FANTASY ACES DAILY FANTASY SPORTS CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FORM 51-102F1

FOR THE QUARTER ENDED SEPTEMBER 30, 2016

November 29, 2016

Management's Discussion and Analysis ("**MD&A**") of Fantasy Aces Daily Fantasy Sports Corp. (the "**Corporation**" or "**Fantasy Aces**") should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Corporation for the nine months period ended September 30, 2016, and the consolidated financial statements for the year ended December 31, 2015. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). **Except as otherwise indicated, all dollar amounts in this MD&A are expressed in United States dollars and references to $ are to United States dollars.**

1. ABOUT FANTASY ACES

During the quarter ended September 30, 2016, Fantasy Aces continued to expand the depth of its user base and user retention into the ever-growing daily fantasy sports ("**DFS**") industry. During the period, the Corporation increased its net revenue as a percentage of gross profit, lowered its operating expenses, and ended the month of September with a modest operating profit. The Corporation has remained the number three site through the end of August for the MLB season, behind industry leaders DraftKings and FanDuel and in front of Yahoo amongst others. Also during this period the macro industry issues surrounding state-by-state regulation are rapidly being resolved, with New York as the most recent state to legalize DFS while stating it is in fact a game of skill, not chance.

HIGHLIGHTS Q3

- Gross Revenue of $454,689, 170% increase over Q3 2015
- Prize Payouts of $5,315,133, 169% increase over Q3 2015
- Overlay remained consistent at 39% of gross revenue
- Game Entries: 494,254, 168% increase over Q3 2015
- Site Marketing Expense reduced 235% for the same period
- Operating Gross Margins continue to improve over past quarter's

HIGHLIGHTS Q2

- Gross Revenue of $514,984, 280% increase over Q2 2015
- Prize Payouts of $5,649,000, 240% increase over Q2 2015
- Reduced overlay to 34% of gross revenue
- Game Entries: 655,270, 230% increase over Q2 2015
- Operating Gross Margins continue to increase when compared to Q2 2015

HIGHLIGHTS 1ST HALF

- Gross Revenue of $877,796, 283% increase over 2015
- Game Entries of 1,043,731 101% increase over 2015
- Prize payouts of $9,000,000 243% increase over 2015

The Corporation generated $121,000 Q3 net revenue as compared to 2015 Q3 where the site marketing expense leading to positive net revenue was ($452,000). This statistic is a reflection of the Corporation continuing to carefully manage its gross and net revenue accumulation during 2016, in each category and quarter compared to 2015. Smartly crafted tournament creation and carefully managed site operations are directly echoed in these statistics.

However, potential revenue and net revenue growth was limited during Q3 due to the absence of the Corporation's industry leading and highly recognized MLB "Live" final, which was held during August, 2015 on the field at the Anaheim Angels baseball park in Southern California near the end of the MLB season. The Corporation was unable to hold the same event this year due to a lack of capital during the period to underwrite this event. Our even bigger NFL "Live" Final has also been postponed for Q4. Prudent operational cash management during this period is manifest, and will continue until adequate capital is raised to underwrite an accelerated growth curve.

As announced in Q3, the Corporation acquired certain participants of Fantasy Feud, the number six site in Daily Fantasy Sports (DFS) for a purchase price of C$454,250 by way of C$25,000 in cash and the remainder in common shares of the Corporation. The approximate 51,500 participants in the Fantasy Feud data base are now included in the Fantasy Aces data base, bringing our total to just below 100,000.

The Corporation continues to see a measurable spike in all key participation metrics due its mobile App being available to our members and the fast growing DFS user base.

The App is available to all for downloading at: https://appsto.re/us/zKjC_.i

OUTLOOK

The Corporation's momentum continued into October and November as compared to the same period in 2015, notably in two critical areas: Overlay expense as a percentage of gross revenue was only 41% in October and November 2016 compared to 179% during the same period in 2015.

This statistic is one of the most important measurements of future profitability in the DFS industry and as the Corporation's success in capital raising takes place, the resulting increase in both the size and number of its tournament contests, coupled with expanding user acquisition for more active participants, will be reflected in notable revenue increases, and from that profitability should result.

The second area worth noting is game entries; with only a very modest marketing budget, Fantasy Aces increased game entries during the quarter by 200,000 to a total of close to 500,000 entries. Game entries reflect on momentum, and if marketing expenses are diminished as they have been during the latter half of 2016, it shows the continued devotion of our organically grown user base and the value brought with the Fantasy Feud acquisition.

As reported in Q2, the Corporation applied for listing on the OTCQB Exchange in the U.S. and in November, 2016 our common shares begin trading on the OTCQB under the symbol FASDF. As the industry expands and Fantasy Aces continues to remain a top five DFS site, it is expected that this new listing will accrue expanded trading volume and additional new shareholders.

The regulatory status in the U.S. continues to move forward on a state-by-state adoption of laws allowing DFS to achieve a wide reaching legal status among most states.

In the last quarter, New York, Tennessee, and Massachusetts have been enacted into legal status bringing the total to eight for 2016. The total through Q3 and into Q4 has grown to 11 and, as reported by the Fantasy Sports Trade Association (FSTA), it is expected that another 15 to 18 states will succeed in passing laws in 2017, and with an additional 16 to 19 states in 2018, bringing the total to over 40 states.

Fantasy Aces in particular, and the industry as a whole, continue to move forward on this positive regulatory track within the U.S. and for the Corporation's prospects going forward.

We expect that the recently announced merger of FanDuel and DraftKings will accrue benefits to Fantasy Aces and its shareholders. It has been proven that DFS players play on more than one site, sometimes as many as three. With an expected combined FanDuel and DraftKings site and our performance relative to Yahoo, Fantasy Aces anticipates that it will becomes a top three DFS site, which will be extremely important as our industry moves forward at an even faster pace in 2017.

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.

2. SELECTED ANNUAL INFORMATION

	For the year ended December 31,		
	2015	**2014**	**2013**
Gross revenue	$ 1,208,532	$ 185,531	$ 5,382
Loss before other items	$ (6,275,196)	$ (636,652)	$ (93,753)
Net loss, and comprehensive (income) loss	$ (6,547,729)	$ (636,652)	$ (93,753)
Net loss per share	$ (0.33)	$ (0.00)	$ (0.00)
Total assets	$ 2,676,308	$ 249,769	$ 99,989
Working capital	$ (2,712,161)	$ (584,681)	$ 595

3. SELECTED QUARTERLY INFORMATION

	Three months ended			
	Sep 30, 2016	**June 30, 2016**	**Mar 31, 2016**	**Dec 31, 2015**
Gross revenue	$ 454,689	$ 514,984	$ 362,812	$ 631,987
Net loss, and comprehensive loss	$ (667,172)	$(798,753)	$ (263,995)	$(3,958,145)
Net loss per share	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.22)

	Three months ended			
	Sep 30, 2015	**June 30, 2015**	**Mar 31, 2015**	**Dec 31, 2014**
Gross revenue	$ 266,917	$ 185,880	$ 123,748	$ 135,135
Net loss, and comprehensive loss	$ (1,514,314)	$(724,161)	$ (351,109)	$ (549,057)
Net loss per share	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)

4. RESULTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016

GENERAL AND ADMINISTRATIVE

General and administrative expenses for the three months ended September 30, 2016 totaled $124,659 compared with $273,281 for the same period in 2015. $400,654 was spent on advertising and promotion during the three months ended September 30, 2016 compared to $809,663 spent during the three months for the same period in 2015. The Corporation made a concerted effort to reduce both general and admin expenses, two of the historically higher costs for the Corporation. This effort allowed the Corporation to still show strong increases in revenue while maintaining control over the costs, and during this period the Corporation has continued to grow its membership base. Professional fees for the three month period ended September 30, 2016 totaled $28,447, compare to nil in the same period for 2015, this increase is due to the additional people involved in the operation of the Corporation.

GROSS REVENUE

The gross revenue of $454,689 for the three months ended September 30, 2016 compares to a gross revenue of $266,918 in the same period of 2015. The increase in the revenue compared to the prior period, is a result of both the increased membership base as well as the increased engagement from the members.

NET COMPREHENSIVE LOSS

The net comprehensive loss of $667,172 for the three months ended September 30, 2016 compares with a loss of $1,601,056 in the same period in 2015, was mainly due to the continued expense related to the Corporation advertising programs that are related to increasing the membership base and the engagement of that membership base. Corporation made a concerted effort to control costs and at the same time increase the revenues of the Corporation, which they were successful in doing.

5. RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

GENERAL AND ADMINISTRATIVE

General and administrative expenses for the nine months ended September 30, 2016 totaled $433,689 compared with $622,020 for the same period in 2015. $1,103,318 was spent on advertising and promotion during the nine months ended September 30, 2016 compared to $1,539,210 spent during the nine months for the same period in 2015. The Corporation made a concerted effort to reduce both general and admin expenses and ad and promotion, two of the historically higher costs for the Corporation. This effort allowed the Corporation to still show strong increases in revenue while maintaining control over the costs, and during this period the Corporation has continued to grow its membership base. Professional fees for the nine month period ended September 30, 2016 totaled $580,161, compare to nil in the same period for 2015, this increase is due to the additional people involved in the operation of the Corporation.

GROSS REVENUE

The gross revenue of $1,332,485 for the nine months ended September 30, 2016 compares to a gross revenue of $576,583 in the same period of 2015. The increase in the revenue compared to the prior period, is a result of both the increased membership base as well as the increased engagement from the members.

NET COMPREHENSIVE LOSS

The net comprehensive loss of $1,900,216 for the nine months ended September 30, 2016 compares with a loss of $2,637,086 in the same period in 2015, was mainly due to the continued expense related to the Corporation advertising programs that are related to increasing the membership base and the engagement of that membership base. Corporation made a concerted effort to control costs and at the same time increase the revenues of the Corporation, which they were successful in doing.

6. LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2016, the Corporation had a working capital deficit of $2,226,783 which compares to a working capital deficit of $2,712,161 as at December 31, 2015. The decrease in working capital deficit is due to the completion of a private placement with net proceeds of $1,039,851 and the Corporation issuing shares to settle debt of $1,320,880. The Corporation will need to continue to pursue opportunities to raise additional capital by either equity or debt.

7. KEY MANAGEMENT COMPENSATION

Transactions with related parties

During the year ended 2014, the Corporation entered into a loan agreement with an individual who is an officer and director of the Corporation for CAD$50,000. During 2015, that individual provided additional advances to the Corporation of CAD$221,379 for a total amount owing of CAD$271,379 as at December 31, 2015. The loan is non-interest bearing and is due on demand. In May 2016 the debt was settled by issuing 2,160,000 post consolidated shares at a deemed price of CAD$0.125 per post consolidated common share.

During 2015, the Corporation received a loan of $350,000 from an entity related through a common director. The loan bears interest at rate of 21% per annum and is due on demand. The Chief Executive Officer has provided a personal guarantee for the loan amount. Interest for the year ended December 31, 2015 was $31,235 and is included in accounts payable and accrued liabilities at December 31, 2015. In May 2016 the debt was settled by issuing 4,197,146 post consolidated shares at a deemed price of CAD$0.125 per post consolidated common share.

Key management compensation:

Key management personnel are composed of the Corporation’s directors and officers as set out in its information circular.

For the nine months ended September 30, 2016 the Corporation incurred consulting and director fees of $419,000 (2015 – $62,761) to companies which are controlled by key management of the Corporation and are included in general and administrative expense on the statement of loss and comprehensive loss. In May 2016 the debt was settled by issuing 3,352,000 post consolidated shares at a deemed price of CAD$0.125 per post consolidated common share.

8. OFF-BALANCE SHEET TRANSACTIONS

As at the date of this report the Corporation does not have any off-balance sheet arrangements.

9. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The consolidated financial statements and related MD&A have been prepared on a historical cost basis. A summary of the Corporations significant accounting policies under IFRS is presented in note 3 – "Significant accounting policies" in the Corporation's consolidated financial statements for the years ended December 31, 2015 and 2014. These policies have been applied consistently for all periods presented in the consolidated financial statements. The consolidated financial statements are presented in US dollars, which is the Corporation's functional and presentation currency.

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Key sources of estimation uncertainty

Business acquisition

Applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The determination of acquisition date fair values often requires management to make assumptions and estimates about future events. The assumptions with respect to fair value of intangible assets require a high degree of judgment and include estimates for future operating performance, discount rates, technology migration factors and terminal value rates. The Corporation performed a preliminary allocation of the purchase price and the fair value of assets acquired but the allocation still remains subject to change.

Impairment of non-financial assets

Management uses judgment in estimating the recoverable values of the Corporation's CGUs and uses internally developed valuation models that consider various factors and assumptions including forecasted cash earnings, growth rates and discount rates. The use of different assumptions and estimates could influence the determination of the existence of impairment and the valuation of goodwill.

Embedded derivative and derivative liability

Estimating the fair value of warrants and their conversion feature requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the warrants and their conversion feature, volatility and dividend yield and making assumptions about them.

Valuation of deferred income tax assets

The Corporation assesses the probability of taxable profits being available in the future based on its budget forecasts. These forecasts are adjusted to take account of certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When a forecast shows a net profit, the Corporation considers that the use of deferred income taxes is probable and recognizes the benefit. When management believes that the benefits will not be realized, the deferred income tax asset is not recognized.

Valuation of share-based compensation expense

The valuation of stock options involves key estimates such as volatility, forfeiture rates, estimated lives and market rates.

Judgements

Consolidation

The Corporation applies judgment in determining control over certain limited partnerships where the Corporation holds less than 50% equity ownership. The judgment is based on a review of all contractual agreements to determine if the Corporation has control over the activities, projects, financial and operating policies of the limited partnerships.

Legal contingencies

The Corporation applies judgment as it relates to the outcome of legal proceedings to determine whether a provision and disclosure in the consolidated financial statements is required. Among the factors considered in making such judgments are the nature of the litigation, claim or assessment, the legal process and potential level of damages, the progress of the case, the opinions or views of legal advisors and any decision of the Corporation's management as to how it will respond to the litigation, claim or assessment.

10. DISCLOSURE OF OUTSTANDING SHARE DATA (as at November 29, 2016)

Authorized and Issued Share Capital

Class	Par Value	Authorized	Issued
Common after share consolidation 5:1	Nil	Unlimited	42,004,551
Preferred	Nil	Unlimited	Nil
Reserved for Convertible units after share consolidation 5:1	-	-	11,507,891

<u>Description of Options, Warrants and Convertible securities outstanding.</u>

Security Type	Number	Exercise Price	Expiry Date	Recorded Value
Options	70,000	$1.00	July 11, 2017	N/A
Options	120,000	$1.25	June 19, 2018	N/A
Options	5,600	$1.07	February 5, 2019	N/A
Options	7,000	$1.61	June 3, 2019	N/A
Options	230,000	$0.75	March 30, 2020	N/A
Warrants	417,620	$0.50	April 5, 2017	$96,981
Warrants	7,656,000	$0.75	October 5, 2017	$1,1770,051

11. RISK FACTORS

Overview

The Corporation is a digital entertainment company focused on fantasy sports games, social media and advertising and is subject to certain risks. These risks could have a significant impact on the Corporation's business, revenues, cash flows, earnings, financial condition, results of operations and prospects for the future.

Risks Related to Potential Inability to Protect Proprietary Technology

To protect its proprietary technology, the Corporation relies principally upon copyright and trade secret protection. All proprietary information that can be copyrighted is marked as such. There can be no assurance that the steps taken by the Corporation in this regard will be adequate to prevent misappropriation or independent third-party development of the Corporation's technology. Further, the laws of certain countries in which the Corporation anticipates licensing its technologies and products do not protect software and intellectual property rights to the same extent as the laws of the United States and Canada. The Corporation generally does not include in its software any mechanism to prevent or inhibit unauthorized use, but the Corporation generally requires the execution of an agreement that restricts unauthorized copying and use of its products. If unauthorized copying or misuse of its products were to occur, the Corporation's business and results of operations could be materially adversely affected.

While the disclosure and use of the Corporation's proprietary technology, know-how and trade secrets are generally controlled under agreements with the parties involved, there can be no assurance that all confidentiality agreements will be honored, that others will not independently develop similar or superior technology, that disputes will not arise concerning the ownership of intellectual property, or that dissemination of the Corporation's proprietary technology, know-how and trade secrets will not occur. Further, if an infringement claim is brought against the Corporation, litigation would be costly and time consuming, but may be necessary to protect its proprietary rights and to defend itself. The Corporation could incur substantial costs and diversion of management resources in the defense of any claims relating to the proprietary rights of others or in asserting claims against others. If the Corporation cannot prevent other companies from infringing on its technologies, it may not achieve profitability and an investor may lose his or her investment.

Risks Related to Potential Intellectual Property Rights Claims

Companies in the Internet, technology and media industries own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. The Corporation may be subject to intellectual property rights claims in the future and its technologies may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time consuming, expensive to litigate or settle and could divert management resources and attention. An adversedetermination also could prevent the Corporation from offering its products and services to others and may require that it procure substitute products or services for these members.

With respect to any intellectual property rights claim, the Corporation may have to pay damages or stop using technology found to be in violation of a third party's rights. The Corporation may have to seek a license for the technology, which may not be available on reasonable terms and may significantly increase its operating expenses. The technology also may not be available for license to the Corporation at all. As a result, the Corporation may also be required to develop alternative non-infringing technology, which could require significant effort and expense. If the Corporation cannot license or develop technology for the infringing aspects of its business, it may be forced to limit its product and service offerings and may be unable to compete effectively. Any of these results could harm the Corporation's brand and prevent the Corporation from generating sufficient revenue or achieving profitability.

Risks Related to Uncertainty of Online Fantasy Sports and Gaming

Online, social, causal and mobile gaming is a relatively new industry that continues to evolve. The success of this industry and the Corporation's fantasy sports business will be affected by future developments in social networks, mobile platforms, legal or regulatory developments (such as the passage of new laws or regulations or the extension of existing laws or regulations to fantasy sports and online gaming activities), data privacy laws and regulations, and other factors that the Corporation is unable to predict, and which are beyond the Corporation's control. Evolving laws and regulations regarding data privacy could adversely impact opportunities for growth in the Corporation's fantasy sports online and mobile app gaming products. Consequently, the Corporation's future operating results relating to the Corporation's fantasy sports online and mobile app offerings may be difficult to predict and the Corporation cannot provide assurance that its fantasy sports online and mobile app offerings will grow at the rates expected, or be successful in the long term.

Risks Related to Changing Customer Preferences

The demands of the Corporation's existing customers and potential new customers and their preferences are continually changing. In the gaming industry, there is constant pressure to develop and market new game content and technologically innovative products. The Corporation's revenues are and will be dependent on the earning power and life span of its fantasy sports games. The Corporation therefore faces increased pressure to design and deploy new successful game content to maintain and increase its revenue and remain competitive. The success of newly introduced technology and products is dependent on customer acceptance of the Corporation's products.

As a result of changing consumer preferences, many Internet websites are successfully marketed for a limited period of time. Even if the Corporation's products become popular, there can be no assurance that any of its fantasy sports and social gaming products will continue to be popular for a period of time. The Corporation's success will be dependent upon its ability to develop new and improved product lines. The Corporation's failure to introduce new features and product lines and to achieve and sustain market acceptance could result in it being unable to continually meet consumer preferences and generate significant revenues.

Risks Related to Customer Preferences and Changes in the Economy

As a supplier of gaming solutions, the Corporation must continually offer themes and products that appeal to player-customers. The Corporation's success depends in part on unpredictable and volatile factors that are beyond its control, such as customer preferences, competing games and the availability of other entertainment activities. The Corporation faces continuous pressure to design and deploy new and successful game themes and technologically innovative products to maintain its revenue and remain competitive. If the Corporation is unable to anticipate or react to any significant changes in player/customer preferences in a timely manner, the demand for its product could decline which could affect its financial results.

The demand for entertainment and leisure activities tends to be highly sensitive to consumers' disposable income, and thus can be affected by changes in the economy and consumer tastes, both of which are difficult to predict and beyond the control of the Corporation. Unfavorable changes in the general economic conditions, including recessions, economic slowdown, sustained high levels of unemployment, and higher fuel or transportation costs, may reduce disposable income of customers or result in fewer customers. As a result, the Corporation cannot ensure that demand for its products or services will remain constant. Continued or renewed adverse developments affecting economies throughout the world, including a general tightening of availability of credit, decreased liquidity in many financial markets, increasing interest rates, increasing energy costs, acts of war or terrorism, transpiration disruptions, natural disasters, declining consumer confidence, sustained high levels of unemployment or significant declines in stock markets, as well as concerns regarding epidemics and the spread of contagious disease, could lead to a further reduction in discretionary spending on leisure activities such as fantasy sports and other online games. Any significant or prolonged decrease in consumer spending on leisure activities could greatly affect the Corporation's business. If the Corporation experiences a significant unexpected decrease in demand for its products, it could incur losses.

Competition

The Internet media, fantasy sports and Internet gaming industries are highly competitive. There are a few established, well-financed companies producing online fantasy sports games that compete with the products of the Corporation. Many of the Corporation's competitors have longer operating histories, greater brand recognition, broader product lines and greater financial resources and advertising budgets than the Corporation does. As some of the Corporation's competitors have greater financial resources, they may spend more money and time on developing and testing products, undertake more extensive marketing campaigns, award more lucrative payout prizes and otherwise develop more commercially successful products than the Corporation which could impact the Corporation's ability to retain and increase its customer base. Many of the Corporation's competitors offer similar products or alternatives to the Corporation's products. There can be no assurance that the Corporation will procure an online market that will be available to support the sites it will offer or allow it to seek expansion. There can be no assurance that it will be able to compete effectively in this marketplace.

Further, the Corporation's competitors may be able to develop technologies more effectively, have significantly more fantasy sports offerings and game content than that of the Corporation, may be able to license their technologies on more favorable terms, and may be able to adopt more aggressive pricing or licensing policies than the Corporation. New competitors may enter the Corporation's key market areas. If the Corporation is unable to obtain significant early market presence or it loses market share to its competitors, it will materially affects its results of operations and future prospects. The Corporation's success depends on its ability to develop new products and enhance existing products at prices and on terms that are attractive to its customers. In the event that the Corporation is unable to successfully compete with its competitors, the Corporation will not be able to achieve profitability.

Risks Related to the Corporation's Ability to Attract Retail Customers to its Website

The Corporation's success depends on its ability to attract retail customers to its website on cost-effective terms. The Corporation's strategy to attract customers to its website, which has not been formalized or implemented, includes, ad-rolls, content marketing, affiliate and revenue share programs, social media through content marketing and social ads to drive traffic to the Corporation's properties, viral marketing and other methods of getting Internet users to refer others to the Corporation's website by e-mail or word of mouth; search engine optimization (SEO), marketing the Corporation's website via search engines by purchasing sponsored placement in search results; and entering into affiliate marketing relationships with website providers to increase its access to Internet consumers. The Corporation's marketing strategy may not be enough to attract sufficient traffic to its website. If the Corporation does not attract customers to its website on cost-effective terms, it will not make a profit, which ultimately will result in a cessation of operations.

Reliance on Key Personnel and Absence of Key Person Insurance

The Corporation's future success depends heavily upon the continuing services of the members of its senior management team. If one or more of its senior executives or other key personnel are unable or unwilling to continue in their present positions, the Corporation may not be able to replace them easily or at all, and the Corporation's business may be disrupted and its financial condition and results of operations may be materially and adversely affected. Competition for senior management and key personnel is intense, the pool of qualified candidates is very limited, and the Corporation may not be able to retain the services of its senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. The Corporation does not currently maintain key man insurance on its senior managers. The loss of the services of its senior management team and employees could result in a disruption of operations which could result in reduced revenues.

Reliance on Highly Skilled Personnel

The Corporation's performance and future success depends on the talents and efforts of highly skilled individuals. The Corporation will need to continue to identify, hire, develop, motivate and retain highly skilled personnel for all areas of its organization. Competition in the software industry for qualified employees is intense. The Corporation's continued ability to compete effectively depends on its ability to attract new employees and to retain and motivate existing employees.

As competition in its industry intensifies, it may be more difficult for the Corporation to hire, motivate and retain highly skilled personnel. If the Corporation does not succeed in attracting additional highly skilled personnel or retaining or motivating its existing personnel, it may be unable to grow and effectively generate sufficient revenues and achieve profitability.

Risks Relating to Potential Inability to Adapt or Expand Existing Technology Infrastructure to Accommodate Greater Traffic

The Corporation's website regularly serves a large number of users and customers and may deliver a large number of daily video views in the future. The Corporation's technology infrastructure is highly complex and may not provide satisfactory service in the future, especially as the number of customers increases. The Corporation may be required to upgrade its technology infrastructure to keep up with the increasing traffic on its websites, such as increasing the capacity of its hardware servers and the sophistication of its software. If the Corporation fails to adapt its technology infrastructure to accommodate greater traffic or customer requirements, its users and customers may become dissatisfied with its services and switch to competitors' websites, which will prevent the Corporation from achieving profitability.

Risks Relating to Potential Inability to Develop and Enhance Existing Solutions

The markets for the Corporation's solutions are characterized by rapidly changing technology, evolving industry standards and increasingly sophisticated customer requirements. The introduction of products embodying new technology and the emergence of new industry standards can render the Corporation's existing solutions obsolete and unmarketable and can exert price pressures on existing solutions. It is critical to the success of the Corporation to be able to anticipate, react and adapt quickly to changes in technology or in industry standards and to successfully develop and introduce new, enhanced and competitive products on a timely basis. Further, the Corporation's competitors may adapt to an emerging technology more quickly or effectively than the Corporation, resulting in the creation of products that are technologically superior to the Corporation's, more appealing to customers, or both. The Corporation cannot give assurance that it will successfully develop new products or enhance and improve its existing products, that new products and enhanced and improved existing products will achieve market acceptance or that the introduction of new products or enhanced existing products by others will not render the Corporation's products obsolete. The Corporation's inability to develop solutions that are competitive in technology and price and that meet customer needs could have a material adverse effect on the Corporation's business, financial condition and results of operations. Accelerated product introductions and sometime short product life cycles require high levels or expenditure for research and development that could adversely affect the Corporation's operating results. Further, any new solutions that the Corporation develops could require long development and testing periods and may not be introduced in a timely manner or may not achieve the broad market acceptance necessary to generate significant revenue.

Reliance on Development and Maintenance of the Internet Infrastructure

The success of the Corporation's services will depend largely on the development and maintenance of the Internet infrastructure. This includes maintenance of a reliable network backbone with the necessary speed, data capacity, and security, as well as timely development of complementary products, for providing reliable Internet access and services. The Internet has experienced, and is likely to continue to experience, significant growth in the numbers of users and amount of traffic. The Internet infrastructure may be unable to support such demands. In addition, increasing numbers of users, increasing bandwidth requirements, or problems caused by "viruses," "worms," and similar programs may harm the performance of the Internet. The backbone computers of the Internet have been the targets of such programs. The Internet has experienced a variety of outages and other delays as a result of damage to portions of its infrastructure, and it could face outages and delays in the future. These outages and delays could reduce the level of Internet usage generally as well as the level of usage of our services and reduce the Corporation's revenues.

Risks Related to Potential Interruption or Failure of the Corporation's Information Technology and

Communications Systems

The Corporation's ability to provide its products and services depends on the continuing operation of its information technology and communications systems. Any damage to or failure of its systems could interrupt its service. Service interruptions could reduce the Corporation's revenues and profits, and damage its brand if its system is perceived to be unreliable. However, due to the Corporation's third party network provider's additional remote locations of services and internal emergency contingency plans, it is unlikely. The Corporation's systems are vulnerable for anything other than a short term outage to transfer locations, due to damage or interruption as a result of terrorist attacks, war, earthquakes, floods, fires, power loss, telecommunications failures, computer viruses, interruptions in access to its websites through the use of "denial of service" or similar attacks, hacking or other attempts to harm its systems, and similar events. The occurrence of a natural disaster or a closure of an Internet data center by a third-party provider without adequate notice could result in lengthy service interruptions. Interruption or failure of the Corporation's information technology and communications systems could impair its ability to effectively provide its products and services, which could damage its reputation and harm its operating results.

If Internet service providers experience service interruptions, communications over the Internet may be interrupted and impair the Corporation's ability to carry on business. In addition, the Corporation's ability to process e-commerce transactions depends on bank processing and credit card systems. Any system failure as a result of reliance on third parties, including network, software or hardware failure, which causes a delay or interruption in the Corporation's e-commerce services could have a material adverse effect on the Corporation's business, revenues, operating results and financial condition.

Risks Related to Potential Inability of Internet Infrastructure to Meet the Demand

The growth of Internet usage has caused frequent interruptions and delays in processing and transmitting data over the Internet. There can be no assurance that the Internet infrastructure or the Corporation's own network systems will continue to be able to meet the demand placed on it by the continued growth of the Internet, the overall online fantasy sports and gaming industries or of the Corporation's customers. The Internet's viability could be affected if the necessary infrastructure is not sufficient, or if other technologies and technological devices eclipse the Internet as a viable channel.

Risks Related to Potential Systems, Network or Telecommunications Failures or Cyber-Attacks

Any disruption in the Corporation's network or telecommunications services could affect the Corporation's ability to operate its fantasy sports games or financial systems, which would result in reduced revenues and customer down time. The Corporation's network and databases of business or customer information are susceptible to outages due to fire, floods, power loss, break-ins, cyber-attacks, network penetration, data privacy or security breaches, denial of service attacks and similar events. Despite implementation of network security measures and data protection safeguards by the Corporation, including a disaster recovery strategy for back office systems, the Corporation's servers and computer resources are vulnerable to viruses, malicious software, hacking, break-ins or theft, third-party security breaches, employee error or malfeasance, and other potential compromises. Disruptions from unauthorized access to or tampering with the Corporation's computer systems in any such event could have a material adverse effect on the Corporation's business, reputation, operating results and financial condition.

Risks Related to Potential for Regulations that May be Adopted with Respect to the Internet and Electronic Commerce

In addition to regulations pertaining to the fantasy sports and gaming industry and specifically to online gaming, the Corporation may become subject to any number of laws and regulations that may be adopted with respect to the Internet and electronic commerce. New laws and regulations that address issues such as user privacy, pricing, online content regulation, taxation, advertising, intellectual property, information security, and the characteristics and quality of online products and services may be enacted. As well, current laws, which predate or are incompatible with the Internet and electronic commerce, may be applied and enforced in a manner that restricts the electronic commerce market. The application of such pre- existing laws regulating communications or commerce in the context of the Internet and electronic commerce is uncertain. Moreover, it may take years to determine the extent to which existing laws relating to issues such as intellectual property ownership and infringement, libel and personal privacy are applicable to the Internet. The adoption of new laws or regulations relating to the Internet, or particular applications or interpretations of existing laws, could decrease the growth in the use of the Internet, decrease the demand for the Corporation's products and services, increase the Corporation's cost of doing business or could otherwise have a material adverse effect on the Corporation's business, revenues, operating results and financial condition.

Risks Related to Potential Undetected Errors in the Corporation's Software

The Corporation's online systems, including its websites, its enterprise video play software and other software applications and products, could contain undetected errors or "bugs" that could adversely affect their performance. The Corporation regularly updates and enhances its website and its other online systems and introduces new versions of its software products and applications. The occurrence of errors in any of these may cause the Corporation to lose market share, damage its reputation and brand name, and reduce its revenues.

Risks Related to Potential Failure to Detect Click-Through Fraud

The Corporation is exposed to the risk of fraudulent clicks on ads posted by individuals seeking to increase the advertising fees paid to its web publishers when it commences internet advertising services. Although the Corporation does not generate revenues from advertising, it may do so in the future. The Corporation may have to refund revenue that its advertisers have paid to it and that was later attributed to click-through fraud. Click-through fraud occurs when an individual clicks on an ad displayed on a website for the sole intent of generating the revenue share payment to the publisher rather than to view the underlying content. From time to time it is possible that fraudulent clicks will occur and the Corporation would not allow its advertisers to be charged for such fraudulent clicks. This would negatively affect the profitability of its online advertising agency business, and this type of fraudulent act could hurt its brand. If fraudulent clicks are not detected, the affected advertisers may experience a reduced return on their investment in the Corporation's performance-based advertising network, which could lead the advertisers to become dissatisfied with the Corporation's online advertising agency business, and in turn lead to loss of advertisers and the related revenue. At the moment, the Corporation has no specific plans to focus on mitigating this risk through specific actions but it may need to subscribe to certain applicable software platforms that detect click-through fraud and possibly work with consultants to further mitigate this risk. If the Corporation fails to detect click-through fraud, it could lose the confidence of its customers and its revenues could decline.

Risks Related to Potential Breach of Security

Any breach in the Corporation's website security could expose it to a risk of loss or litigation and possible liability. The Corporation anticipates that it will rely on encryption and authentication technology licensed from third parties to provide secure transmission of confidential information. As a result of advances in computer capabilities, new discoveries in the field of cryptography or other developments, a compromise or breach of the Corporation's security precautions may occur. A compromise in its proposed security could severely harm the Corporation's business. A party who is able to circumvent the Corporation's proposed security measures could misappropriate proprietary information, including customer credit card information, or cause interruptions in the operation of the Corporation's website. The Corporation may be required to spend significant funds and other resources to protect against the threat of security breaches or to alleviate problems caused by these breaches. However, protection may not be available at a reasonable price, or at all. Concerns regarding the security of e-commerce and the privacy of users may also inhibit the growth of the Internet as a means of conducting commercial transactions. This may result in a reduction in revenues and increase the Corporation's operating expenses, which would prevent it from achieving profitability.

Potential Changes in Laws and Regulations Relating to the Corporation's Business

The Corporation's business is subject to various laws and regulations in the countries where it operates, including laws and regulations relating to gambling and privacy and protection of user data.

The Corporation currently does not require any government approvals to carry out its business plan and launch its proposed fantasy sports and online games. Legislation regarding fantasy sports and online gambling is in a flux and not uniform. Changes in applicable laws or regulations or evolving interpretations of existing law could, in certain circumstances, result in increased compliance costs or capital expenditures, which could affect the Corporation's profitability, or impede the Corporation's ability to carry on its business which could affect its revenues.

Changes in existing gaming regulations or industry standards may hinder or prevent the Corporation from continuing to operate in those jurisdictions where it currently carries on business, which would harm its operating results and financial condition. In particular, the enactment of unfavorable legislation or government efforts affecting or directed at fantasy sports or gaming operators, such as taxing or attempts to restrict the content or access to fantasy sports products may have a negative impact on the Corporation's operations. It cannot be assured that the Corporation will be able to adequately adjust to such potential changes.

Public opinion can also exert a significant influence over the regulation of the fantasy sports and gaming industries. A negative shift in the public's perception of fantasy sports or gaming could affect future legislation in individual jurisdictions. Negative public perception could lead to new restrictions on fantasy sports and gaming in jurisdictions in which the Corporation currently operates.

If at some point in the future, management chooses to use the Corporation's gaming software for legal online gambling, the state of gambling laws in the United States and Canada will have an impact on the Corporation's business and could adversely affect the Corporation's ability to carry on its business profitably, or at all.

The Corporation is subject to a number of domestic and foreign laws and regulations that affect companies conducting business on the Internet, from laws that impose liability for the listing, linking or hosting of third-party content that includes materials that infringe copyrights, to laws restricting the distribution of materials considered harmful to children or restricting the collection of information from children under 13, to laws that require notification to users when there is a security breach for personal data. The costs of compliance with these and other similar type laws may increase in the future as a result of changes in interpretation, which could adversely affect the Corporation's ability to carry on its business profitably, or at all.

Laws and regulations relating to user privacy, freedom of expression, content, advertising, information security and intellectual property rights are being debated and considered for adoption by many countries throughout the world. The Corporation faces risks from some of the proposed legislation that could be passed in the future.

In the United Sates, laws relating to the liability of providers of online services for activities of their users and other third parties are currently being tested by a number of claims, which include actions for libel, slander, invasion of privacy and other tort claims, unlawful activity, copyright and trademark infringement and other theories based on the nature and content of the materials searched, the ads posted or the content generated by users. Certain foreign jurisdictions are also testing the liability of providers of online services for activities of their users and other third parties. Any court ruling that imposes liability on providers of online services for activities of their users and other third parties could adversely affect the Corporation's ability to carry on its business profitably, or at all.

The application of existing laws prohibiting, regulating or requiring licenses for certain businesses of the Corporation's advertisers, including, for example, online gambling, distribution of pharmaceuticals, adult content, financial services, alcohol or firearms, can be unclear. Application of these laws in an unanticipated manner could expose the Corporation to substantial liability and restrict its ability to deliver services to its users, which could adversely affect the Corporation's ability to carry on its business profitably, or at all.

The Corporation also faces risks due to government failure to preserve the Internet's basic neutrality as to the services and sites that users can access through their broadband service providers. Such a failure to enforce network neutrality could limit the Internet's pace of innovation and the ability of large competitors, small businesses and entrepreneurs to develop and deliver new products, features and services, which could harm the Corporation's business.

Future Capital Requirements

The Corporation may require additional financing in order to continue to grow and expand its business. It is possible that required future financing will not be available or, if available, will not be available on favorable terms. If the Corporation issues treasury shares to finance its business, control of the Corporation may change and shareholders may suffer dilution of their investment. If adequate funds are not available, or are not available on acceptable terms, the Corporation may not be able to take advantage of opportunities, or otherwise respond to competitive pressures or remain in business.

Conflicts of Interest

As certain of the directors and proposed directors of the Corporation are directors, officers or shareholders of other companies, there are potential conflicts of interest to which the directors, or proposed directors, of the Corporation may be subject to from time to time, in connection with the operations of the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the *Business Corporations Act* (British Columbia).

12. FORWARD LOOKING STATEMENTS

Certain statements contained in this Management's Discussion and Analysis may constitute forward- looking statements. These statements relate to future events or the Corporation's future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Corporation believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this annual Management's Discussion and Analysis should not be unduly relied upon by investors. These statements speak only as of the date of this Management's Discussion and Analysis and are expressly qualified, in their entirety, by this cautionary statement.

With respect to forward-looking statements contained in this Management's Discussion and Analysis, the Corporation has made assumptions regarding, among other things:

- the Corporation's ability to obtain additional financing on satisfactory terms.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this management discussion and analysis:

- incorrect assessments of the value of acquisitions;
- competition for, among other things, capital, and skilled personnel; and
- the other factors referred to under "Risk Factors".

The forward-looking statements or information contained in this Management's Discussion and Analysis are made as of the date of this report.

13. ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com.