

Management's Discussion and Analysis of

NETWORK MEDIA GROUP INC.

For the three months ended February 28, 2021 and February 29, 2020

N E T W O R K

www.networkentertainment.ca

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion & Analysis (“MD&A”) prepared as of April 28, 2021, should be read in conjunction with Network Media Group Inc.’s (the “Company” or “Network”) unaudited condensed interim consolidated financial statements as of February 28, 2021 and its audited consolidated financial statements and accompanying notes for the years ended November 30, 2020 and 2019. The Company reports its financial results in accordance with International Financial Reporting Standards (“IFRS”) in Canadian dollars.

Network is a public company incorporated under the *Business Corporations Act* of the Province of British Columbia whose common shares are traded on the TSX Venture Exchange (“TSXV”) (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 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 this MD&A below.

Overview and Summary of Results

Network develops, produces, distributes and exploits film and television properties, as well as providing production services to third parties.

During the three months ended February 28, 2021, the Company continued production on:

- 3 feature length documentaries, and;
- 2 television series.

For the three months ended February 28, 2021, the Company realized the following:

- Revenues of \$0.4M (2020 – \$4.2M)
- Net and comprehensive loss of \$0.6M (2020 – Income of \$0.3M):
- Adjusted EBITDA of (\$0.5M) (2020 – \$0.6M)
- Loss per share of \$0.01 (2020 – \$nil)
- Adjusted EBITDA per share of (\$0.01) (2020 – \$0.01)
- Backlog of \$13.6M

Operations & Outlook

Network builds its production slate in two primary forms: documentary films and docu-series. The Company works closely with broadcasters, distributors, and exhibitors to maximize the distribution and financial return of its productions. Produced for theatrical, television, online, and home entertainment distribution and exhibition, these productions are the foundation of Network's brand and statement of quality to the marketplace.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The economic effects within the film industry and in the global markets, including disruptions in the completion and delivery of the Company's film and television properties, and the measures that have been introduced by the government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and social distancing) have had an impact on the Company's operations. To date, the Company has not had any productions cancelled due to COVID-19, but a number have had commencement of the production delayed. The Company has been able to modify and adapt to the changing business environment without a material impact to the Company's operations and access to capital. Management continues to evaluate additional potential operational and financial risks to the Company at the date these financial statements were approved, April 28, 2021.

Although Network's revenues were relatively low for the quarter, business operations were focused on development, and pre-development for the Company's greenlit productions. While COVID-19 has adversely impacted the industry with limited opportunities to roll cameras, Network future remains optimistic as the Company continues to expand its partnerships and collaborations. We are beginning to see early signals of increasing production levels and return to a normalized schedule to meet the Company's growth goals.

Financing

During the three months ended February 28, 2021, the Company's operations were financed primarily by cash generated from operating activities, share issuances and bank advances.

The Company finances its individual productions by way of advances from funding partners (broadcasters, distributors, and streaming services), as well as by securing interim production loans. During the period, the Company received \$nil (2020 – \$1.2M) of interim production loans which are secured by future contracted funding from broadcasters and distributors, as well as government labour tax credits receivable. In addition, operating activities generated \$1.5M (2020 – \$3.2M) of cash.

The Company issued shares as a result of an exercise of stock options during the period which provided \$69,225 (2020 – \$75,000).

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 consolidated financial statements for the years ended November 30, 2020 and 2019). Under this policy the Company does not recognize 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. A buyer has signed an agreement to purchase the property;
2. The property is in finished and final form;
3. Network has shipped the property 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; and
6. The later of the license term commencing and satisfaction of the delivery conditions of the purchase agreement between Network and the buyer.

The expenses and revenues attributable to any specific property are deferred until all of the above factors are satisfied.

If the production is a “work-for-hire” scenario where the Company does not own the copyright (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 property and the percent of the work completed is applied to the total contracted value of the property to determine the amount of revenue to be recorded. Where the Company receives funds in excess of what the percentage of completion calculation provides, this excess is recorded as deferred revenue.

Forward-looking revenue

The performance (or period to period earnings comparisons) of entertainment companies like Network can often be challenging for readers. As such, the Company feels it is necessary to provide some additional information so that a meaningful assessment of the Company’s potential future financial performance and earnings is possible.

Contracts and funding for a film or television property are secured well in advance of commencement of production of the property. Practically speaking, the only significant element of uncertainty is the specific accounting period in which revenue earned by the Company can be recognized due to the requirements of its revenue recognition policy as described above. Often delivery schedules are changed in mid-production and at the discretion of the broadcaster which can often delay the recognition of the property’s associated revenue. Readers should be cautioned that such adjustments can be material in nature given that the Company is not able to record any revenue until the property is delivered.

The Company has certain properties currently in production which have been sold to buyers under binding purchase agreements. Deferred revenue totaling approximately \$1.5M as at February 28, 2021 (November 30, 2020 – \$0.6M), represents funding advances received on these properties. Below is an estimate of the ultimate gross revenue and the expected period of recognition for these properties:

Contracted Future Production Revenues	\$ Millions
Deferred revenue as at February 28, 2021	\$ 1.5
Contracted future revenue	12.1
Total expected revenue - contracted	<u><u>\$ 13.6</u></u>
Revenues expected within 6 months	\$ 1.2
Revenues expected within 7 to 12 months	\$ 7.0
Revenues beyond 12 months	\$ 5.3

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 April 28, 2021, Network has contracts for \$13.6M that have yet to be recorded as revenue, but are expected to be received and recognized as revenue within the periods noted above.

In addition, as at the date of this MD&A, the global community is amidst the COVID-19 economic crisis. The full effect of the crisis has not been determined at this time, but readers are to be cautioned that the Company's estimates of delivery dates, and thus, recognition of revenues, could be significantly adjusted from the estimates above.

*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 disclosures 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 properties 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 1.3 USD-CDN 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 results may differ, perhaps materially.

Summary Consolidated Financial Information

The summary consolidated financial information set out below has been prepared in accordance with IFRS and is derived from the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the three months ended February 28, 2021, and can be found at www.sedar.com.

	As at February 28, 2021	As at November 30, 2020	As at November 30, 2019
Consolidated Summary of Financial Position			
Cash	\$ 1,052,754	\$ 685,731	\$ 1,182,454
Current assets	2,676,035	3,355,971	7,246,106
Investment in film and television	10,418,016	10,196,898	11,425,431
Total assets	14,064,374	14,115,660	19,750,448
Current liabilities	4,946,495	4,758,438	12,035,693
Total liabilities	5,238,981	4,899,046	12,457,834
Shareholders' equity	8,825,393	9,216,614	7,292,614
Working capital deficiency	\$ (2,270,460)	\$ (1,402,467)	\$ (4,789,587)

Condensed Interim Consolidated Statements of Net and Comprehensive Income (Loss)
Expressed in Canadian dollars (unaudited)

	Three months ended	
	February 28, 2021	February 28, 2020
Total revenue	\$ 361,210	\$ 4,221,988
Production costs	125,526	-
Amortization of film and television properties	478,283	3,317,542
Amortization of property, equipment and right of use assets	182,400	167,713
General and administrative	264,806	274,139
Impairment of investment in film and television properties	42,366	-
Selling and distribution	11,056	9,783
Share-based compensation	92,375	63,762
Foreign exchange gain	(27,049)	(56,225)
Forgiveness of debt and reversal of accounts payable	(185,798)	(1,313)
	983,965	3,775,401
Income (Loss) before other items	(622,755)	446,587
Financing expense, net	12,666	56,780
Income (Loss) before income taxes	(635,421)	389,807
Income tax expense	(82,600)	91,500
Net and comprehensive income (loss) for the period	\$ (552,821)	\$ 298,307
Loss per share		
- basic	\$ (0.01)	\$ 0.00
- diluted	\$ (0.01)	\$ 0.00
Weighted average number of shares outstanding		
- basic	74,120,707	72,905,371
- diluted	74,120,707	73,018,276
Adjusted EBITDA	\$ (518,461)	\$ 620,524
Adjusted EBITDA per share	\$ (0.01)	\$ 0.01

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 and Adjusted EBITDA. The Company believes these supplemental financial measures reflect the Company's on-going business in a manner that assist the reader's meaningful period-to-period comparisons and analysis of trends in its business.

"Adjusted EBITDA" is calculated based on EBITDA (known as earnings/loss before interest, taxes, depreciation and amortization) plus share-based compensation expense, finance costs (income), foreign exchange gain (loss) and losses and other items of an unusual nature that do not reflect ongoing operations.

EBITDA and Adjusted EBITDA are commonly reported and widely used by investors and lenders as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. EBITDA and

Adjusted EBITDA are not an earnings measure recognized by IFRS and therefore do not have a standardized meaning prescribed by IFRS. Therefore, EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Below is a table detailing the adjustments to earnings made by the Company to calculate Adjusted EBITDA:

	Three months ended	
	February 28, 2021	February 28, 2020
Earnings (loss) for the period	\$ (552,821)	\$ 298,307
<u>Adjustments</u>		
Amortization of property, equipment and right of use assets	182,400	167,713
Impairment of investment in film and television properties	42,366	-
Financing expense, net	12,666	56,780
Share-based compensation	92,375	63,762
Foreign exchange gain	(27,049)	(56,225)
Forgiveness of debt and reversal of accounts payable	(185,798)	(1,313)
Income tax expense (recovery)	(82,600)	91,500
Adjusted EBITDA	\$ (518,461)	\$ 620,524
Adjusted EBITDA per share	\$ (0.01)	\$ 0.01

Overall Financial Position – First Quarter Fiscal 2021

Net and comprehensive income decreased by \$851,128 to a loss of \$552,821 for the three months ended February 28, 2021, as compared to income of \$298,307 in 2020.

Total assets remained relatively unchanged during the period.

The \$339,935 increase in total liabilities was mainly due to increases in deferred revenue, lease obligations and line of credit, net of the repayment of interim production financing with the receipt of tax credits.

A more detailed analysis of the other components of earnings from operations is provided below under the title *Results of Operations – Quarter ended February 28, 2021 compared to the quarter ended February 29, 2020*.

Results of Operations

Quarter ended February 28, 2021 compared to the quarter ended February 29, 2020

The following discussion describes the significant changes in the consolidated results from operations:

Revenue

Revenue decreased by \$3,860,778 from \$4,221,988 in 2020 to \$361,210 in 2021.

The detailed breakdown of revenues is as follows:

	February 28, 2021	February 29, 2020
Production revenue	\$ -	\$ 4,108,066
Contract production services revenue	215,547	-
Distribution revenue	66,608	111,222
Other revenue	79,055	2,700
	\$ 361,210	\$ 4,221,988

The decrease in revenue was mainly attributed to the completion of two episodes of *The Age of A.I.* for Google in Q1 of fiscal 2020. The Company did not deliver any projects where it owned copyright, although a number of projects were in production during the period.

Contract production service revenues were \$215,547 in 2021 as compared to \$nil in 2020. The increase in revenues is due to a work for hire project in production during the period.

Other revenue consists primarily of the receipt of funding from the Canadian government's Canada Emergency Rent Subsidy COVID-19 program.

Production costs

Production costs were \$125,526 in 2021 as compared to \$nil in 2020 and is associated directly to the service work project in production during the period.

Amortization of film and television properties

Amortization of film and television properties decreased \$2,839,259 from \$3,317,542 in 2020 to \$478,283 in 2021. The decrease is associated with the deliveries of *The Age of A.I.* in 2020 and the larger amount of amortization charge in the first year of delivery. Please refer to the accounting policies in Note 3 of the audited consolidated financial statements for the years ended November 30, 2020 and 2019 for information on how the amortization of the properties is calculated.

Amortization of property, equipment and right of use assets

Amortization of property, equipment and right of use assets increased by \$14,687 to \$182,400 in 2021 as compared to \$167,713 in 2020. The increase is due to the Company's continued investment in its infrastructure and editing capabilities during the last couple of years as well as the additional assets recorded as right of use assets through the adoption of *IFRS 16*.

General and administrative expenses

General and administrative expenses decreased by \$9,333 from \$274,139 in 2020 to \$264,806 in 2021. The decrease in expenses is primarily due to decreases in travel and office and general as a result of reduced operations and overhead in relation to COVID-19, net of increases in salaries and wages.

Impairment of investment in film and television properties

Network recorded impairment of film and television properties of \$42,366 in 2021 compared to \$nil in 2020.

Selling and distribution expenses

Selling and distribution expenses increased marginally by \$1,273 from \$9,783 in 2020 to \$11,056 in 2021.

Share-based compensation

Share-based compensation decreased by \$28,613 from \$63,762 in 2020 to \$92,375 in 2021. The increase is to the vesting of options previously issued as calculated using the Black-Scholes model.

Foreign exchange gain

Foreign exchange gain decreased by \$29,176 to \$27,049 in 2021 as compared to \$56,225 in 2020. The change is due to the fluctuation of the Canadian dollar against the US dollar throughout the fiscal period.

Financing expense, net

Total net financing expense decreased \$44,114 from \$56,780 in 2020 to \$12,666 in 2021. The decrease is due to the lower amount of interim production loan balances throughout the period.

Loss for the period

Loss and contributed loss for the three months ended February 28, 2021 was \$552,821 (\$0.01 per share) as compared to income of \$298,307 (\$0.00 per share) in 2020.

Summary of Quarterly Results

The following table contains a summary of certain unaudited information for each of the eight most recent financial quarters. All periods presented have been prepared in accordance with IFRS.

000's of dollars, except per share figures	Quarter ended							
	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Total revenue	\$ 361	\$ 1,965	\$ 1,015	\$ 2,722	\$ 4,222	\$ 9,868	\$ 788	\$ 4,637
Net and comprehensive income (loss)	(553)	446	106	665	299	2,486	(324)	1,702
Income (loss) per share - basic and diluted	\$ (0.01)	\$ 0.01	\$ -	\$ 0.01	\$ -	\$ 0.04	\$ -	\$ 0.02

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 due to how revenue is recognized in the entertainment industry (see **Seasonality** below).

Liquidity and Capital Resources

Network's liquidity needs are met through a variety of sources. Network generates cash from operations, by borrowing against earned and expected 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 investment in its properties.

Overall, the Company's cash position increased by \$367,023 as at February 28, 2021. Cash provided by operating activities in the three months ended February 28, 2021, was \$1.1M, compared to \$3.2M in 2020.

Financing activities for the three months ended February 28, 2021 resulted in cash used of \$0.3M. In the period, the Company did not receive any interim production financing, but did repay \$0.7M of interim production financing. The

cycle of incurring interim production financing and repayments thereof is common in the entertainment industry. Chartered banks regularly lend companies such as Network the funding to produce and complete its production through the financing of future contracted payments and tax credits. Upon receipt of these funds, the interim production financing is paid down and any excess funds go into working capital.

Cash required by investing activities in the three months ended February 28, 2021 was \$0.4M, compared to requiring cash of \$2.9M in the prior period. The Company used the cash primarily for its continued development and production of its film and television properties.

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.

As at February 28, 2021, Network had a working capital deficit of \$2.7M compared to \$1.4M as at November 30, 2020. Readers are cautioned to be aware that deferred revenue is recorded by the Company as a current liability, whereas this funding is invested in film and television properties which is a long-term asset, thus creating an inherent working capital deficiency. If readers were to adjust the deficiency for the deferred revenue, the Company's working capital would be as follows:

	February 28, 2021	November 30, 2020
Current assets	\$ 2,676,035	\$ 3,355,971
Current liabilities	(4,946,495)	(4,758,438)
Working capital deficiency	\$ (2,270,460)	\$ (1,402,467)
Deferred revenue adjustment	1,454,903	601,354
Adjusted working capital (deficiency)	\$ (815,557)	\$ (801,113)

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

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 and television properties, and provide a return to its shareholders in the form of capital appreciation. The Company defines capital as the aggregate of its shareholders' equity and long-term debt less cash.

In order to facilitate management of capital, the Company continues to prepare 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 properties, it will generate sufficient liquidity to meet cash requirements for the next twelve months.

Related party transactions

The Company has transacted business in the normal course of operations with related parties and entities over which the related parties' exercise 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 three months ended February 28, 2021, the Company:

- paid or accrued wages to key management personnel in the following manner:
 - Recorded as general and administrative expenses – \$3,900 (2020 – \$8,680);
 - Recorded as investment in film and television properties – \$89,750 (2020 – \$164,750);
 - Recorded as direct production costs – \$75,000 (2020 – \$nil)
 - These costs were paid to the following related parties:
 - \$66,400 (2020 – \$71,180) as salaries and wages to the CEO;
 - \$56,250 (2020 – \$56,250) as salaries and wages to the COO, and;
 - \$40,000 (2020 – \$40,000) as salaries and wages to a company controlled by the CFO.
- recorded share-based compensation of \$54,227 (2020 – \$30,821) on options that vested during the period, as follows:
 - \$6,321 (2020 – \$6,991) to three Directors;
 - \$29,801 (2020 – \$7,136) to the Chairman of the Board of Directors;
 - \$7,799 (2020 – \$6,411) to the CEO;
 - \$6,076 (2020 – \$4,316) to the COO;
 - \$3,666 (2020 – \$2,615) to the CFO, and;
 - \$564 (2020 – \$523) to another related party.
- granted 1,200,000 (2020 – Nil) stock options under the Company's stock option plan, as follows:
 - 330,000 (2020 – Nil) options granted to three Directors;
 - 150,000 (2020 – Nil) options granted to the Chairman of the Board of Directors;
 - 300,000 (2020 – Nil) options granted to the CEO;
 - 250,000 (2020 – Nil) options granted to the COO;
 - 150,000 (2020 – Nil) options granted to the CFO, and;
 - 20,000 (2020 – Nil) options granted to another related party.

At February 28, 2021, the Company owed \$13,650 (2020 – \$13,650) to a company controlled by an Officer of the Company. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

Capital Expenditures

The Company monitors its property and equipment on a continual basis and replenishes on an as needed basis. The Company does not anticipate any significant expenditures on property and equipment in the upcoming year.

Share Issuances

During the three months ended February 28, 2021, the Company issued 461,500 common shares on the exercise of stock options for proceeds of \$69,225, as follows:

- a. 330,000 options on January 27, 2021 when stock price was \$0.16
- b. 131,500 options on February 1, 2021 when stock price was \$0.16

During the three months ended February 29, 2020, the Company issued 600,000 common shares on the exercise of stock options for proceeds of \$75,000, as follows:

- a. 300,000 options on December 3, 2019 when stock price was \$0.18
- b. 300,000 options on February 12, 2020 when stock price was \$0.21

Options

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 is limited to a maximum of 14,500,000 options as approved by the shareholders of the Company. 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.

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, and expected volatility was based on historical volatility. 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
Year ended 2020	1,000,000	\$ 0.20	\$ 0.20	113%	0.78%	\$ 0.16	5.0
Year ended 2021	2,585,000	\$ 0.16	\$ 0.16	122%	0.41%	\$ 0.16	5.0

For the three months ended February 28, 2021, the Company recognized compensation expense in relation to the above listed options of \$92,375 (2020 – \$63,762), which is included in profit or loss.

Escrow shares

As at February 28, 2021, the Company had no common shares held in escrow.

Seasonality

Results of operations for any period are dependent on the number and timing of film and television properties 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 correlated with revenue recognition. During the initial license of broadcast rights by the Company, the Company is reliant on the broadcaster's budget and financing cycles as well as delivery schedules. If the license period gets delayed and commences at a later date than originally predicted, the periods in which revenues are recorded may be affected. Readers of the Financial Statements and this MD&A are therefore cautioned about extrapolating the results for quarterly or annual periods in the financial year ended November 30, 2020, into quarterly or annual expectations in future years.

Financial Instruments

The fair values of the Company's financial instruments approximate the carrying values, due to their short terms to maturity or attached market rates of interest. The Company is exposed to various risks related to its financial instruments as follows:

Risks arising from financial instruments

(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.

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 change 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 rate impacting US dollar revenues during the three months ended February 28, 2021 would result in a \$13,794 (2020 – \$208,251) impact to profit or loss.

The Company is also exposed to foreign exchange risk on its cash, accounts receivable and accounts payable balances that are denominated in US dollars, being, respectively, \$905,007 (2020 – \$663,302), \$100,776 (2020 – \$1,758,604) and \$677,740 (2020 – \$1,026,334).

A five percent fluctuation in the US dollar closing rate at February 28, 2021 would result in a net change to profit or loss of \$16,401 (2020 – \$69,765).

(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 balances are held at a major Canadian banking institution.

At February 28, 2021, there are \$91,297 of accounts receivable past due, over 30 days, but not considered impaired (2020 – \$130,006).

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises on interest-bearing financial instruments recognized in the consolidated 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 by \$20,641 (2020 – \$69,065) during the three months ended February 28, 2021.

(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, by borrowing against earned tax credits through interim production financing, and by 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.

Off-Balance Sheet Arrangements

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

Outstanding Shares

As at April 28, 2021, the Company had 74,466,871 common shares issued and outstanding, and has 11,007,920 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.