. In addition, IFRS requires PP&E to be assessed for impairment at the cash-generating unit ("CGU") level, rather than the reporting unit level considered by former Canadian GAAP. As a result of this difference, in principle, impairment write downs may be more likely under IFRS than are currently identified and recorded under Canadian GAAP. The extent of any new write downs,

however, may be partially offset by the requirement under IAS 36 – *Impairment of Assets*, to reverse any previous impairment losses where circumstances have changed such that the impairments have been reduced. Canadian GAAP prohibits reversal of impairment losses. We have concluded that the adoption of these standards has not resulted in a change to the carrying value of our PP&E on transition to IFRS at October 1, 2010.

- *Provisions*: Under former Canadian GAAP, a provision is required to be recorded in the financial statements when required payment is considered "likely" and can be reasonably estimated. The threshold for recognition of provisions under IFRS is lower than under Canadian GAAP as provisions must be recognized when required payment is considered "probable". Therefore, in principle, it is possible that there may be provisions which would meet the recognition criteria under IFRS that were not recognized under Canadian GAAP. Other differences between IFRS and Canadian GAAP exist in relation to the measurement of provisions, such as the methodology for determining the best estimate where there is a range of equally possible outcomes (i.e. IFRS uses the mid-point of the range, whereas Canadian GAAP use the low end of the range), and the requirement under IFRS for provisions to be discounted when material. We have reviewed our provisions and have concluded that there is no adjustment to our financial statements on transition to IFRS arising from the application of provisions recognized and measured under IFRS.
- *Functional Presentation*: Under IFRS, operating expenses must be presented either by function or by nature (i.e. type of expenditure). Under former Canadian GAAP, operating expenses could be presented using a mix of both function and nature. We have elected to present our statements of operations by function. As a result, our depreciation expense which was presented separately in the statements of operations under former Canadian GAAP has been reallocated to selling and administrative expenses under IFRS.

We continue to monitor standards to be issued by the IASB which may become effective at the end of our first annual IFRS reporting period on September 30, 2012.

Other Effects of Transition to IFRS

In addition to the above noted effects of transition to IFRS on our financial statements and accounting policies, we have also reviewed the effects of transition to IFRS on our information technology and data systems, internal controls over financial reporting, business processes, contractual arrangements and compensation arrangements and have made the appropriate adjustments to transition from former Canadian GAAP to IFRS.

Liquidity and Capital Resources

Operating Activities

Cash provided by operating activities in Q3-12 was $3,462, compared to $229,976 in Q3-11. This decrease is due primarily to lower cash inflows from our operating working capital in Q3-12 as compared to Q3-11.

Cash provided by operating activities for YTD – Q3-12 was $373,110, compared to cash used in operating activities of $94,766 for YTD – Q3-11. This increase is due primarily to improved operating results for YTD – Q3-12 as compared to YTD – Q3-11.

We expect cash flows from our operating activities to continue to fluctuate from quarter to quarter based on variability in our net operating results and changes in our working capital.

Investing Activities

Cash used by investing activities in Q3-12 was $13,492, compared to $25,971 in Q3-11. This decrease is due to lower purchases of property, plant and equipment in Q3-12 as compared to Q3-11.

Cash used by investing activities for YTD – Q3-12 was $84,925, compared to $129,038 for YTD – Q3-11. This decrease is due primarily to lower purchases of property, plant and equipment for YTD – Q3-12 as compared to YTD – Q3-11.

Our business plan is to continue to search for new growth opportunities for our FEC operations. Our decision to expand will depend on finding appropriate facilities and obtaining additional financing.

We have not entered into any proposed material asset or business acquisition or disposition agreements, and except in such instances, we do not anticipate to significantly increase our investment in capital expenditures in 2012.

Financing Activities

Cash provided by financing activities in Q3-12 was $374,492, compared to cash used in financing activities of $76,162 in Q3-11. This increase is due primarily to proceeds of $410,000 in Q3-12 from the revolving loans (see "Related Party Transactions").

Cash provided by financing activities for YTD – Q3-12 was $352,812, compared to cash used in financing activities of $234,709 for YTD – Q3-11. This increase is due to proceeds of $410,000 in Q3-12 from the revolving loans (see "Related Party Transactions") and a decrease in cash outflows of $124,998 from repayment of the loan payable.

We would depend on additional financing to fund new growth opportunities for our FEC operations.

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

Cash Requirements

Our near-term cash requirements are primarily related to funding our operations, repayment of our loans and leases, and funding of capital expenditures. Our sources of cash include cash on hand, trade receivables, cash from customer deposits, cash from operations, and proceeds from the revolving loans (see "Related Party Transactions"). We have incurred a net operating loss of $79,574 for the nine-month period ended June 30, 2012, and have a deficit of $326,636 and a working capital deficit of $213,745 as at June 30, 2012. The Corporation's future operations are dependent on our business plan to implement growth strategies to increase sales and gross profit and to contain operating expenses in order to ultimately generate future profitable operations. We have entered into a total of five significant sales agreements with contract values amounting to approximately $6 million U.S.

dollars (see "Sources and Uses of Cash"). We expect a substantial portion of these sales agreements to favourably impact the operating results for our fiscal year ending September 30, 2012. On May 15, 2012, we obtained proceeds of $410,000 from revolving loans (see "Related Party Transactions") to repay our operating loan and to fund our working capital requirements. We expect ongoing cash flows from our operations to be sufficient to fund our forecast cash outflows for at least the next twelve months.

Sources and Uses of Cash

The source of funds for our future capital expenditures and commitments includes cash on hand, accounts receivable, borrowings, and cash from operations, as follows:

- At June 30, 2012, our cash balance was $483,952 (September 30, 2011 – overdraft net of operating loan was -$157,045).
- At June 30, 2012, our balance of trade and other receivables was $505,419, compared to $833,458 at September 30, 2011.
- The Corporation has entered into revolving loan agreements with four of its directors and the Corporation's Chief Financial Officer (see "Related Party Transactions").
- We announced on July 26, 2011 that our Manufacturing operations entered into a significant sales agreement of U.S. $1,752,000 (or $1,652,000 – approximate contract value in Canadian dollars at July 26, 2011) to design, manufacture and install a large indoor play structure for a corporate customer. At June 30, 2012, this contract has been substantially completed.
- We announced on November 17, 2011 that our Manufacturing operations entered into a significant sales agreement of U.S. $1,750,000 (or $1,790,000 – approximate contract value in Canadian dollars at November 17, 2011) to design, manufacture and install a large indoor play structure for a corporate customer. We expect this contract to favourably impact our operating results in 2013.
- We announced on April 23, 2012 that a sales agreement previously announced on September 6, 2011 for U.S. $1,358,000 (or $1,344,000 – approximate contract value in Canadian dollars at September 6, 2011) has been revised to U.S. $850,000 (or $842,350 – approximate contract value in Canadian dollars at April 23, 2012). At June 30, 2012, this contract has been substantially completed.
- We announced on April 23, 2012 that our Manufacturing operations entered into a sales agreement of U.S. $544,500 (or $539,600 – approximate value in Canadian dollars at April 23, 2012) to design, manufacture and install a large indoor play structure for a corporate customer. We expect this contract to favourably impact our operating results in 2012 and progress payments from this customer started in April 2012.
- We announced on May 15, 2012 that our Manufacturing operations entered into a sales agreement of U.S. $1,150,000 (or $1,157,800 - approximate value in Canadian dollars at May 15, 2012) to design, manufacture and install a large indoor play structure for a corporate customer. We expect this contract to favourably impact our operating results in 2013.

Credit Facility

On March 27, 2012, Royal Bank of Canada ("RBC") advised us that it requires increased security by way of $500,000 in guarantees supported by term deposits and/or mortgage security in order to maintain our existing operating loan facility.

On May 15, 2012, pursuant to RBC's request to obtain additional security in order to maintain our existing operating loan facility, we entered into revolving loan agreements (see "Related Party Transactions") and used proceeds of $195,000 from the revolving loans to repay our operating loan.

On May 16, 2012, we closed our operating loan facility with RBC.

Market Risk Disclosure

Currency risk

We are exposed to currency fluctuations and exchange rate risk on all operations conducted in currencies other than the Canadian dollar. 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 or our sales are denominated in U.S. dollars and a significant portion of our expenses are incurred in Canadian dollars. We monitor our exposure to fluctuations between the U.S. dollar and the Canadian dollar and manage this risk by entering into foreign exchange forward contracts. We do not enter into foreign exchange forward contracts for speculative purposes.

At June 30, 2012, there were no foreign exchange forward contracts outstanding.

At September 30, 2011, we had one foreign exchange forward contract outstanding with a commitment to sell $275,000 of U.S. dollars on or before November 30, 2011 at a rate of $1.0325. The fair value of this contract at September 30, 2011 is a liability of $4,474 and is recorded as a foreign exchange loss in the consolidated statement of operations.

Credit risk

Our credit risk is primarily attributable to our trade receivables. Trade receivables are disclosed in our consolidated statements of financial position net of provision for bad debts, estimated based on our prior experience and assessment of the current economic environment. We believe that the credit risk of our trade receivables is generally limited because of our policy to receive deposits from our customers prior to product shipment, as well as our ongoing credit evaluations of our customers.

At June 30, 2012, two customers represent approximately 44% of the trade receivables balance (September 30, 2011 – four customers represent approximately 60%). In our view, these accounts do not represent a significant credit risk.

The credit risk associated with our cash and restricted cash is limited because these assets are held through large Canadian financial institutions with high investment grade ratings.

Interest rate risk

Our interest rate risk primarily arose from our operating loan which bore interest at variable rates and exposed us to changes in debt servicing cash flows. On May 16, 2012, we closed our operating loan facility (see "Credit Facility"). Our finance lease obligations, notes payable and revolving loans bear interest at fixed rates.

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 through maintaining cash and access to revolving loans, as outlined above in "Liquidity and Capital Resources". The Corporation's future operations are dependent on our business plan to implement growth strategies to increase sales and gross profit and to contain operating expenses in order to ultimately generate future profitable operations (see "Cash Requirements").

Legal Proceedings

We are engaged in certain legal actions in the ordinary course of business 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

On September 30, 2011, the Corporation entered into promissory note agreements with four of its directors, including the Corporation's President and Executive Vice-President, to borrow $250,000 at an annual interest rate of 18.00%, and on October 19, 2011, the Corporation entered into a promissory note agreement with its Chief Executive Officer to borrow $50,000 at an annual interest rate of 18.00% ("Notes Payable"). The Corporation invested the proceeds from the Notes Payable in non-redeemable Guaranteed Investment Certificates with Royal Bank of Canada ("GICs"), maturing on December 31, 2012 and earning interest at 1.10% per annum. The GICs are pledged as collateral to secure an irrevocable standby letter of credit of $300,000, expiring on December 31, 2012, in favour of Export Development Canada ("Letter of Credit") to underwrite a performance bond of U.S. $1,444,000 for a customer of the Corporation ("Performance Bond"). On October 19, 2011, the Performance Bond of U.S. $1,444,000 (or $1,473,169 – approximate value in Canadian dollars at October 19, 2011) was issued to the Corporation's customer ("Holder of the Performance Bond"), and on November 17, 2011, the Corporation entered into a sales agreement of U.S. $1,750,000 (or $1,790,000 – approximate value in Canadian dollars at November 17, 2011) to design, manufacture and install a large indoor play structure for the Holder of the Performance Bond. The Corporation is expected to complete its obligations under this contract on or about December 31, 2012, at which time the Performance Bond would expire and payment of interest and capital from the Notes Payable would become due.

On May 15, 2012, the Corporation entered into revolving loan agreements with four of its directors, including the Corporation's Chief Executive Officer and President, and the Corporation's Chief Financial Officer, to borrow $410,000 at an annual interest rate of 15.00% ("Revolving Loans"). The Revolving Loans are unsecured, mature on January 31, 2013 and can be renewed for additional six-month periods.

Outstanding Share Capital

At June 30, 2012 and August 2, 2012, there are 10,220,187 common shares issued and outstanding and there are no 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.