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Q U A R T E R

2018

THREE MONTHS ENDED MARCH 31 2018

Share Information

At May 29, 2018, the Company had 25,178,604 common shares outstanding and stock options exercisable for 2,343,897 additional common shares, and warrants exercisable into 263,786 common shares.

Investor Information

All financial reports, news releases and corporate information can be accessed on our website at www.wowunlimited.co

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is dated May 29, 2018 and is intended to assist in understanding the results of operations and financial condition of Wow Unlimited Media Inc. as at and for the three months ended March 31, 2018 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the three months ended March 31, 2018 and other public disclosure documents of Wow Unlimited Media Inc., including its previously filed December 31, 2017 annual consolidated financial statements.

Past performance may not be indicative of future performance. Unless otherwise noted, all amounts are reported in Canadian dollars, the Company's functional currency, and have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Throughout the MD&A reference to Wow Unlimited or the Company refers to Wow Unlimited Media Inc. and its subsidiary entities.

Additional information, including the Company's annual information form (the "AIF") and other publicly filed documents relating to the Company 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.

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A, and in certain documents incorporated by reference in this MD&A, constitute "forward-looking information" and "forward-looking statements" (together, "forward-looking statements") within the meaning of applicable Canadian securities laws. The words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions are often used to identify forward looking statements. These statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events, and include, but are not limited to statements relating to the Company's objectives, priorities, strategies, actions, targets, expectations, outlook and the Bell Media Transaction (as defined herein). By their very nature, forward looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, a reader should specifically consider various factors; including the risks outlined in this MD&A under the heading "*Risks and Uncertainties*" which may cause actual results to differ materially from any forward looking statement.

The forward looking statements contained herein reflect management's current expectations and beliefs and are based upon certain assumptions that management believes to be reasonable based on the information currently available. Such assumptions include, but are not limited to: (i) general economic conditions, (ii) the expected actions of third parties, (iii) the ability of the Company to identify content development and production opportunities, (iv) the ability of Frederator Network to identify and obtain new channels, (v) the ability of the Company to raise capital, (vi) the closing of the Bell Media Transaction and the benefits associated therewith, and (vii) the Company's future growth prospects and business opportunities. Should one or more of the risks or uncertainties identified herein materialize, or should the assumptions underlying the forward looking statements prove to be incorrect, then actual results may vary materially from those described herein.

Readers are cautioned not to place undue reliance on forward looking statements. Except as required by applicable securities laws, we do not intend, and do not assume any obligation, to update the forward looking statements contained herein.

NON-IFRS FINANCIAL 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 *operating profit or loss*, *operating profit or loss per share* and *operating EBITDA.* The Company believes these supplemental financial measures reflect the Company's on-going business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in its business.

The Company defines *operating profit or loss* as net profit or loss excluding the impact of specified items affecting comparability, including, where applicable, share of loss of equity accounted investees, other non-operational income and expenses, deferred taxes and other gains or losses. The use of the term "non-operational income and expenses" is defined by the Company as those that do not impact operating decisions taken by the Company's management and is based upon the way the Company's management evaluates the performance of the Company's business for use in the Company's internal management reports. *Operating profit or loss per share* is calculated using diluted weighted average shares outstanding and does not represent actual profit or loss per share attributable to shareholders. The Company believes that the disclosure of operating profit or loss and operating profit or loss per share allows investors to evaluate the operational and financial performance of the Company's ongoing business using the same evaluation measures that management uses, and is therefore a useful indicator of the Company's performance or expected performance of recurring operations.

The Company defines *operating EBITDA* as profit or loss net of amortization of investment in film and television, but before interest, taxes, general and administration expenses, depreciation and amortization, adjusted for certain items affecting comparability as specified in the calculation of operating profit or loss. Operating EBITDA is presented on a basis consistent with the Company's internal management reports. The Company discloses operating EBITDA to capture the profitability of its business before the impact of items not considered in management's evaluation of operating performance. Unless otherwise stated, the Company includes the amortization of investment in film and television in the calculation of operating EBITDA.

Operating profit or loss, operating profit or loss per share and operating EBITDA do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. The Company cautions readers to consider these non-IFRS financial measures in addition to, and not as an alternative for, measures calculated in accordance with IFRS.

COMPANY PROFILE

Wow Unlimited is creating a leading next generation kids and youth entertainment business by focusing on creating top end content, and by building and partnering the most engaging platforms. The Company's key assets include: Frederator Networks Inc. ("Frederator"), which includes, Channel Frederator Network, the world's #1 digital animation network, Frederator Studios, an animation production company, as well as video-on-demand ("VOD") channels on digital platforms; and one of Canada's largest, multi-faceted animation production studios, which consists of Mainframe Studios that produces computer-generated animated television series and Rainmaker Studios that produces long-form animated features. The Company operates out of offices in Toronto, New York, Vancouver and Los Angeles. The common voting shares of the Company (the "Common Voting Shares") and variable voting shares of the Company (the "Variable Voting Shares") are listed on the TSX Venture Exchange (the "TSXV") (TSXV: WOW.A) (TSXV: WOW.B) and its CEO and board chairman is Michael Hirsh.

The Company's business is managed in two operating segments:

Animation Production

Through its production studio operations in both Canada and the United States, the Company provides animation services on a work-for-hire basis as well as financing and producing its own intellectual property for licensing and distribution. The Company's principal customers are traditional film and television studios, distributors, toy companies, toy brand owners, broadcasters and other streaming service providers.

Networks and Platforms

The Company operates a diverse animated multi-channel network on the *YouTube* platform from which it generates revenue streams. In addition, the Company owns various proprietary channels on the same platform generating a stream of advertising-on-demand revenues. The Company has also entered into the business of subscription video on-demand through a channel it operates in the United States.

OVERVIEW OF RESULTS

Cumulative prior period information in the following tables have been restated for purchase price allocation adjustments relating to the acquisition of Frederator.

Results of operations

$000's, except per share amounts	For the three months ended March 31, 2018	March 31, 2017
Revenue	**$ 15,663**	**$ 5,867**
Operating EBITDA[1]	1,552	(374)
Operating loss[1]	(292)	(2,111)
Operating loss per share		
- basic and diluted	$ (0.01)	$ (0.08)
Net loss	**$ (162)**	**$ (1,466)**
Net loss per share		
- basic and diluted	$ (0.01)	$ (0.06)
Weighted average number of shares outstanding		
- basic and diluted	25,178,604	25,581,577

[1]Operating EBITDA includes amortization of investment in film and television. Refer to discussion under Consolidated Results for a reconciliation of Operating EBITDA and Operating loss to Net loss.

Financial position

$000's	March 31, 2018	December 31, 2017
Financial position		
Total assets	$ 62,497	$ 59,032
Total current assets	32,521	32,889
Total non-current assets	29,976	26,144
Convertible debentures	3,858	3,815
Total liabilities	38,255	35,094
Shareholders' equity	24,242	23,938

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Finalization of purchase price allocation

During the fourth quarter of 2017, the Company finalized revisions to certain preliminary estimates of the purchase price allocation relating to the acquisition of Frederator Networks Inc. ("Frederator") which was completed on December 15, 2016. The adjustments were applied retrospectively to the acquisition date resulting in the recognition of intangible assets and goodwill. As a result, the unaudited condensed interim consolidated statement of comprehensive loss for the three months ended March 31, 2017, has been restated to reflect the increased amortization expense associated with these intangible assets along with the impact of the restatement on deferred taxes and foreign currency translation adjustment.

Strategic Partnership with Bell Media

On September 13, 2017, the Company entered into a definitive asset purchase agreement (the "Bell Agreement") with Bell Media for the purpose of acquiring a Category B specialty service, and the Canadian Radio-television and Telecommunications ("**CRTC**") broadcasting license relating to this service from Bell Media, in exchange for 3,433,446 Common Voting Shares at a deemed price of $2.00 per share for total consideration of $6,866,892 (the "Bell Media Transaction"). The Common Voting Shares to be issued represented approximately 12% of the Company's share capital, after giving effect to the Bell Media Transaction, as at the date the Bell Agreement was entered into.

Closing of the Bell Media Transaction is subject to the completion of certain terms set out in the Bell Agreement, including:

- receipt of regulatory approvals, including CRTC approval;
- receipt of the final approval of the TSXV; and
- the execution of certain ancillary agreements to the purchase agreement.

The Bell Media Transaction and strategic addition to the Networks and Platforms category is expected to drive the Company's planned multi-platform rollout of a new paradigm in entertainment for kids and youth across Canada. On March 27, 2018, the CRTC license application was published in the gazette for public comment prior to the regulator deciding for or against the application. The Company expects a decision within the next six months.

Convertible Debt

On December 14, 2017, the Company issued convertible debentures in the amount of $4,326,000, upon the completion of a non-brokered private placement offering. The debentures accrue interest at a rate of 8% per annum payable quarterly in arrears and are convertible into common shares of the Company at a price of $2.00 per share. The debentures mature on December 14, 2020, and are governed by the terms of an indenture between the Company and Computershare Trust Company of Canada.

OPERATIONAL HIGHLIGHTS

- Production continues on an additional 8 episodes of the hit series *Castlevania,* to be delivered to Netflix in 2018. As published by Parrot Analytics, the original, 4 episode season of *Castlevania* achieved the status of both the most in-demand digital original and the most popular digital original series in the United States in the first two weeks of its launch.
- Animated series *Costume Quest* and *Bravest Warriors*, season 4, continue in production with full deliveries expected by the end of 2018.
- Channel Frederator Network continues to grow, with 111 million subscribers on YouTube and 37 channels added to the network in the 3 months ended March 31, 2018 and a total of 3,003 channels as at March 31, 2018. Channel Frederator Network also attracted a total of 5.4 billion views for the 3 months ended March 31, 2018, representing a 25% increase since December 31, 2017.
- Continuing the long-standing relationship between Mattel and Rainmaker Studios, the studio is producing another Barbie title, *Barbie Dreamhouse Adventures*, a 26 episode animated series which commenced production during the first quarter of 2017 and which will begin deliveries of completed episodes in June, 2018.
- The Company delivered the final episode of the 26 episode series, *Spy Kids: Mission Critical*, in April, 2018.
- Production of season five of the series *Octonauts,* comprising 28 episodes of 11 minutes each, for Silvergate Media, continues, with deliveries commencing mid-2018.
- *Reboot: The Guardian Code,* produced by the Company, was delivered in 2017 to a Canadian broadcaster under a license for the first window Canadian English language broadcast rights. An affiliate of the Canadian broadcaster is acting as the 3rd party distributor (the "Distributor") for the remaining worldwide rights. In the three months ended March 31, 2018, the Distributor entered into a long-term license for global SVOD rights to the series; as the license period commenced during the quarter, the Company recognized an estimate of its share of the net proceeds from this license as revenue during the period.

CONSOLIDATED RESULTS

Cumulative prior period information in the following tables have been restated for purchase price allocation adjustments relating to the acquisition of Frederator.

$000's	For the three months ended March 31, 2018	March 31, 2017
Revenue	**$ 15,663**	**$ 5,867**
Amortization of investment in film and television	**$ 947**	**$ –**
Operating EBITDA	**$ 1,552**	**$ (374)**
Finance costs	353	88
Depreciation and amortization[1]	760	1,229
General and administration	731	420
Operating loss	(292)	(2,111)
Items affecting comparability:		
Share based compensation expense	261	180
Deferred income tax recovery	(391)	(825)
	(130)	(645)
Net loss	**$ (162)**	**$ (1,466)**

[1] Excludes amortization of investment in film and television

Revenue and Operating EBITDA

Revenue for the 3 months ended March 31, 2018, increased by $9.8 million, compared to the same period in 2017, as a result of an increase of $3.9 million in revenue in the Networks and Platforms segment and $5.9 million in the Animation Production segment. The increase in the Networks and Platforms segment quarter over quarter resulted from increased views and revenues generated by Channel Frederator. Growth in the Animation Production segment was primarily driven by continued production of *Costume Quest*, *Barbie Dreamhouse Adventures* and *Spy Kids: Mission Critical*, as well as revenue from the US licensing of *Bravest Warriors,* season 4, and proceeds from licensing of international SVOD rights for *Reboot: The Guardian Code.*

Operating EBITDA for the 3 months ended March 31, 2018, increased by $1.9 million compared to the same period in 2017, driven by the revenue from *Reboot: The Guardian Code,* as noted above, net of accrued costs and amortization.

Amortization of investment in film and television

Amortization of investment in film and television during the quarter relates to the amortization of productions previously completed during 2017 including Reboot: The Guardian Code and Castlevania Season 1, and the amortization of the US distribution rights of *Bravest Warriors,* season 4, which began airing in the United States on Frederator's Cartoon Hangover Channel via Ellation's VRV platform.

Finance costs

$000's		For the three months ended March 31, 2018		March 31, 2017
Finance expense:				
Interest expense on interim production financing	$	237	$	131
Interest expense on convertible debentures		128		–
Interest expense on finance lease obligations		19		8
Interest capitalized to investments in film and television		(31)		(51)
	$	**353**	**$**	**88**

The increase in overall finance costs of $0.3 million is largely due to the increase in interest expense of $0.1 million on the new convertible debentures issued on December 14, 2017, as discussed previously.

Depreciation and amortization

$000's		For the three months ended March 31, 2018		March 31, 2017
Property, plant and equipment	$	166	$	131
Other intangible assets[1]		594		1,147
Amounts capitalised to Investment in film and television		–		(49)
	$	**760**	**$**	**1,229**

[1] 2016 figure has been adjusted for purchase price allocation adjustments relating to the acquisition of Frederator.

Depreciation on property plant and equipment increased in the 3 months ended March 31, 2018, compared to the 3 months ended March 31, 2017, driven by additions during the quarter as part of the Company's program to renew computer equipment and software across the studio on an ongoing basis. The decline in amortization of other intangible assets is attributable to a decrease in the amortization of the animation network, which is amortized on a 50% declining basis each year.

General and administration

General and administration expenses for the 3 months ended March 31, 2018, were $0.7 million compared to $0.4 million for the same period in 2017. The increase reflects the increased headcount, travel and public company costs in the first quarter of 2018 compared to 2017.

Net loss and items affecting comparability

The comparison of financial results under IFRS between periods is hindered by the inclusion and variability of specified items that may not be indicative of the ongoing operational performance of the Company's ongoing business. For the 3 months ended March 31, 2018, the net loss after adjusting for such items was $0.2 million. The most significant of these specified items are discussed below.

Share based compensation expense

Share based compensation expense for the three months ended March 31, 2018, was $0.3 million, compared to $0.2 million for the same period in 2017. The increase for the first quarter ended 2018 reflects the vesting of options and share appreciation rights granted in 2017, both as a component of the Bell Media Transaction, and as part of management compensation packages.

Deferred income tax recovery

For the 3 months ended March 31, 2018, deferred income tax recoveries were $0.4 million compared to $0.8 million for the 3 months ended March 31, 2017. The deferred income tax recoveries are primarily comprised of differences between the accounting bases of intangible assets recognized on the finalization of the purchase price allocation compared to the tax basis. The smaller recovery for the 3 months ended March 31, 2018, is consistent with the lower amortization taken for accounting purposes on these assets during the quarter.

OUR BUSINESS MODEL

With the acquisition of Frederator on December 15, 2016, the Company diversified its sources of revenue. Prior to the acquisition, the primary source of revenue was production service contracts where revenues are earned over the term of the contract as the Company provides services. The Frederator business brings both additional production service revenues, and an additional operating segment that derives a significant portion of its revenues from advertising revenue collected primarily via the *YouTube* platform.

The Company's objective is to expand its business model such that it selectively invests and has ownership interests in certain films and television shows produced by the Company. Examples of this include projects such as *ReBoot: The Guardian Code,* which is wholly owned by the Company and financed by a production loan secured by various licensing and distribution contracts and government incentives, and *Castlevania,* which is wholly owned and financed largely through licensing to Netflix. These investments in intellectual property reflect management's view that one of the largest opportunities for growth of the Company lies in the ownership and exploitation of intellectual property across multiple viewing platforms.

In order to further diversify revenue and financing sources, the Company is also considering and developing channels for content distribution. To this end, Channel Frederator Network received certification from the Canadian Audio-Visual Certification Office ("CAVCO") to have one of its YouTube channels approved as an online content destination for Canadian programming. The channel becomes one of only six online destinations to be sanctioned by CAVCO and will help support creators of original Canadian content by providing those programs access to a broader Canadian and global audience in addition to Canadian tax credits to support those programs.

The Company's production service business has provided and will continue to provide a significant source of revenue and cash flow to the Company over the term of each contract.

Frederator consistently discovers top content creators and concepts both from its unique Shorts (short films) development program as well as its animation network, Channel Frederator Network. It then works closely with those creators to develop, produce and distribute top-end content across multiple platforms worldwide. Frederator Studios, based in Burbank, California, has produced 16 hit series from approximately 250 short films through production service work. Its most successful television series include hits such as *Adventure Time* and *Fairly Odd Parents.* As a result of the Reorganization, Frederator Studios may also benefit from synergies by producing some of its future shows in-house at Rainmaker Studios and Mainframe Studios. The studio continues in its discussions for content development and production services.

The investment and ownership model does not provide an immediate source of revenue, unlike the Company's production service business, as revenue is recognized upon the completion and delivery of the content. Further, the investment model requires sources of capital to be identified initially in order to fund projects, as cash from exploitation is generally not received until delivery or during the subsequent exploitation of the content. Management has implemented a policy to secure 100% of the financing necessary to fund the direct costs of production prior to commencing production.

Development and production costs that meet the criteria for capitalization as an intangible asset in accordance with *IAS 38, Intangible Assets* are recorded on the statement of financial position until the film or television series is distributed and marketed and are periodically tested for potential impairment. Investment and ownership in films and television programming that we produce provides the Company with the ability to share in the success of the property but also exposes us to the risk of losses.

OUTLOOK

The Company continues to pursue and secure new opportunities in several key segments of the animation production and distribution industry. These include production service contracts in both the feature film and television markets. In addition, the Company remains focused on acquiring and investing in various intellectual properties that allow the Company to retain an ownership interest and share in future revenues, in a capital and risk efficient manner. In particular, the Company continues to pursue investment opportunities for theatrical films and TV programs that have strategic characteristics, such as committed distribution, key talent attachments, and successful brand awareness.

Frederator is expected to be a key growth driver in the years ahead. As of March 31, 2018, the Channel Frederator Network had approximately 3003 channels, a 3% growth over the quarter. The Network saw a 27% growth in YouTube subscribers since December 31, 2017, to 111 million at March 31, 2018. Channel Frederator Network is viewed by kids and youth audiences, primarily across mobile and gaming devices, providing the Company with a strong understanding of these 'digital-first' consumers. In addition to growing the network in 2018, the Company plans to leverage this understanding, network and its digital content development capabilities to build key partnerships with Advertising Video on Demand and Subscription Video on Demand ("SVOD") platforms worldwide.

The unaudited condensed interim consolidated financial statements for the three months ended March 31, 2018 and 2017 have been prepared using the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and settle its liabilities in the normal course of business. For the three months ended March 31, 2018, the Company had negative cash flows from operating activities of $4.2 million (March 31, 2017 – negative $7.8 million).

The Company's future operations are dependent upon many factors, including the ability to generate additional earnings and obtaining additional equity and/or debt financing in order to meet its planned business objectives. To that end, on December 14, 2017, the Company concluded a private placement of convertible debentures for gross proceeds of $4.3 million.

The Company will need to raise funds through public or private equity and/or debt financings. This funding may not be available on acceptable terms, or at all, and may be dilutive to shareholder interests. If the Company is unable to generate positive cash flows or obtain adequate financing, the Company may need to curtail operations. These factors cast significant doubt on the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the carrying amounts on the statement of financial position. Management continues to explore options to raise equity and debt financing.

Animation Production - Production services business

The Company continues to pursue and secure production service contracts as a significant component of its revenues and workflow. This includes contracts for theatrical films, DVD productions, as well as television series.

The Company is also currently producing an episodic series for Mattel, *Barbie Dreamhouse Adventures*, with delivery commencing in June, 2018 and the expected final delivery of the series in the fourth quarter of 2018.

In April 2018, the Company delivered the final episode of a 20 episode CG animation series, *Spy Kids: Mission Critical*, to The Weinstein Company. The series premiered on Netflix on April 20, 2018.

In a deal with Amazon Studios, the Company began production of *Costume Quest* in February 2017, based on the video game series by Double Fine productions and the world originally created by Tasha Sounart. Aimed at the kids market (6-11 year olds), *Costume Quest* is set in the fictional town of Auburn Pines where dark forces lurk in the shadows. The production is 26 x 11 minute episodes and will be in production until December 2018.

The Company began working with Silvergate Media in May 2017 on the production of season five of the series *Octonauts. Octonauts* will consist of 28 episodes, each 11 minutes in duration, and has an expected delivery date of mid-2018.

Animation Production - Intellectual property

ReBoot: The Guardian Code

ReBoot: The Guardian Code, is comprised of 20 commercial half hours of hybrid live action and CG animation. Final delivery of this Canadian content series to the Canadian broadcaster was completed in December 2017, triggering revenue recognition and amortization of the asset. An affiliate of the Canadian broadcaster acts as the distributor for the series and provided a minimum guarantee recoupable against the proceeds of exploitation of those rights. Additional funding was secured from the Canada Media Fund ("CMF") and the Shaw Rocket Fund.

As described above, in the three months ended March 31, 2018, the distributor entered into a worldwide SVOD licensing agreement for *ReBoot: The Guardian Code,* which commenced during the quarter. The Canadian broadcast premiere has been set for June 4, 2018.

Castlevania

Production on *Castlevania,* Season 2, began in the first quarter of 2017, comprised of eight 25 minute episodes with expected delivery in the first half of 2018. Based on the hit **Konami** video game and written by best-selling author and comic book icon **Warren Ellis,** *Castlevania* was the first proprietary production of Frederator Studios after the Reorganization and the 4 episodes of Season 1 debuted on Netflix in July 2017 to wide critical claim.

Castlevania, Season 1, is available exclusively on Netflix globally until July 2018. Thereafter, it will also be available for viewing on home video and through other paid electronic delivery methods, and then be available for TV distribution after an additional 7 years.

Bravest Warriors – Season 4

Bravest Warriors was created by Pendleton Ward, the creator of *Adventure Time*, one of the most successful shows on Cartoon Network. Fifty-two 11-minute episodes are currently in production in a partnership with a 3rd party producer. Although a 3rd party distributor will distribute the production globally, the Company has bought-out the United States distribution rights, and Season 4 had its initial episode debut on Frederator's SVOD channel, Cartoon Hangover, via Ellation Inc.'s VRV platform, in late 2017. The distribution rights have been capitalized as investment in film and television and amortized by the Company in accordance with its accounting policies.

The existing seasons of *Bravest Warriors* have almost 200 million views across the 24 episodes. *Bravest Warriors* won a Shorty Award and is a Webby Award Honoree.

Bee & Puppy Cat – Season 2

Bee & Puppy Cat is a 2D animated television show which originally debuted on YouTube and created significant audience appeal. The first 13 episode season of the series was produced by Frederator Studios with funding from a kick-starter campaign. The second season will consist of 13 x 22 minute episodes and will be produced in Los Angeles and Japan. Ellation, Inc. has acquired the rights to exclusively distribute the second season on their VRV platform though Frederator's SVOD channel, Cartoon Hangover, which is expected to debut in 2019. The Company has retained the rights to distribute in Canada.

Networks and Platforms

As one of the key areas for future growth, Frederator Network actively seeks new affiliate channels to their network as part of a strategy to increase views in the long term, and identify and foster talent for its own content development. The Company continues to build its unique appeal to affiliate members with video tools, music rights and member programs targeting the animation community.

The Company's owned & operated channels have experienced continued growth as a result of the increasing number of videos uploaded to the YouTube platform as well as development of additional series concepts.

RESULTS BY SEGMENT

Cumulative prior period information in the following table has been restated for changes for purchase price allocation adjustments relating to the acquisition of Frederator.

	For the three months ended	
$000's	**March 31, 2018**	**March 31, 2017**
Revenue		
Animation Production	$ 10,194	$ 4,307
Networks and Platforms	5,469	1,559
Total revenue	$ 15,663	$ 5,866
Amortization of investment in film and television		
Animation Production	$ 947	$ –
Networks and Platforms	–	–
Total amortization of investment in film and television	$ 947	$ –
Operating EBITDA		
Animation Production	$ 2,185	$ (25)
Networks and Platforms	(633)	(349)
Total operating EBITDA	$ 1,552	$ (374)

Animation Production

Revenue for the Animation Production segment was $10.2 million for 3 months ended March 31, 2018, compared to $4.3 million for the same period in 2017, largely driven by additional revenues of $3.2 million for 3 months ended March 31, 2018 (2017 - $0.5 million), from the continued production of *Costume Quest*, *Barbie Dreamhouse Adventures* and *Spy Kids: Mission Critical*, as well as revenue from the US licensing of *Bravest Warriors*, season 4, and the recognition of the Company's estimated share of the distributor's net proceeds from the licensing of the worldwide SVOD rights of *Reboot: The Guardian Code.*

The amortization of investment in film and television for the 3 months ended March 31, 2018, includes *Reboot: The Guardian Code*, *Castlevania Season 1*, and amortization of the US distribution rights of *Bravest Warriors,* season 4*,* which began airing in the United States on Frederator's Cartoon Hangover Channel via Ellation's VRV platform.

Operating EBITDA for the Animation Production segment was $2.2 million for the 3 months ended March 31, 2018, compared to negative $0.03 million for the same period in 2017 due the increase in revenue from *Reboot: The Guardian Code,* as noted above, net of accrued costs and amortization.

Networks and Platforms

Revenue earned in the Networks and Platforms segment was $5.5 million for the 3 months ended March 31, 2018, compared to $1.6 million for the 3 months ended March 31, 2017. Increased advertising revenue was driven by increased views on the channels within Channel Frederator, however, the Company expended comparatively more on product. Operating EBITDA for the Networks and Platforms segment was a loss of $0.6 million for 3 months ended March 31, 2018, compared to a loss of $0.3 million for the same period in 2017. The lower operating EBITDA for the 3 months ended March 31, 2018, reflects a higher affiliate payment in comparison to revenue for the quarter. Results from this segment are primarily generated largely through the Channel Frederator Network. As discussed previously under *Operational Highlights*, Channel Frederator Network continues to enjoy growth in both views and channels added over the course of the year which has resulted in increases to revenue.

QUARTERLY FINANCIAL DATA (UNAUDITED)

Cumulative prior period information in the following tables have been restated for purchase price allocation adjustments relating to the acquisition of Frederator.

	For the three months ended			
$000's	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	Jun 30, 2017
Revenue	**$ 15,663**	**$ 16,675**	**$ 11,720**	**$ 10,399**
Operating EBITDA[(1)]	1,552	(86)	(199)	345
Operating loss	(292)	(2,246)	(1,971)	(1,468)
Net loss	**$ (162)**	**$ (1,539)**	**$ (1,589)**	**$ (494)**
Basic net loss per share	$ (0.01)	$ (0.06)	$ (0.06)	$ (0.02)
Diluted net loss per share	$ (0.01)	$ (0.06)	$ (0.06)	$ (0.02)

	For the three months ended			
	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016
Revenue	**$ 5,867**	**$ 3,454**	**$ 4,698**	**$ 4,964**
Operating EBITDA[(1)]	(374)	(242)	951	860
Operating (loss) profit	(2,111)	(1,039)	243	136
Net (loss) profit	**$ (1,466)**	**$ (6,530)**	**$ 1,226**	**$ 136**
Basic net (loss) profit per share	$ (0.06)	$ (2.33)	$ 0.70	$ 0.08
Diluted net (loss) profit per share	$ (0.06)	$ (2.33)	$ 0.18	$ 0.05

(1) Refer to *Reconciliations* for a reconciliation of operating EBITDA and operating (loss) profit to net (loss) profit.

The decrease in revenue during the third and fourth quarters of 2016 was due to the completion of *Barbie Puppy Chase* in August of 2016, and *Bob the Builder* in October 2016. The growth in revenues during the four quarters of 2017 were a result of incorporating operations of Frederator subsequent to the acquisitions on December 15, 2016, and the delivery of all 20 episodes of *ReBoot: The Guardian Code*.

Fluctuations in operating EBITDA and operating profit (loss) throughout the second and third quarters of 2016 were due to the fact that a portion of our operating expenses are fixed, and are therefore not impacted by varying production levels. Accordingly, an increase in revenues drives growth in operating EBITDA and a reduction of net loss. Operating EBITDA and operating (loss) profit decreased in the fourth quarter of 2016 as a result of significant acquisition costs related to the Reorganization. Increases in operating and general and administration costs as a result of the Reorganization and addition of Frederator on December 15, 2016, contributed towards the operating and loss in the first quarter of 2017.

The second quarter of 2017 saw an improvement in operating EBITDA due to a decrease in operating expenses relative to revenue generated, as a result of the recognition of revenue earned on delivery of *Castlevania* Season 1 at the end of the second quarter, when amortization commenced.

The negative operating EBITDA in the third quarter of 2017 was a result of increased operating expenses in comparison to revenue recognized, primarily as a result of recording a $0.4 million reserve against the collection of future tax credit receivables during the quarter.

The improvement of operating EBITDA in the fourth quarter of 2017 was primarily a result of the delivery of the remaining 12 episodes of *Reboot: The Guardian Code*, and in the first quarter of 2018, due to the recognition of revenue related to the Distributor's licensing of the worldwide SVOD rights to the series during the quarter.

RECONCILIATIONS

The following tables reconcile operating EBITDA and operating (loss) profit to total comprehensive income (loss) for the last eight quarters. Cumulative prior period information in the following tables have been restated for changes in accounting policies and for purchase price allocation adjustments relating to the acquisition of Frederator.

	For the three months ended			
$000's	**Mar 31, 2018**	**Dec 31, 2017**	**Sep 30, 2017**	**Jun 30, 2017**
Operating EBITDA	**$ 1,552**	**$ (86)**	**$ (199)**	**$ 345**
Finance costs	353	160	113	82
Depreciation and amortization[1]	760	1,221	1,193	1,236
General and administration	731	779	466	495
Operating loss	(292)	(2,246)	(1,971)	(1,468)
Items affecting comparability:				
Share based compensation expense	261	325	385	453
Deferred income tax recovery	(391)	(1,032)	(767)	(1,427)
	(130)	(707)	(382)	(974)
Net loss	**$ (162)**	**$ (1,539)**	**$ (1,589)**	**$ (494)**

[1] Excludes amortization of investment in film and television

$000's		For the three months ended						
		Mar 31, 2017		Dec 31, 2016		Sep 30, 2016		Jun 30, 2016
Operating EBITDA	**$**	**(374)**	**$**	**(242)**	**$**	**951**	**$**	**860**
Finance costs		88		364		416		389
Depreciation and amortization[1]		1,229		329		123		143
General and administration		420		104		169		192
Operating (loss) profit		(2,111)		(1,039)		243		136
Items affecting comparability:								
Share based compensation expense		180		–		–		–
Acquisition costs		–		5,760		–		–
Impairments		–		(1)		–		–
Share of results of Ratchet Productions, LLC		–		(182)		(983)		–
Deferred income tax recovery		(825)		(86)		–		–
		(645)		5,491		(983)		–
Net (loss) profit	**$**	**(1,466)**	**$**	**(6,530)**	**$**	**1,226**	**$**	**136**

[1] Excludes amortization of investment in film and television

LIQUIDITY AND CAPITAL RESOURCES

The Company's liquidity requirements can be met through a variety of sources. Borrowings against tax credits earned from both service productions and the production of our own content are a key source of operational financing. Other sources include generating cash from operations, entering into finance leases, issuance of convertible debentures, or the issuance of common shares. Sources of funding for IP include production financing facilities secured by licensing agreements. The Company's policy is to identify sources of funding for 100% of the direct costs of proprietary productions prior to the commencement of production. The Company manages liquidity risk by continuously monitoring actual and forecast cash flows, drawing upon available facilities and using lease financing.

The condensed interim consolidated financial statements for the quarter ended March 31, 2018 and 2017 have been prepared using the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and settle its liabilities in the normal course of business.

See "Outlook" section for factors which cast significant doubt on the Company's ability to continue as a going concern. For the three months ended March 31, 2018, the Company had negative cash flows from operating activities of $4.2 million (March 31, 2017 – negative $7.8 million). The Company had a cash balance of $4.0 million and $5.7 million in additional unutilized credit facilities available by way of interim production loans secured against refundable tax credits and sales contracts at March 31, 2018. In addition, the Company had $1.0 million in credit facilities available under a $1.7 million maximum CAD line of credit as at March 31, 2018.

A summary of the Company's cash flows for the three months ended March 31, 2018 and 2017 is as follows:

$000's	For the three months ended March 31, 2018		March 31, 2017
Cash used in operating activities	$ (4,170)	$	(7,841)
Cash generated by financing activities	1,820		5,558
Cash used in investing activities	(20)		(228)
Net change in cash and cash equivalents	(2,370)		(2,511)
Effect of foreign exchange on cash and cash equivalents	41		–
Cash and cash equivalents, begininng balance	6,354		11,156
Cash and cash equivalents, ending balance	$ 4,025	$	8,645

Cash flows from operating activities

$000's	For the three months ended March 31, 2018		March 31, 2017
Cash (used in) provided by operating activities before changes in non-cash working capital	$ 447	$	(927)
Investment in film and television	(782)		(9,363)
Funding received for investment in film and television	–		213
Changes in non-cash working capital:			
Trade and other accounts receivable	(4,315)		(962)
Other assets [1]	(210)		(418)
Accounts payable and accrued liabilities	2,121		(1,395)
Deferred revenue	(1,437)		5,025
Other liabilities [2]	6		(14)
Cash used in operating activities	$ (4,170)	$	(7,841)

[1] Other assets include prepaid expenses, other financial assets, and deposits and other assets.

[2] Other liabilities include other current liabilities, other financial liabilities, and other non-current liabilities.

Cash flows from operating activities for the three months ended March 31, 2018, used $4.2 million in cash compared to $7.8 million for 2017.

Investment in film and television decreased cash by $0.8 million for the three months ended March 31, 2018, compared to $9.4 million for the three months ended March 31, 2017. The larger outflow of cash for the first quarter of 2017 is primarily due to spending on the *ReBoot* series which was completed and delivered during 2017. Expenditure in the first quarter of 2018 primarily relates to the costs incurred on *Castlevania Season 2*.

Significant changes in the components of non-cash working capital are discussed below:

The Company recognizes the benefit of refundable tax credits earned from eligible labour expenditures on its productions in Canada as the labour expenditures are incurred as an increase to tax credits receivable and a decrease to operating expenses. This results in a decrease in cash flows from operating activities during the production of a film and before the tax return is filed and the refundable tax credits claimed. The filing of a tax return and subsequent receipt of the refundable tax credits results in an increase in cash flows from operating activities. Refundable tax credits earned are significant and therefore can have a large impact on our working capital balances.

During the 3 months ended March 31, 2018, $0.3 million in tax credit refunds were received compared to $nil in 2017. Tax credits earned for the 3 months ended March 31, 2018, were $2.4 million compared to $1.0 million for 2017. In addition, during the 3 months ended March 31, 2018, changes in trade receivables decreased cash by $2.2 million (March 31, 2017 - $0.2 million) primarily as a result of the recognition of the expected proceeds from the licensing of international SVOD rights of *Reboot: The Guardian Code* during the quarter, which will be paid to the Company over 5 years. As the refundable tax credits are a significant component of our non-cash working capital balances, we finance them through production tax credit loans as discussed below under *"Cash generated by financing activities".*

The change in accounts payable and accrued liabilities primarily relates to the timing of invoices received and paid.

Deferred revenue represents cash received from customers in excess of revenues earned to date on a production. The balance of deferred revenue generally increases during periods where there are more active productions and decreases when there are fewer productions. The change in deferred revenue for the 3 months ended March 31, 2018, decreased operating cash flows by $1.4 million, compared to generating cash of $5.0 million for 2017, as a result of the timing of cash receipts. This reflects the stage of productions at March 31, 2018. Generally the earlier in a production, the higher the deferred revenue, as invoices are issued in advance of work performed to ensure that cash is received before it is required to be paid.

Cash flows from financing activities

	For the three months ended	
$000's	**March 31, 2018**	**March 31, 2017**
Proceeds from interim production financing, net of repayment	$ 2,138	$ 5,693
Interest paid	(169)	(25)
Repayment of finance leases	(149)	(110)
Cash generated by financing activities	$ 1,820	$ 5,558

As discussed under "*Cash flow from operating activities*", the Company's interim production financing is secured by the tax credit receivables. Proceeds from interim production financing, less repayments, for the three months ended March 31, 2018, resulted in net proceeds of $2.1 million compared to $5.7 million in 2017. The larger cash proceeds during the 3 months ended March 31, 2017, are a result of production funding needs of the Company's proprietary intellectual property *Reboot* which commenced live action shooting during the first quarter of 2017. The *Reboot* series was fully delivered by the end of December 31, 2017, and as a result, no additional amounts were drawn on the production loan balance during the 3 months ended March 31, 2018.

Interest paid on interim production loans, finance leases and convertible debentures during the first three months of 2018 was $0.2 million compared with $0.03 million in 2017. The increase in interest paid is primarily a result of interest paid on the convertible debentures issued on December 14, 2017.

Principal repayments on finance leases for the three months ended March 31, 2018, were $0.15 million compared with $0.11 million for 2017. The increase compared to prior year is as a result of new leases entered into during the quarter.

CONTRACTUAL OBLIGATIONS

The following is a summary of the Company's contractual obligations as at March 31, 2018:

$000's	Less than 1 year	1 to 5 years	Greater than 5 years	Total
Accounts payable and accrued liabilities	$ 7,025	$ –	$ –	$ 7,025
Convertible debentures [1]	346	4,919	–	5,265
Finance lease obligations [1]	818	719	–	1,537
Interim production financing	21,686	509	–	22,195
Operating leases [2]	1,472	4,185	–	5,657
	$ 31,347	$ 10,332	$ –	$ 41,679

[1] Includes the estimated interest that will be paid to the end of their respective terms.

[2] Operating leases are primarily facility leases and the Company's committed lease of outsourced rendering capacity.

CAPITAL EXPENDITURES

During the three months ended March 31, 2018, the Company incurred capital expenditures of $0.02 million compared to $0.2 million for the 3 months ended March 31, 2017. The additions during the first quarter of 2018 consisted of purchases of computer equipment and software through finance lease obligations. The Company endeavours to fund IT purchases through finance leases where possible.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, trade and other payables, bank indebtedness, finance lease obligations, and interim production financing.

The Company periodically enters into foreign exchange forward contracts to manage its foreign exchange risk on contracts denominated in the USD with various counterparties, principally financial institutions with investment grade credit ratings. Such contracts are classified as derivative financial instruments, included as other financial assets or liabilities in the statement of financial position, and measured at fair value through profit and loss.

SEASONALITY

Results of operations generated by the Animation Production segment for any period are dependent on the number and timing of film and television programs delivered which cannot be predicted with certainty. Consequently, the Company's results from operations may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with the timing and amount of revenue recognised. The Company's Networks and Platforms revenues are driven by advertising preferences, which experiences seasonal fluctuations that are somewhat aligned to the retail industry.

RISKS AND UNCERTAINTIES

Risks and uncertainties are included in the Company's annual information form dated April 27, 2018, and the Management's Discussion and Analysis for the year ended December 31, 2017 and are available on SEDAR at www.sedar.com.

Also see "*Outlook"* and "*Liquidity and Capital Resources"* sections above.

JUDGEMENTS AND CRITICAL ACCOUNTING ESTIMATES

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

In preparing the unaudited condensed interim consolidated financial statements, the areas of estimation and judgment that management considers most significant are the same as those applied to and disclosed in the audited consolidated financial statements for the year ended December 31, 2017.

FUTURE CHANGES IN ACCOUNTING POLICIES

A number of new standards and amendments to standards and interpretations are not yet effective at March 31, 2018 and have not been applied in preparing the unaudited condensed interim consolidated financial statements. The Company is currently reviewing relevant standards to determine the potential impact on the consolidated financial statements of the Company.

ADOPTION OF NEW ACCOUNTING POLICIES

IFRS 15 – Revenue from Contracts with Customers

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), which requires that the effect of initially applying this standard be recognised at the date of initial application, which is January 1, 2018, and that the information for 2017 is presented as previously reported. The adoption of this standard did not have a material impact on the Company's financial statements, and as a result, there was no adjustment made to retained earnings on January 1, 2018.

IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments is required to be applied for years beginning on or after January 1, 2018, with retrospective application. The new standard includes a model for the classification and measurement of financial assets, and some changes relating to financial liabilities. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment and includes a reformed approach to hedge accounting. The adoption of IFRS 9 did not have a material impact on the Company's condensed interim consolidated financial statements and related disclosures.

Distribution rights

Distribution rights, classified under investment in film and television, represent contract rights acquired from third parties to distribute animation productions. The assets and liabilities related to these rights are recorded when the Company controls the asset, the expected future economic benefits are probable and the cost is reliably measurable. The Company generally considers these criteria to be met and records the assets and liabilities when the licensed distribution period has begun, the program material is accepted, and the material is available for airing. These costs are amortized at 50% - 90% immediately when the production is available for airing, with the balance amortized on a straight-line basis over the remaining useful life of the distribution license period.

Distribution rights are recorded at cost less accumulated amortization. The amortization period and the amortization method for program rights are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. Amortization of distribution rights is recorded in depreciation and amortization expense for the period.

Distribution rights are tested for impairment on a title-by-title basis if events or changes in circumstances indicate that the carrying amount may exceed its recoverable amount. Any shortfall between the recoverable amount from future cash flows from the distribution rights and the carrying value is written off as an impairment expense in the period in which the decline in value becomes evident.

CONTROLS AND PROCEDURES

For the three months ended March 31, 2018, no changes were made in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CAPITAL STRUCTURE AND OUTSTANDING SHARE DATA

Stock options and warrants

We maintain a rolling stock option plan that enables us to grant options to directors, officers, employees and consultants of the Company. The stock option plan permits the granting of options up to an aggregate maximum of 10% of issued and outstanding common shares from time to time on a non-diluted basis.

During the 3 months ended March 31, 2018, there were no new issuances of stock options or warrants.

As at March 31, 2018 and May 29, 2018, the total stock options outstanding is 2,343,897, and total warrants outstanding is 263,786.

As at March 31, 2018, the Company had stock options exercisable for 1,340,807 additional common shares, and warrants exercisable for 263,786 additional common shares.

As at May 29, 2018, the Company had stock options exercisable for 1,362,522 additional common shares, and warrants exercisable for 263,786 additional common shares.

Outstanding Shares

As at March 31, 2018 and May 29, 2018, the Company had 25,178,604 common shares issued and outstanding. The total shares outstanding were comprised of the following balances:

- Common Voting Shares 16,104,125
- Variable Voting Shares 6,492,722
- Common Non-Voting Shares 2,581,757

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTIES

Remuneration of key management personnel

The remuneration of key management personnel and directors was as follows:

	For the three months ended	
	March 31, 2018	**March 31, 2017**
Short-term benefits	$ 402,230	$ 458,580
Share based compensation expense	192,470	136,454
	$ 594,700	$ 595,034

Rental of office space

Office space in Toronto has been rented on a month to month basis from a company that is related to an officer of the Company. For the 3 months ended March 31, 2018, rent was paid in the amount of $50,014.

Officer/Director Financing Advances to a Third-Party Service Provider

During March and April 2018 certain officers/directors of the Company made unsecured, non-recourse production advances aggregating $200,000 USD to an unrelated animation services provider in order to expedite production of a television series for which the Company had not yet entered into a formal production commitment.