Q3
2016

Iplayco Corporation Ltd.

Condensed Consolidated Interim Financial Statements

Three and nine months ended June 30, 2016

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.

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Iplayco Corporation Ltd.

Condensed Consolidated Interim Statements of Financial Position

Unaudited *(Expressed in Canadian dollars)*

	Notes	**June 30, 2016**	September 30, 2015
Assets			
Current assets			
Cash and cash equivalents		**$ 4,166,622**	$ 4,947,024
Finance receivables	6	**3,814,239**	-
Trade and other receivables		**5,834,812**	6,873,151
Income taxes receivable		**419,716**	224,900
Inventories		**2,332,166**	2,008,310
Prepaid expenses and deposits		**574,502**	740,764
		17,142,057	14,794,149
Non-current assets			
Equipment		**1,987,396**	1,717,526
Deferred income tax assets		**132,856**	150,393
Total Assets		**$ 19,262,309**	$ 16,662,068
Liabilities and Shareholders' Equity			
Current liabilities			
Operating loans	5	**$ 686,875**	$ -
Securitization debt	6	**3,432,815**	-
Trade payables, accrued charges and other		**2,038,525**	2,076,735
Customer deposits and deferred revenue		**105,461**	975,738
Current portion of rent inducement		**-**	15,791
		6,263,676	3,068,264
Non-current liabilities			
Rent inducement		**142,735**	121,112
Deferred income tax liabilities		**79,599**	87,024
Total Liabilities		**6,486,010**	3,276,400
Shareholders' Equity			
Share capital		**9,859,270**	9,859,270
Warrants reserve		**450,971**	450,971
Share-based payments reserve		**256,858**	256,858
Retained earnings		**2,209,200**	2,818,569
Total Shareholders' Equity		**12,776,299**	13,385,668
Total Liabilities and Shareholders' Equity		**$ 19,262,309**	$ 16,662,068

"Scott Forbes" .... President & CEO

"Muhanad Awad" .... 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 Canadian dollars, except number of shares)*

	Three months ended June 30,		Nine months ended June 30,	
	2016	2015	**2016**	2015
Sales	**$ 4,612,437**	$ 4,410,462	**$ 11,535,440**	$ 11,958,559
Cost of sales	**3,150,868**	2,973,826	**7,699,533**	7,427,696
Gross profit	**1,461,569**	1,436,636	**3,835,907**	4,530,863
Selling and administrative expenses	**1,439,973**	1,445,286	**4,400,146**	3,989,777
Foreign exchange loss (gain)	**(166,555)**	(12,099)	**190,148**	(232,503)
	1,273,418	1,433,187	**4,590,294**	3,757,274
Operating income (loss)	**188,151**	3,449	**(754,387)**	773,589
Finance costs	**38,720**	48,699	**40,612**	340,064
Income (loss) before income taxes	**149,431**	(45,250)	**(794,999)**	433,525
Income tax provision				
Current	**59,101**	108,580	**(195,742)**	226,538
Deferred	**(8,280)**	(103,696)	**10,112**	(93,666)
	50,821	4,884	**(185,630)**	132,872
Net income (loss) and total comprehensive income (loss)	**98,610**	(50,134)	**(609,369)**	300,653
Net income (loss) per common share				
Basic	**$ 0.00**	$ (0.00)	**$ (0.03)**	$ 0.02
Diluted	**$ 0.00**	$ (0.00)	**$ (0.03)**	$ 0.02
Weighted average number of common shares outstanding				
Basic	**20,870,187**	20,870,187	**20,870,187**	18,951,621
Diluted	**20,870,187**	21,935,187	**20,870,187**	19,824,764

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, except number of common shares)*

	Share capital[1]					
	Number of common shares	Amount	Warrants reserve	Share-based payments reserve[2]	Retained earnings	Total shareholders' equity
Balance at September 30, 2014	10,220,187	$ 1,757,643	$ -	$ 256,858	$ 2,301,507	$ 4,316,008
Proceeds from private placement, less share issuance costs net of tax	10,650,000	8,101,627	450,971	-	-	8,552,598
Net income and total comprehensive income	-	-	-	-	300,653	300,653
Balance at June 30, 2015	20,870,187	$ 9,859,270	$ 450,971	$ 256,858	$ 2,602,160	$ 13,169,259
Balance at September 30, 2015	20,870,187	$ 9,859,270	$ 450,971	$ 256,858	$ 2,818,569	$ 13,385,668
Net loss and total comprehensive loss	**-**	**-**	**-**	**-**	**(609,369)**	**(609,369)**
Balance at June 30, 2016	**20,870,187**	**$9,859,270**	**$ 450,971**	**$ 256,858**	**$2,209,200**	**$ 12,776,299**

(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 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)*

	Notes	Nine months ended June 30, 2016	2015
Operating activities			
Net income (loss)		**$ (609,369)**	$ 300,653
Items not affecting cash			
Depreciation		**271,302**	253,068
Deferred income taxes		**10,112**	(93,666)
Rent inducement		**5,832**	(3,555)
Unrealized gain on foreign exchange derivatives		**(37,372)**	-
Unrealized foreign exchange loss (gain)		**110,055**	(98,065)
Finance costs		**40,612**	340,064
		(208,828)	698,499
Change in non-cash operating working capital			
Finance receivables	6	**(3,808,961)**	270,509
Trade and other receivables		**947,574**	(1,626,343)
Inventories		**(197,301)**	(535,016)
Prepaid expenses		**191,716**	59,470
Trade payables, accrued charges and other		**(30,409)**	(540,412)
Current income tax expense (recovery)		**(195,742)**	226,538
Customer deposits and deferred revenue		**(870,277)**	(636,267)
		(3,963,400)	(2,781,521)
Interest paid		**(40,612)**	(340,064)
Income taxes paid		**-**	(647,003)
Cash used in operating activities		**(4,212,840)**	(3,070,089)
Investing activities			
Acquisition of IREC Corporation, net of cash acquired	8	**(172,800)**	-
Purchase of equipment		**(489,803)**	(295,654)
Cash used in investing activities		**(662,603)**	(295,654)
Financing activities			
Proceeds from operating loans	5	**2,965,174**	1,698,614
Repayment of operating loans		**-**	(784,560)
Proceeds from securitization debt	6	**1,145,120**	1,107,357
Repayment of securitization debt		**-**	(3,049,429)
Repayment of subordinate debt		**-**	(557,517)
Increase in share issuance costs		**-**	(17,093)
Proceeds from issuance of shares and warrants		**-**	8,839,500
Cash provided by financing activities		**4,110,294**	7,236,872
Net increase (decrease) in cash and cash equivalents		**(765,149)**	3,871,129
Effect of foreign exchange rate changes on cash and cash equivalents		**(15,253)**	33,647
Cash and cash equivalents at beginning of the period		**4,947,024**	2,090,251
Cash and cash equivalents at end of the period		**$ 4,166,622**	$ 5,995,027
Cash and cash equivalents comprised of:			
Cash		**$ 4,166,622**	$ 5,695,027
Cash equivalents		**-**	300,000
Supplemental cash flow disclosures - non cash transactions			
Purchase of equipment		**$ 3,788**	$ 1,516
Settlement of operating loans with proceeds from securitization debt	5	**2,282,945**	1,698,614
Amortization of financing costs - subordinate debt		**-**	15,731

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

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 business is carried out through its wholly owned subsidiaries, International Play Company Inc. ("IPC"), Iplayco Inc. ("IPI"), Iplayco Canada Inc. ("ICI"), Outdoor Play Company Inc. ("OPC"), and IREC Corporation ("IREC"). The Corporation operates in two business segments: (i) Manufacturing of play structures for children from its facilities in Langley, British Columbia, Canada, and Subic Bay, Philippines; and (ii) Operating 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 1600, 421 – 7th Avenue, SW, Calgary, Alberta, Canada T2P 4K9.

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 August 10, 2016.

Basis of measurement

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

Functional and presentation currency

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

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, 2015.

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.

4. Critical accounting estimates and judgments (continued)

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. For the Corporation and its subsidiary OPC, substantially all revenues and operating expenses are denominated in Canadian dollars. For the Corporation's subsidiaries IPC, IPI and ICI, revenues are primarily denominated in U.S. dollars and the majority of operating expenditures are denominated in Canadian dollars. Sales contracts are costed in Canadian dollars and receipts from operating activities denominated in U.S. dollars are usually converted and retained in Canadian dollars. For the Corporation's subsidiary IREC, its operations are entirely funded by IPC. The Corporation has concluded that the Canadian dollar is the currency that mainly influences the cost of providing goods and services by the Corporation and its subsidiaries.

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.

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.

4. Critical accounting estimates and judgments (continued)

Equipment

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

Income taxes

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

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

5. Operating loans

For the nine-month period ended June 30, 2016, the Corporation obtained the following proceeds in U.S. dollars from operating loans and made the following repayments in U.S. dollars using proceeds from the sale of select trade receivables, under its Securitization Facility, to extinguish its operating loans:

	Carrying Amounts	
	U.S. dollars	**Canadian dollars**
Balance at October 1, 2015	-	**-**
Proceeds from operating loans	2,257,800	**2,965,174**
Repayment using proceeds from securitization debt	(1,729,800)	**(2,247,183)**
Net realized foreign exchange gain on repayment	-	**(35,762)**
Unrealized foreign exchange loss on balance due	-	**4,646**
Balance at June 30, 2016	528,000	**686,875**

6. Finance receivables and securitization debt

The carrying amounts of finance receivables are comprised of U.S. dollar denominated trade receivables, which have been sold to a large Canadian financial institution (the “Bank”), net of holdbacks of 10%, representing the portion of the proceeds retained by the Bank to reduce their exposure to potential credit losses. The finance receivables are due to the Bank on or before December 19, 2016 at which time the securitization debt is extinguished and the holdbacks are remitted to the Corporation.

	June 30, 2016	
	U.S. dollars	**Canadian dollars**
Finance receivables	2,932,000	**3,814,239**
Less: Holdbacks	(293,200)	**(381,424)**
Securitization debt	2,638,800	**3,432,815**

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 holdbacks represent the Corporation’s maximum exposure to impaired finance receivables.

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 in U.S. dollars to the Affiliates:

	Three months ended June 30,		Nine months ended June 30,	
	2016	2015	**2016**	2015
Sales in U.S. dollars	**$ 1,388,094**	$ 1,520,537	**$ 3,079,594**	$ 4,160,733
Equivalent in Canadian dollars	**1,781,516**	1,860,912	**4,129,365**	4,994,279

The Corporation’s finance receivables and trade and other receivables include the following amounts denominated in U.S. dollars that are due from the Affiliates:

	June 30, 2016	September 30, 2015
Balance in U.S. dollars	**$ 3,850,428**	$ 4,641,192
Equivalent in Canadian dollars	**5,009,022**	6,216,413

Unaudited (Expressed in Canadian dollars)

8. Business combination

On June 1, 2016, the Corporation acquired all of the issued and outstanding shares of IREC Corporation ("IREC") for an aggregate purchase price of $197,000 payable in cash. Prior to this transaction, IREC was controlled by a party related to the President & CEO of the Corporation. IREC is a private company based in the Philippines and carries on the business of manufacturing various components for children's playground equipment.

The fair value of the identifiable assets acquired and liabilities assumed as at June 1, 2016 are as follows:

Assets acquired		
Cash	$	**24,200**
Inventories		**126,555**
Prepaid expenses and deposits		**25,454**
Equipment		**47,581**
Total assets acquired		**223,790**
Liabilities assumed		
Trade payables, accrued charges and other		**26,790**
Total liabilities assumed		**26,790**
Net assets acquired	**$**	**197,000**

From June 1, 2016 to June 30, 2016, IREC had operating expenses of $54,450 and no sales to external customers. IREC supplies IPC, and its operations are entirely funded by IPC. IREC's operating activities are included in the Corporation's manufacturing business segment.

At June 30, 2016, the initial accounting for the acquisition of IREC has been provisionally determined. If new information obtained within one year of the date of acquisition results in 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 two business segments: (i) Manufacturing of play structures for children; and (ii) Operating a Family Entertainment Centre.

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 Canadian 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, 2016 and 2015 is as follows:

	Three months ended June 30, 2016		
	Manufacturing	Family Entertainment Centre	Total
Sales to external customers	**$ 4,349,998**	**$ 262,439**	**$ 4,612,437**
Cost of sales	**2,972,236**	**178,632**	**3,150,868**
Gross profit	**1,377,762**	**83,807**	**1,461,569**
Selling and administrative expenses	**1,293,113**	**146,860**	**1,439,973**
Foreign exchange gain	**(166,555)**	**-**	**(166,555)**
Finance costs	**38,720**	**-**	**38,720**
Income taxes	**63,734**	**(12,913)**	**50,821**
Net income (loss)	**$ 148,750**	**$ (50,140)**	**$ 98,610**
Total assets	**$ 18,430,056**	**$ 832,253**	**$ 19,262,309**
Total liabilities	**$ 6,318,843**	**$ 167,167**	**$ 6,486,010**
Depreciation expense	**$ 60,596**	**$ 33,716**	**$ 94,312**
Purchase of equipment	**$ 327,066**	**$ 427**	**$ 327,493**

	Three months ended June 30, 2015		
	Manufacturing	Family Entertainment Centre	Total
Sales to external customers	$ 4,162,310	$ 248,152	$ 4,410,462
Cost of sales	2,797,426	176,400	2,973,826
Gross profit	1,364,884	71,752	1,436,636
Selling and administrative expenses	1,298,976	146,310	1,445,286
Foreign exchange gain	(12,099)	-	(12,099)
Finance costs	48,699	-	48,699
Income taxes	23,872	(18,988)	4,884
Net income (loss)	$ 5,436	$ (55,570)	$ (50,134)
Total assets	$ 16,736,541	$ 1,156,498	$ 17,893,039
Total liabilities	$ 4,574,254	$ 149,526	$ 4,723,780
Depreciation expense	$ 52,410	$ 33,532	$ 85,942
Purchase of equipment	$ 25,636	$ -	$ 25,636

Unaudited (Expressed in Canadian 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, 2016 and 2015 is as follows:

	Nine months ended June 30, 2016		
	Manufacturing	**Family Entertainment Centre**	**Total**
Sales to external customers	**$ 10,521,615**	**$ 1,013,825**	**$ 11,535,440**
Cost of sales	**7,091,549**	**607,984**	**7,699,533**
Gross profit	**3,430,066**	**405,841**	**3,835,907**
Selling and administrative expenses	**3,952,383**	**447,763**	**4,400,146**
Foreign exchange loss	**190,148**	**-**	**190,148**
Finance costs	**40,612**	**-**	**40,612**
Income taxes	**(178,205)**	**(7,425)**	**(185,630)**
Net loss	**$ (574,872)**	**$ (34,497)**	**$ (609,369)**
Total assets	**$ 18,430,056**	**$ 832,253**	**$ 19,262,309**
Total liabilities	**$ 6,318,843**	**$ 167,167**	**$ 6,486,010**
Depreciation expense	**$ 168,480**	**$ 102,822**	**$ 271,302**
Purchase of equipment	**$ 475,002**	**$ 18,589**	**$ 493,591**

	Nine months ended June 30, 2015		
	Manufacturing	Family Entertainment Centre	Total
Sales to external customers	$ 11,001,522	$ 957,037	$ 11,958,559
Cost of sales	6,841,018	586,678	7,427,696
Gross profit	4,160,504	370,359	4,530,863
Selling and administrative expenses	3,552,802	436,975	3,989,777
Foreign exchange gain	(232,503)	-	(232,503)
Finance costs	340,064	-	340,064
Income taxes	149,777	(16,905)	132,872
Net income (loss)	$ 350,364	$ (49,711)	$ 300,653
Total assets	$ 16,736,541	$ 1,156,498	$ 17,893,039
Total liabilities	$ 4,574,254	$ 149,526	$ 4,723,780
Depreciation expense	$ 149,585	$ 103,483	$ 253,068
Purchase of equipment	$ 288,298	$ 8,872	$ 297,170

Unaudited (Expressed in Canadian dollars)

9. Segment reporting and concentration of sales (continued)

Geographic and customer information

Substantially 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,	
	2016	2015	**2016**	2015
Sales				
Canada	**$ 920,359**	$ 546,428	**$ 2,878,945**	$ 1,965,755
Americas	**2,856,312**	1,820,110	**7,097,273**	6,526,222
Other	**835,766**	2,043,924	**1,559,222**	3,466,582
	$ 4,612,437	$ 4,410,462	**$ 11,535,440**	$ 11,958,559

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,	
	2016	2015	**2016**	2015
Customer A	**$ 1,781,516**	$ 1,860,912	**$ 4,129,365**	$ 4,994,279
Customer B	**-**	667,349	**-**	-

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 10, 2016 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, 2016 and our annual audited consolidated financial statements and accompanying notes for the years ended September 30, 2015 and 2014.

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 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., and IREC Corporation. Iplayco operates in two business segments: (i) Manufacturing of play structures for children, from its facilities in Langley, British Columbia, Canada and Subic Bay, Philippines ("Manufacturing" or "MFG"); and (ii) Operating a family entertainment centre in Langley, British Columbia, Canada ("Family Entertainment Centre" or "FEC").

On November 19, 2014, the Corporation completed a non-brokered private placement, with Saudi FAS Holding Company and its wholly-owned British Columbia subsidiary, FAS Entertainment B.C. Ltd., (collectively "FAS") pursuant to which FAS purchased 10,650,000 units of the Corporation (the "Units") at a purchase price of $0.83 per Unit for gross proceeds to the Corporation of $8,839,500. Each Unit consists of one common share of the Corporation and one tenth of a share purchase warrant, with each whole warrant being exercisable until October 1, 2016 to acquire one additional common share at a price of $0.85 per common share. FAS owns 51.03% of Iplayco's issued and outstanding common shares, and 53.41% on a fully diluted basis, assuming full conversion of the warrants.

FAS is a private company incorporated pursuant to the laws of the Kingdom of Saudi Arabia. All of the outstanding securities of FAS are beneficially held by three individuals. FAS controls various entities that own and operate Billy Beez family entertainment centres, Iplayco's largest customer over the past four years. FAS also controls Fawaz Abdulaziz Al Hokair & Co., a retail conglomerate listed on the Saudi stock exchange (Tadawul), with a market capitalization at June 30, 2016 of approximately 9 billion Saudi Riyal (or approximately $3 billion in Canadian dollars). Through various controlled entities, FAS is planning to expand Billy Beez family entertainment centres in the Middle East and North America. With its private placement, FAS has invested in Iplayco to secure supply of play structures for its Billy Beez expansion. In addition to supplying Billy Beez, Iplayco will continue to service and grow its existing customer base. For more information on FAS, please visit the company's website at: www.fawazalhokair.com.

Consolidated Results

Sales for the three months ended June 30, 2016 ("Q3-16") increased by 4.6% to $4,612,437 from $4,410,462 for the three months ended June 30, 2015 ("Q3-15"). Gross profit percentage decreased to 31.7% of sales in Q3-16 from 32.6% in Q3-15. Operating expenses, including foreign exchange gains and losses and finance costs, decreased to $1,312,138, or 28.4% of sales, in Q3-16 from $1,481,886, or 33.6% of sales, in Q3-15. Net income amounted to $98,610, or diluted net income per share of $0.00, in Q3-16 as compared to a net loss of $50,134, or net loss per share of $0.00, in Q3-15.

Sales for the nine months ended June 30, 2016 ("YTD – Q3-16") decreased by 3.5% to $11,535,440 from $11,958,559 for the nine months ended June 30, 2015 ("YTD – Q3-15"). Gross profit percentage decreased to 33.3% of sales for YTD – Q3-16 from 37.9% for YTD – Q3-15. Operating expenses, including foreign exchange gains and losses and finance costs, increased to $4,630,906 or 40.1% of sales for YTD – Q3-16 from $4,097,338 or 34.3% of sales for YTD – Q3-15. The net loss amounted to $609,369, or net loss per share of $0.03, for YTD – Q3-16 as compared to net income of $300,653, or diluted net income per share of $0.02, for YTD – Q3-15.

Manufacturing Operations

Sales generated by our Manufacturing operations increased by 4.5% to $4,349,998 in Q3-16 from $4,162,310 in Q3-15. This increase is due to higher sales to our customers located in the Americas, including Canada, who accounted for sales of $3,514,232 (or 80.8% of total Manufacturing sales) in Q3-16 compared to $2,118,386 (or 50.9%) in Q3-15, partially offset by lower sales to our customers located outside of the Americas, who accounted for sales of $835,766 (or 19.2% of total Manufacturing sales) in Q3-16 compared to $2,043,924 (or 49.1%) in Q3-15.

Sales generated by our Manufacturing operations decreased by 4.4% to $10,521,615 for YTD – Q3-16 from $11,001,522 for YTD – Q3-15. This decrease is due primarily to lower sales to our customers located outside of the Americas, who accounted for sales of $1,559,222 (or 14.8% of total Manufacturing sales) for YTD – Q3-16 compared to $3,466,582 (or 71.3%) for YTD – Q3-15, partially offset by higher sales to our customers located in the Americas, including Canada, who accounted for sales of $8,962,393 (or 85.2%) for YTD – Q3-16 compared to $7,534,940 (or 28.7%) for YTD – Q3-15.

Sales to related party, Billy Beez, accounted for 41.0% of sales by our Manufacturing operations in Q3-16 (39.2% for YTD – Q3-16) as compared to 44.7% in Q3-15 (45.4% for YTD – Q3-15). Should Billy Beez end their relationship with us, reduce or postpone current or expected purchase orders or suffer from business failure, our sales and profitability would decline materially. We expect continued business concentration from Billy Beez for the foreseeable future.

We expected sales generated by our Manufacturing operations in Q3-16 to increase moderately as compared to sales for the three months ended March 31, 2016 ("Q2-16"). Sales generated by our Manufacturing operations increased by 49.6% to $4,349,998 in Q3-16 from $2,907,092 in Q2-16. Based on our updated sales forecast, we are expecting sales generated by our Manufacturing operations for the three months ending September 30, 2016 ("Q4-16") to increase significantly as compared to Q3-16.

Gross profit percentage decreased to 31.7% of sales by our Manufacturing operations in Q3-16 from 32.8% in Q3-15. We expected our gross profit percentage to increase significantly in Q3-16 as compared to Q2-16. Gross profit percentage increased to 31.7% of sales by our Manufacturing operations in Q3-16 from 25.8% in Q2-16 due primarily to the combined effect of significant cost overruns on one fixed-priced sales contract and otherwise unfavourable sales-mix from lower margin sales in Q2-16 compared to Q3-16. Based on our updated sales-mix forecast, we are expecting gross profit percentage from our Manufacturing operations to increase moderately in Q4-16 as compared to Q3-16.

Gross profit percentage decreased to 32.6% of sales by our Manufacturing operations for YTD – Q3-16 from 37.8% for YTD – Q3-15 due primarily to significantly lower margins in Q2-16.

Our Manufacturing operations generated net income of $148,750 in Q3-16 compared to $5,436 in Q3-15. We expected the net operating results from our Manufacturing operations to improve significantly in Q3-16 as compared to Q2-16. Our Manufacturing operations generated net income of $148,750 in Q3-16 compared to a net loss of $922,459 in Q2-16 due primarily to the combined effect of significant cost overruns on one fixed-priced sales contract, unfavourable sales-mix, a foreign exchange loss due to the significant decrease in the foreign exchange rates between the U.S. dollar and the Canadian dollar, and higher selling and administrative expenses in Q2-16 as compared to Q3-16.

We are expecting the net operating results from our Manufacturing operations to improve significantly in Q4-16 as compared to Q3-16 due primarily to higher anticipated sales.

Our Manufacturing operations generated a net loss of $574,872 for YTD – Q3-16 compared to net income of $350,364 for YTD – Q3-15. This decrease in net operating results is due to the net loss in Q2-16.

Family Entertainment Centre Operations

Sales generated by our FEC operations increased by 5.8% to $262,439 in Q3-16 from $248,152 in Q3-15. We expected sales generated by our FEC operations to decrease moderately in Q3-16 as compared to Q2-16. Sales generated by our FEC operations decreased by 34.0% to $262,439 in Q3-16 from $397,350 in Q2-16. Based on our updated sales forecast, we are expecting sales generated by our FEC operations to increase moderately in Q4-16 as compared to Q3-16, due primarily to various promotions that are expected to increase the number of customer visits.

Sales generated by our FEC operations increased by 5.9% to $1,013,825 for YTD – Q3-16 from $957,037 for YTD – Q3-15 due primarily to an increase in the number of customer visits to our FEC.

Our FEC operations generated a net loss of $50,140 in Q3-16 compared to $55,570 in Q3-15. We expected the net operating results from our FEC operations to decrease moderately in Q3-16 as compared to Q2-16. Our FEC operations generated a net loss of $50,140 in Q3-16 as compared to net income of $37,707 in Q2-16. Based on our updated forecasts, we are expecting the net operating results from our FEC operations to improve moderately in Q4-16 as compared to Q3-16, due primarily to higher anticipated sales.

Our FEC operations generated a net loss of $34,497 for YTD – Q3-16, compared to a net loss of $49,711 for YTD – Q3-15. The lower loss for YTD – Q3-16 as compared to YTD – Q3-15 is due primarily to higher sales during YTD – Q3-16 as compared to YTD – Q3-15.

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 Q3 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, 2016 and 2015, expressed as a percentage of total sales:

	Three months ended June 30, 2016			Three months ended June 30, 2015		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales to external customers	**94.3 %**	**5.7 %**	**100.0 %**	94.4 %	5.6 %	100.0 %
Cost of sales	**64.4**	**3.9**	**68.3**	63.4	4.0	67.4
Gross profit	**29.9**	**1.8**	**31.7**	31.0	1.6	32.6
Selling and administrative expenses	**28.0**	**3.2**	**31.2**	29.5	3.3	32.8
Foreign exchange gain	**(3.6)**	**-**	**(3.6)**	(0.3)	-	(0.3)
Finance costs	**0.8**	**-**	**0.8**	1.1	-	1.1
Income taxes	**1.4**	**(0.3)**	**1.1**	0.5	(0.4)	0.1
Net income (loss)	**3.3 %**	**(1.1) %**	**2.2 %**	0.2 %	(1.3) %	(1.1) %

	Nine months ended June 30, 2016			Nine months ended June 30, 2015		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales to external customers	**91.2 %**	**8.8 %**	**100.0 %**	92.0 %	8.0 %	100.0 %
Cost of sales	**61.5**	**5.2**	**66.7**	57.2	4.9	62.1
Gross profit	**29.7**	**3.6**	**33.3**	34.8	3.1	37.9
Selling and administrative expenses	**34.3**	**3.9**	**38.2**	29.7	3.7	33.4
Foreign exchange loss (gain)	**1.6**	**-**	**1.6**	(1.9)	-	(1.9)
Finance costs	**0.4**	**-**	**0.4**	2.8	-	2.8
Income taxes	**(1.5)**	**(0.1)**	**(1.6)**	1.3	(0.1)	1.2
Net income (loss)	**(5.1) %**	**(0.2) %**	**(5.3) %**	2.9 %	(0.5) %	2.4 %

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

	Three months ended June 30, 2016			Three months ended June 30, 2015		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales						
Canada	**14.3 %**	**5.7 %**	**20.0 %**	6.8 %	5.6 %	12.4 %
Americas	**61.9**	**-**	**61.9**	41.3	-	41.3
Other	**18.1**	**-**	**18.1**	46.3	-	46.3
	94.3 %	**5.7 %**	**100.0 %**	94.4 %	5.6 %	100.0 %

	Nine months ended June 30, 2016			Nine months ended June 30, 2015		
	MFG	**FEC**	**Total**	MFG	FEC	Total
Sales						
Canada	**16.2 %**	**8.8 %**	**25.0 %**	8.4 %	8.0 %	16.4 %
Americas	**61.5**	**-**	**61.5**	54.6	-	54.6
Other	**13.5**	**-**	**13.5**	29.0	-	29.0
	91.2 %	**8.8 %**	**100.0 %**	92.0 %	8.0 %	100.0 %

Results of Operations – Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

Sales

Sales increased by $201,975 (or 4.6%) to $4,612,437 in Q3-16 from $4,410,462 in Q3-15 due primarily to an increase in sales of $187,688 by our Manufacturing operations.

We expected our sales to increase moderately in Q3-16 as compared to Q2-16. Sales increased by $1,307,995 (or 39.6%) to $4,612,437 in Q3-16 from $3,304,442 in Q2-16. Based on our updated sales forecasts, we are expecting sales to increase significantly in Q4-16 as compared to Q3-16.

Gross Profit

Gross profit percentage decreased to 31.7% of sales in Q3-16 from 32.6% in Q3-15. This decrease is due primarily to our Manufacturing operations which generated a gross profit percentage of 31.7% in Q3-16 compared to 32.8% in Q3-15.

We expected our gross profit percentage to increase significantly in Q3-16 as compared to Q2-16. Gross profit percentage increased to 31.7% in Q3-16 from 28.8% in Q2-16 due primarily to the combined effect of cost overruns on one fixed-priced sales contract in Q2-16 and sales-mix yielding lower margins in part from the significant decline in the foreign exchange rates between the U.S. dollar and the Canadian dollar in Q2-16. Based on our updated sales-mix forecast, we are expecting our gross profit percentage to increase moderately in Q4-16 as compared to Q3-16.

Operating Expenses

Operating expenses, including foreign exchange gains and losses and finance costs, decreased by $169,748 (or 11.5%) to $1,312,138 in Q3-16, from $1,481,886 in Q3-15. This decrease is due primarily to the higher foreign exchange gain in Q3-16 as compared to Q3-15.

We expected our operating expenses to decrease significantly, as a percentage of sales, in Q3-16 as compared to Q2-16. Our operating expenses decreased to 28.4% of sales in Q3-16 from 64.8% in Q2-16. Based on our updated forecasts, we are expecting operating expenses to decrease significantly, as a percentage of sales, in Q4-16 as compared to Q3-16.

Income Taxes

The income tax expense of $50,821 in Q3-16 is due to the income tax expense of $63,734 on earnings before income taxes generated by our Manufacturing operations, partially offset by the income tax recovery of $12,913 on the net loss before income taxes from our FEC operations. The income tax expense of $4,884 in Q3-15 is due primarily to the income tax expense on earnings before income taxes generated by our Manufacturing operations.

Net Operating Results

Net income and total comprehensive income amounted to $98,610, or diluted net income per share of $0.00, in Q3-16, compared to a net loss and total comprehensive loss of $50,134, or net loss per share of $0.00, in Q3-15. The increase in net operating results is due primarily to the foreign exchange gain generated by our Manufacturing operations in Q3-16.

We expected our net operating results to improve significantly in Q3-16 as compared to Q2-16. We generated net income of $98,610 in Q3-16 compared to a net loss of $884,752 in Q2-16. We are expecting our net operating results to improve significantly in Q4-16 as compared to Q3-16 due primarily to higher anticipated sales.

Results of Operations – Nine Months Ended June 30, 2016 Compared to Nine Months Ended June 30, 2015

Sales

Sales decreased by $423,119 (or 3.5%) to $11,535,440 for YTD – Q3-16 from $11,958,559 for YTD – Q3-15 due primarily to a decrease in sales of $479,907 by our Manufacturing operations.

We are expecting a moderate increase in sales for our financial year ending September 30, 2016 ("2016") compared to 2015.

Gross Profit

Gross profit percentage decreased to 33.3% of sales for YTD – Q3-16 from 37.9% for YTD – Q3-15. This decrease is due primarily to a lower gross profit percentage by our Manufacturing operations which generated a gross profit percentage of 32.6% for YTD – Q3-16, compared to 37.8% for YTD – Q3-15.

We expect our gross profit percentage in 2016 to be in-line with 2015.

Operating Expenses

Operating expenses, including foreign exchange gains and losses and finance costs, increased by $533,568 (or 13.0%) to $4,630,906 for YTD – Q3-16 from $4,097,338 for YTD – Q3-15. This increase is due primarily to the combined effect of a foreign exchange loss of $575,543 in Q2-16 and an increase of $410,369 in selling and administrative expenses. The foreign exchange loss is due to the significant decrease in the foreign exchange rates between the U.S. dollar and the Canadian dollar in Q2-16. Selling and administrative expenses increased due primarily to higher travel and trade show expenses, a severance payment to a former employee, and an increase in the bad debt expense.

We expect the following for our 2016 financial year compared to 2015:

- Selling and administrative expenses, excluding depreciation to be in-line with 2015.
- Moderate increase in depreciation expense due to an increase in capital expenditures.
- Net foreign exchange loss as compared to a foreign exchange gain in 2015.
- Significant decrease in finance costs due to the non-recurring finance cost from the extinguishment of the subordinate debt in 2015.

Income Taxes

The income tax recovery of $185,630 for YTD – Q3-16 is due primarily to the income tax recovery on the loss before income taxes generated by our Manufacturing operations. The income tax expense of $132,872 for YTD – Q3-15 is due primarily to the income tax expense on earnings before income taxes generated by our Manufacturing operations. We expect our effective tax rate for 2016 to remain in-line with our effective tax rate of 27.3% in 2015.

Net Operating Results

Net loss and total comprehensive loss was $609,369, or net loss per share of $0.03, for YTD – Q3-16, compared to net income and total comprehensive income of $300,653, or diluted net income per share of $0.02 for YTD – Q3-15. The decrease in net operating results is due primarily to our Manufacturing operations.

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, 2015 and 2014. 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.

	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	**Q3-16**
CONSOLIDATED	30-Sep-14	31-Dec-14	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15	31-Mar-16	**30-Jun-16**
Sales	$ 5,777,206	$ 4,349,720	$ 3,198,377	$ 4,410,462	$ 5,244,429	$ 3,618,561	$ 3,304,442	**$ 4,612,437**
Cost of sales	3,753,472	2,541,972	1,911,898	2,973,826	3,448,630	2,197,420	2,351,245	**3,150,868**
Gross profit	2,023,734	1,807,748	1,286,479	1,436,636	1,795,799	1,421,141	953,197	**1,461,569**
Selling and administrative expenses	1,332,559	1,308,498	1,235,993	1,445,286	1,891,170	1,397,892	1,562,281	**1,439,973**
Foreign exchange loss (gain)	(47,228)	(30,129)	(190,275)	(12,099)	(353,522)	(218,840)	575,543	**(166,555)**
Finance costs	60,735	227,929	63,436	48,699	(20,005)	-	1,892	**38,720**
Income taxes	178,636	81,141	46,847	4,884	61,747	65,316	(301,767)	**50,821**
Net income (loss)	$ 499,032	$ 220,309	$ 130,478	$ (50,134)	$ 216,409	$ 176,773	$ (884,752)	**$ 98,610**
Basic and diluted net income (loss) per share	$ 0.05	$ 0.01	$ 0.01	$ (0.00)	$ 0.01	$ 0.01	$ (0.04)	**$ 0.00**

	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	**Q3-16**
MANUFACTURING	30-Sep-14	31-Dec-14	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15	31-Mar-16	**30-Jun-16**
Sales	$ 5,555,143	$ 4,022,711	$ 2,816,501	$ 4,162,310	$ 4,949,115	$ 3,264,525	$ 2,907,092	**$ 4,349,998**
Cost of sales	3,612,897	2,330,379	1,713,213	2,797,426	3,291,253	1,962,975	2,156,338	**2,972,236**
Gross profit	1,942,246	1,692,332	1,103,288	1,364,884	1,657,862	1,301,550	750,754	**1,377,762**
Selling and administrative expenses	1,181,034	1,159,772	1,094,054	1,298,976	1,739,126	1,248,478	1,410,792	**1,293,113**
Foreign exchange loss (gain)	(47,228)	(30,129)	(190,275)	(12,099)	(353,522)	(218,840)	575,543	**(166,555)**
Finance costs	60,735	227,929	63,436	48,699	(20,005)	-	1,892	**38,720**
Income taxes	196,844	89,790	36,115	23,872	64,619	73,075	(315,014)	**63,734**
Net income	$ 550,861	$ 244,970	$ 99,958	$ 5,436	$ 227,644	$ 198,837	$ (922,459)	**$ 148,750**

	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15	Q1-16	Q2-16	**Q3-16**
FEC	30-Sep-14	31-Dec-14	31-Mar-15	30-Jun-15	30-Sep-15	31-Dec-15	31-Mar-16	**30-Jun-16**
Sales	$ 222,063	$ 327,009	$ 381,876	$ 248,152	$ 295,314	$ 354,036	$ 397,350	**$ 262,439**
Cost of sales	140,575	211,593	198,685	176,400	157,377	234,445	194,907	**178,632**
Gross profit	81,488	115,416	183,191	71,752	137,937	119,591	202,443	**83,807**
Selling and administrative expenses	151,525	148,726	141,939	146,310	152,044	149,414	151,489	**146,860**
Finance costs	-	-	-	-	-	-	-	**-**
Income taxes	(18,208)	(8,649)	10,732	(18,988)	(2,872)	(7,759)	13,247	**(12,913)**
Net income (loss)	$ (51,829)	$ (24,661)	$ 30,520	$ (55,570)	$ (11,235)	$ (22,064)	$ 37,707	**$ (50,140)**

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 decrease in net operating results from Q4-14 to Q1-15 is due primarily to lower sales in Q1-15 compared to Q4-14.
- The decrease in net operating results from Q1-15 to Q2-15 is due primarily to lower sales in Q2-15 compared to Q1-15.
- The decrease in net operating results from Q2-15 to Q3-15 is due primarily to higher administrative expenses in Q3-15 compared to Q2-15.
- The increase in net operating results from Q3-15 to Q4-15 is due primarily to higher sales in Q4-15 compared to Q3-15.
- The decrease in net operating results from Q4-15 to Q1-16 is due primarily to lower sales, partially offset by lower operating expenses, in Q1-16 compared to Q4-15.
- The decrease in net operating results from Q1-16 to Q2-16 is due primarily to lower gross margin, a foreign exchange loss and higher selling and administrative expenses, in Q2-16 compared to Q1-16.
- The increase in net operating results from Q2-16 to Q3-16 is due primarily to the foreign exchange loss in Q2-16 as compared to the foreign exchange gain in Q3-16.

Liquidity and Capital Resources

Operating Activities

Cash used in operating activities amounted to $526,639 in Q3-16, compared to cash provided by operating activities of $732,580 in Q3-15. The change is due primarily to the change in non-cash operating working capital and the unrealized foreign exchange gain in Q3-16 as compared to Q3-15.

Cash used in operating activities increased to $4,212,840 for YTD – Q3-16 from $3,070,089 for YTD – Q3-15 due primarily to increases in finance receivables and income taxes receivable during YTD – Q3-16.

Except for the collection of finance receivables, we expect our operating activities to continue to use cash as our working capital requirements increase to support growth in our sales.

Investing Activities

Cash used in investing activities increased to $503,432 in Q3-16 from $37,582 in Q3-15 due to the acquisition of IREC Corporation and an increase in purchases of equipment in Q3-16 as compared to Q3-15.

Cash used in investing activities increased to $662,603 for YTD – Q3-16 from $295,654 for YTD – Q3-15 due to the acquisition of IREC Corporation and an increase in purchases of equipment during YTD – Q3-16 as compared to YTD – Q3-15.

We have not entered into any proposed material asset or business acquisition or disposition agreements, and we do not anticipate to significantly increase our investment in capital expenditures in Q4-16.

Financing Activities

Cash provided by financing activities amounted to $3,352,286 in Q3-16, compared to cash used by financing activities of $2,000,562 in Q3-15 due primarily to the proceeds from operating loans in Q3-16.

Cash provided by financing activities decreased to $4,110,294 for YTD – Q3-16 from $7,236,872 for YTD – Q3-15 due primarily to the proceeds from issuance of shares during YTD – Q3-15.

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 to the anticipated increase in sales orders from related parties for the expansion of the Billy Beez family entertainment centres.

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, trade receivables, cash from operations, and borrowings (see "Credit Facilities") as follows:

- Cash and cash equivalents of $4,166,622 at June 30, 2016 (September 30, 2015 – $4,947,024).
- Trade and other receivables of $5,834,812 at June 30, 2016 (September 30, 2015 – $6,873,151).

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

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

The Corporation funds its working capital requirements in part with cash and cash equivalents, and an available Overdraft Facility of $600,000, an Operating Loan Facility of U.S. $2,500,000 ($3,252,000 in Canadian dollars), and a Securitization Facility of U.S. $7,920,000 ($10,303,000 in Canadian dollars), 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. Although the servicing of finance receivables remains our responsibility, securitization debt is non-recourse to the Corporation and the 10% holdback represents our maximum exposure to impaired finance receivables.

Our debt is subject to a number of covenants and restrictions including the requirement to meet certain financial ratios and financial condition tests. At June 30, 2016, 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 large Canadian financial institution (the "Bank"), as amended on January 26, 2016:

(a) *Overdraft Facility*

The Overdraft Facility is a demand revolving loan of up to $600,000 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 U.S. $2,500,000 ($3,252,000 in Canadian dollars) ("Operating Loan Facility") and a trade invoice non-recourse financing facility in the form of a demand revolving line of U.S. $7,920,000 ($10,303,000 in Canadian dollars) ("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 U.S. $1,440,000 ($1,873,000 in Canadian dollars) for the purchase of foreign exchange forward contracts and options up to an aggregate of U.S. $8,000,000 ($10,407,000 in Canadian dollars), with a maximum maturity of 12 months.

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 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 of 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.

As described above in "Credit Facilities", we have a demand revolving line of U.S. $1,440,000 ($1,873,000 in Canadian dollars) to purchase foreign exchange forward contracts and options up to an aggregate of U.S. $8,000,000 ($10,407,000 in Canadian dollars), 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, 2016 the Corporation had foreign exchange forward contracts maturing at various dates from September 6, 2016 to May 30, 2017, with an aggregate commitment to sell $6,000,000 U.S. dollars and receive $7,785,642 Canadian dollars, resulting in an unrealized gain of $37,372. At September 30, 2015, there were no foreign exchange forward contracts 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 and cash equivalents, 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 and cash equivalents is limited because these financial assets are held through a large Canadian financial institution with a high investment grade rating.

We perform ongoing credit evaluations of our customers, and we carry third party insurance that limits our exposure to approximately 10% of the bad debt amount from impaired finance receivables and insured trade receivables.

Trade receivables with Billy Beez represent approximately 86% of the balance of trade receivables at June 30, 2016 (September 30, 2015 – 90%). It is the opinion of management that these accounts do not represent a significant credit risk.

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, 2016, the Corporation's operating loans of $686,875 and securitization debt of $3,432,815 are 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 certain legal actions in the ordinary course of business due primarily to personal injury claims from the use of play structure equipment we have supplied to various 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

The Corporation recorded the following sales in U.S. dollars to various entities controlled by FAS (the "Affiliates"):

	Three months ended June 30,		Nine months ended June 30,	
	2016	2015	**2016**	2015
Sales in U.S. dollars	**$ 1,388,094**	$ 1,520,537	**$ 3,079,594**	$ 4,160,733
Equivalent in Canadian dollars	**1,781,516**	1,860,912	**4,129,365**	4,994,279

The Corporation's finance receivables and trade and other receivables include the following amounts denominated in U.S. dollars that are due from the Affiliates:

	June 30, 2016	September 30, 2015
Balance in U.S. dollars	**$ 3,850,428**	$ 4,641,192
Equivalent in Canadian dollars	**5,009,022**	6,216,413

Outstanding Share Capital

At June 30, 2016 and August 10, 2016, the Corporation had 20,870,187 common shares and 1,065,000 warrants issued and outstanding, and 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.

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