Consolidated Financial Statements of

Wow Unlimited Media Inc.

December 31, 2019 and 2018

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Wow Unlimited Media Inc. (the "Company") and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors (the "Board").

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the consolidated financial statements are presented fairly in all material respects.

The Company maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit Committee (the "Committee").

The Committee is appointed by the Board, and the majority of its members are outside unrelated directors. The Committee meets periodically with management, as well as with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting items, to satisfy itself that each party is properly discharging its responsibilities, and to review the consolidated financial statements, annual report and management's discussion and analysis. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements for 2019 have been audited by KPMG LLP, the external auditors, in accordance with Canadian Auditing Standards on behalf of the shareholders. The auditors have had full and free access to the Committee.

"Steve Hendry"

Steve Hendry
Chairman of the Audit Committee

"Michael Hirsh"

Michael Hirsh
Chief Executive Officer and Chairman of the Board

"John Vandervelde"

John Vandervelde
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Wow Unlimited Media Inc.

Opinion

We have audited the consolidated financial statements of Wow Unlimited Media Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2019 and December 31, 2018;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2019 and December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2(e) in the financial statements, which indicates that for the year ended December 31, 2019 the entity has negative cash flows from operating activities and as at December 31, 2019 had net current liabilities.

As stated in Note 2(e) in the financial statements, these events or conditions, along with other matters as set forth in Note 2(e) in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Emphasis of Matter –Change in Accounting Policy

We draw attention to Note 3(x) to the financial statements which indicates that the Entity has changed its accounting policy for IFRS 16 - *Leases* and has applied that change using the modified retrospective method.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Information Form" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Konstantin Polyakov

Vancouver, Canada
April 28, 2020

Wow Unlimited Media Inc.

Consolidated Statements of Financial Position

As at December 31, 2019 and 2018

Expressed in Canadian dollars

	Note	December 31, 2019	December 31, 2018
ASSETS			
Current			
Cash and cash equivalents		$ 3,205,058	$ 3,862,875
Trade and other accounts receivable	4	30,179,710	25,544,818
Prepaid expenses, deposits and other		2,298,297	1,162,742
		35,683,065	30,570,435
Property, plant and equipment	5	10,988,706	2,991,360
Investment in film and television programming	7	12,347,616	13,206,864
Other intangible assets	9	2,056,705	8,905,078
Goodwill	9	2,622,326	11,416,022
Long-term accounts receivable	4	1,482,178	2,803,397
Deposits		256,305	293,516
		29,753,836	39,616,237
TOTAL ASSETS		**$ 65,436,901**	**$ 70,186,672**
LIABILITIES			
Current			
Bank indebtedness	10	$ 1,409,000	$ 1,337,240
Accounts payable and accrued liabilities		10,716,797	12,836,304
Interim production financing	10	16,960,405	14,520,033
Convertible debentures	13	4,160,516	–
Deferred revenue	17	9,454,764	7,018,210
Current portion of lease obligations	12 (b)	794,898	1,350,851
Other current liabilities		491,367	105,635
		43,987,747	37,168,273
Lease obligations	12 (b)	12,080,545	1,532,934
Convertible debentures	13	–	3,987,940
Deferred tax liabilities		73,105	–
Other non-current liabilities		1,460,941	2,227,905
		13,614,591	7,748,779
TOTAL LIABILITIES		**57,602,338**	**44,917,052**
SHAREHOLDERS' EQUITY			
Share capital		84,969,758	83,006,928
Reserves		4,970,580	4,785,790
Accumulated deficit		(82,105,775)	(62,523,098)
TOTAL SHAREHOLDERS' EQUITY		**7,834,563**	**25,269,620**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 65,436,901**	**$ 70,186,672**

Going concern (Note 2(e)), Commitments and Contingent liabilities (Note 23), Related parties (Note 24), Subsequent events (Note 25)

Approved by the Directors:

"Michael Hirsh"

Michael Hirsh, Director

"Steve Hendry"

Steve Hendry, Director

See accompanying notes to these consolidated financial statements

Wow Unlimited Media Inc.

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2019 and 2018

Expressed in Canadian dollars

	Note	2019	2018
Revenue	17	$ 103,872,248	$ 78,628,286
Expenses			
Operating	18	88,118,873	70,999,545
Depreciation and amortization		15,114,363	10,269,939
General and administration	18	3,345,924	3,318,762
Impairment of other intangible assets and goodwill	9	13,810,575	–
Share-based compensation expense	15	1,116,598	798,501
Loss before finance costs and taxes		(17,634,085)	(6,758,461)
Finance costs	11	1,874,732	1,177,119
Loss before taxes		**(19,508,817)**	**(7,935,580)**
Deferred income tax expense (recovery)	19	73,860	(1,212,505)
Net loss		**$ (19,582,677)**	**$ (6,723,075)**
Other comprehensive (income) loss:			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustment		727,808	(641,611)
Total comprehensive loss		**$ (20,310,485)**	**$ (6,081,464)**
Loss per share			
- basic and diluted		**$ (0.62)**	**$ (0.25)**
Weighted average number of shares outstanding			
- basic and diluted		31,555,814	27,215,079

See accompanying notes to these consolidated financial statements

Wow Unlimited Media Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2019 and 2018

Expressed in Canadian dollars

	Note	Number of non-voting shares issued	Number of common voting shares issued (1)	Share capital	Reserves: Equity component of convertible debentures	Reserves: Warrant reserve	Reserves: Share-based payment reserve	Reserves: Foreign currency translation reserve	Accumulated deficit	Total
Balance as at January 1, 2018		2,581,757	22,596,847	$ 76,596,510	$ 351,851	$ 357,747	$ 3,306,152	$ (874,072)	$ (55,800,023)	$ 23,938,165
Net loss		–	–	–	–	–	–	–	(6,723,075)	(6,723,075)
Other comprehensive income		–	–	–	–	–	–	641,611	–	641,611
Total comprehensive income (loss) for the period		–	–	–	–	–	–	641,611	(6,723,075)	(6,081,464)
Common shares issued pursuant to private placement		–	1,573,527	2,360,291	–	–	–	–	–	2,360,291
Common shares issued pursuant to asset purchase agreement	8	–	3,433,446	4,120,135	–	–	–	–	–	4,120,135
Share issue costs		–	–	(70,008)	–	–	–	–	–	(70,008)
Warrants issued	15 (c)	–	–	–	–	204,000	–	–	–	204,000
Equity settled share-based compensation expense	15 (a)	–	–	–	–	–	798,501	–	–	798,501
Balance as at December 31, 2018		2,581,757	27,603,820	83,006,928	351,851	561,747	4,104,653	(232,461)	(62,523,098)	25,269,620
Net loss		–	–	–	–	–	–	–	(19,582,677)	(19,582,677)
Other comprehensive loss		–	–	–	–	–	–	(727,808)	–	(727,808)
Total comprehensive loss for the period		–	–	–	–	–	–	(727,808)	(19,582,677)	(20,310,485)
Common shares issued pursuant to private placement	14 (a)	–	1,838,737	2,022,611	–	–	–	–	–	2,022,611
Share issue costs	14 (a)	–	–	(59,781)						(59,781)
Warrants issued	15 (c)	–	–	–	–	408,000	–	–	–	408,000
Equity settled share-based compensation expense	15 (a)	–	–	–	–	–	504,598	–	–	504,598
Balance as at December 31, 2019		2,581,757	29,442,557	$ 84,969,758	$ 351,851	$ 969,747	$ 4,609,251	$ (960,269)	$ (82,105,775)	$ 7,834,563

(1) The common voting shares issued are inclusive of common voting shares, and variable voting shares.

See accompanying notes to these consolidated financial statements

Wow Unlimited Media Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

Expressed in Canadian dollars

	Note	2019	2018
OPERATING ACTIVITIES			
Net loss		$ (19,582,677)	$ (6,723,075)
Items not involving cash:			
Depreciation and amortization		2,556,528	668,760
Amortization of investment in film and television programming	7	10,976,080	7,141,062
Amortization of other intangible assets	9	1,581,755	2,460,117
Share-based compensation expense	15	1,116,598	798,501
Finance costs	11	1,874,732	1,177,119
Deferred income tax expense (recovery)	19	73,860	(1,212,505)
Impairment of other intangible assets and goodwill	9	13,810,575	–
Impairment of investment in film and television programming		296,472	533,240
Other non-cash losses (gains)		208,336	(898,887)
		12,912,259	3,944,332
Investment in film and television programming	7	(10,423,771)	(13,202,742)
Funding received for investment in film and television programming		117,289	524,388
Changes in non-cash working capital and other	22	(3,148,750)	10,432,993
Cash (used in) generated by operating activities		**(542,973)**	**1,698,971**
FINANCING ACTIVITIES			
Proceeds from interim production financing		26,160,872	13,204,213
Repayment of interim production financing		(23,766,149)	(19,226,211)
Interest paid		(1,862,101)	(938,887)
Repayment of lease obligations		(2,540,274)	(689,327)
Proceeds from private placement, net of share issuance costs	14	1,962,830	2,325,283
Share issuance costs related to asset purchase agreement		–	(35,000)
Cash (used in) generated by financing activities		**(44,822)**	**(5,359,929)**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(61,002)	(132,111)
Purchase of other intangible assets		(37,012)	(122,191)
Cash (used in) generated by investing activities		**(98,014)**	**(254,302)**
Decrease in cash and cash equivalents for the period		(685,809)	(3,915,260)
Effect of foreign exchange on cash and cash equivalents		(43,768)	86,463
Cash and cash equivalents, beginning of the period	22 (c)	2,525,635	6,354,432
Cash and cash equivalents, end of the period	22 (c)	**$ 1,796,058**	**$ 2,525,635**

Supplemental information (Note 22)

See accompanying notes to these consolidated financial statements

1. Nature of operations

Wow Unlimited Media Inc. (together with its subsidiaries, "Wow Unlimited" or the "Company" or the "Group") is a publicly listed company on the TSX Venture Exchange ("TSX-V") under the symbol "WOW" and on the OTCQX Best Market ("OTCQX") under the symbol "WOWMF". The Company is incorporated under the laws of the Province of British Columbia with limited liability and extra-provincially registered to conduct business in the Province of Ontario. Wow Unlimited is involved in the production and distribution of animated content for film, television, and online distribution channels. The Company's wholly owned subsidiary, Frederator Networks Inc. ("Frederator"), is incorporated in the United States of America, in the State of Delaware, and is registered to operate in the States of New York and California.

The Company's head office is located at 55 Sudbury Street, Toronto, Ontario, M6J 3S7. The Company's registered office is located at 200-2025 West Broadway, Vancouver, British Columbia, V6J 1Z6.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements include the initial adoption of IFRS 16 – *Leases* ("IFRS 16"), and IFRIC 23 – *Uncertainty Over Income Tax Treatments* ("IFRIC 23"). The impact on adoption and changes to significant accounting policies are described in Note 3(x).

Certain amounts at the prior year-end have been reclassified to conform to the presentation in the current period's statement of financial position.

The consolidated financial statements of the Company for the year ended December 31, 2019, were approved and authorized for issue by the Board of Directors on April 28, 2020.

(b) Basis of measurement

These consolidated financial statements have been prepared on a going concern basis under the historical cost basis, except for certain financial assets and financial liabilities which are measured at fair value, as explained in Note 3(n).

Non-controlling interests that represent ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

All subsidiaries are 100% owned by the Company except for Frederator Books LLC (51% owned).

(c) Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars ("CAD"), which is the functional currency of the Company and its Canadian subsidiaries. The functional currency of Frederator and its related companies is the

US dollar ("USD"). The financial statements of these consolidated entities with a functional currency other than the Canadian dollar are translated in accordance with Note 3(e)(ii) "Foreign Operations".

(d) Critical accounting judgments and key sources of estimation uncertainty

The preparation of consolidated financial statements and the application of the Company's accounting policies requires management to make estimates and judgements that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses. Estimates and judgements are based on past experience and other assumptions that management believes are reasonable under the circumstances, and management evaluates these estimates on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised. Actual results could differ from those estimates.

The areas of estimation and judgement that management considers most significant are:

Estimates

(i) Impairment of assets, investment in film and television programming, other intangible assets, and goodwill

An impairment loss is recognized for the amount by which an asset or cash-generating unit's ("CGU") carrying amount exceeds its recoverable amount. Impairment losses are allocated first to goodwill, and to the underlying assets thereafter. To determine the recoverable amount, management estimates either the fair value less costs to sell, or the value-in-use based on the present value of the expected future cash flows from each asset or CGU. In estimating the value-in-use, management must determine the appropriate discount rate in order to calculate the present value of those cash flows, as well as make certain assumptions about future income which relate to future events and circumstances. There are inherent uncertainties in projecting future cash flows and actual results may vary from those estimates. In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors. Where there are different possible outcomes, management must determine appropriate probability weightings to attach to the present values of those cash flows in order to calculate an appropriate value-in-use.

(ii) Business combinations

The Company allocates the consideration paid in the acquisition of a business to the tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values at the transaction date in accordance with *IFRS 3 - Business Combinations*, with any excess recognized as goodwill.

The process of allocating the purchase price requires that management exercises their best estimates and assumptions to accurately value assets acquired and liabilities assumed as part of the business combination. These estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the purchase price allocation period, which can be up to one year from the transaction date, management may record retrospective adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill.

(iii) Capitalization of costs of productions in progress

Development costs incurred in the internal generation of productions in which the Company has an ownership stake are capitalized from the point at which the requirements of *IAS 38 - Intangible assets* have been met. This assessment requires management to exercise judgement with regards to their intention to complete the production, as well as those estimates and judgements required in determining whether or not a production will result in a future economic benefit for the Company.

(iv) Revenue recognition

Revenue from animation production services is recognized on a percentage-of-completion basis using management's estimates of the proportion of costs incurred cumulatively in the current period to total expected costs. See revenue recognition policy in Note 3(o)(i).

(v) Amortization of completed productions

Completed productions with pre-sale license commitments are amortized at 50% - 90% immediately on the delivery of the performance obligation to the licensor, with the balance amortized on a straight-line basis over the remaining useful life of the production. The determination of the appropriate rate for the initial amortization on delivery is dependent on the degree of exclusivity afforded the licensor and the limitations on the Company's ability to utilize the asset to generate economic benefits in other ways during the initial license period. This assessment requires management to estimate the total economic benefits and the manner in which they will be generated by utilizing the asset.

(vi) Tax credits receivable

The Federal and certain Provincial governments in Canada provide programs that are designed to assist film and television production in the form of refundable tax credits or other incentives. Estimated amounts receivable in respect of refundable tax credits are recorded as a reduction to the related production operating cost, or to investment in film and television programming when the conditions for eligibility of production assistance based on the government's criteria are met, the qualifying expenditures are made and there is reasonable assurance of realization. Determination of when and if the conditions of eligibility have been met is based on management's judgement and the amount recognized is based on management's estimates of qualifying expenditures. The ultimate collection of previously recorded estimates is subject to ordinary course audits from the Canada Revenue Agency ("CRA"). Changes in administrative policies by the CRA or subsequent review of eligibility documentation may impact the collectability of these estimates. The Company continuously reviews the results of these audits to determine if any circumstances arise that in management's judgement would result in a previously recognized amount to be considered no longer collectible.

(vii) Measurement of expected credit loss allowance

At the end of each reporting period, the Company estimates an expected credit loss ("ECL") allowance for trade accounts receivable and contract assets (unbilled accounts receivable) based on an assessment of the aging of uncollected balances and the probability that these balances will not be collected.

Judgments

(viii) Revenue recognition

Revenue from film and television licensing is recognized over time or at a point in time based on management's assessment of whether the customer obtains control over the right to access or the right to use licensed intellectual property. See revenue recognition policy in Note 3(o)(ii).

(e) Going concern

These consolidated financial statements 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. In the year ended December 31, 2019, the Company had negative cash flows from operating activities of $542,973 (2018 – positive $1,698,971), and at December 31, 2019, had net current liabilities of $8,304,682 (2018 – net current liabilities $6,597,838).

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.

Management continues to explore options to raise equity financing. To that end, the Company completed a non-brokered private placement of its common voting and variable voting shares on April 4, 2019 for gross proceeds of $2,022,611. Refer to Note 14(a)(ii) for further details.

The Company has convertible subordinated debentures with a face value of $4.3 million which will mature in December 2020 (Note 13). The Company is actively reviewing its options for the repayment or refinancing of that obligation.

The Company will need to raise funds through public or private equity and/or debt financing. 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 may 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.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except as described in Note 3(x).

(a) Operating cycle

The Company classifies assets and liabilities as current and non-current based on its normal operating cycle. Government assistance, in the form of refundable tax credits, is relied upon as a key component of production financing. These amounts are claimed from the CRA through the submission of income tax returns and can take up to 18 to 24 months from the date of the first tax credit dollar being earned to being received. As this financing is fundamental to the Company's ability to produce animated productions and generate revenue in the normal course of business, the normal operating cycle for such assets is considered to be a 12 to 24 month period, or the time it takes for the CRA to assess and refund the tax credits earned.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. Subsidiaries are consolidated from the date on which the Company obtains a controlling interest. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposition or loss of control, if different.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

(c) Joint arrangements

A joint arrangement is an arrangement in which the Company has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

A joint operation is an arrangement in which the Company has joint control, whereby the Company has rights to the assets and obligations for the liabilities relating to the arrangement. The Company accounts for interests in joint operations by recognising its assets and liabilities. This includes its share of assets and liabilities held or incurred jointly, in the consolidated statement of financial position, and its expenses, including expenses incurred jointly, and revenue from the sale of output by the joint operator or the Company’s sale of its share of the output, in the consolidated statements of comprehensive loss. The Company records its share of the losses up until the carrying amount of the investment is reduced to $nil. Subsequently, the Company tracks the cumulative earnings/losses in the joint arrangement to determine if the investment will reverse and become recoverable.

A joint venture is an arrangement in which the Company has joint control, whereby the Company has rights to the net assets of the arrangement, rather than rights to the arrangement’s assets and obligations for its liabilities.

Interests in joint ventures are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Company’s share of the profit or loss and other comprehensive income or loss of joint ventures, until the date on which significant influence or joint control ceases.

After the application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment. In doing so, the Company applies a two-step process:

(i) To the extent that there is an impairment recognized in the joint venture, the Company recognizes its share of the loss through the application of the equity method; and

(ii) Where there is objective evidence that the investment in joint venture may be impaired, the Company tests the investment as a whole, by calculating the difference between the recoverable amount of the investment and its carrying amount, and if necessary, recognizes any additional loss as ‘Share of loss of joint venture’ in the consolidated statements of comprehensive loss.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from downstream transactions with joint ventures are eliminated against the investment account to the extent of the Company's interest in the joint venture. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(e) Foreign currency

(i) Foreign currency transactions

Transactions in currencies other than the functional currency are translated at the rates of exchange at the date of the transaction. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the period end date. Foreign exchange gains and losses are recognized in the consolidated statements of comprehensive loss in the period in which they arise.

(ii) Foreign operations

The individual financial statement of each Group company is presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of presenting consolidated financial statements, the results and financial position of each Group company is expressed in Canadian dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Canadian dollars at the exchange rates prevailing at the reporting date. The income and expenses are translated at the exchange rates ruling at the dates of the transactions. Foreign currency differences that arise on translation for consolidation purposes are recognized in other comprehensive income or loss and accumulated in the translation reserve.

Such translation differences are recognised as income or expenses in the period in which the operation is disposed of. When the Company disposes of only part of its interest in an associate or joint venture, while retaining significant influence or joint control, the relevant proportion of the foreign currency translation reserve is recognized as income or expenses.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with financial institutions, and other short-term highly liquid investments with original maturities of three months or less.

(g) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses. Depreciation of an asset's cost less residual value is recognized over the estimated useful life of the asset based on the following annual rates:

Operating equipment	3 to 5 years
Furniture and office equipment	5 years
Leasehold improvements	lesser of estimated useful life or term of lease
Premises leases	lesser of estimated useful life or term of lease

Estimated useful lives, residual values and depreciation methods are reviewed annually, with the effect of any changes in estimates accounted for on a prospective basis. The determination of appropriate useful lives and residual values are based on management's estimates; as a result, depreciation is subject to estimation uncertainty.

Items of property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected to arise from their continued use. Any gain or loss arising from disposal or retirement is determined as the difference between the consideration received and the carrying amount of the asset and is recognized in the consolidated statements of comprehensive loss.

(h) Investment in film and television programming

(i) Productions in development

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

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

Productions in development are tested for impairment on a title-by-title basis when there are indicators of impairment and are written off at the earlier of the date they are determined not to be recoverable, when projects under development are abandoned, or if there have been no active developments within the last year.

(ii) Productions in progress

For the Company's film and television programs in progress, capitalized costs include all direct production and financing costs incurred during production that are expected to provide future economic benefit to the Company. Borrowing costs are capitalized to the cost of a film or television program until substantially all of the activities necessary to prepare the film or television program for its use intended by management are complete. Capitalized production costs do not include administrative and general expenses, or charges for losses on investments in film and television programming that are sold or abandoned.

(iii) Completed productions

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

Completed productions with pre-sale license commitments are amortized at 50% - 90% immediately on the delivery of the performance obligation to the licensor, with the balance amortized on a straight-line basis over the remaining useful life of the production. The determination of the appropriate rate for the initial amortization on delivery is dependent on the degree of exclusivity afforded the licensor and the limitations on the Company's ability to utilize the asset to generate economic benefits in other ways during the initial license period. The amortization period and the amortization method for completed productions 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.

Amounts capitalized are reviewed for impairment at each reporting period or 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 and the carrying value is written off as an impairment expense in the period in which the decline in value becomes evident.

(i) Distribution rights

Distribution rights, classified under investment in film and television programming, 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. The amortization period and the amortization method for distribution 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.

Distribution rights are recorded at cost less accumulated amortization.

Distribution rights are reviewed for impairment on a title-by-title basis at each reporting period or 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.

(j) Intangible assets

Intangible assets recognized include computer software and other identifiable intangible assets acquired. Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Amortization of an intangible asset's cost less residual value is recognized over the estimated useful life of the asset based on the following annual rates:

Computer software	straight-line over 2 to 3 years
Brands	straight-line over 10 years
Production agreements	straight-line over the length of the contract
Animation network	50% declining balance

The estimated useful lives, residual values and amortization methods are reviewed annually, with the effect of any changes in estimates accounted for on a prospective basis. The determination of appropriate useful lives and residual values are based on management's estimates; as a result, amortization is subject to estimation uncertainty.

Intangible assets are derecognized upon disposal or when no future economic benefits are expected to arise from their continued use. A gain or loss arising from derecognition of an intangible asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss.

Broadcast license

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without significant cost and without material modification of the existing terms and conditions of the license. Intangible assets with indefinite useful lives are not amortized. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Broadcast licenses are tested for impairment annually, as of December 31, or more frequently if events or circumstances indicate that they may be impaired.

(k) Goodwill

Goodwill is allocated to each of the Company's CGUs that is expected to benefit from the synergies of the business combination that resulted in the recognition of goodwill. A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indicator that the CGU may be impaired. Management evaluates goodwill for impairment annually as of December 31. While management uses their best estimates and assumptions to assess goodwill impairment, there are inherent uncertainties in projecting future cash flows.

(l) Impairment

The Company's property, plant and equipment, investments in film and television programming, and other intangible assets are reviewed for indicators of potential impairment at each reporting period and whenever there is an indication that an asset may be impaired. Such indicators may include an adverse change in business climate, technology, or regulations that impact the industry. The determination of whether such indicators exist requires significant judgement. If an indication of impairment exists, the asset's recoverable amount is estimated to determine the extent of an impairment loss, if any.

For goodwill, or an asset that does not generate largely independent cash inflows or for which it is not possible to estimate the recoverable amount, the recoverable amount is determined for the CGU in which the asset belongs. Investments in film and television programming are tested for impairment on a title-by-title basis.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount of an asset or CGU is the greater of fair value less costs to sell and value-in-use. The determination of the recoverable amount in the impairment assessment requires estimates based on quoted market prices, prices of comparable transactions, present value or other valuation techniques or a combination thereof, necessitating management to make subjective judgements and assumptions. When calculating an asset or CGU's value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which the cash flows have not been adjusted.

An impairment loss is recognized when the carrying amount of an asset, CGU, or group of CGUs exceed its recoverable amount. Impairment losses are recognized in the consolidated statements of comprehensive loss in the period in which the impairment is identified. An impairment loss recognized in respect of a CGU or group of CGUs is allocated first to reduce the carrying amount of any goodwill allocated to the CGU or group of CGUs, if any, and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. The reversal of an impairment loss is recognized immediately in the consolidated statements of comprehensive loss.

See Note 3(n)(v) for the Company's policy for measuring impairment of financial assets.

(m) Business combinations

The Company applies the acquisition method to account for business combinations. The consideration paid by the Company is measured at the fair value of any assets transferred, the liabilities assumed, and the equity units issued by the Company at the acquisition date, which may be in the form of share capital or stock options in the Company.

Contingent consideration is measured at fair value on acquisition date and is included as part of the consideration transferred. The fair value of the contingent consideration is re-measured at each reporting date with the corresponding gain or loss being recognised in the consolidated statements of comprehensive loss.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date. Transaction costs incurred in connection with a business combination, other than costs associated with the issuance of debt or equity securities, are expensed as incurred in the consolidated statements of comprehensive loss. Goodwill is measured as the excess of the fair value of consideration transferred over the fair value of identifiable assets acquired and liabilities assumed.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the close of the transaction. Foreign exchange gains and losses, resulting from the settlement of the transactions at the year-end rate of monetary assets and liabilities denominated in currencies other than the functional currency, are recognized in the consolidated statements of comprehensive loss.

(n) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized in the consolidated statements of comprehensive loss when incurred.

(i) Classification and subsequent measurement

On initial recognition, financial assets are classified into one of the following categories depending on the purpose for which the assets were acquired: amortized cost, FVTPL, or fair value through other comprehensive income ("FVOCI"). Financial assets are not reclassified subsequent to initial recognition unless the Company changes its business model for managing its financial assets. Financial assets affected by a change in business model would be reclassified on the first day of the first reporting period following such a change. All financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL.

Financial assets at FVTPL are subsequently measured at fair value and net gains and losses are recognized in the consolidated statements of comprehensive income or loss, including any interest or dividend income. Financial assets at amortized cost are subsequently measured using the effective interest method.

The Company classifies cash and cash equivalents, accounts receivable (including trade and other accounts receivable, unbilled accounts receivable, and long-term accounts receivable) and lease deposits (included in 'deposits') as financial assets measured at amortized cost.

On initial recognition, financial liabilities are classified as amortized cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, is a derivative, or is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any finance expenses, are recognized in the consolidated statements of comprehensive loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest and foreign exchange gains and losses are recognized in the consolidated statements of comprehensive loss.

Bank indebtedness, accounts payable and accrued liabilities, lease obligations, interim production financing, tangible benefits obligation (included in 'other liabilities'), and convertible debentures are classified as financial liabilities measured at amortized cost.

(ii) Compound instruments

The liability and equity components of compound instruments (including convertible debentures) issued by the Company are presented separately on the consolidated statements of financial position.

The liability component is recognized initially at fair value; calculated by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar non-convertible liability of comparable credit status and providing substantially the same cash flows as the instrument. Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest method; the liability component is increased by accretion of the discounted amounts to reach the nominal value of the convertible debentures at maturity.

The carrying amount of the conversion option, classified as equity, is calculated by deducting the amount of the liability from the fair value of the instrument as a whole. The equity component is presented in shareholders' equity and is shown net of income tax effects. The equity component is not re-measured subsequent to initial recognition.

Transaction costs are allocated on a pro-rata basis to each separately accounted component.

(iii) Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

Embedded derivatives are recorded at FVTPL.

(iv) Derecognition

Financial assets are derecognized when the contractual rights to receive cash flows from the assets have expired or when the Company has transferred substantially all risks and rewards of ownership to another entity.

Financial liabilities are derecognized when the Company's obligations are discharged, cancelled or they expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms will be recognized at its fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated statements of comprehensive loss.

(v) Impairment

Financial assets carried at amortized cost and unbilled accounts receivable are assessed for indicators of impairment at the end of each reporting period using an ECL impairment model as required by IFRS 9. The ECL model uses quantitative and qualitative analysis, based on a combination of the Company's historical credit collection data and forward-looking customer credit risk information, to estimate credit loss allowances as at the end of each reporting period. This model differs from the 'incurred loss' model that was previously utilized under IAS 39.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been negatively affected. The determination of whether such indicators exist requires significant judgement.

Objective evidence of impairment could include the following:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments of more than 90 days past due;
- it has become probable that the borrower will enter bankruptcy or financial reorganization;
- the disappearance of an active market for a security; or
- the restructuring of a loan or advance by the Company on terms that the Company would not normally consider.

The Company assesses the ECL's for financial assets carried at amortized cost and unbilled accounts receivable under either of the following measurement bases:

- at an amount equal to the lifetime ECL if the credit risk on a financial instrument has increased significantly since initial recognition; or

- if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for a financial instrument at an amount equal to the 12-month ECL.

Credit losses are measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate that the Company expects to collect. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

(o) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. Revenue is recognized when a customer obtains control of the products or services in a contract. Judgement is required in determining the timing of whether the transfer of control occurs at a point in time or over time and is discussed below. The Company evaluates each contract to identify separate performance obligations as a contract with a customer may have one or more performance obligations. Consideration in a contract with multiple performance obligations is allocated to the separate performance obligations based on their stand-alone selling prices. If a stand-alone selling price is not determinable, the Company estimates the stand-alone selling price using an adjusted market assessment approach. The Company's main sources of revenue are derived from animation production services provided to third parties, the sale of licenses for the distribution of films and television programs, advertising revenues, and merchandising and licensing sales.

(i) Animation production services

For revenue from animation production services, the customer controls the output throughout the production process. Each production is made to an individual customer's specifications and if the contract is terminated by the customer, the Company is entitled to be reimbursed for any costs incurred to date, and for any prepaid commitments made, plus the agreed contractual mark-up. Revenue and the associated costs of such contracts are recognized over time on a percentage of completion basis - i.e. as the project is being produced, prior to it being delivered to the customer. The percentage-of-completion is calculated based upon the proportion of costs incurred cumulatively to total expected costs. Changes in revenue recognized as a result of adjustments to total expected costs are recognized in profit or loss on a prospective basis. Invoices related to these projects are issued based on the achievement of milestones during the project or other contractual terms. The difference between contractual payments received and revenue recognized is recorded as deferred revenue when receipts exceed revenue. When revenue exceeds milestone billings, the Company recognizes this difference as unbilled accounts receivable. Unbilled accounts receivable is transferred to accounts receivable when the Company has an unconditional right to consideration.

When the outcome of an arrangement cannot be estimated reliably, revenue is recognized only to the extent of the expenses incurred that are recoverable.

(ii) Film and television licensing

The Company derives film and television revenue through the licensing of intellectual property to customers. Depending on the underlying terms of a contract, the license transfers to the customers a right to use the Company's intellectual property or right to access the Company's intellectual property. Revenues are recognized when the customer obtains control over the right to use or access the licensed intellectual property and when they can also benefit from its use or access. For a contract that grants a customer the right to use intellectual property, revenue is recognized at the point in time at which a customer can use and benefit from the licensed content. For a contract that grants a customer a right to access intellectual property, revenue is recognized over time, over the term of the license period commencing on the date at which the customer can use and benefit from the licensed content.

Transaction prices may contain both fixed non-refundable guaranteed amounts, as well as royalties, profit participations and other contractual payments with the potential to vary. Such variable consideration is recognized as revenue when the amounts are known and become due provided collectability is reasonably assured.

Invoices related to these projects are issued based on the achievement of milestones during the project or other contractual terms. The difference between contractual payments received and revenue recognized is recorded as deferred revenue when receipts exceed revenue. When revenue exceeds milestone billings, the Company recognizes this difference as unbilled accounts receivable. Unbilled accounts receivable are transferred to accounts receivable when the Company has an unconditional right to consideration.

(iii) Advertising revenues

The Company generates advertising revenue from its owned and operated *YouTube* channels as well as revenues generated from the operation of its multi-channel network on *YouTube*. Revenue is recognized when services are provided in accordance with the Company's agreement with *YouTube*, the price is fixed or determinable, and collection of the related receivable is probable. Invoices are usually payable within 30 days.

(iv) Merchandising and licensing

The Company enters into merchandising and licensing agreements that allow customers to produce merchandise utilizing certain of the Company's intellectual property. For minimum guaranteed amounts that make up a contract, revenue is recognized over time, over the term of the license period commencing on the date at which the customer can use and benefit from the licensed content. Variable consideration in excess of non-refundable guaranteed amounts, such as royalties and other contractual payments are recognized as revenue when the amounts are known and become due provided collectability is reasonably assured. Invoices are issued based on the contractual terms of an agreement and are usually payable within 30-45 days.

(v) Revenue presentation – gross versus net

The Company evaluates individual arrangements with third parties to determine whether the Company acts as principal or agent under the terms. To the extent that the Company acts as the principal in an arrangement, revenues are reported on a gross basis, resulting in revenues and expenses being classified in their respective financial statement line items. To the extent that the Company acts as the agent in an arrangement, revenues are reported on a net basis, resulting in revenues being presented net of any expenses incurred in providing agency services. Determining whether the Company acts as principal or agent is based on an evaluation of which party has substantial risks and rewards of ownership under the terms of an arrangement. The most significant factors that the Company considers include identification of the primary obligor, as well as which party has credit risk, general and inventory risk and the latitude or ability in establishing prices.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the consolidated statements of comprehensive loss in the period in which they are incurred.

(q) Government financing and assistance

The Federal and certain Provincial governments in Canada provide programs that are designed to assist film and television production in the form of refundable tax credits or other incentives. Government assistance is recorded when the conditions for eligibility of production assistance based on the government's criteria have been met, the qualifying expenditures are made and there is reasonable assurance of realization.

(i) Tax credits

Estimated amounts receivable in respect of refundable tax credits are recorded as a reduction to the related production operating cost, or to investment in film and television programming.

(ii) Canada Media Fund

Assistance that is provided under the Canada Media Fund is recorded as either (i) a reduction of the investment in film and television programming, to the extent that the qualifying expenditure has been incurred, or to the extent that government assistance is received in advance of the applicable expenses being incurred, the receipts are recorded as a liability, or (ii) where the assistance provides a supplement to a series' Canadian license fee, it is recorded as revenue when the revenue from the applicable license fee is recorded; amounts received in advance of revenue being recognised are recorded in the consolidated statements of financial position as deferred revenue.

(r) Share-based compensation

The Company uses the Black-Scholes option-pricing model to determine the estimated fair value of options granted to employees at the grant date. IFRS 2 – *Share-based Payments* requires that when share options are granted, they vest pro-rata over the vesting period. Each tranche with graded vesting features is treated as a separate share option grant. The fair value of each share option granted is determined at the grant date and is expensed on a straight-line basis over the vesting period, taking into consideration the Company's estimate of options that will eventually vest, with a corresponding increase in equity. Forfeitures are estimated on the grant date and revised if the actual forfeitures differ from previous estimates. The inputs to the Black-Scholes model and the determination of the forfeiture rate are subject to management's judgement.

Settlement other than by the Company

From time to time, employees may receive compensation in the form of share-based payment arrangements for services performed as a result of and for their continued service to the Company or a subsidiary of the Company, for which the responsibility for settlement lies with a related party.

Such issuances are treated as equity-settled, whether or not there is the possibility of cash settlement by the issuer, as the liability does not rest with the Company. The cost of such transactions is determined by the fair value at the date when the grant is made using the Black-Scholes option-pricing model. That cost is recognized in employee costs, together with a corresponding increase in share-based payment reserve in shareholders' equity over the period that the employees unconditionally become entitled to payment. The inputs to the Black-Scholes option-pricing model and the determination of the forfeiture rate are subject to management's judgement.

(s) Earnings or loss per share

Basic earnings or loss per share is calculated by dividing earnings or loss by the weighted average number of common shares outstanding. Diluted earnings or loss per common share is calculated under the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding for the calculation of diluted earnings or loss per share assumes that the total of the proceeds to be received on the exercise of dilutive instruments is applied to repurchase common shares at the average market price for the period. Convertible instruments are dilutive only when the average market price of common shares during the period exceeds the exercise price of the convertible instrument.

(t) Leases

The Company's lease contracts are primarily comprised of property leases for studio and office space ("premises leases") and operating equipment rentals as a lessee. At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. For contracts that contain a lease component, the Company allocates consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. For premises leases, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

As a lessee, the Company recognizes a right-of-use asset and lease obligation at the lease commencement date. The lease obligation is initially measured at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate is not readily determinable, using the Company's incremental borrowing rate. Lease payments are comprised of the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Penalties associated with an option to terminate a lease if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that do not depend on an index or rate and such payments are not included in the measurement of lease obligations. These variable payments are recognized as an expense in the consolidated statements of comprehensive income or loss. Subsequent to initial measurement, a lease obligation is increased by finance costs related to interest accretion and is reduced for lease payments that are made. Interest accretion on lease obligations is reported as part of ‘finance costs’ in the consolidated statements of comprehensive loss and lease obligations are reported as a separate line item in the consolidated statements of financial position. A lease obligation is remeasured for lease modifications that are not accounted for as a separate lease. A lease modification is when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of an amount expected to be payable under a residual value guarantee, or a change in the assessment of the exercise of an extension option. For lease modifications, a lease obligation is remeasured using a revised discount rate and a corresponding adjustment is made to the right-of-use asset or a gain or loss is recorded if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets are initially measured at an amount equal to the associated lease obligation and adjusted to include lease payments made at or before the commencement date (less any lease incentives received), initial direct costs incurred, and any costs of dismantling and restoring an asset or site to a specific condition. Right-of-use assets are subsequently depreciated on a straight-line basis over a period which is the earlier of the end of the asset’s estimated useful life or the end of the lease term. Right-of-use assets are presented as part of ‘property, plant and equipment’ or ‘other intangible assets’ in the consolidated statements of financial position. Depreciation of right-of-use assets is included as part of ‘depreciation and amortization’ in the consolidated statements of comprehensive income or loss. The Company tests right-of-use assets for impairment when such indicators exist in accordance with IAS 36 – *Impairment of Assets*.

The Company has elected not to apply the requirements of IFRS 16 to short-term premises leases and operating equipment leases with a term of 12 months or less and to certain operating equipment leases for which the underlying assets are of low-value. Lease payments associated with these short-term leases and low-value leases are recognized as an expense on a straight-line basis over the respective lease terms in the statements of comprehensive income or loss.

(u) Provisions and contingencies

(i) Provisions

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount receivable can be measured reliably.

(ii) Contingencies

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

(v) Income taxes

Income tax expense is comprised of current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable from previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to unused tax loss carry forwards, unused tax credits and differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is derecognized. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to expectations of future taxable income.

The following temporary differences do not result in deferred tax assets or liabilities:

- the initial recognition of assets or liabilities, not arising in a business combination, that does not affect accounting or taxable profit;
- goodwill; and
- investments in subsidiaries, associates and jointly controlled entities where the timing of the reversal of the temporary differences can be controlled by the Company and reversal in the foreseeable future is not probable.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(w) Segment reporting

The Company has two operating segments which are consistent with the internal reporting provided to the Chief Executive Officer (the chief operating decision-maker), who has the authority to allocate resources and is responsible for assessing the Company's performance. All assets are located in Canada and the United States, and revenues are generated from services provided in Canada and the United States.

(x) Accounting policy developments

Initial application of new and revised IFRSs in the current year

The following standards and interpretations became effective for years beginning on or after January 1, 2019, and are applicable to the Company:

IFRS 16 - *Leases*

On January 1, 2019, the Company adopted IFRS 16 - *Leases* ("IFRS 16") which supersedes IAS 17 - *Leases* ("IAS 17") and IFRIC 4 – *Determining Whether an Agreement Contains a Lease* ("IFRIC 4"). This standard introduces a single lessee balance sheet accounting model. Unless certain exception criteria are met, a lessee is required to recognize a right-of-use asset representing its right to use the underlying asset of a lease and a lease obligation representing its obligation to make lease payments. Other than requiring enhanced disclosures, this standard substantially carries forward the lessor accounting policies under IAS 17.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as at January 1, 2019, if applicable. As a result, comparative information has not been restated for 2018 and is presented under the previous IAS 17 and IFRIC 4 standards. Prior to the adoption of IFRS 16, contracts not assessed as a lease under IAS 17 and IFRIC 4 were classified as operating leases and were recognized as straight-line expenses in 'operating' expenses or 'general and administration' expenses in the consolidated statements of comprehensive income or loss. The Company's accounting policies on leases have been updated to reflect the changes required by IFRS 16 (Note 3(t)). The transitional impacts of the application of IFRS 16 are discussed below.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 to contracts that were previously identified as finance leases under IAS 17 and IFRIC 4. Contracts identified as operating leases under the previous standards were not reassessed. Therefore, the carrying amount of finance lease assets and finance lease obligations as assessed under IAS 17 were equal to right-of-use assets and lease obligations presented under IFRS 16 in relation to these existing contracts on January 1, 2019.

In addition to the practical expedient described above, the Company elected to use the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- recognize leases with a remaining term of 12 months or less as at January 1, 2019 as short-term leases;
- exclude initial direct costs from the measurement of right-of-use assets as at January 1, 2019

On transition to IFRS 16 as at January 1, 2019, the Company recognized additional right-of-use assets and additional lease obligations and adjusted certain balance sheet items that are no longer permitted to be recognized separately under IFRS 16. There was no impact on retained earnings as at January 1, 2019. The impact on transition to the consolidated statement of financial position is summarized in the following table:

Expressed in Canadian dollars

	December 31, 2018	IFRS 16 adoption	January 1, 2019
Property, plant and equipment and other intangible assets - finance lease assets	$ 2,792,429	$ (2,792,429)	$ –
Property, plant and equipment and other intangible assets - right-of-use assets	–	12,892,887	12,892,887
Finance lease obligations	2,883,785	(2,883,785)	–
Lease obligations	–	13,536,684	13,536,684
Other current and non-current liabilities	2,333,540	(552,441)	1,781,099

When measuring lease obligations for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average discount rate applied is 7%.

The following table reconciles the difference between the Company's operating lease commitments disclosed as at December 31, 2018 under IAS 17 and lease obligations recognized in the consolidated statement of financial position on initial application of IFRS 16 as at January 1, 2019:

	January 1, 2019
Operating lease commitments as at December 31, 2018	$ 28,419,930
Commitments related to variable lease payments not dependent on an index or rate, short-term leases, and low-value leases excluded from the measurement of lease obligations	(9,854,678)
	18,565,252
Operating lease commitments discounted using the Company's incremental borrowing rate as at January 1, 2019	$ 10,555,027
Operating equipment leases recognized as at January 1, 2019	97,872
Finance lease obligations recognized in the Company's consolidated statements of financial position as at December 31, 2018	2,883,785
Lease obligations recognized as at January 1, 2019	$ 13,536,684

IFRIC 23 – *Uncertainty Over Income Tax Treatments*

IFRIC 23 – *Uncertainty Over Income Tax Treatments* is required to be applied for years beginning on or after January 1, 2019. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. There was no impact on the Company's consolidated financial statements upon the application of this interpretation.

Expressed in Canadian dollars

4. Trade and other accounts receivable

	December 31, 2019	December 31, 2018
Trade receivables	$ 19,772,901	$ 12,506,753
Tax credits receivable	10,285,221	13,127,377
Tax credits allowance	–	(304,252)
Other receivables	1,603,766	3,018,337
	$ 31,661,888	$ 28,348,215
Less long-term accounts receivable	(1,482,178)	(2,803,397)
Current portion of accounts receivable	$ 30,179,710	$ 25,544,818

Trade receivables include $nil (2018 - $67,000) of unbilled accounts receivable for services rendered prior to invoicing.

The Company has access to several government programs, in the form of refundable tax credits, which are designed to assist film and television production in Canada. Amounts received or receivable in respect of refundable tax credits are recorded as a reduction to the related production operating costs or as a reduction to investment in film and television programming. The ultimate collection of previously recorded estimates is subject to ordinary course audits from the CRA. Amounts receivable are based on management's estimates of the ultimate collectability which include certain provisions for ordinary course CRA audit revisions or assessments.

The following table reflects the movement in the tax credits receivable balance:

	December 31, 2019	December 31, 2018
Opening balance, January 1	$ 12,823,125	$ 20,290,574
Tax credits earned	13,105,318	9,265,075
Net additions (write-offs) to allowance for doubtful accounts	(160,995)	(57,950)
Tax credits received	(15,574,632)	(17,265,736)
Tax credits applied to Investment in Film	92,405	591,162
Closing balance, December 31	$ 10,285,221	$ 12,823,125
Less tax credits receivable - non-current portion	–	(257,025)
Current portion of tax credits receivable	$ 10,285,221	$ 12,566,100

The following table reflects the movement in the tax credits allowance:

	December 31, 2019	December 31, 2018
Opening balance, January 1	$ 304,252	$ 349,284
Additions to allowance	160,995	57,950
Adjustment for accounts written-off	(465,247)	(102,982)
Closing balance, December 31	$ –	$ 304,252

Expressed in Canadian dollars

5. Property, plant and equipment

	Premises leases	Operating equipment	Leasehold improvements	Furniture and office equipment	Total
Cost					
Balance at January 1 , 2018	$ –	$ 11,318,622	$ 2,186,975	$ 384,469	$ 13,890,066
Additions	–	2,234,814	53,400	7,044	2,295,258
Exchange difference	–	6,251	2,054	3,362	11,667
Balance at December 31, 2018	$ –	$ 13,559,687	$ 2,242,429	$ 394,875	$ 16,196,991
Additions	–	532,913	–	905	533,818
Additions from IFRS 16 transition	10,002,586	97,872	–	–	10,100,458
Disposals, retirements and other	–	(5,378,850)	(2,097,768)	(324,357)	(7,800,975)
Exchange difference	(19,913)	(3,642)	(1,075)	(1,769)	(26,399)
Balance at December 31, 2019	$ 9,982,673	$ 8,807,980	$ 143,586	$ 69,654	$ 19,003,893
Accumulated depreciation and impairment					
Balance at January 1 , 2018	$ –	$ 10,189,301	$ 1,970,206	$ 335,331	$ 12,494,838
Additions	–	649,363	47,292	10,308	706,963
Exchange difference	–	2,739	504	587	3,830
Balance at December 31, 2018	$ –	$ 10,841,403	$ 2,018,002	$ 346,226	$ 13,205,631
Additions	1,195,467	1,320,120	37,892	13,653	2,567,132
Disposals, retirements and other	–	(5,378,850)	(2,044,368)	(324,357)	(7,747,575)
Exchange difference	(5,631)	(3,429)	(395)	(546)	(10,001)
Balance at December 31, 2019	$ 1,189,836	$ 6,779,244	$ 11,131	$ 34,976	$ 8,015,187
Carrying amount					
December 31, 2018	$ –	$ 2,718,284	$ 224,427	$ 48,649	$ 2,991,360
December 31, 2019	$ 8,792,837	$ 2,028,736	$ 132,455	$ 34,678	$ 10,988,706

As at December 31, 2019, property, plant and equipment includes right-of-use assets of $10,741,939 related to leased premises and operating equipment (Note 12(a)).

Depreciation capitalized to investment in film and television programming (Note 7) amounted to $nil for the year ended December 31, 2019 (2018 - $38,201).

There were no impairment write-downs or any reversals of previous write-downs during the years presented.

6. Investment in Ratchet Productions, LLC

The Company has a 63% membership interest in Ratchet Productions, LLC, ("RPLLC") a privately-owned company registered in Colorado, USA. RPLLC's functional currency is the USD. The Company accounts for its interest in RPLLC using the equity method.

(a) Impairment

During the year ended December 31, 2016, the Company determined that its investment in RPLLC was impaired and as a result recognized $8,839,189 of its share of RPLLC's losses. This, together with a translation adjustment of

$415,981 and the reversal of the unrealized profit on services provided to RPLLC of $166,975, reduced the Company's investment in RPLLC to $nil. Also, during the year ended December 31, 2016, an amount of $566,483 owed by RPLLC to the Company was determined to be not recoverable and was fully provided for.

Impairment charges as a result of RPLLC and related balances are included within Impairments in the consolidated statement of comprehensive loss in the prior periods.

At December 31, 2019, there are no indications that these impairments should be reversed.

(b) Commitments

On October 25, 2015, RPLLC concluded a financing and loan arrangement with a syndicate of lenders for the purposes of financing the Print & Advertising ("P&A") expenditures required to market and distribute the film Ratchet & Clank. The facility was sufficient to fund the initial P&A expenditure budget of $27.5 million USD ($33.5 million CAD), the final draw down of which was advanced at the end of March 2016.

Recourse for the loan is limited to the United States distribution rights of the film subject to limited guarantees provided by the Company under specific limited circumstances not related to the ultimate revenues of the film. Based on the North American box office results and subsequent home video sales, the Company does not believe the ultimate revenue from the film will be sufficient to fully repay the P&A loan. RPLLC's inability to repay the loan will result in an income inclusion for tax purposes, against which RPLLC can utilize its operating loss carry forwards.

The Company is under no obligation to repay RPLLC's loans, nor is it required to fund any additional losses of the joint venture beyond its carrying amount. Subsequent to the loan's original maturity date of January 2, 2017, RPLLC received a Notice of Default (the "Notice"), which included a demand for payment from the lenders of the P&A loan. The Notice increased the effective interest rate to LIBOR plus 17.5%. The lenders may seek to enforce certain security provisions within the loan agreements, which include but are not limited to the right to foreclose on the United States distribution rights to the film.

(c) Results of the joint venture

The Company's cumulative unrecognized share of losses as of December 31, 2019, is $38,413,439 (2018: $33,511,493). As the Company's investment in RPLLC has previously been impaired, no impact of the Company's share of losses of RPLLC has been recognized in the consolidated statements of comprehensive loss.

Expressed in Canadian dollars

7. Investment in film and television programming

	Distribution rights	Productions in development	Productions in progress	Completed productions	Total
Cost					
Balance at January 1, 2018	$ –	$ 2,150,270	$ 3,966,793	$ 11,356,733	$ 17,473,796
Additions, net of government assistance and third party contributions	3,745,747	334,182	8,317,780	–	12,397,709
Impairment	–	–	(533,240)	–	(533,240)
Transfer to completed productions	–	–	(5,095,092)	5,095,092	–
Exchange difference	177,957	28,599	522,840	479,398	1,208,794
Balance at December 31, 2018	3,923,704	2,513,051	7,179,081	16,931,223	30,547,059
Additions, net of government assistance and third party contributions	248,750	345,157	10,360,702	–	10,954,609
Disposals	–	(61,626)	–	–	(61,626)
Impairment	–	(296,472)	–	–	(296,472)
Transfer to completed productions	–	–	(13,375,784)	13,375,784	–
Transfer to productions in progress	–	(200,146)	200,146	–	–
Exchange difference	(142,256)	(12,685)	(323,116)	(503,859)	(981,916)
Balance at December 31, 2019	$ 4,030,198	$ 2,287,279	$ 4,041,029	$ 29,803,148	$ 40,161,654
Accumulated amortization					
Balance at January 1, 2018	$ –	$ 1,715,451	$ –	$ 7,994,204	$ 9,709,655
Additions	3,000,855	–	–	4,140,207	7,141,062
Exchange difference	150,944	–	–	338,534	489,478
Balance at December 31, 2018	3,151,799	1,715,451	–	12,472,945	17,340,195
Additions	565,750	–	–	10,410,330	10,976,080
Exchange difference	(131,052)	–	–	(371,185)	(502,237)
Balance at December 31, 2019	$ 3,586,497	$ 1,715,451	$ –	$ 22,512,090	$ 27,814,038
Carrying amount					
December 31, 2018	$ 771,905	$ 797,600	$ 7,179,081	$ 4,458,278	$ 13,206,864
December 31, 2019	$ 443,701	$ 571,828	$ 4,041,029	$ 7,291,058	$ 12,347,616

Additions to productions in progress includes capitalized interest of $678,905 for the year ended December 31, 2019 (2018 – $272,316) (Note 11).

(a) Productions in development

Productions in development include acquired options to develop film and television properties and other qualifying expenditures. The Company may transfer productions in development directly to productions in progress or completed productions, when the Company has completed work on development materials and expects to realize benefits through licensing or sale to a third party, as well as through the Company's own use.

As at December 31, 2019, an impairment charge of $296,472 (2018 - $nil) was recorded for a production in development in which there have been no significant active development milestones or expenditures incurred during the past year. The impairment loss was recognized in the consolidated statement of comprehensive loss as part of 'operating' expenses for the year ended December 31, 2019. There was no indication that impairments previously recorded should be reversed (2018 – $nil).

(b) Productions in progress

Impairment testing

The Company tests for impairment at least annually on December 31 for any productions that are not yet ready for their intended use while other productions are assessed for indicators of impairment on a regular basis.

The recoverable amount of productions is generally determined based on the net present value of discounted cash flows to calculate the production's value-in-use. These calculations use pre-tax cash flow projections, including budgeted expenditures approved by management, and estimated sales forecasts based on management's expectations from past experience and contracts in negotiation at the end of the reporting period. Forecast sales extend to the second round of license sales expected within the normal life of a moderately successful series. Second round sales commence at the end of initial license agreements, which can range from 5 to 7 years depending on the specific property and licensing contract.

As the nature of the industry can be unpredictable, management has applied a probability weighting based on three potential sales scenarios. A change in the probabilities could result in a value-in-use that is less than the carrying amount.

There were no impairments recorded against productions in progress for the year ended December 31, 2019. On December 31, 2018, an impairment charge of $533,240 was recorded for a production in progress in which the production's value-in-use calculation was less than the production's carrying amount. The impairment loss was recognized in the consolidated statement of comprehensive loss as part of 'operating' expenses for the year ended December 31, 2018. There was no indication that this previously recognized impairment loss should be reversed for the year ended December 31, 2019.

(c) Completed productions

There were no impairments recorded against completed productions for the year ended December 31, 2019 (2018 - $nil). There is no indication that impairments previously recorded should be reversed.

8. Transaction with Bell Media Inc.

On May 31, 2019, the Company exercised its exclusive option (the "Option") to acquire a Category B specialty service, and the Canadian Radio-television and Telecommunications ("CRTC") broadcasting license relating to this service (the "Broadcasting License") from Bell Media Inc. ("Bell Media") through the Company's wholly-owned subsidiary WOW! Unlimited Networks Inc. (the "Transaction"). The Broadcasting License was conveyed to the Company on August 30, 2019.

The Company acquired the Option to receive the Broadcasting License as part of an amended and restated asset purchase agreement (the "Bell Agreement") on August 31, 2018. The Company issued an aggregate of 3,433,446 common voting shares in the capital of the Company (the "Consideration Shares") in exchange for the Option. The fair value of the Consideration Shares exchanged was $4,120,135 and was based on the closing price of the Company's shares on the TSX-V on August 31, 2018, of $1.20 per share.

The Transaction was reviewed and approved by the: (i) CRTC on July 11, 2018; and (ii) TSX Venture Exchange on September 5, 2018. Pursuant to CRTC's decision, and as an additional cost to acquire the Broadcast License, the Company is required to invest $687,000 over a seven-year period in equal annual payments on initiatives that will provide tangible benefits to the Canadian broadcasting system. The present value of the tangible benefits obligation, $558,745, has been capitalized to 'Broadcast License' intangible asset, as a directly attributable cost of bringing the asset to its working condition. The corresponding tangible benefits obligation has been recognized in 'other current' and 'other non-current liabilities'. The Company has recognized interest accretion expense of $29,670 on the tangible benefits obligation for the year ended December 31, 2019 (2018 - $9,699).

Concurrent with the execution of the Bell Agreement, the Company and Bell Media entered into a lock-up agreement pursuant to which, among other things, Bell Media agreed not to sell, transfer, or assign the Consideration Shares for a period of up to twenty-four months following the closing of the Transaction.

Bell Media has further agreed to provide certain services to affect the transition of the Broadcasting License to the Company. As partial consideration for such services, the Company issued 900,000 non-transferable common share purchase warrants (the "Warrants"). See Note 15(c) for further discussion on the terms of the Warrants that were granted as partial consideration.

The total gross costs capitalized as part of the Broadcasting License as at December 31, 2019 are $5,498,020 and comprised of the following: (i) $4,120,135 for the Consideration Shares, (ii) $625,630 of stock options, (iii) $558,745 in relation to the tangible benefits obligation, and (iv) $193,510 of professional fees.

The Broadcasting License is an indefinite life intangible asset and the Company performs an impairment test annually on December 31 and whenever there is an indication of impairment. As part of its annual impairment assessment, management reviewed the carrying value of the Broadcasting License and recognized an impairment charge of $5,498,020 in the consolidated statements of comprehensive loss for the year ended December 31, 2019. The impairment charge was recognized due to challenges and uncertainty in the broader television industry and the Company's ability to launch its own linear channel in the near term. The Broadcasting License is an inactive stand-alone asset not currently grouped with assets or groups of GGUs that comprise the Company's operating segments and has been excluded from segmented reporting.

Expressed in Canadian dollars

9. Other intangible assets and goodwill

(a) Other intangible assets

	Production agreements	Animation network	Brands	Software	Broadcasting license	Total
Cost						
Balance at January 1, 2018	$ 1,003,600	$ 7,953,530	$ 551,980	$ 3,956,678	$ 738,363	$ 14,204,151
Additions	–	–	–	330,914	4,756,391	5,087,305
Exchange difference	87,840	696,132	48,312	–	–	832,284
Balance at December 31, 2018	$ 1,091,440	$ 8,649,662	$ 600,292	$ 4,287,592	$ 5,494,754	$ 20,123,740
Additions	–	–	–	339,320	3,266	342,586
Exchange difference	(46,000)	(364,550)	(25,300)	–	–	(435,850)
Balance at December 31, 2019	$ 1,045,440	$ 8,285,112	$ 574,992	$ 4,626,912	$ 5,498,020	$ 20,030,476
Accumulated amortization and impairment						
Balance at January 1, 2018	$ 261,354	$ 4,058,478	$ 57,497	$ 3,875,170	$ –	$ 8,252,499
Additions	259,175	2,011,758	57,019	132,165	–	2,460,117
Exchange difference	36,560	461,443	8,043	–	–	506,046
Balance at December 31, 2018	$ 557,089	$ 6,531,679	$ 122,559	$ 4,007,335	$ –	$ 11,218,662
Additions	265,425	1,030,136	58,394	227,800	–	1,581,755
Impairment	–	–	–	–	5,498,020	5,498,020
Exchange difference	(27,544)	(291,062)	(6,060)	–	–	(324,666)
Balance at December 31, 2019	$ 794,970	$ 7,270,753	$ 174,893	$ 4,235,135	$ 5,498,020	$ 17,973,771
Carrying amount						
December 31, 2018	$ 534,351	$ 2,117,983	$ 477,733	$ 280,257	$ 5,494,754	$ 8,905,078
December 31, 2019	$ 250,470	$ 1,014,359	$ 400,099	$ 391,777	$ –	$ 2,056,705

As at December 31, 2019, other intangible assets include right-of-use assets of $336,673 related to leased software (Note 12(a)).

(i) Production agreements, animation network and brands

As a result of the acquisition of Frederator in the fourth quarter of 2016, 'Production agreements', 'Animation network' and 'Brands' intangible assets were recognized.

(ii) Software

During the year ended December 31, 2019, no software was identified as obsolete (2018 - nil). There were no impairment write-downs or any reversals of previous write-downs during the years presented.

(iii) Broadcasting license

As at December 31, 2019, management reviewed the carrying value of the Broadcasting License indefinite life intangible asset as part of its annual impairment test and recognized an impairment charge of $5,498,020 (Note 8).

Expressed in Canadian dollars

(b) Goodwill

	Goodwill
Balance at January 1, 2018	$ 10,497,250
Exchange difference	918,772
Balance at December 31, 2018	11,416,022
Impairment of goodwill	(8,312,555)
Exchange difference	(481,141)
Balance at December 31, 2019	$ 2,622,326

Goodwill arose as a result of the Frederator acquisition that was finalized during the year ended December 31, 2017. As Frederator is a US company with USD being its functional currency, goodwill will change each period due to exchange differences.

Impairment testing

The Company performs an impairment test annually on December 31 and whenever there is an indication of impairment. Irrespective of whether an indication of impairment existed, management is also required to perform its annual goodwill impairment test as goodwill is not subject to amortization. Management completed its annual impairment test by comparing the recoverable amount of the group of CGUs to which the goodwill is related, to the carrying amount of the group of CGUs and recognized an impairment charge of $8,312,555 in the consolidated statements of comprehensive loss for the year ended December 31, 2019.

Goodwill is tested for impairment at a group of CGUs level, encompassing both of the CGUs which make up Frederator. CGUs for the purposes of impairment testing are generally determined by country, and where applicable, within each country between Animation Production and Networks and Platforms. The recoverable amount of the group of CGUs was determined based on its value-in-use. Key assumptions used in performing the impairment test are as follows:

- Recoverable amount:

  Management's past experience and future expectations of the business performance are used to make a best estimate of the expected revenue, earnings before interest, taxes, depreciation and amortization, and operating cash flows for a five-year period.

- Discount rate:

  The discount rate applied is a pre-tax rate that reflects the time value of money and risk associated with the business. A discount rate of 20% was applied.

- Perpetual growth rate:

  The perpetual growth rate is management's current assessment of the long-term growth prospects of the company in the jurisdictions in which it operates. The assumptions included 5 years of forecasted information, and a perpetual growth rate of 3% was applied.

- Sensitivity analysis:

  After recognizing the impairment charge for goodwill, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment charges.

Expressed in Canadian dollars

10. Bank indebtedness and interim production financing

			December 31, 2019		December 31, 2018	
	Currency	Date of maturity	Facility amount[1] (CAD)	Carrying amount (CAD)[2]	Facility amount[1] (CAD)	Carrying amount (CAD)[2]
Interim production financing	CAD	On demand	$ 23,392,725	$ 5,537,091	$ 13,410,406	$ 7,833,922
Interim production financing	USD	March 31, 2020	-	-	4,775,050	1,210,587
Interim production financing	USD	On demand	16,576,758	11,423,314	17,306,146	5,475,524
			$ 39,969,483	$ 16,960,405	$ 35,491,602	$ 14,520,033
Bank indebtedness	CAD	On demand	1,500,000	1,409,000	1,745,000	1,337,240
			$ 41,469,483	$ 18,369,405	$ 37,236,602	$ 15,857,273

[1] Facility amount of the loans represents the maximum facility available, excluding interest reserve
[2] Carrying amount represents the amount drawn as at December 31, 2019, including interest reserve

In June 2019, the Company entered into a credit facility (the "Facility") with a Canadian bank. The Facility is comprised of: (i) a $1,500,000 CAD revolving demand facility, (ii) a $6,000,000 CAD equipment lease line, and (iii) a treasury risk management facility of up to $500,000 CAD for foreign exchange forward contracts. The proceeds of the Facility are for general working capital and corporate purposes, equipment purchases, and to facilitate hedging of interest rate risk and foreign exchange risk.

The Facility is guaranteed by the Company and certain subsidiaries of the Company. The security for the Facility includes substantially all of the tangible and intangible assets of the Company and its subsidiary guarantors subject to permitted encumbrances. The Facility is subject to customary affirmative and negative covenants, default provisions, representations and warranties and other terms and conditions.

During the three months ended June 30, 2019, in connection with the Facility described above, the Company made Canadian dollar bank prime rate draws and used the proceeds to repay in full the revolving demand facility drawn under a facility from another Canadian bank.

(a) Interim production financing

The Company's interim production financing facilities with a Canadian bank bear interest at rates ranging from bank prime plus 1.15% - 1.75% per annum. The interim production financing facilities are generally repayable on demand and are generally secured by a combination of federal and provincial tax credits, other government incentives, production service agreements, and license agreements.

In June 2019, in connection with the Facility described above, the Company obtained interim production financing facilities from a Canadian bank and used the proceeds to repay in full the interim production facilities provided by another Canadian bank. The terms and conditions of the new interim production facilities are similar to the terms and conditions of the interim production financing facilities that were repaid.

In July 2019, the Company repaid in full an interim production facility with a bank in the United States.

(b) Bank indebtedness

The Company has a $1,500,000 CAD revolving demand facility with a Canadian bank. Draws under the revolving demand facility can be made in Canadian or US dollars at the option of the Company by way of bank prime rate loans, Canadian Bankers' Acceptances, US Libor, or letters of credit and the aggregate of principal amounts outstanding shall not exceed $1,500,000 CAD at any time. Canadian or US dollar bank prime borrowings bear interest at a rate equal to bank prime plus 1.50% per annum. Interest on Canadian or US dollar bank prime borrowings is to be paid monthly in arrears. For other draws under the revolving facility, the respective loans bear interest at a rate equal to Canadian Bankers' Acceptances or US Libor plus 3.25% per annum. US Libor loan interest payments are due the earlier of note maturity and quarterly.

The revolving demand facility includes an aggregate $200,000 CAD or USD limit under which letters of credit can be issued with a term of up to one year. Letters of credit issued bear interest at bank prime rates plus 3.25% per annum. As at December 31, 2019, the Company did not have any letter of credit facilities in place.

Draws under the revolving demand facility by way of Canadian or US dollar bank prime borrowings may be prepaid at any time without penalty with 1 to 3 days written notice. US Libor advances may be prepaid subject to certain breakage costs to be paid by the Company. Canadian Bankers' Acceptances cannot be prepaid.

(c) Equipment lease line

Advances under the equipment lease line are subject to a fixed interest rate based on the lender's cost of funds at the time of the drawdown request. Each transaction will have specific financing terms in respect of the leased equipment such as term, finance amount, rate, and payment terms.

As at December 31, 2019, the Company had made drawdown requests for equipment under the Facility's equipment lease line of $2,509,012. The Company has recorded right-of-use assets and lease obligations for the leased equipment acquired in respect of these draws.

Costs associated with the unwinding of a lease under the Facility's equipment lease line are to be paid by the Company.

(d) Treasury risk management facility

Advances under the treasury risk management facility are subject to market rates as determined by the lender's treasury department or derivatives group at the time of the drawdown request.

As at December 31, 2019, there were no outstanding amounts drawn under the Facility's treasury risk management facility.

Expressed in Canadian dollars

11. Finance costs

Finance costs are comprised of the following:

	2019	2018
Interest expense on interim production financing	$ 1,110,195	$ 825,543
Interest expense on bank indebtedness	50,242	26,083
Interest and accretion on convertible debentures (Note 13)	518,656	518,656
Interest accretion on lease obligations	844,874	69,454
Interest accretion on tangible benefits obligation (Note 8)	29,670	9,699
Interest capitalized to investments in film and television (Note 7)	(678,905)	(272,316)
	$ 1,874,732	$ 1,177,119

12. Leases

The Company's lease contracts are comprised of property leases for studio and office space, operating equipment rentals, and software agreements. Premises lease terms range from short-term periods of less than one year to up to 13 years and may include renewal options. Lease terms for operating equipment leases and software are generally from one to five years and may also contain renewal options.

(a) Right-of-use assets

The following table presents the Company's right-of-use assets related to leased assets and included as part of property, plant and equipment' (Note 5) and 'other intangible assets' (Note 9) for the year ended December 31, 2019:

	Software	Operating equipment	Premises leases	Total
Right-of-use assets recognized under IFRS 16 as at January 1, 2019	$ 238,060	$ 2,652,241	$ 10,002,586	$ 12,892,887
Additions	305,574	472,815	–	778,389
Depreciation	(206,961)	(1,175,954)	(1,195,467)	(2,578,382)
Exchange difference	–	–	(14,282)	(14,282)
Balance as at December 31, 2019	$ 336,673	$ 1,949,102	$ 8,792,837	$ 11,078,612

Right-of-use assets related to leased assets are pledged as security under their respective lease agreements.

(b) Lease obligations

	December 31, 2019
Current lease obligations	794,898
Non-current lease obligations	12,080,545
Lease obligations	12,875,443

Expressed in Canadian dollars

(c) Amounts recognized in comprehensive income or loss

The following table presents amounts recognized in the statement of comprehensive income or loss for the year ended December 31, 2019:

Expenses related to short-term leases	157,396
Expenses related to leases of low-value assets, excluding short-term leases of low-value assets	2,604
Variable lease payments not included in the measurement of lease obligations	842,445

Operating expenses of $157,396 for short-term premises leases and operating equipment leases are recognized as part of ‘rent and occupancy’ and ‘IT support and maintenance’ expenses (Note 18) for the year ended December 31, 2019.

Operating expenses of $2,604 related to low-value assets are recognized as part of ‘IT support and maintenance’ expenses (Note 18) for the year ended December 31, 2019.

Certain premises leases include variable lease payments that do not depend on an index or rate and such payments are not included in the measurement of lease obligations. These variable payments are comprised of costs such as common area maintenance costs and property taxes and recognized as an expense in the consolidated statements of comprehensive income or loss. For the year ended December 31, 2019, the Company recognized $842,445 of these variable lease payments as an expense in the consolidated statements of comprehensive loss as ‘rent and occupancy’ in ‘operating’ expenses or ‘general and administration’ expenses.

(d) Amounts recognized in statements of cash flows

Total cash outflow for leases was $3,385,148 for the year ended December 31, 2019.

13. Convertible debentures

On December 14, 2017, the Company issued convertible debentures (“debentures”) in the amount of $4,326,000, on 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. As at December 31, 2019, the debentures have been classified as current liabilities in the statement of financial position.

A continuity of the amounts recorded for convertible debentures and the equity component during the year ended December 31, 2019, is as follows:

Expressed in Canadian dollars

	Convertible debentures	Equity component of convertible debentures	Total
Balance at January 1, 2018	$ 3,815,364	$ 351,851	$ 4,167,215
Interest accretion expense	518,656	–	518,656
Interest paid	(258,849)	–	(258,849)
Interest payable recorded in accounts payable and accrued liabilities	(87,231)	–	(87,231)
Balance at December 31, 2018	$ 3,987,940	$ 351,851	$ 4,339,791
Interest accretion expense	518,656	–	518,656
Interest paid	(258,849)	–	(258,849)
Interest payable recorded in accounts payable and accrued liabilities	(87,231)	–	(87,231)
Balance at December 31, 2019	$ 4,160,516	$ 351,851	$ 4,512,367

14. Share capital and reserves

(a) Share capital

(i) Authorized

Common voting shares

Each common voting share carries one vote per share on all matters. Each variable voting share carries one vote on all matters, except to the extent that the number of variable voting shares outstanding exceeds 33 $^{1}/_{3}$% of the total number of common and variable voting shares outstanding, in which case the voting rights per share of the variable voting shares are reduced so that the total number of votes associated with the outstanding variable voting shares equals the 33 $^{1}/_{3}$% threshold. Both the common voting shares and the variable voting shares carry the same economic rights. The common voting shares and the variable voting shares are listed on TSX-V and OTCQX under the ticker symbol WOW and WOWMF, respectively.

Common non-voting shares

The holders of common non-voting shares are entitled to the same economic value as all other common shares and including all other rights with the exception they are not permitted to vote at meetings of the shareholders. The common non-voting shares have special conversion rights that entitle them to convert to variable voting shares on a one-for-one basis under the following conditions: 1) at any time so long as the conversion would not cause the holders of the non-voting shares to become a control person (as defined by the meaning given in Policy 1.1 Interpretation of the TSX Venture Exchange Finance Manual); and 2) with the necessary approvals granted by the TSX Venture Exchange and approval by the common voting and variable voting shareholders.

(ii) Issued share capital

The Company has an unlimited number of authorized common shares with no par value. All shares issued are fully paid and carry one vote per share and a right to dividends if declared, with the exception of voting restrictions on common variable voting shares as noted above. None of the issued shares are held by subsidiaries or associates of the Company.

Expressed in Canadian dollars

	December 31, 2019	December 31, 2018
Authorized for issue	unlimited	unlimited
Common Shares (1)		
Common Shares issued at January 1	27,603,820	22,596,847
Issued pursuant to asset purchase agreement (Note 8)	–	3,433,446
Issued in private placement	1,838,737	1,573,527
Common shares issued - December 31	29,442,557	27,603,820
Non-Voting Shares		
Non-Voting Shares issued at January 1 and at December 31	2,581,757	2,581,757
Total shares in issue - December 31	32,024,314	30,185,577

(1) Common shares issued are inclusive of common voting shares, and variable voting shares

At December 31, 2019, the Company had 21,993,968 common voting shares and 7,448,589 common variable voting shares outstanding (2018 – 20,396,756 common voting shares and 7,207,064 common variable voting shares outstanding).

At December 31, 2019, the Company also had 2,581,757 common non-voting shares outstanding (2018 – 2,581,757 outstanding).

Private placement

On April 4, 2019, the Company completed a non-brokered private placement of its common voting shares and variable voting shares. The Company issued 1,838,737 common voting and variable voting shares for gross proceeds of $2,022,611 at an issuance price of $1.10 per share. In connection with the share offering, the Company incurred share issuance costs of $59,781.

Preferred shares

The Company is authorized to issue preferred shares in one or more series. The directors of the Company may, by resolution, define and attach special rights and restrictions, and issue preferred shares of any particular series. As at December 31, 2019 and December 31, 2018, there were no preferred shares issued.

(b) Reserves

(i) Share-based payment reserve

The share-based payment reserve represents the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration package. The value of stock options issued as part of the consideration paid in the acquisition of Frederator is also included in the share-based payment reserve. Refer to Note 15(a) for further details of these plans.

Expressed in Canadian dollars

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of financial statements of foreign operations.

(iii) Warrant reserve

The share warrant reserve comprises of a value of warrants issued to brokers, in partial payment for services rendered in the private placement of common shares. Refer to Note 15(c) for further details.

15. Share-based compensation

(a) Stock option plan

Pursuant to the Company's equity-settled stock option plan, directors may, on occasion, authorize the granting of options to directors, employees and consultants of the Company that shall not exceed ten percent (10%) of the issued and outstanding common shares of the Company on a non-diluted basis at any time. Options granted under the plan have contractual option terms not exceeding five years and vesting periods that range from zero to five years.

Common voting and variable voting shares reserved for outstanding stock options at December 31, 2019 and 2018 are as follows:

	Number of stock options		Weighted average exercise price	Weighted average remaining contractual life
Outstanding at December 31, 2018	2,281,858	$	1.92	2.40
Granted	495,000		1.40	4.38
Forfeited	(163,030)		1.62	3.26
Outstanding at December 31, 2019	2,613,828	$	1.84	2.72

Expiry date	Number of stock options outstanding		Exercise price	Number of stock options exercisable		Exercise price
April 2022	824,898	$	1.80	806,332	$	1.80
June 2022	1,258,930		2.00	1,133,037		2.00
September 2022	110,000		1.90	82,500		1.90
May 2024	420,000		1.40	74,152		1.40
	2,613,828	$	1.84	2,096,021	$	1.90

Total share-based compensation expense from all forms of share-based payment awards for the years ended December 31, 2019 and 2018, is summarized below:

Expressed in Canadian dollars

Share-based compensation expense		**2019**		**2018**
Stock options	$	390,392	$	647,275
Warrants (Note 15(c))		612,000		–
Share appreciation rights		114,206		151,226
	$	1,116,598	$	798,501

(i) Options issued as part of the acquisition of Frederator

422,755 stock options were issued as part of the consideration paid for the acquisition of Frederator on December 15, 2016 and vested upon issuance. The fair value of the options granted was $1.45; estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Risk-free interest rate		0.91%
Weighted average exercise price	$	1.80
Expected dividend yield		0.00%
Expected life of option (years)		2.50
Expected volatility (based on historical share prices)		163.00%

During the year ended December 31, 2019, 88,030 stock options (2018 – 24,248) issued as part of the Frederator acquisition were forfeited, and 310,477 remain outstanding.

(ii) Options issued as compensation

Stock options approved for grant vest quarterly in equal tranches over a three-year term. The weighted average fair value of these stock options was $1.14; estimated using the Black-Scholes option-pricing model with the following assumptions:

Risk-free interest rate		1.15%
Weighted average exercise price	$	1.65
Expected dividend yield		0.00%
Expected life of option (years)		3.44
Expected volatility (based on historical share prices)		152.57%

For the year-ended December 31, 2019, an expense of $243,443 (2018 – $273,084) related to the vesting of stock options was recorded. The remaining $160,320 of expense will be recognized over the remaining vesting period which is 3 years from date of issuance. During the year ended December 31, 2019, 495,000 (2018 – nil) stock options were granted, 75,000 (2018 – 37,791) stock options were forfeited, and 1,044,421 remain outstanding.

(iii) Options issued as compensation for the Bell Media Transaction

On June 7, 2017, in connection with the announcement of the Bell Media Transaction (see Note 8) the board of Directors approved the grant of 1,258,930 to be issued to certain officers of the Company. The options have an exercise price of $2.00 per share and are exercisable for a period of five years from the date of grant. 503,572 of the options vested immediately on the date of grant and 755,358 will vest equally over a three-year period.

Expressed in Canadian dollars

Risk-free interest rate	0.85% - 1.20%
Weighted average exercise price	$ 2.00
Expected dividend yield	0.00%
Expected life of option (years)	2.50 - 5.00
Expected volatility (based on historical share prices)	152.09% - 160.93%

The $625,630 expense relating to the 503,572 options that vested immediately in 2017 was attributable to the intangible asset and capitalized as it relates to the Bell Media Transaction (see Note 8). For the 755,358 options vesting over a three-year period, an expense of $146,949 (2018 – $374,191) related to the vesting of stock options was recorded for the year ended December 31, 2019. The remaining $18,875 of expense will be recognized over the remaining vesting period of approximately one year.

(b) Share appreciation rights

During the year ended December 31, 2017, an officer of the Company issued 438,678 share appreciation rights (“SARs”) to employees of the Company. The officer contributed shares owned personally to be held in a company in which certain employees were awarded units. The units vest over a three-year period. Once vested, the holders of the units are able to benefit from the increase in the share price over $1.91 per share. The vesting of the SARs is conditional upon the individuals’ employment with the Company.

The fair value of the SARs granted was $1.50; estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Risk-free interest rate	0.93%
Exercise price	$ 1.91
Expected dividend yield	0.00%
Expected life of option (years)	3.00
Expected volatility (based on historical share prices)	160.31%

As at December 31, 2019, there are 260,363 (2018 - 400,531) SARs outstanding. During the year ended December 31, 2019, 140,168 SARs (2018 – 38,147) were forfeited. For the year ended December 31, 2019, an expense of $114,206 (2018 – $151,226) related to the vesting of SARs was recorded. The remaining expense of $6,731 will be recorded over the remaining vesting period of approximately one year.

(c) Share purchase warrants

In the third quarter of 2018, as partial consideration for certain services to affect the transition of the Broadcasting License (Note 8), the Company issued 900,000 warrants to Bell Media. Each warrant entitles Bell Media to acquire one common share in the capital of the Company for a period of three years from the date of issuance at an exercise price of $2.00. The warrants are subject to vesting, such that a pro-rata portion of the warrants shall vest and become exercisable on the last day of the nine successive calendar quarters beginning on September 30, 2018.

The value of the pro rata share of Warrants that have vested and became exercisable as at December 31, 2019, was $612,000 (2018 - $204,000). The prepaid share-based compensation expense was deferred until the Broadcasting

Expressed in Canadian dollars

License was conveyed to the Company on August 30, 2019 when it began receiving services under the agreement. Total share-based compensation expense of $612,000 has been recognized for Warrants for the year ended December 31, 2019 (2018 - $nil) and includes $204,000 that was previously recorded as a prepaid expense and reported under ‘prepaid expenses, deposits and other’ on the balance sheet as at December 31, 2018.

The value of the services to be received was determined indirectly based on the grant date fair value of the Warrants, determined using the Black-Scholes pricing model with the following assumptions:

Risk-free interest rate		2.09%
Exercise price	$	2.00
Expected dividend yield		0.00%
Expected life of option		2.75 years
Expected volatility (based on historical share prices)		177.76%

16. Segmented information

The Company operates and evaluates its businesses and productions based on two operating segments:

(a) Animation Production

The Company’s primary sources of revenue are: (a) Animation production service contracts where revenues are earned over the term of the contract as the Company provides services; and (b) licensing of series and feature film based intellectual property (“IP”) and content produced and owned by the Company.

The Company’s production service business continues to provide a significant source of revenue and cash flow to the Company over the term of each contract.

The licensing 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, this 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.

(b) Networks and Platforms

The primary source of revenue within Networks and Platforms is the Channel Frederator Network, which derives its revenues from advertising revenue collected mainly from YouTube.

Impairment of other intangible assets and goodwill is excluded from segment profit or loss as it does not impact operating decisions taken by the Company’s management and is based upon the way the performance of the Company’s business is evaluated in the Company’s internal management reports.

Expressed in Canadian dollars

The following tables summarize the operating performance and assets of the reporting segments:

December 31, 2019	Animation Production	Networks and Platforms	Total
Segment and external revenues	$ 40,353,049	$ 63,519,199	$ 103,872,248
Operating expenses	24,624,204	63,494,669	88,118,873
Amortization of investment in film and television programming	10,502,239	473,841	10,976,080
Depreciation and amortization	2,484,701	299,627	2,784,328
Finance costs	1,845,062	29,670	1,874,732
Segment profit (loss)	$ 896,843	$ (778,608)	118,235
Amortization of acquisition-related intangibles			1,353,955
Impairment of other intangible assets and goodwill			13,810,575
General and administration			3,345,924
Share-based compensation expense			1,116,598
Loss before taxes			$ (19,508,817)
Capital expenditures			
Investment in film and television programming	$ 10,817,780	$ 254,118	$ 11,071,898
Other intangible assets	$ 339,320	$ 3,266	$ 342,586
Property, plant & equipment	$ 10,160,830	$ 473,446	$ 10,634,276

For the year ended December 31, 2019, an impairment loss of $296,472 (2018 - $533,240) has been recognized in operating expenses in the Animation Production segment (Note 7 (a)(b)).

December 31, 2018	Animation Production	Networks and Platforms	Total
Segment and external revenues	$ 33,721,728	$ 44,906,558	$ 78,628,286
Operating expenses	22,978,744	48,020,801	70,999,545
Amortization of investment in film and television programming	7,065,346	75,716	7,141,062
Depreciation and amortization	766,703	34,222	800,925
Finance costs	1,167,422	9,697	1,177,119
Segment profit (loss)	$ 1,743,513	$ (3,233,878)	(1,490,365)
Amortization of acquisition-related intangibles			2,327,952
General and administration			3,318,762
Share-based compensation expense			798,501
Loss before taxes			$ (7,935,580)
Capital expenditures			
Investment in film and television programming	$ 12,305,443	$ 616,654	$ 12,922,097
Other intangible assets	$ 330,914	$ 4,756,391	$ 5,087,305
Property, plant & equipment	$ 2,269,295	$ 25,963	$ 2,295,258

17. Revenue

a) Disaggregation of revenue from contracts with customers

The Company's primary sources of revenue are as follows:

December 31, 2019	Animation Production	Networks and Platform	Total
Point in time	$ 15,076,775	$ 63,385,864	**$ 78,462,639**
Over time	25,276,274	133,335	**25,409,609**
	$ 40,353,049	$ 63,519,199	**$ 103,872,248**

December 31, 2018	Animation Production	Networks and Platform	Total
Point in time	$ 10,071,597	$ 44,884,335	**$ 54,955,932**
Over time	23,650,131	22,223	**23,672,354**
	$ 33,721,728	$ 44,906,558	**$ 78,628,286**

The approximate revenue based on geographic location of customers is as follows:

	2019	2018
United States	$ 94,556,262	$ 70,642,734
United Kingdom[1]	9,286,086	5,031,581
Canada	29,900	2,953,971
	$103,872,248	$ 78,628,286

[1]United Kingdom revenues relate to contracts with a customer that were denominated in USD.

Revenue from significant customers is as follows:

	2019	2018
Animation Production Revenue		
Customer 1	$ 10,390,396	$ 10,201,343
Customer 2	9,286,086	5,031,582
Other	20,676,567	18,488,802
	40,353,049	33,721,727
Networks and Platform Revenue		
YouTube derived revenues	62,888,810	44,429,370
Other	630,389	477,189
	63,519,199	44,906,559
	$ 103,872,248	$ 78,628,286

b) Contract balances

Trade receivables and unbilled accounts receivable are disclosed in Note 4.

The Company's only contract related liability is deferred revenue, which reflects the timing difference between the receipt of cash and the recognition of revenue. The following table reflects the movement in deferred revenue as a result of cash received and revenue recognized for the year ended December 31, 2019:

Expressed in Canadian dollars

Deferred revenue

Balance as at January 1, 2019	$	7,018,210
Revenue recognized that was included in the deferred revenue balance at the beginning of the period		(6,442,516)
Increases due to cash received, excluding amounts recognized as revenue during the period		8,941,346
Exchange difference		(62,276)
Balance as at December 31, 2019	$	9,454,764

c) Transaction price allocated to remaining performance obligations

The Company applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have an original expected duration of one year or less.

Revenue allocated to remaining performance obligations represents contracted revenue that has not been recognized on contracts with original expected durations of one year or more as at December 31, 2019. Revenue to be allocated to these remaining performance obligations is comprised of deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. As at December 31, 2019, contract revenue related to these remaining performance obligations with an original expected duration of one year or more was $43,861,957. The Company expects to recognize approximately 89% of the revenue related to these unfulfilled performance obligations over the next 24 months, and the remainder thereafter.

18. Nature of expenses

Operating expenses		2019		2018
Employee costs	$	29,403,617	$	23,053,259
Refundable tax credits		(12,944,325)		(9,205,781)
Contractors and other third party expenses		65,631,568		49,963,172
Rent and occupancy (Note 12 (c))		1,219,561		2,729,541
IT support and maintenance (Note 12 (c))		2,118,243		1,799,896
Other		2,393,737		2,126,218
Impairment of investment in film and television programming (Note 7(a)(b))		296,472		533,240
	$	88,118,873	$	70,999,545

General and administration expenses		2019		2018
Employee costs	$	1,670,213	$	1,326,040
Legal and accounting		699,967		803,103
Contractors and other third party expenses		23,154		289,400
Rent and occupancy (Note 12 (c))		91,703		200,703
Other		860,887		699,516
	$	3,345,924	$	3,318,762

Expressed in Canadian dollars

Employee costs and benefits	2019	2018
Employee costs	$ 31,073,830	$ 24,379,299
Share-based compensation expense	1,116,598	798,501
	$ 32,190,428	$ 25,177,800

19. Income taxes

A reconciliation of income tax expense for the years ended December 31, 2019 and December 31, 2018 with the reported earnings and comprehensive income for this year is as follows:

For the year ended December 31	2019	2018
Loss before taxes	$ (19,508,817)	$ (7,935,580)
Combined federal and provincial income tax rate	27.00%	27.00%
Computed income tax recovery	(5,267,381)	(2,142,607)
Effect on income tax of:		
Difference in statutory tax rate	(80,018)	(53,023)
Change in tax rates	(103)	(132,566)
Change in unrecognized temporary differences	2,960,259	19,876
Permanent differences and other	303,064	254,843
Goodwill impairment	2,279,254	–
Prior year true-up and other	(121,215)	840,972
Total income tax expense (recovery)	$ 73,860	$ (1,212,505)

(a) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities have been recognized in respect of the following items:

As at December 31	2019	2018
Deferred tax assets:		
Tax loss carry forwards	$ 4,108,274	$ 3,178,710
Long-term assets	95,390	–
Deferred tax liabilities:		
Investment in film and television	(863,893)	(1,147,086)
Property, plant and equipment	(2,877,060)	(1,000,146)
Convertible debentures	(44,681)	(91,276)
Foreign exchange	–	(65,348)
Acquired goodwill and intangibles	(491,135)	(874,854)
Net deferred tax liabilities	$ (73,105)	$ –

Expressed in Canadian dollars

(b) Unrecognized deferred tax assets

The Company has the following unrecognized deductible temporary differences and unused tax losses carry forward for which no deferred tax asset is recognized in the consolidated statements of financial position.

As at December 31	2019	2018
Non-capital losses carried forward	$ 48,923,995	$ 47,710,296
Capital losses carried forward	19,463,845	19,463,845
Other deductible temporary differences	15,432,685	5,430,213
	$ 83,820,525	$ 72,604,354

The capital losses and other deductible temporary differences do not expire. As at December 31, 2019, the Company has operating loss carry forwards of $3.0 million in the United States of which $0.5 million can be carried forward indefinitely, and the remaining expire starting in 2037. The Canadian non-capital loss carry-forwards that expire on December 31 of each respective year are as follows:

As at December 31, 2019	Expiry date	Amount
	2039	$ 924,432
	2038	4,512,288
	2037	1,929,602
	2036	1,309,062
	2035	–
	2034	3,817,755
	2033	6,947,462
	2032	8,723,578
	2031	6,071,949
	2030	25,483
	2029	3,416,036
	2028	2,273,959
	2027	–
	2026	17,098,524
		$ 57,050,130

20. Financial instruments

(a) Fair value measurement of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company categorizes its fair value measurements according to a three-level hierarchy. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.
- Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Significant unobservable inputs which are supported by little or no market activity.

As at December 31, 2019, there are no financial instruments measured at FVTPL (2018 – $nil).

Measurement of foreign currency forward contracts

The Company's foreign currency forward contracts are not traded in active markets. These are fair valued using observable forward exchange rates at the measurement dates and interest rates corresponding to the maturity of the contracts.

The Company's finance department is responsible for performing the valuation of financial instruments. The valuation process and results are reviewed and approved by the Chief Financial Officer quarterly, in line with the Company's quarterly reporting dates. Valuation results are discussed with the Audit Committee as part of its quarterly review of the Company's consolidated financial statements.

Financial instruments that are not measured at fair value on the consolidated statements of financial position are represented by cash and cash equivalents, trade and other accounts receivable, unbilled accounts receivable, lease deposits (included in 'deposits and other assets'), bank indebtedness, accounts payable and accrued liabilities, lease obligations, interim production financing, tangible benefits obligation (included in 'other liabilities'), and convertible debentures. The fair values of cash and cash equivalents, trade accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

The Company has designated its financial instruments as follows:

	Fair Value Hierarchy	December 31, 2019 Carrying Value	December 31, 2019 Estimated Fair Value	December 31, 2018 Carrying Value	December 31, 2018 Estimated Fair Value
Financial assets:					
Amortized cost					
Cash and cash equivalents	Level 1	$ 3,205,058	$ 3,205,058	$ 3,862,875	$ 3,862,875
Trade receivables	Level 2	19,772,901	19,772,901	12,506,753	12,506,753
Long-term accounts receivable	Level 2	1,482,178	1,482,178	2,546,372	2,546,372
Deposits	Level 2	256,305	256,305	293,516	293,516
Financial liabilities:					
Amortized cost					
Bank indebtedness	Level 2	1,409,000	1,409,000	1,337,240	1,337,240
Accounts payable and accrued liabilities	Level 2	10,716,797	10,716,797	12,836,304	12,836,304
Interim production financing	Level 2	16,960,405	16,960,405	14,520,033	14,520,033
Convertible debentures	Level 2	4,160,516	4,326,000	3,987,940	4,326,000
Lease obligations	Level 2	12,875,443	12,875,443	2,883,785	2,883,785
Other liabilities	Level 2	1,712,701	1,712,701	1,773,607	1,773,607

All of the Company’s financial instruments have been classified and measured at amortized cost.

(b) Risks arising from financial instruments

The Company is exposed to various risks related to its financial instruments as follows:

(i) Foreign exchange risk

The Company periodically enters into foreign exchange forward contracts to manage its foreign exchange risk on contracts denominated in 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 consolidated statements of financial position, and are measured at fair value through profit and loss.

During the year ended December 31, 2019, the Company entered into five USD forward contracts with a total notional value of $2,219,363 USD (2018 - $383,000 USD) which were fully exercised in the year at an average exchange rate of 1.3341, realizing a net gain of $8,886 (2018 – loss of $13,903) in the consolidated statements of comprehensive loss. As at December 31, 2019, there are no remaining outstanding USD forward contracts.

The Company is also exposed to foreign exchange risk on the following cash, trade receivables and accounts payable balances that are denominated in USD:

Expressed in US dollars		Cash		Accounts receivable		Accounts Payable
At December 31, 2019	$	1,408,558	$	14,332,749	$	(7,205,166)
At December 31, 2018	$	2,708,565	$	8,619,566	$	(8,226,264)

A five percent (5%) decrease in the USD closing rate at December 31, 2019, would result in a change to net gain and comprehensive gain of $557,751 for the year ended December 31, 2019 (2018 – $211,594).

(ii) Credit risk

In the normal course of business, the Company is exposed to the risk of financial loss if a customer fails to meet its contractual obligations. The carrying amounts of trade accounts receivable and unbilled accounts receivable represents the maximum credit risk exposure of these assets. The Company limits its exposure to this credit risk through a credit approval process and credit monitoring procedures. In addition, the Company further reduces its exposure to credit risk as its contracts with customers usually require upfront and milestone payments throughout the production process. The Company's customer base is mainly comprised of major Canadian, American, and worldwide studios, distributors, broadcasters, toy companies and advertising based and subscription based video-on-demand platforms that have been customers for several years and for which no previous credit balances have been written off or deemed to have been credit impaired. The Company evaluates credit risk and estimates ECL based on an assessment of past events, current economic conditions, and forecasts of future events and forward-looking economic conditions. In applying this forward-looking approach, none of these customers' balances have been determined to be credit-impaired and no ECL allowance has been recognized as at December 31, 2019 (2018 - $nil). There were also no changes in the ECL for trade receivables and unbilled accounts receivable during the years ended December 31, 2019 and 2018, respectively.

The following table breaks down the balances and aging of trade accounts receivable and unbilled accounts receivable as at December 31, 2019 and 2018, respectively:

	2019	2018
Trade accounts receivable and unbilled accounts receivable:		
Current	19,031,121	13,614,183
1 - 90 days past due	723,319	1,042,667
Over 90 days past due	18,461	396,275
	19,772,901	15,053,125
Less loss allowance	–	–
	19,772,901	15,053,125

The Company's cash and cash equivalent balances totalled $3,205,058 as at December 31, 2019 (2018 - $3,862,875). These deposits are with major Canadian and US banking institutions and are measured based on a 12-month expected loss basis. The Company considers these balances to be low credit risk based on the strength of the banks' credit ratings with external credit rating agencies. As at December 31, 2019, the Company did not recognize an ECL allowance (2018 - $nil).

(iii) Government assistance risk

The Company relies heavily on government refundable tax credits for operations. A reduction or elimination of any of the existing government programs would have a material impact on the operations of the Company. The ultimate collection of previously recorded estimates is subject to ordinary course audits from the Canada Revenue Agency ("CRA"). Any changes in administrative policies by the CRA or the applicable government program or subsequent review of eligibility documentation may impact the collectability of these estimates and could have a material impact on previously recorded estimates.

(iv) Interest rate risk

The Company is exposed to interest rate risk on the floating rate credit facilities. Based on the average carrying value of these facilities a fluctuation in interest rates of 1% for the year ended December 31, 2019, would represent a change to net loss and comprehensive loss of $174,317 (2018 – $176,912 loss).

(v) Customer concentration

During the year ended December 31, 2019, the Company had one customer that accounted for 61% (2018– 57%) of total revenue and a second customer that accounted for 10% (2018 – 13%). At December 31, 2019, there was one customer that accounted for 48% of trade receivables (2018 – 28%), and a second customer that accounted for 32% (2018 – 47%).

(vi) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's liquidity needs can be met through a variety of sources including: generating cash from operations, borrowing against license contracts, production service contracts, or refundable tax credits receivable, entering into leases, the issuance of debentures, the issuance of shares, or the issuance of share purchase warrants. The Company manages liquidity risk by continuously monitoring actual and forecasted cash flows, using lease financing and by maintaining revolving credit facilities. See Note 2(e) for details on going concern assumption.

Expressed in Canadian dollars

The following table provides a contractual maturity analysis for financial liabilities:

As at December 31, 2019	< 1 year	1 to 5 years	Greater than 5 years	Total	Carrying Amount
Accounts payable and accrued liabilities	$ 10,716,797	$ –	$ –	$ 10,716,797	$ 10,716,797
Bank indebtedness	1,409,000	–	–	1,409,000	1,409,000
Lease obligations [1] (Note 12 (b))	2,718,433	6,651,463	10,368,537	19,738,433	12,875,443
Interim production financing	16,960,405	–	–	16,960,405	16,960,405
Convertible debentures [1]	4,657,858	–	–	4,657,858	4,160,516
Other liabilities[1]	552,348	1,151,098	98,143	1,801,589	1,712,701
	$ 37,014,841	$ 7,802,561	$ 10,466,680	$ 55,284,082	$ 47,834,862

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

21. Capital management

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

The Company's capital is comprised of the following:

	2019	2018
Total indebtedness[1]	$ 18,444,959	$ 8,208,965
Less: cash and cash equivalents	(3,205,058)	(3,862,875)
Net capital	15,239,901	4,346,090
Shareholders' equity	7,834,563	25,269,620
	$ 23,074,464	$ 29,615,710

[1] Indebtedness includes lease obligations, bank indebtedness, and convertible debentures.

Total indebtedness excludes interim production financing (which is included in financial liabilities. See Note 10(a)).

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

Subject to refinancing its existing convertible debentures, management believes that existing cash resources, together with cash generated through operations and the financing of refundable tax credits, will generate sufficient liquidity to meet operating cash requirements for at least the next twelve months.

Expressed in Canadian dollars

22. Consolidated statement of cash flows - supplemental information

(a) Changes in non-cash working capital

The net change in non-cash working capital related to operations for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Trade and other accounts receivable	$ (3,382,263)	$ (1,858,977)
Prepaid expenses, deposits and other	(185,511)	(3,253)
Deposits	37,211	(15,290)
Accounts payable and accrued liabilities	(2,196,280)	7,845,339
Deferred revenue	2,436,554	2,973,025
Other current and non-current liabilities	141,539	1,492,149
Net change in non-cash working capital	$ (3,148,750)	$ 10,432,993

(b) Supplemental information – non-cash investing and financing activities

	2019	2018
Increase to trade and other accounts receivable and decrease to investment in film and television programming related to production tax credits	$ 92,405	$ 591,162
Increase to property, plant and equipment by way of lease obligations	10,519,874	2,163,147
Increase to intangibles by way of lease obligations	305,573	288,440
Increase to intangibles related to shares issued pursuant to asset purchase agreement (Note 8)	-	4,120,135

(c) Cash and cash equivalents on the consolidated statements of cash flows are comprised of the following:

	2019	2018
Cash and cash equivalents	$ 3,205,058	$ 3,862,875
Bank indebtedness	(1,409,000)	(1,337,240)
	$ 1,796,058	$ 2,525,635

Expressed in Canadian dollars

(d) Reconciliation of liabilities arising from financing activities

	Interim production financing	Lease obligations	Bank indebtedness	Convertible debentures
Balance as at January 1, 2018	$ 19,884,910	$ 1,001,189	$ -	$ 3,815,364
Changes from financing cash flows:				
Proceeds from interim production financing	13,204,213	–	–	–
Repayment of interim production financing	(19,226,211)	–	–	–
Interest paid	(584,501)	(69,454)	(26,083)	(258,849)
Payment on leases	–	(689,327)	–	–
Exchange difference	416,081	–	–	–
Total changes from financing cash flows	$ (6,190,418)	$ (758,781)	$ (26,083)	$ (258,849)
Liability-related changes:				
Finance cost	553,225	69,454	26,083	518,656
Interest capitalized	272,316	–	–	–
Proceeds from bank indebtedness	–	–	18,442,240	–
Repayment of bank indebtedness	–	–	(17,105,000)	–
Interest payable recorded in accounts payable and accrued liabilities	–	–	–	(87,231)
New leases	–	2,571,923	–	–
Total liability-related other changes	$ 825,541	$ 2,641,377	$ 1,363,323	$ 431,425
Balance as at December 31, 2018	$ 14,520,033	$ 2,883,785	$ 1,337,240	$ 3,987,940
Changes from financing cash flows:				
Proceeds from interim production financing	26,160,872	–	–	–
Repayment of interim production financing	(23,766,149)	–	–	–
Interest paid	(708,136)	(844,874)	(50,242)	(258,849)
Payment on leases	–	(2,540,274)	–	–
Exchange difference	(356,414)	–	–	–
Total changes from financing cash flows	1,330,173	(3,385,148)	(50,242)	(258,849)
Liability-related changes:				
Lease obligations from IFRS 16 transition	–	10,652,899	–	–
New leases	–	1,879,033	–	–
Finance cost	431,294	844,874	50,242	518,656
Interest capitalized	678,905	–	–	–
Proceeds from bank indebtedness	–	–	13,285,482	–
Repayment of bank indebtedness	–	–	(13,213,722)	–
Interest payable recorded in accounts payable and accrued liabilities	–	–	–	(87,231)
Total liability-related other changes	$ 1,110,199	$ 13,376,806	$ 122,002	$ 431,425
Balance as at December 31, 2019	**$ 16,960,405**	**$ 12,875,443**	**$ 1,409,000**	**$ 4,160,516**

Expressed in Canadian dollars

23. Commitments and contingent liabilities

The Company and its subsidiaries may, from time to time, be a party to certain legal disputes and claims arising from employment, environmental or commercial issues in the normal course of business.

24. Related parties

(a) Remuneration of key management personnel

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

	2019	2018
Remuneration	$ 1,476,961	$ 1,626,935
Share-based compensation expense	245,031	569,101
	$ 1,721,992	$ 2,196,036

(b) Rental of office space

Office space in Toronto has been rented from a company that is related to an officer of the Company. For the year ended December 31, 2019, rent and property operating costs were paid in the amount of $189,533 (2018 - $197,017).

(c) Share appreciation rights

For the year ended December 31, 2019, an expense of $114,206 (2018 – $151,226) was recognized for SARs that were awarded by an officer of the Company to certain employees of the Company. See Note 15(b) for additional details.

(d) Agreement with a service provider in which an officer of the Company holds a minority interest

An officer of the Company is a minority shareholder of a service provider that entered into a production services agreement with the Company in July 2019. The agreement is for $5,000 USD and is in connection with the development and production of short-form content for the Networks and Platforms segment of the business.

(e) Option and purchase agreement with a director

In April 2019, the Company entered into an option and purchase agreement for a development property, with parties who include an individual who was a director of the Company at December 31, 2019. The initial option payment was $10,000 USD and any further payments will be dependent upon the exercise of additional option periods or the exercise of a purchase option to purchase the property and proceed with series production.

(f) Rights and services agreement with a director

In the third quarter of 2018, the Company entered into an option agreement with an individual who was a director of the Company as at December 31, 2019. The option was for the exclusive rights to develop and produce a children's television property over a two-year period. The Company paid $1,000 to the director for the option. If the option is exercised, the Company will pay an additional $4,000 to the director and the director will be entitled to a percentage of any future royalties and the first right of refusal for certain executive producer rights.

25. Subsequent events

(a) COVID-19

Subsequent to December 31, 2019, the World Health Organization ("WHO") characterized COVID-19 as a global pandemic. Since the WHO characterized COVID-19 as a pandemic, several measures have been implemented globally including in the United States and Canada. The extent to which COVID-19 impacts the Company's business will depend on future developments, which are highly uncertain and cannot be predicted at this time. These developments include the duration, severity and scope of the outbreak and the actions taken to contain or treat COVID-19. Management continues to evaluate potential operational and financial risks to the Company as a result of the pandemic. The realizable value of the Company's assets subsequent to December 31, 2019, may materially be affected as a result of this outbreak.

(b) Paycheck Protection Program loan

On April 28, 2020, Frederator Networks Inc., a subsidiary of the Company received an unsecured advance of $625,000 USD ($817,000 CAD) under the Paycheck Protection Program, which is guaranteed by the US Small Business Administration, pursuant to the Coronavirus Aid, Relief and Economic Security Act. The loan bears interest at 1% per annum and is repayable, in blended payments, commencing from the 7th month through the 24th month after the initial advance. Subject to the satisfaction of certain conditions, the loan may be forgiven during the 24-month term.