

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis (“MD&A”) has been prepared as of October 27, 2017 and is intended to assist in understanding the results of operations and financial conditions of Network Media Group Inc. (“Network” or “the Company”). This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the three and nine months ended August 31, 2017, the audited consolidated financial statements and accompanying notes for the year ended November 30, 2016 and other public disclosure documents of Network. The unaudited condensed interim consolidated financial statements and accompanying notes for the three and nine months ended August 31, 2017 and 2016 have been prepared in accordance with International Financial Reporting Standards (“IFRS”). In this MD&A, the term IFRS or GAAP refers to generally accepted accounting principles in Canada after the adoption of IFRS.

Network is a public company incorporated under the Business Corporation Act of the Province of British Columbia whose common shares are traded on the TSX Venture Exchange (“TSX”) admitted on December 30, 2010 (symbol “NTE.V”). Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Forward-looking Statements

To the extent any statements made in this MD&A contain information that is not historical, these statements constitute “forward-looking information” under applicable Canadian securities laws and are based on expectations, estimates and projections. These statements are necessarily based upon management’s perceptions, beliefs, assumptions and expectations of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by management of the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies that could result in the forward-looking information ultimately, perhaps materially, being incorrect. Words such as “expects”, “anticipates”, “intends”, “plans”, “estimates”, “believes”, “may”, and variations of such words and similar expressions, are intended to identify such forward-looking information.

All forward-looking information in this MD&A involves known and unknown risks, uncertainties and other factors that are beyond the control of the Company and may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Such risk factors include, but are not limited to: the Company’s ability to attract foreign and domestic broadcasters and distributors for its programs, whose purchase/licensing patterns and own consumer markets may change, having a material impact on the Company’s revenues and future business opportunities; audience acceptance of the Company’s programs; the Company’s ability to recoup production costs; the availability of tax credits; conditions in the entertainment industry generally; sales cycles, consumer demand and the timing of third party broadcaster and distributor licensing decisions; failure by third party broadcasters and distributors to honour the terms of contracts/licenses entered into with the Company, or comply with the payment terms contained in those contracts/licenses; the timing of when the proceeds of broadcaster and distributor licenses meet the Company’s revenue recognition criteria; disruption of the timing for delivery of the Company’s products to its broadcasters and distributors for reasons including, but not limited to, production schedule changes, availability of production crew, travel disruption and personal

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

schedules of key talent, all of which can prolong delivery times and delay the timing of release of the Company's products to the public and ultimately delay receipt of licensing and broadcasting fees; fluctuations in currency exchange rates; changes in accounting standards; changes in technology and capital expenditure requirements; acquisitions that Network may undertake in the future; and changes in laws or regulations applicable to the Company's business, or the interpretation or application of those laws and regulations. These risk factors are not intended to represent a complete list of the factors that could affect the Company and the reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information. There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could vary or differ materially from those anticipated in such information.

Forward-looking information is provided for the purpose of giving readers more insight into the Company's future financial and operational results, based on management's expectations. Readers are cautioned that the information may not be appropriate for other purposes. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, or to explain any material difference between subsequent actual events and such forward-looking information, except to the extent required by applicable law.

Material assumptions within the forward-looking information are in the section ***Revenue Recognition and Forward-Looking Statements***.

Readers are also directed to review the "Risks and Uncertainties" section of the MD&A for the year ended November 30, 2016.

Overview and Business Developments

Network develops, produces and exploits film and television properties, and also provides production services to third parties.

During the nine months ended August 31, 2017, the Company completed production on a "work for hire" documentary series for *Discovery Channel* plus a proprietary project entitled *I Am Heath Ledger*. In addition, Network also continued production on two other additional proprietary projects namely; *I Am Sam Kinison*, and *I Am Martin Luther King Jr.*, as well it commenced pre-production on 4 additional proprietary production and has been in negotiations with various broadcasters for additional multi-episode series contracts.

For the third quarter of 2017, the Company realized the following:

- Revenues of:
 - \$0.15M (2016 - \$2.0M) for three months ended, and;
 - \$4.3M (2016 - \$7.6M) for nine months ended.

- Net income/(loss) of:
 - \$(307,709) (2016 - \$46,702) for three months ended, and;
 - \$161,362 (2016 - \$1,028,721) for nine months ended.

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

- EBITDA of
 - \$(190,350) (2016 - \$185,055) for three months ended, and;
 - \$476,533 (2016 - \$1,423,300) for nine months ended.

- Income/(Loss) per share of:
 - \$(0.01) (2016 - \$0.00) for three months ended, and;
 - \$0.00 (2016 - \$0.02) for nine months ended.

- EBITDA per share of:
 - \$(0.00) (2016 - \$0.00) for three months ended, and;
 - \$0.01 (2016 - \$0.03) for nine months ended.

Distribution and Revenue Model

Network generates revenue from a variety of sources. The main sources are: (1) licensing to television networks, distributors, and syndicators which provide a fixed license fee payable or minimum guarantees on royalties in periodic installments; (2) ancillary distribution including DVD/digital distribution, plus online/Video on Demand (“VOD”) sales; and (3) third party service work.

(1) Television Licensing

Whether licensing to television broadcasters or distributors, the licensing of commercial television is generally accomplished pursuant to agreements which allow a fixed number of telecasts over a prescribed period of time in a specified territory for a license fee. Television license fees vary widely from several hundred thousand to millions of dollars depending on whether the broadcaster is a conventional network or cable TV operator. Other considerations that determine the license fees paid include the television or film production’s market recognition (brand equity); attached brands (talent or organization); the overall creative; and, the number of times it may be broadcast for prime time or off time telecasting.

(2) Distribution

Network finances its proprietary productions through license fees and minimum guarantees from domestic and international distributors. Once minimum guarantees have been reached, Network participates in all future revenues. The distributors typically receive a fee plus expenses equaling 25-30% of the sale with the residual going to Network.

Network strives to retain rights to popular online distribution territories. Shows like *I Am Chris Farley* have strong appeal with today’s generation who live on-line. Online distribution provides additional sales primarily through the following mediums:

- Digital download and DVD/Bluray sales and rentals are a key component for selected Network properties: and;
- Online, VOD and mobile distribution initiatives.

(3) Third party service work

Network not only produces its own proprietary content, but also works with other major studios/broadcasters to produce properties those third parties will own. Network will work on a concept and pitch the idea to these studios/broadcasters for a project. Often, these

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

studios/broadcaster will want to own the concept or idea outright. In such a situation, they will typically fund 100% of the project's budget (net of tax credits) and hire Network to produce the project for them. Network typically will not participate in future revenue streams with these third parties, but it does help create strong partnerships and immediate cash flow and profits for the Company.

Operations & Outlook

Network continues to build its production slate in all forms of filmed content, including its three primary silos: feature length films, television series, and television specials, while continuing to aggressively pursue new opportunities. The Company works closely with selected broadcasters, distributors, and exhibitors, all of which are leaders in the global marketplace, to maximize the distribution and financial opportunities for its films, series and specials across all media and platforms. Produced for theatrical, television, and home entertainment distribution and exhibition, and complementary publishing initiatives, these productions are the foundation of Network's brand and statement of quality to the marketplace.

The revenues recorded for the third quarter of fiscal 2017 were low comparative to revenues in previous quarter because the Company did not deliver a proprietary project and its "work for hire" project with *Discovery* completed in the prior quarter. During the comparative quarters of 2016, the Company had a historically high level of production, as it completed production on its proprietary projects *The Cowboy*, and *I Am JFK, Jr.*, made final deliveries of *I Am Johnny Cash* and completed production on a seven part documentary series entitled *Facing for National Geographic*.

However, the Company continued to expand its slate of projects as it continued work on two proprietary projects, *I Am Sam Kinison* and *I Am Martin Luther King Jr.*, and also commenced pre-production on four additional *I Am* projects. Network also ramped up its business development efforts and was advanced negotiations with several broadcasters seeking to secure a full production slate for the end of fiscal 2017 which will be fully realized in fiscal 2018.

Network measures its production activity based on the gross budgets of the productions commenced or completed during the respective time periods noted below. These budgets are funded by a combination of revenues received from third party license and distribution fees, tax credits, internally financed costs and third party service work. They represent the "on-screen" value of Network's projects during the respective periods and can be expressed in the following manner:

	<u>Ended August 31, 2017</u>	<u>Ended August 31, 2016</u>	<u>% change</u>
Production activity in the last 12 months	\$ 6,722,123	\$ 8,277,919	-19%
Fiscal year to date (9 months ending)	\$ 5,985,236	\$ 6,972,346	-14%

The current period was slower from a production basis compared to last year's historically high levels. Although the production levels were lower, management was very active as it continues to seek out new projects in order to build upon the Company's momentum and growth.

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financing

During the nine months ended August 31, 2017, the Company's operations were financed by cash generated from operating activities, share issuances, and interim production financing.

The Company has received loans from two separate parties; a third party at arm's length to the Company and the Chairman of the Board of Directors of the Company, to assist in financing its operations. These loans were in the form of a debenture and promissory notes and as at August 31, 2017, a total of \$1,186,177 remains owing. During the nine months ended August 31, 2017, the Company repaid the principal on a promissory note held by the Company's Chairman in the amount of \$50,000.

These debentures accrue interest at a rate of 8% per annum, payable semi-annually, and grant the holders a royalty on net profits from certain film properties completed prior to the date of the debenture as well as from all film properties greenlit during the term of the debenture. The Company is required to pay the holders of the debentures a royalty in respect of each \$1.00 of the principal outstanding, both before and after maturity, equal to 0.00000091% of the net profits of the film properties. The debenture held by a Director of the Company has a maturity date of December 31, 2017.

The Company also continued to finance its productions by way of advances received from the individual production's funding partners, as well as interim production loans for each of its respective subsidiaries which produce its individual proprietary productions.

During the quarter, the Company received \$1,670,793 of interim production loans which are secured by future contracted funding from broadcasters and distributors as well as the government labour tax credits expected to be received. The Company also repaid \$824,000 of interim funding received in prior periods during the quarter.

The Company also received \$112,000 from the exercise of stock options during the quarter resulting in the issuance of 735,000 common shares.

Revenue Recognition and Forward-Looking Statements

The Company follows a revenue recognition policy that is standard to the film industry (Note 3 of the audited financial statements for the year ended November 30, 2016). Under this policy the Company cannot record revenues for a film or episode where the copyright is owned by the Company (referred to as proprietary productions) until all of the following events have occurred:

1. The film or episode is in finished and final form;
2. A buyer has signed an agreement to purchase the film or episode;
3. Network has shipped the film or episode to the buyer as required under the purchase agreement;
4. The price agreed between the buyer and Network can be determined as a final amount;
5. It is reasonable for Network to conclude it will receive the amount that the buyer has agreed to pay;
6. All conditions of the purchase agreement between Network and the buyer have been met.

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The expenses and revenues attributable to any specific film or television episode are significant and it is typical that the revenue received, and the associated production costs are deferred until all of the above factors are satisfied.

If the project is a "work-for-hire" scenario where the Company does not own the copyright to the production (referred to as service work), then the Company records the revenue on a percentage of completion basis. In this scenario, the costs to date are compared to the estimated final costs of the project and the percent complete is applied to the total contracted value of the project. Where the Company receives funds in excess of what the percent completion calculation provides, this excess is recorded as deferred revenue.

Forward-looking and partially earned revenue

The performance (or period to period earnings comparisons) of small entertainment companies like Network can often be difficult to analyze and assess. As such, the Company feels it is necessary to provide some additional information in order that a meaningful assessment of the Company's potential future financial performance and earnings may be made.

Network is often in receipt of payments in advance of the project being completed or has money due in respect of work completed. Production contracts and funding for a film or television property are typically secured well in advance of completion and delivery of that project. Practically speaking, the only significant element of uncertainty is the specific accounting period in which revenue earned by the Company can be recorded due to the requirements of its revenue recognition policy as described above.

The Company has certain projects currently in production which have been sold to buyers under binding purchase agreements. Deferred revenue totaling \$1,349,177 as at August 31, 2017, represents funding received on these projects.

Below is an estimate of the revenue expected to be generated from these projects:

Contracted Future Production Revenues	\$ Millions
Deferred revenue as at August 31, 2017	\$ 1.3
Contracted future revenue	2.5
Total expected revenue - contracted	\$ 3.8
Revenues expected within 1 to 6 months	\$ 2.1
Revenues expected within 6 to 12 months	\$ 1.7

As stated above, under IFRS the Company is not able to recognize revenue until all of the above-mentioned conditions have been met. As at August 31, 2017, Network has contracts for, but not recognized, additional revenues of \$2.5 million that have yet to be recorded as revenue or deferred revenue, but is expected to be received and recognized as revenue within the next fiscal year.

NETWORK MEDIA GROUP INC.
For the three and nine months ended August 31, 2017
MANAGEMENT’S DISCUSSION AND ANALYSIS

The above statements regarding the Company’s anticipated, or contracted for, future revenue constitutes “forward-looking information” under applicable Canadian securities laws – readers are directed to refer to the Forward-Looking Statement disclosure at the beginning of this MD&A. The above calculations are based on expectations, estimates and projections as of the date of this MD&A and are necessarily based upon assumptions and expectations regarding future production revenues and partial revenues generated from projects under contract. Estimates of future revenues are based on the terms of contracts entered into. Such assumptions and expectations include, but are not limited to the following: the terms of the contracts will not be altered; delivery of the Company’s products will occur as scheduled; the purchasing party will make payment as and when due under the contract, and will comply with all payment terms; the US-Canadian currency exchange rates remain stable (assumed to be 1.25 Cdn-USD for the purposes of the estimates made herein); no unforeseen event interrupts business in the ordinary course; and the purchasing party will pay, or has paid, Network on a pro-rata to percent completed for a film or episode that is in progress. Should conditions change, the above revenue estimates may not be met and actual result may differ, perhaps materially.

Selected Quarterly Information

The selected quarterly information provided below has been derived from Network’s unaudited condensed interim consolidated financial statements for the quarter ended August 31, 2017:

Summarized Statement of Financial Position

	As at August 31, 2017	As at November 30, 2016
<u>Consolidated Summary of Financial Position</u>		
Cash and cash equivalents	\$ 559,279	\$ 443,302
Current assets	3,050,727	3,384,333
Investment in film and television	4,067,415	2,682,970
Total assets	7,974,218	6,535,064
Current liabilities	6,827,789	4,695,883
Total liabilities	6,827,789	5,708,840
Shareholder' equity	1,146,429	826,224
Working capital deficiency	\$ (3,777,062)	\$ (1,311,550)

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Income and Comprehensive Income

	Three months ended		Nine months ended	
	August 31, 2017	August 31, 2016	August 31, 2017	August 31, 2016
Total revenue	\$ 150,454	\$ 2,048,895	\$ 4,310,143	\$ 7,639,138
Production costs	92,095	1,248,720	2,770,256	4,749,838
Amortization of film and television properties	72,886	390,798	641,055	902,007
Amortization of acquired program rights	-	-	-	26,667
Amortization of property and equipment	27,117	20,329	79,930	60,306
General and administrative	138,319	218,056	345,902	539,664
Impairment of investment in film and television properties	-	-	34,440	13,853
Selling and distribution	44,055	6,266	89,752	25,049
Share-based compensation	16,774	51,774	45,325	59,642
Foreign exchange loss	7,033	18,892	18,462	57,253
Forgiveness of debt and reversal of accounts payable	-	(1,482)	-	(1,482)
	398,279	1,953,353	4,025,122	6,432,797
Earnings/(Losses) before financing expense	(247,825)	95,542	285,021	1,206,341
Financing expense, net	59,884	39,558	122,141	125,121
Income and comprehensive income for the period	(307,709)	55,984	162,880	1,081,220
Income attributed to non-controlling interest	-	(9,282)	(1,518)	(52,499)
Income/(Loss) attributed to shareholders of the Company	\$ (307,709)	\$ 46,702	\$ 161,362	\$ 1,028,721
Income/(Loss) per share				
- basic	\$ (0.01)	\$ 0.00	\$ 0.00	\$ 0.02
- diluted	\$ (0.01)	\$ 0.00	\$ 0.00	\$ 0.02
Weighted average number of shares outstanding				
- basic	55,935,373	54,400,373	55,657,800	54,400,373
- diluted	56,979,614	59,540,410	61,020,106	56,887,671
EBITDA	\$ (190,350)	\$ 185,055	\$ 476,533	\$ 1,423,300
EBITDA per share	\$ (0.00)	\$ 0.00	\$ 0.01	\$ 0.03

Non-IFRS Measures

In addition to results reported in accordance with IFRS, the Company reports using certain non-IFRS financial measures as supplemental indicators of the Company's financial and operating performance. These non-IFRS financial measures include EBITDA. The Company believes these supplemental financial measures reflect the Company's on-going business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in its business.

The Company defines EBITDA as earnings before interest, taxes, depreciation and amortization (excluding amortization of Investment in film and television properties), adjusted for certain items affecting comparability as specified in the calculation of operating earnings. EBITDA is presented on a basis consistent with the Company's internal management reports. The Company discloses EBITDA to capture the profitability of its business before the impact of items not considered in management's evaluation of operating performance. Unless otherwise stated, the Company includes the amortization of Investment in film and television in the calculation of EBITDA. EBITDA does not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. The Company cautions readers to consider these non-IFRS financial measures in addition to, and not as an alternative for, measures calculated in accordance with IFRS.

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overall Financial Position – Third Quarter Fiscal 2017

Earnings before financing expense decreased \$921,320 to a earnings of \$285,021 for the nine months ended August 31, 2017, as compared to earnings of \$1,206,341 in 2016. In addition, EBITDA decreased \$946,767 to \$476,533 for the nine months ended August 31, 2017, as compared to \$1,423,300.

Further analysis is provided in the discussion of segmented results below in *Results of Operations*.

The \$1,439,154 increase in total assets to \$7,974,218 was primarily due to an increase investment in film and television properties. These increases are due to amount of productions in progress as at the end of the third quarter.

The \$1,118,949 increase in total liabilities to \$6,827,789 was due to the additions to the additional interim production financing and deferred revenue recorded in the quarter.

In addition, the Company's working capital has worsened by \$2.5M from a deficiency of \$1.3M as at November 30, 2016 to a deficiency of \$3.8M as at August 31, 2017. This is primarily due to the increase in deferred revenue and interim production financing, as well as the fact that its debt outstanding has been re-classified as current liability in the current period. Management does not see this as indication of weakening financial position of the Company because the money received from deferred revenues and interim production financing (a current liability on the balance sheet) is invested into a long-term asset, its investment in film and television properties.

Results of Operations

Three months ended August 31, 2017 compared to the three months ended August 31, 2016

Revenue

Total revenue decreased by \$1,898,441 to \$150,454 in Q3 2017 from \$2,048,895 in Q3 2016. The large decrease is because in Q3 2016 the Company recorded a historically high of work for *National Geographic*, and its delivery of *I Am JFK Jr*. In the current quarter, the cyclical nature of the industry is evident. The Company was between service contracts with the completion of the *Discovery* series and it did not delivery a proprietary project, thus the revenues for the quarter are historically low. Production and business development efforts continue to be high with six proprietary projects in progress at quarter-end.

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the breakdown of revenue:

	Three months ended		Three months ended
	August 31,		August 31,
	2017		2016
Contract production services revenue	\$ 87,600	\$	1,248,529
Production revenue	-		647,475
Distribution and royalty revenue	62,197		151,895
Other revenue	657		996
	\$ 150,454	\$	2,048,895

Contract production services revenue decreased \$1,160,929 to \$87,600 in Q3 2017 from \$1,248,529 in Q3 2016. The large decrease is due to the completion of the *Discovery* series last quarter, while in Q3 2016, the Company was still in production with the *National Geographic* series. The revenues for the current quarter is due to the work with the *Hockey Hall of Fame* updating the animation on the previously released movie *Stanley Cup Odyssey*.

Production revenue decreased \$647,475 to \$nil in Q3 2017 from \$647,475 in Q3 2016. The decrease is because the Company did not release a proprietary production during the quarter as it did in the previous year. The Company's revenue recognition policies only allow for it to record revenue when it has delivered a project to the broadcaster or distributor. Although the Company was in various stages of production on six proprietary projects at quarter-end, it did not delivery a show in the quarter, thus unable to record production revenue.

Distribution and royalty revenue decreased \$89,698 to \$62,197 in Q3 2017 as compared to \$151,895 in Q3 2016. The relative decrease is due to amount of success the Company realized with *I Am Chris Farley* in the VOD markets in 2016.

Additional information about future revenue of the Company can be found at section ***Revenue Recognition and Forward-Looking Statements***.

Production costs

Production costs decreased \$1,156,625 in Q3 2017 to \$92,095 as compared to \$1,248,720 in Q3 2016. The decrease was due relatively small amount of service (contract) work the Company performed in the quarter, where last year it was working on the *National Geographic* series while only working on the *Hockey Hall of Fame* project this year.

Amortization of film and television properties and acquired properties

Amortization of film and television properties expense decreased \$317,912 in Q3 2017 to \$72,886 as compared to \$390,798 in Q3 2016. The decrease is due to the amortization recorded on the release of *I Am JFK Jr.* in the prior year, whereas there were no releases of proprietary projects in the current quarter.

NETWORK MEDIA GROUP INC.
For the three and nine months ended August 31, 2017
MANAGEMENT’S DISCUSSION AND ANALYSIS

Amortization of acquired properties reduced to \$nil in the current period because the asset was fully amortized in fiscal 2016.

Amortization of property and equipment

Amortization of property, plant and equipment increased \$6,788 in Q3 2017 to \$27,117 as compared to \$20,329 in Q3 2016 due to equipment purchases and an increased carrying value of the assets in the current period.

General and administration expense

General and administration expenses increased \$79,737 to \$138,319 in Q3 2017 from \$218,056 in Q3 2016. Overall, the decrease is due to lower salaries and wages and reduced professional fees for the quarter.

A detailed breakdown of these expenditures is as follows:

	Three months ended	Three months ended
	August 31,	August 31,
	2017	2016
	<hr/>	<hr/>
Interest and bank charges	\$ 6,551	\$ 5,831
Office and general	12,923	14,022
Insurance	5,565	8,188
Professional fees	25,295	42,275
Rent and utilities	11,480	3,304
Salaries and wages	26,150	118,678
Transfer agent and filing fees	4,653	9,702
Travel	45,703	16,056
	<hr/>	<hr/>
	\$ 138,319	\$ 218,056
	<hr/>	<hr/>

Impairment of projects in development

Network recorded impairment of development properties of \$nil in Q3 2017 and 2016. Impairments are the result of management’s decision to cease further development of certain projects, which resulted in the write-off of the projects carrying values.

Selling and distribution

Selling and distribution expenses increased \$37,789 to \$44,055 in Q3 2017 from \$6,266 in Q3 2016. The increase was due to the promotional costs on the release of *I Am Heath Ledger* as well as the accrual of royalties owed on distribution revenues received.

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Share-based compensation

Share-based compensation decreased \$35,000 to \$16,774 in Q3 2017 from \$51,774 in Q3 2016. The decrease is due to fewer options vesting in the quarter as was calculated using the Black-Scholes model.

Net financing expense

Total net financing expense increased \$20,326 in Q3 2017 to \$59,884 as compared to \$39,558 in Q3 2016. This increase is due to amount of interim production loans associated with projects that have been released in prior periods such that the interest on the loans is expensed rather than being recorded as an investment in film and television properties.

Income/Loss for the quarter

Loss for the three months ended August 31, 2017 is \$307,709 compared to income of \$46,702 for the quarter ended August 31, 2016, resulting in a loss per share of \$0.01 (2016 - \$0.00) for the period.

EBITDA for the three months ended August 31, 2017 is \$(190,350) compared to \$185,055 for 2016, resulting in EBITDA per share of \$(0.00) (\$0.00 – 2016)

Nine months ended August 31, 2017 compared to the nine months ended August 31, 2016

Revenue

Total revenue decreased \$3,328,995 in Q3 2017 to \$4,310,143 from \$7,639,138, in Q3 2016. The decrease was primarily because in 2016 the Company released of *The Cowboy* series, *I Am JFK Jr.* and was working on the *National Geographic* series. In the current year, the Company released *I Am Heath Ledger* and completed the *Discovery* series.

The following table shows the breakdown of revenue:

	Nine months ended August 31, 2017	Nine months ended August 31, 2016
Contract production services revenue	\$ 3,314,096	\$ 5,837,263
Production revenue	804,714	1,485,941
Distribution and royalty revenue	170,708	303,954
Other revenue	20,625	11,980
	\$ 4,310,143	\$ 7,639,138

Contract production services revenue decreased \$2,523,167 to \$3,314,096 in Q3 2017 from \$5,837,263 in Q3 2016. The decrease is due to the relatively higher budget of the *National Geographic* series completed last year as opposed the *Discovery* series completed this year.

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Production revenue decreased \$681,227 to \$804,714 in Q3 2017 from \$1,485,941 in Q3 2016. In 2017 the Company released *I Am Heath Ledger* while in 2016 *The Cowboy* and *I Am JFK Jr.* were released.

Distribution and royalty revenue decreased \$133,246 to \$170,708 in Q3 2017 as compared to \$303,954 in Q3 2016. The decrease is due to the success of *I Am Chris Farley* in the VOD markets that the Company realized in 2016.

Additional information about future revenue of the Company can be found at section ***Revenue Recognition and Forward-Looking Statements.***

Production costs

Production costs decreased \$1,979,582 in Q3 2017 to \$2,770,256 as compared to \$4,749,838 in Q3 2016. The decrease was due relatively smaller amount of service (contract) work the Company performed in the quarter, where last year it was working on the *National Geographic* series while it worked on the *Hockey Hall of Fame* project and the *Discovery* series this current year.

Amortization of film and television properties and acquired properties

Amortization of film and television properties expense decreased \$260,952 in Q3 2017 to \$641,055 as compared to \$902,007 in Q3 2016. In 2017 the Company recorded the bulk of the amortization upon the release of *I Am Heath Ledger* while in 2016 *The Cowboy* and *I Am JFK Jr.* were released and amortized.

Amortization of acquired properties reduced to \$nil in the current period because the asset was fully amortized in fiscal 2016.

Amortization of property and equipment

Amortization of property, plant and equipment increased \$19,624 in Q3 2017 to \$79,930 as compared to \$60,306 in Q3 2016 due to equipment purchases and an increased carrying value of the assets in the current period.

General and administration expense

General and administration expenses decreased \$193,762 to \$345,902 in Q3 2017 from \$539,664 in Q3 2016. This decrease is due to the projects in production assuming a portion of the operating and overhead expenses during the current period while the increase in travel is due to heavier business development efforts respectively.

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

A detailed breakdown of these expenditures is as follows:

	Nine months ended	
	August 31,	Nine months ended
	2017	August 31,
	2016	2016
Interest and bank charges	\$ 20,783	\$ 13,355
Office and general	43,240	121,057
Insurance	17,278	14,428
Professional fees	60,454	110,392
Rent and utilities	16,919	57,658
Salaries and wages	99,634	163,541
Transfer agent and filing fees	19,798	20,260
Travel	67,797	38,973
	\$ 345,902	\$ 539,664

Impairment of projects in development

Network recorded impairment of development properties of \$34,440 in Q3 2017 compared to \$13,853 in Q3 2016. Impairments are the result of management's decision to cease further development of certain projects, which resulted in the write-off of the projects carrying values.

Selling and distribution

Selling and distribution expenses increased \$64,703 to \$89,752 in Q3 2017 from \$25,049 in Q3 2016. The increase was due to the promotional costs on the release of *I Am Heath Ledger* as well as the royalties owed on the receipt of distribution revenues.

Share-based compensation

Share-based compensation decreased \$14,317 to \$45,325 in Q3 2017 from \$59,642 in Q3 2016. The decrease is due to fewer options vesting in the period as was calculated using the Black-Scholes model.

Net financing expense

Total net financing expense decreased \$2,980 in Q3 2017 to \$122,141 as compared to \$125,121 in Q3 2016. The relative loan balances during the respective periods was comparable and the interest rates on the loans was consistent, resulting in a marginal change over the respective periods.

Income for the period

Income for the nine month period ended August 31, 2017 were \$161,362 as compared to income of \$1,028,721 for the nine month period ended August 31, 2016, resulting in an loss per share of \$0.00 (2016 - \$0.02) for the period. EBITDA for the nine months ended August 31, 2017 is 0.01 compared to \$1,423,300 for 2016, resulting in EBITDA per share of \$0.01 (\$0.03 – 2016).

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Quarterly Results

Below is summary information for the last eight financial quarters. All periods presented have been prepared in accordance with IFRS.

000's of dollars, except per share figures	Quarter ended								
	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Total revenue	\$ 150	\$ 2,248	\$ 1,912	\$ 471	\$ 2,049	\$ 2,983	\$ 2,607	\$ 1,627	\$ 515
Income (loss) and comprehensive income (loss)	(308)	387	83	(550)	56	411	614	504	(50)
Income (loss) attributed to shareholders of Network Media	(308)	387	82	(529)	47	396	586	485	(50)
Income (loss) per share - basic and diluted	\$ (0.01)	\$ 0.01	\$ -	\$ (0.01)	\$ -	\$ 0.01	\$ 0.01	\$ 0.01	\$ -

The quarterly information is unaudited, but reflects all adjustments of a normal, recurring nature, which are, in our opinion, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons in the financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

Liquidity and Capital Resources

Network's liquidity needs can be met through a variety of sources. Network generates cash from operations, by borrowing against earned tax credits through operating lines of credit and through stock issuances. The primary uses of cash are operating expenses, capital expenditures, interest and principal payments on current debt, and investments in its development slate.

Overall, the Company's cash and cash equivalents position increased by \$115,977 between November 30, 2016 and August 31, 2017. This increase primarily reflects the Company's cash generation from operation and receipt of advances for projects and interim production financing.

Cash provided by operating activities in the nine months ended August 31, 2017, was \$1,508,060, compared to a provision of \$1,816,664 in the 2016 comparative period. This decrease of \$308,604 is the result of less profitable operations for the nine month period.

Cash provided by financing activities in the nine months ended August 31, 2017 was \$729,201, compared to a cash utilization of \$42,504 in the comparative period. In 2017, the Company received capital from interim production financing and the exercise of stock options, while it repaid \$1,053,592 of debt and interim production financing.

Cash used in investing activities in the nine months ended August 31, 2017 was \$2,121,284, compared to utilizing cash of \$1,628,311 in the comparative period. In both periods, the Company continued to invest in its film and television properties.

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Liquidity

The Company's capital management objectives are to maintain financial flexibility in order to pursue its strategy of production and distribution growth. The Company manages its capital structure in accordance with financial conditions and timing of various payments from production financings, third party broadcasters and distributors and from government tax credit programs. In order to maintain its capital structure, the Company may elect to issue or repay short-term debt, issue shares or undertake any other activities as deemed appropriate under the specific circumstances.

Throughout fiscal 2017 and 2016, a Director of the Company had short term loans, with the Company as evidenced by unsecured promissory notes that accrue interest at 8% per annum, paid semi-annually. The total amount outstanding under these promissory notes (including interest) as at August 31, 2017 was \$119,045 with \$50,000 being repaid during the period.

Also, the Company had \$1,078,885 of debentures on issue that accrued interest at a rate of 8% per annum payable semi-annually. For more details regarding these debt instruments, please refer to the heading titled "Financing" under the section "Overview and Business Development".

As at August 31, 2017, Network had a working capital deficit of \$3,777,062 compared to a deficit of \$1,311,550 at November 30, 2016. The working capital position deteriorated primarily due to the reallocation of the approximately \$1M of debentures from long-term to short-term debt, the receipt of interim production financing, and advances received which were recorded as deferred revenues. The funds received as deferred revenues and interim production financing are recorded as current liabilities, while these funds that are utilized by the investment in film and television properties is recorded as long-term assets, creating negative working capital.

Network believes that through operations, the Company's ability to negotiate short-term debt instruments, stock issuances, and interim production financing of its proprietary projects, it will generate sufficient liquidity to meet cash requirements for the next 12 months.

With its active and continuous search for new projects, management expects to continue to grow in both revenues and net income in fiscal 2018, with a goal to eliminate its working capital deficiency over the next couple years.

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Related party transactions

The Company has transacted business in the normal course with related parties and entities over which the related parties' exercises complete control. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Key management personnel consist of the Board of Directors and the named Officers of the Company who have authority and responsibility for planning, directing and controlling the activities of the Company.

During the nine month period ended August 31, 2017, the Company:

- paid or accrued wages to key management personnel in the following manner:
 - Recorded as general and administrative expenses - \$nil (2016 – \$101,697);
 - Recorded as direct production costs - \$168,685 (2016 - \$77,250), and;
 - Recorded as investment in film and television properties - \$262,176 (2016 – \$380,262).

These costs were paid to the following related parties:

- \$139,631 as salaries and wages to the CEO
 - \$139,631 as salaries and wages to the COO
 - \$66,100 as salaries and wages to the CFO, and;
 - \$85,500 for services of staff of a company controlled by the Chairman of the Board of Directors.
-
- recorded share-based compensation as general and administrative expenses upon the issuance of 3,502,000 stock option (2016 – 640,000) under the Company's stock option plan to directors and officers of the Company - \$37,109 (2016 - \$25,890).
 - incurred interest of \$68,700 (2016 - \$65,462) on short-term debt provided by the Chairman of the Board of Directors of the Company.
 - Repaid \$50,000 of principal and accrued interest on promissory notes held by Chairman of the Board of Directors.

At August 31, 2017, the Company owed \$143,444 (November 30, 2016 - \$214,551) to Directors and Officers of the Company. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

At August 31, 2017, the Company had secured promissory notes and debentures outstanding, including accrued interest, of \$119,045 and \$1,067,132 (November 30, 2016 - \$160,472 and \$1,007,005), respectively, owing to a Director of the Company. The secured promissory notes bear interest at 8% per annum, and are due on demand.

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Contractual obligations

The Company has entered into a lease commitment for office space and equipment which will require the following payments:

- \$46,580 in the fiscal year ended November 30, 2017
- \$190,707 in the fiscal year ended November 30, 2018
- \$123,600 in the fiscal year ended November 30, 2019
- \$100,587 in the fiscal year ended November 30, 2020
- \$33,893 in the fiscal year ended November 30, 2021

Capital Expenditures

The Company monitors its capital assets on a continual basis and replenishes on an as needed basis. In the upcoming year, the Company will be required to upgrade and expand its editing capabilities. The Company intends to seek capital leases to finance any significant asset acquisitions.

Stock Issuances

The following are the common share stock issuances of the Company for the nine months ended August 31, 2017:

(a) *Issued share capital*

The Company issued:

- i. 735,000 common shares with the exercise of stock options for proceeds of \$112,000, and;
- ii. 800,000 common shares in relation to the share exchange acquiring the remaining 4% of Network Entertainment Inc. at a fair value of \$0.275 per shares.

(b) *Share based payment reserve*

Pursuant to the Company's equity settled stock option plan, Directors may, from time to time, authorize the granting of options to Directors, employees and consultants of the Company to a maximum of 20% of the outstanding shares of the Company which was calculated to be 10,880,074 as at May 2, 2016. Options granted under the plan have contractual option terms not exceeding 10 years and vesting periods as determined by the Company's Board of Directors.

NETWORK MEDIA GROUP INC.
For the three and nine months ended August 31, 2017
MANAGEMENT'S DISCUSSION AND ANALYSIS

	As at August 31, 2017		As at November 30, 2016	
	Number of Options	Weighted Ave. Exercise Price	Number of Options	Weighted Ave. Exercise Price
Outstanding, beginning of period	6,326,280	\$ 0.18	5,440,037	\$ 0.18
Granted	4,047,000	\$ 0.14	1,186,243	\$ 0.20
Expired	(1,820,000)	\$ 0.20	(300,000)	\$ 0.10
Cancelled	(50,000)	\$ 0.20	-	\$ -
Exercised	(735,000)	\$ 0.15	-	\$ -
Outstanding, end of period	<u>7,768,280</u>	<u>\$ 0.16</u>	<u>6,326,280</u>	<u>\$ 0.18</u>

As at August 31, 2017, the following stock options are outstanding and exercisable:

<i>Number of options outstanding</i>	<i>Number of options exercisable</i>	<i>Exercise price</i>	<i>Remaining life (yrs)</i>	<i>Expiry</i>
250,000	250,000	\$ 0.07	1.45	February 12, 2019
2,060,037	2,060,037	\$ 0.20	1.87	July 16, 2019
300,000	300,000	\$ 0.10	2.49	February 26, 2020
439,963	52,463	\$ 0.20	1.87	July 16, 2019
671,280	447,521	\$ 0.20	3.91	July 28, 2021
4,047,000	337,250	\$ 0.14	4.91	July 27, 2022
<u>7,768,280</u>	<u>3,447,271</u>	<u>\$ 0.18</u>	<u>3.64</u>	

The Company uses the Black-Scholes option-pricing model to determine the estimated fair value, at the grant date, of the options issued. In all the calculations the annual dividend yield was assumed to be \$nil. All other assumptions are summarized below:

Grant Date	Options Granted	Exercise Price	Share Price	Annual Volatility Rate	Risk Free Interest Rate	Fair Value at Grant Date	Expected Life
Oct. 29, 2015	947,537	\$ 0.20	\$ 0.06	146%	0.82%	\$ 0.04	3.7
Mar 21, 2016	300,000	\$ 0.20	\$ 0.08	147%	0.66%	\$ 0.06	3.3
July 28, 2016	746,280	\$ 0.20	\$ 0.20	143%	0.65%	\$ 0.17	5.0
July 28, 2016	139,963	\$ 0.20	\$ 0.20	143%	0.65%	\$ 0.16	3.0
July 27, 2017	4,047,000	\$ 0.14	\$ 0.14	139%	1.58%	\$ 0.12	5.0

For the three and nine month periods ended August 31, 2017, the Company recognized compensation expense in relation to these options of \$16,774 and \$45,325 (2016 - \$51,774 and \$59,642).

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

(c) *Non-controlling interest*

Previously one shareholder of Network Entertainment Inc. elected not to participate in the share exchange with Network Media Group Inc. As a result, 800,000 common shares (approximately 4% of the share capital) of Network Entertainment Inc. was not converted to shares of the Company and were held privately by a third party.

On January 11, 2017, the Company and the shareholders of Network Entertainment Inc. entered into a share exchange agreement whereby the shareholders received 800,000 common shares of the Company in exchange for 800,000 shares of Network Entertainment Inc., which resulted in Network Entertainment Inc. being 100% owned by the Company and eliminated any non-controlling interest.

The non-controlling interest balance is comprised of the following:

Balance, November 30, 2015	\$ (115,256)
Non-controlling interest's share of income for Network Entertainment Inc. for the year	31,087
<hr/>	
Balance, November 30, 2016	(84,169)
Non-controlling interest's share of income for Network Entertainment Inc. up to January 11, 2017	1,518
Acquisition of outstanding shares of Network Entertainment Inc.	82,651
<hr/>	
Balance, August 31, 2017	\$ -

Risks arising from financial instruments

The fair values of the Company's financial instruments approximate the carrying values. The Company is exposed to various risks related to its financial instruments as follows:

(i) *Foreign exchange risk*

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has not entered into foreign exchange purchase contracts to manage its foreign exchange risk, because, in management's view, the cost of setting up the contracts is in excess of the risks associated with a sudden drop in the exchange rates. Management continually monitors the exchange rates and will enter into risk prevention measures when warranted.

A five percent fluctuation in the US dollar closing rate at August 31, 2017 would result in a change to comprehensive income of \$205,206 for the nine month period ended August 31, 2017 (2016 - \$375,792).

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As at August 31, 2017, the Company is also exposed to foreign exchange risk on its cash, accounts receivable, and accounts payable balances that are denominated in US dollars, as at August 31, 2017 being \$510,663 (2016 - \$224,129), \$29,206 (2016 - \$767,678), and \$1,061,619 (2016 - \$1,219,988) respectively.

A five percent fluctuation in the US dollar closing rate at August 31, 2017 would result in a change to comprehensive income of \$26,088 for the nine month period ended August 31, 2017 (2016 - \$14,946).

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is subject to credit risk with respect to cash and accounts receivable. The Company's maximum exposure to credit risk at the end of the reporting period is the carrying value of these assets.

Substantially all of the Company's customers are in the entertainment industry and are subject to normal industry credit risks. Credit risk is managed through a credit approval process and monitoring procedures.

All cash and cash equivalent balances are held at a major Canadian banking institution.

(iii) Interest rate risk

Interest rate risk arises on interest-bearing financial instruments recognised in the statement of financial position such as interim production financing.

If the market interest rates had changed 100 basis points, the Company's cost of capital would have fluctuated \$15,181 during the nine months ended August 31, 2017 (2016 - \$14,520).

(iv) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's liquidity needs can be met through a variety of sources. The Company generates cash from operations and by borrowing against earned tax credits and contracted revenue through operating lines of credit and issuances of common shares. The Company manages liquidity risk by continuously monitoring actual and forecast cash flows.

The Company will require additional capital in order to meet the payment expectations related to its debts. Accounts payable and accrued liabilities are due on standard commercial terms.

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital management

The Company's objectives when managing capital are to safeguard its assets, maintain a competitive cost structure, continue as a going concern in order to pursue the development of its film properties, and provide a return to its shareholders in the form of capital appreciation.

The Company's capital is comprised of the following:

	August 31, 2017	November 30, 2016
Debt payable	\$ 1,197,930	\$ 1,348,869
Financing lease obligations	11,829	29,021
Less: Cash and cash equivalents	(559,279)	(443,302)
Net debt	650,480	934,588
Total shareholders' equity	1,146,429	826,224
	\$ 1,796,909	\$ 1,760,812

In order to facilitate management of capital, the Company prepares annual expenditure budgets that are updated as necessary and dependent on various factors, including successful deployment of capital and industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company believes that through operations and production financing of its proprietary projects it will generate sufficient liquidity to meet cash requirements for the next twelve months.

Off-Balance Sheet Arrangements

There are no off-balance sheet obligations that are not disclosed in the financial statements.

Critical Accounting Estimates

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board and on a basis consistent with the accounting policies disclosed in the annual audited consolidated financial statements for the year ended November 30, 2016. They do not include all of the information required for annual financial statements and should be read in conjunction with the annual audited consolidated financial statements for the year ended November 30, 2016.

The measurement of certain assets and liabilities is dependent upon future events whose outcome will not be fully known until future periods. Therefore, the preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results will vary from those estimated.

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Except for the adoption of the amendment to IAS 38 and the amortization of completed productions noted below, the condensed interim consolidated financial statements have been prepared using the same policies and methods as the consolidated financial statements of the Company for the year ended November 30, 2016. Refer to note 3 of the Company's consolidated financial statements for the year ended November 30, 2016 for more information on new accounting standards and amendments not yet effective.

Investment in film and television – amortization of completed productions

Effective December 1, 2016, the Company adopted the amendment to IAS 38, Intangible Assets, which restricts the use of revenue-based amortization. Previously, the Company's policy was to amortize its investment in film and television programs using a revenue-based model. Productions completed and released are now amortized using a straight line method at rates ranging from 40 - 70% at the time of initial delivery and at rates ranging from 5 - 10% annually thereafter. The amendment to IAS 38 has been adopted on a prospective basis.

Investment in film and television properties

i) Properties in development

Certain development costs relating to properties in development that meet the criteria set forth under IAS 38 - *Intangible assets* are capitalized. These costs are reclassified to productions in progress once the project is approved and physical production of the film commences.

Development costs include the costs of acquiring film rights to books, scripts or original screenplays and the third party costs to adapt such projects, including visual development and design. Advances or contributions received from third parties to assist in development are deducted from these costs.

Productions in development are tested for impairment annually and are written off as an impairment charge at the earlier of the date they are determined not to be recoverable, when projects under development are abandoned or if the property has been held for three years from initial investment if there have been no activities with respect to projects in progress within the year.

ii) Productions in Progress

For film and television properties in production by the Company, capitalized costs include all direct production and financing costs incurred during production that are expected to benefit future periods. Financing costs are capitalized to the costs of a film or television program until substantially all of the activities necessary to prepare the film or television program for delivery are complete. Capitalized production costs do not include administrative and general expenses, or charges for losses on properties sold or abandoned.

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

iii) Completed Productions

Completed productions are carried at the cost of proprietary film and television programs which have been produced by the Company or to which the Company has acquired distribution rights, less accumulated amortization and accumulated impairment losses.

Costs of producing film and television programs are capitalized and amortized using the individual film forecast method, whereby capitalized costs are amortized using a straight line method at rates ranging from 40 - 70% at the time of initial delivery and at rates ranging from 5 - 10% annually thereafter.

Purchased program rights are amortized on a straight line basis over five years.

Tax credits receivable

The Federal and certain Provincial governments in Canada provide programs that are designed to assist film and television production in the form of refundable tax credits. Amounts receivable in respect of refundable tax credits are recorded as a reduction to the related production operating costs, or to investment in film and television properties, when conditions for eligibility of production assistance based on the government's criteria have been met, the qualifying expenditures are made and there is reasonable assurance of realization. Determination of when and if the conditions of eligibility have been met is based on management's judgement and the amount recognized is based on management estimates of qualifying expenditures.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation of the assets' cost less residual value is recognized over the estimated useful life of assets. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. The determination of appropriate useful lives and residual values are based on management's judgment; as a result, the resulting depreciation is subject to estimation uncertainty.

Property and equipment are reviewed for indicators of potential impairment at the end of each reporting period. Such indicators may include an adverse change in business climate, technology, or regulations that impact the industry. The determination of whether such indicators exist requires significant judgment. If indication of impairment exists, the asset's recoverable amount is estimated and an impairment loss is recognized when the carrying amount of an asset, or CGU, exceeds its recoverable amount. Recoverable amount of an asset or CGU is the greater of fair value less costs to sell and value in use. The determination of the recoverable amount in the impairment assessment requires estimates based on present value or other valuation techniques or a combination thereof, necessitating management to make subjective judgments and assumptions.

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Revenue recognition

Revenue is earned primarily from the production and distribution of film and television programs.

Revenue from the sale of film and television program rights and license arrangements is recognized when management considers it probable that the economic benefits will flow to the Company and that the revenue to be received is reliably measurable. The above conditions are considered met when persuasive evidence of a sale or arrangement with a customer exists, the film or series episode

is complete and the contractual delivery arrangements have been satisfied, the license period has commenced, the arrangement fee is fixed or determinable, collection of the arrangement fee is reasonably assured, and other conditions as specified in the respective agreements have been met.

Revenue from contract film and television production services for third parties is recognized using the percentage-of-completion method when the following criteria are met: there is a written arrangement with a customer detailing the amount of total contract revenue so that the revenue can be measured reliably, the stage of completion can be measured reliably, the receipt of payment is probable, and costs incurred and to be incurred can be measured reliably. The percentage-of-completion is calculated based upon the proportion of costs incurred in the current period to the project's total expected costs. When it is expected that total costs will exceed revenue the expected loss is recognized immediately in profit or loss.

The estimate of revenue depends on management judgement and assumptions regarding expected total costs and revenue and recoverability of expenses. Management also uses judgement in assessing the assurance of collectability.

Cash payments received are recorded as deferred revenue until all foregoing conditions of revenue recognition have been met.

Contingent liabilities

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. As contingencies will only be resolved when one or more future events occur or fail to occur, the assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Cyclical nature of the film industry

Results of operations for any period are dependent on the number and timing of film and television programs delivered, which cannot be predicted with certainty. Consequently, the Company's results from operations may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition. During the initial broadcast of the rights the Company is somewhat reliant on the broadcaster's budget and financing cycles and at times the license period gets delayed and commences at a later date than originally projected.

NETWORK MEDIA GROUP INC.

For the three and nine months ended August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company's film and television revenues vary significantly from year to year and are determined by contracted deliveries with the primary broadcasters. The Company's revenues are primarily contract and demand driven and can fluctuate significantly from year to year.

Future Changes in Accounting Policies

A number of new standards, and amendments to standards and interpretations, are not yet effective for the quarter ended August 31, 2017 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Company.

Risks and Uncertainty

Network is incorporated under the laws of the Province of British Columbia. The Company is entirely dependent upon the earnings and cash flow generated from operations. This may fluctuate with the performance of the businesses, which can be susceptible to a number of risks. These risks may include, but are not limited to: dependence on key customers, reliance on key employees, foreign currency fluctuations, government regulations regarding tax credit programs, competition, a continued market accepting of the value of the Company's common shares and the ability to secure financing for its tax credits. Continued steps to mitigate risks through operating procedures are taken. For a full description of the Company's risks and uncertainties, please refer to the Company's MD&A issued for its fiscal year ended November 30, 2016. Additional risks and uncertainties not presently known to the Company or that the Company does not anticipate to be material, may impair the Company's business operations and its operating results and, as a result, could materially affect its business, results of operations, prospects and financial condition.

Outstanding Shares

As at October 27, 2017, the Company had 55,935,370 common shares issued and outstanding with 7,768,280 stock options outstanding.

Other

Additional information and other publicly filed documents relating to Network are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at www.sedar.com.