Condensed Interim Consolidated Financial Statements of

Wow Unlimited Media Inc.

For the three months ended March 31, 2019 and 2018

(Unaudited)

Wow Unlimited Media Inc.

Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2019 and December 31, 2018 (Unaudited)

Expressed in Canadian dollars

	Note	March 31, 2019	December 31, 2018
ASSETS			
Current			
Cash and cash equivalents		$ 3,027,928	$ 3,862,875
Trade and other accounts receivable	**4**	27,406,138	25,544,818
Prepaid expenses, deposits and other		1,862,398	1,162,742
		32,296,464	30,570,435
Property, plant and equipment	**3 (a)**	12,419,119	2,991,360
Investment in film and television programming	**5**	15,047,897	13,206,864
Other intangible assets	**7**	8,459,907	8,905,078
Goodwill		11,174,196	11,416,022
Long-term accounts receivable	**4**	2,622,742	2,803,397
Deposits		289,729	293,516
		50,013,590	39,616,237
TOTAL ASSETS		**$ 82,310,054**	**$ 70,186,672**
LIABILITIES			
Current			
Bank indebtedness	**8**	$ 1,504,814	$ 1,337,240
Accounts payable and accrued liabilities		11,689,691	12,836,304
Interim production financing	**8**	19,347,777	14,520,033
Deferred revenue	**11**	9,039,089	7,018,210
Current portion of lease obligations	**3 (a)**	1,271,853	1,350,851
Other current liabilities		301,408	105,635
		43,154,632	37,168,273
Lease obligations	**3 (a)**	11,898,245	1,532,934
Convertible debentures	**9**	4,030,493	3,987,940
Other non-current liabilities		1,487,283	2,227,905
		17,416,021	7,748,779
TOTAL LIABILITIES		**60,570,653**	**44,917,052**
SHAREHOLDERS' EQUITY			
Share capital		83,006,928	83,006,928
Reserves		4,647,727	4,785,790
Accumulated deficit		(65,915,254)	(62,523,098)
TOTAL SHAREHOLDERS' EQUITY		**21,739,401**	**25,269,620**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 82,310,054**	**$ 70,186,672**

Going concern (Note 2 (c)), Related parties (Note 18), Subsequent event (Note 19)

Approved by: the Directors

"Michael Hirsh" ***"Steve Hendry"***

Michael Hirsh, Director Steve Hendry, Director

See accompanying notes to these unaudited condensed interim consolidated financial statements

Wow Unlimited Media Inc.

Condensed Interim Consolidated Statements of Comprehensive (Loss) Income

For the three months ended March 31, 2019 and 2018 (Unaudited)

Expressed in Canadian dollars

		For the three months ended	
	Note	March 31, 2019	March 31, 2018
Revenue	11	$ 19,496,213	$ 15,662,663
Expenses			
Operating	12	19,957,526	13,163,019
Depreciation and amortization		1,369,069	1,707,897
General and administration	12	987,791	730,623
Share-based compensation expense	14	125,373	260,959
Loss before finance costs and taxes		(2,943,546)	(199,835)
Finance costs	15	448,610	353,237
Loss before taxes		**(3,392,156)**	**(553,072)**
Deferred income tax recovery		–	(390,698)
Net loss		**$ (3,392,156)**	**$ (162,374)**
Other comprehensive (income) loss:			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustment		365,436	(205,469)
Total comprehensive (loss) income		**$ (3,757,592)**	**$ 43,095**
Loss per share			
- basic and diluted		**$ (0.11)**	**$ (0.01)**
Weighted average number of shares outstanding			
- basic and diluted		30,185,577	25,178,604

See accompanying notes to these unaudited condensed interim consolidated financial statements

Wow Unlimited Media Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the three months ended March 31, 2019 and 2018 (Unaudited)

Expressed in Canadian dollars

	Note	Number of non-voting shares issued	Number of common voting shares issued [1]	Share capital	Escrow shares subject to retirement	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
Three months ended March 31, 2018											
Net loss		–	–	–	–	–	–	–	–	(162,374)	(162,374)
Other comprehensive gain		–	–	–	–	–	–	–	205,469	–	205,469
Total comprehensive gain (loss) for the period		–	–	–	–	–	–	–	205,469	(162,374)	43,095
Equity settled share-based compensation expense	14 (b)	–	–	–	–	–	–	260,959	–	–	260,959
Balance as at March 31, 2018		2,581,757	22,596,847	76,596,510	–	351,851	357,747	3,567,111	(668,603)	(55,962,397)	24,242,219
Nine months ended September 30, 2018											
Net loss		–	–	–	–	–	–	–	–	(6,560,701)	(6,560,701)
Other comprehensive gain		–	–	–	–	–	–	–	436,142	–	436,142
Total comprehensive gain (loss) for the period		–	–	–	–	–	–	–	436,142	(6,560,701)	(6,124,559)
Common shares issued pursuant to private placement		–	1,573,527	2,360,291	–	–	–	–	–	–	2,360,291
Common shares issued pursuant to asset purchase agreement		–	3,433,446	4,120,135	–	–	–	–	–	–	4,120,135
Warrants issued pursuant to asset purchase agreement	14 (a)	–	–	–	–	–	204,000	–	–	–	204,000
Share issue costs		–	–	(70,008)	–	–	–	–	–	–	(70,008)
Equity settled share-based compensation expense		–	–	–	–	–	–	537,542	–	–	537,542
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
Three months ended March 31, 2019											
Net loss		–	–	–	–	–	–	–	–	(3,392,156)	(3,392,156)
Other comprehensive loss		–	–	–	–	–	–	–	(365,436)	–	(365,436)
Total comprehensive loss for the period		–	–	–	–	–	–	–	(365,436)	(3,392,156)	(3,757,592)
Warrants issued pursuant to asset purchase agreement	14 (a)	–	–	–	–	–	102,000	–	–	–	102,000
Equity settled share-based compensation expense	14 (b)	–	–	–	–	–	–	125,373	–	–	125,373
Balance as at March 31, 2019		2,581,757	27,603,820	$ 83,006,928	$ –	$ 351,851	$ 663,747	$ 4,230,026	$ (597,897)	$ (65,915,254)	$ 21,739,401

[1] The common voting shares issued are inclusive of common voting shares, and variable voting shares.

See accompanying notes to these unaudited condensed interim consolidated financial statements

Wow Unlimited Media Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended March 31, 2019 and 2018 (Unaudited)

Expressed in Canadian dollars

	Note	For the three months ended March 31, 2019	March 31, 2018
OPERATING ACTIVITIES			
Net loss		$ (3,392,156)	$ (162,374)
Items not involving cash:			
Depreciation and amortization		626,945	166,478
Amortization of investment in film and television programming	**5**	364,685	947,343
Amortization of other intangible assets	**7**	377,439	594,076
Share-based compensation expense	**14 (b)**	125,373	260,959
Finance costs	**15**	448,610	353,237
Deferred income tax recovery		–	(390,698)
Other non-cash losses (gains)		51,389	(359,883)
		(1,397,715)	1,409,138
Investment in film and television programming	**5**	(2,408,995)	(1,744,039)
Funding received for investment in film and television programming		67,200	–
Changes in non-cash working capital and other	**17**	(1,397,205)	(3,834,832)
Cash used in operating activities		**(5,136,715)**	**(4,169,733)**
FINANCING ACTIVITIES			
Proceeds from interim production financing		7,044,176	2,830,062
Repayment of interim production financing		(2,206,645)	(692,422)
Interest paid		(269,142)	(168,833)
Repayment of lease obligations	**3 (a)**	(366,586)	(149,290)
Proceeds from bank indebtedness		6,074,814	–
Repayment of bank indebtedness		(5,907,240)	–
Cash generated by financing activities		**4,369,377**	**1,819,517**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(45,207)	(18,874)
Purchase of other intangible assets		–	(1,240)
Cash used in investing activities		**(45,207)**	**(20,114)**
Decrease in cash and cash equivalents for the period		(812,545)	(2,370,330)
Effect of foreign exchange on cash and cash equivalents		(22,402)	40,540
Cash and cash equivalents, beginning of the period		3,862,875	6,354,432
Cash and cash equivalents, end of the period		**$ 3,027,928**	**$ 4,024,642**

Supplemental information (Note 17)

See accompanying notes to these unaudited condensed interim consolidated financial statements

1. Nature of operations

Wow Unlimited Media Inc. (together with its subsidiaries, “Wow Unlimited” or the “Company”) 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 condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). They do not include all of the information required for annual financial statements and should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2018.

Select explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since December 31, 2018, the date of the most recent annual audited consolidated financial statements.

These condensed interim consolidated financial statements include the initial adoption of IFRS 16 - *Leases* (“IFRS 16”). The impact of adoption and changes to significant accounting policies are described in Note 3 (a).

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 28, 2019.

(b) Basis of measurement

These condensed interim 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.

All subsidiaries are 100% owned by the Company except for the following entity: Frederator Books LLC (51% interest). There were no significant operations within this entity during the three months ended March 31, 2019 and 2018.

(c) Going concern

These condensed interim 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. For the three months ended March 31, 2019, the Company had negative cash flows from operating activities of $5,136,715 (three months ended March 31, 2018 – negative $4,169,733), and at March 31, 2019, had net current liabilities of $10,858,168 (December 31, 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 $2,022,610. Refer to Note 19 for further details.

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

3. Significant accounting policies

Except as described below, these condensed interim consolidated financial statements follow the same accounting policies as those disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2018.

(a) 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's lease contracts are comprised of property leases for studio and office space ("premise leases") and operating equipment rentals. 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 are generally from one to five years and may also contain renewal options.

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. Changes to accounting policies for leases and the transitional impacts are discussed below.

The Company previously determined whether a contract contained a lease under IFRIC 4 and must now determine whether a contract is or contains a lease based on the definition of a lease under IFRS 16. This new definition states that 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. However, 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.

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 are reported as part of 'finance costs' in the consolidated statements of comprehensive (loss) income 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' 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 (loss) income. The Company tests right-of-use assets for impairment when such indicators exist in accordance with IAS 36 – *Impairment of Assets*.

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 (loss) income.

Expressed in Canadian dollars

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 (loss) income. For the three months ended March 31, 2019, the Company recognized operating expenses of $104,978 for short-term premises leases and operating equipment leases as part of 'rent and occupancy' and 'IT support and maintenance' expenses (Note 12).

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. The impact on transition to the consolidated statement of financial position is summarized in the following table:

	December 31, 2018	IFRS 16 adoption	January 1, 2019
Property, plant and equipment - finance lease assets	$ 2,792,429	$ (2,792,429)	$ –
Property, plant and equipment - 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:

Expressed in Canadian dollars

	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

The following table presents the Company's right-of-use assets included as part of 'property, plant and equipment' for the three months ended March 31, 2019:

	Operating equipment	Property leases	Total
Right-of-use assets recognized under IFRS 16 as at January 1, 2019	$ 2,890,301	$ 10,002,586	$ 12,892,887
Depreciation	(314,303)	(300,544)	(614,847)
Exchange difference	–	(10,397)	(10,397)
Carrying amount as at March 31, 2019	$ 2,575,998	$ 9,691,645	$ 12,267,643

The following table presents a contractual maturity analysis for the Company's lease obligations:

	< 1 year	1 to 5 years	Greater than 5 years	Total
Future minimum lease payments	$ 3,204,812	$ 6,792,221	$ 11,450,608	$ 21,447,641
Less tenant inducement	(1,097,750)	(823,312)	–	(1,921,062)
Less imputed interest	(835,209)	(2,866,063)	(2,655,209)	(6,356,481)
Lease obligation at March 31, 2019	$ 1,271,853	$ 3,102,846	$ 8,795,399	$ 13,170,098
Lease obligation at December 31, 2018	$ 1,350,851	$ 1,532,934	$ –	$ 2,883,785

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 are recognized as an expense in the consolidated statements of comprehensive (loss) income as 'rent and occupancy' in operating expenses or general and administration expenses. For the three months ended March 31, 2019, the Company recognized expenses of $213,324 for variable payments related to premises leases (Note 12).

(b) 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 interim condensed consolidated financial statements upon the application of this interpretation.

Expressed in Canadian dollars

4. Trade and other accounts receivable

	March 31, 2019	December 31, 2018
Trade receivables	$ 14,277,985	$ 15,053,125
Tax credits receivable	15,916,166	13,127,377
Tax credits allowance	(304,252)	(304,252)
Other receivables	138,981	471,965
	$ 30,028,880	$ 28,348,215
Less long-term accounts receivable	(2,622,742)	(2,803,397)
Current portion of accounts receivable	$ 27,406,138	$ 25,544,818

Trade receivables include $71,990 (2018 - $67,000) of unbilled accounts receivable for services rendered prior to invoicing.

5. Investment in film and television programming

	Distribution rights	Productions in development	Productions in progress	Completed productions	Total
Cost					
As at January 1, 2019	$ 3,923,704	$ 2,513,051	$ 7,179,081	$ 16,931,223	$ 30,547,059
Additions, net of government assistance and third party contributions	24,960	80,813	2,310,200	–	2,415,973
Transfer to completed productions	–	–	(24,374)	24,374	–
Exchange difference	(71,499)	(7,674)	(142,449)	(187,553)	(409,175)
Balance at March 31, 2019	$ 3,877,165	$ 2,586,190	$ 9,322,458	$ 16,768,044	$ 32,553,857
Accumulated amortization and impairment					
As at January 1, 2019	$ 3,151,799	$ 1,715,451	$ –	$ 12,472,945	$ 17,340,195
Additions	86,477	–	–	278,208	364,685
Exchange difference	(65,064)	–	–	(133,856)	(198,920)
Balance at March 31, 2019	$ 3,173,212	$ 1,715,451	$ –	$ 12,617,297	$ 17,505,960
Carrying amount					
December 31, 2018	$ 771,905	$ 797,600	$ 7,179,081	$ 4,458,278	$ 13,206,864
March 31, 2019	$ 703,953	$ 870,739	$ 9,322,458	$ 4,150,747	$ 15,047,897

Additions to productions in progress include interest capitalized of $132,561 for the three months ended March 31, 2019 (2018 – $31,327).

There were no impairments recorded against productions for the three months ended March 31, 2019, nor was there an indication that impairments previously recorded should be reversed (2018 – $nil and impairment reversal of $nil).

6. Transaction with Bell Media Inc.

On August 31, 2018, the Company executed an amended and restated asset purchase agreement (the “Bell Agreement”) for the acquisition of the Option (as defined below) 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”). Pursuant to the terms of the Bell Agreement, in exchange for the issuance of an aggregate of 3,433,446 common voting shares in the capital of the Company (the “Consideration Shares”), the Company acquired the exclusive option (the "Option") to receive the Broadcasting License. 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.

On March 12, 2019, the Company announced the extension of the date upon which Bell Media will transfer to the Company the Category B specialty service, which enables the Company to pursue sponsorships and partnerships to support the launch of its anticipated WOW branded service. The last date upon which the Company will be entitled to exercise, and if not exercised by such date will be deemed to have exercised, the exclusive option to acquire the Broadcasting Licence has been extended to May 31, 2019 from December 31, 2018. The Option can be exercised for nominal consideration at any time prior to May 31, 2019, and the Broadcasting License shall be conveyed to the Company within 90 days of exercise. The last date upon which the transfer of the Broadcasting License will occur has been extended to August 30, 2019 from April 1, 2019; provided that, at any time before June 30, 2019, Bell Media may set the date of transfer upon 60 days’ written notice.

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 the CRTC’s decision, and as an additional cost to acquire the Broadcasting 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 of $558,745 was capitalized to ‘Broadcasting 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 $7,592 on the tangible benefits obligation for the three months ended March 31, 2019 (2018 - $nil).

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.

At the same time, the Company and Bell Media entered into an investor rights agreement pursuant to which Bell Media was granted: (i) the right to nominate one individual to the board of directors of the Company at each annual meeting of the Company’s shareholders following the closing of the Transaction; (ii) the right to appoint a representative to attend all meetings of the board of directors in a non-voting observer capacity following the closing of the Transaction; and (iii) subject to customary exceptions, a pre-emptive right to participate in any future offerings of the Company’s common shares on a pro-rata basis following the closing of the Transaction.

Expressed in Canadian dollars

Bell Media has further agreed to provide certain services to effect 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 14(a) for further discussion on the terms of the Warrants that were granted as partial consideration.

In June 2017, in connection with previous announcements regarding the Transaction, the board of directors of the Company approved the grant of 1,258,930 options to be issued to certain officers of the Company. The options have an exercise price of $2.00 per share, a fair value of $1,622,274 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 vest equally over a three-year period. Of the fair value relating to the 503,572 options that vested immediately, $625,630 was attributable to the ‘Broadcasting License’ intangible asset and capitalized.

As at March 31, 2019, the Company has capitalized professional fees of $190,243 (December 31, 2018 - $190,243) in relation to the Bell Agreement.

7. Other intangible assets

	Production agreements	Animation network	Brands	Software	Broadcasting license	Total
Cost						
Balance as at January 1, 2019	$ 1,091,440	$ 8,649,662	$ 600,292	$ 4,287,592	$ 5,494,754	$ 20,123,740
Exchange difference	(23,120)	(183,226)	(12,716)	–	–	(219,062)
Balance at March 31, 2019	$ 1,068,320	$ 8,466,436	$ 587,576	$ 4,287,592	$ 5,494,754	$ 19,904,678
Accumulated amortization						
Balance as at January 1, 2019	$ 557,089	$ 6,531,679	$ 122,559	$ 4,007,335	$ –	$ 11,218,662
Additions	66,490	258,053	14,628	38,268	–	377,439
Exchange difference	(11,521)	(137,274)	(2,535)	–	–	(151,330)
Balance at March 31, 2019	$ 612,058	$ 6,652,458	$ 134,652	$ 4,045,603	$ –	$ 11,444,771
Carrying amount						
December 31, 2017	$ 534,351	$ 2,117,983	$ 477,733	$ 280,257	$ 5,494,754	$ 8,905,078
March 31, 2019	$ 456,262	$ 1,813,978	$ 452,924	$ 241,989	$ 5,494,754	$ 8,459,907

Expressed in Canadian dollars

8. Bank indebtedness and Interim production financing

			March 31, 2019		December 31, 2018	
	Currency	Year of maturity	Facility amount[1] (CAD)	Carrying amount (CAD)[2]	Facility amount[1] (CAD)	Carrying amount (CAD)[2]
Interim production financing	CAD	On demand	$ 19,629,466	$ 11,147,839	$ 13,410,406	$ 7,833,922
Interim production financing	USD	March 31, 2020	4,673,900	705,122	4,775,050	1,210,587
Interim production financing	USD	On demand	16,939,549	7,494,816	17,306,146	5,475,524
			$ 41,242,915	$ 19,347,777	$ 35,491,602	$ 14,520,033
Bank indebtedness	CAD	On demand	1,745,000	1,504,814	1,745,000	1,337,240
			$ 42,987,915	$ 20,852,591	$ 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 March 31, 2019, including interest reserve

(a) Interim production financing

The Company has interim production financing facilities with Canadian and US banks that bear interest at rates ranging from bank prime plus 1.00% - 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.

(b) Bank indebtedness

The Company has a $1,745,000 CAD revolving demand facility with a Canadian bank bearing interest at US Base Rate plus 0.5% per annum.

9. 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.

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

Expressed in Canadian dollars

	Convertible debentures	Equity component of convertible debentures	Total
Balance at January 1, 2019	$ 3,987,940	$ 351,851	$ 4,339,791
Interest accretion expense	127,888	–	127,888
Interest payable recorded in accounts payable and accrued liabilities	(85,335)	–	(85,335)
Balance at March 31, 2019	$ 4,030,493	$ 351,851	$ 4,382,344

10. Segmented information

The Company operates and evaluates its business based on its products and services, and the mediums in which they are brought to market. The Company has two reportable segments: (i) Animation Production, and (ii) Networks and Platforms.

The Company measures segment performance based on revenues reported in accordance with IFRS and segment profit and loss.

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

	For the three months ended		
March 31, 2019	Animation Production	Networks and Platforms	Total
Segment and external revenues	$ 5,486,710	$ 14,009,503	$ 19,496,213
Operating expenses	5,694,502	14,263,024	19,957,526
Amortization of investment in film and television programming	301,232	63,453	364,685
Depreciation and amortization	565,328	99,885	665,213
Finance costs	441,018	7,592	448,610
Segment loss	$ (1,515,370)	$ (424,451)	(1,939,821)
Amortization of acquisition-related intangibles			339,171
General and administration			987,791
Share based compensation expense			125,373
Loss before taxes			$ (3,392,156)
Capital expenditures			
Investment in film and television programming	$ 2,455,189	$ 27,984	$ 2,483,173
Property, plant & equipment	$ 9,594,311	$ 474,020	$ 10,068,331

Expressed in Canadian dollars

March 31, 2018	For the three months ended Animation Production	 Networks and Platforms	 Total
Segment and external revenues	$ 10,193,310	$ 5,469,353	$ 15,662,663
Operating expenses	7,060,411	6,102,608	13,163,019
Amortization of investment in film and television programming	947,343	-	947,343
Depreciation and amortization	184,665	8,216	192,881
Finance costs	353,237	-	353,237
Segment profit (loss)	$ 1,647,654	$ (641,471)	1,006,183
Amortization of acquisition-related intangibles			567,673
General and administration			730,623
Share based compensation expense			260,959
Loss before taxes			$ (553,072)
Capital expenditures			
Investment in film and television programming	$ 1,732,807	$ 42,559	$ 1,775,366
Other intangible assets	$ 1,240	$ -	$ 1,240
Property, plant & equipment	$ 7,282	$ 11,592	$ 18,874

11. Revenue

a) Disaggregation of revenue from contracts with customers

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

March 31, 2019	For the three months ended Animation Production	 Networks and Platform	 Total
Point in time	$ 93,333	$ 13,992,836	**$ 14,086,169**
Over time	5,393,377	16,667	**5,410,044**
	$ 5,486,710	$ 14,009,503	**$ 19,496,213**

March 31, 2018	For the three months ended Animation Production	 Networks and Platform	 Total
Point in time	$ 3,459,008	$ 5,469,353	**$ 8,928,361**
Over time	6,734,302	–	**6,734,302**
	$ 10,193,310	$ 5,469,353	**$ 15,662,663**

Expressed in Canadian dollars

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

	For the three months ended	
	March 31, 2019	**March 31, 2018**
United States	$ 17,321,212	$ 12,190,621
United Kingdom	2,079,829	914,980
Canada	95,172	2,557,062
	$ 19,496,213	$ 15,662,663

b) Contract balances

Trade receivables and unbilled accounts receivable are disclosed in Note 4. The Company does not have any contract assets.

The Company's only contract related liabilities are 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 in the three months ended March 31, 2019:

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	(4,050,392)
Increases due to cash received, excluding amounts recognized as revenue during the period	6,095,300
Exchange difference	(24,029)
Balance as at March 31, 2019	$ 9,039,089

12. Nature of expenses

	For the three months ended	
Operating expenses	**March 31, 2019**	**March 31, 2018**
Employee costs	$ 6,707,216	$ 5,867,658
Refundable tax credits	(2,730,406)	(2,363,762)
Contractors and other third party expenses	14,633,135	7,452,514
Rent and occupancy (Note 3 (a))	347,776	715,997
IT support and maintenance (Note 3 (a))	432,955	459,763
Royalties and participations	–	1,091,530
Other	566,850	(60,681)
	$ 19,957,526	$ 13,163,019

Expressed in Canadian dollars

General and administration expenses	For the three months ended March 31, 2019	March 31, 2018
Employee costs	$ 464,021	$ 287,954
Legal and accounting	320,685	182,694
Contractors and other third party expenses	8,000	96,894
Rent and occupancy (Note 3(a))	20,573	51,523
Other	174,512	111,558
	$ 987,791	$ 730,623

Employee costs and benefits	For the three months ended March 31, 2019	March 31, 2018
Employee costs	$ 7,171,237	$ 6,155,612
Share based compensation expense	125,373	260,959
	$ 7,296,610	$ 6,416,571

13. Share Capital

Subsequent to March 31, 2019, the Company completed a non-brokered private placement of its common voting shares and variable voting shares on April 4, 2019. See Note 19 for further details.

14. Share-based compensation

a) Share purchase warrants

In the third quarter of 2018, as partial consideration for certain services to effect the transition of the Broadcasting License (Note 6), 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.

For the three months ended March 31, 2019, an expense of $nil was recorded as share-based compensation expense. The value of the pro rata share of Warrants that vested and became exercisable on September 30, 2018, was $306,000 as at March 31, 2019, and has been recorded as a prepaid expense and reported under prepaid expenses, deposits and other on the balance sheet. The prepaid share-based compensation expense will be deferred until the Company has exercised the Option to receive the Broadcasting License and begins receiving services under the agreement. 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:

Expressed in Canadian dollars

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

b) Share-based compensation expense

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

	For the three months ended	
Share based compensation expense	**March 31, 2019**	**March 31, 2018**
Stock options	$ 87,861	$ 219,640
Share appreciation rights	37,512	41,319
	$ 125,373	$ 260,959

15. Finance costs

	For the three months ended	
	March 31, 2019	**March 31, 2018**
Interest expense on interim production financing	$ 265,244	$ 238,117
Interest expense on bank indebtedness	8,678	–
Interest and accretion on convertible debentures (Note 9)	127,888	127,888
Interest accretion on lease obligations (Note 3 (a))	171,769	18,559
Interest accretion on tangible benefits obligation (Note 6)	7,592	–
Interest capitalized to investments in film and television (Note 5)	(132,561)	(31,327)
	$ 448,610	$ 353,237

16. 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.

Expressed in Canadian dollars

- Level 3 – Inputs that are based on unobservable inputs which are supported by little or no market activity.

During the three months ended March 31, 2019, the Company entered into two USD forward contracts with a total notional value of USD $888,885 (2018 - $nil) and which remain outstanding at March 31, 2019 (December 31, 2018 – USD $nil). The contracts expire in April 2019 at a rate of 1.3411 and in May 2019 at a rate of 1.3401.

For the three months March 31, 2019, a realized gain of $nil and unrealized gain of $4,716 was included in the consolidated statement of comprehensive (loss) income.

At March 31, 2019 and December 31, 2018, there are no financial instruments measured at fair value through profit or loss.

The Company has designated its financial instruments as follows:

		March 31, 2019		December 31, 2018	
	Fair Value Hierarchy	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:					
Amortized cost					
Cash and cash equivalents	Level 1	$ 3,027,928	$ 3,027,928	$ 3,862,875	$ 3,862,875
Trade receivables	Level 2	11,912,268	11,912,268	12,506,753	12,506,753
Long-term accounts receivable	Level 2	2,365,717	2,365,717	2,546,372	2,546,372
Deposits	Level 2	289,729	289,729	293,516	293,516
Other financial assets	Level 2	4,716	4,716	–	–
Financial liabilities:					
Amortized cost					
Bank indebtedness	Level 2	1,504,814	1,504,814	1,337,240	1,337,240
Accounts payable and accrued liabilities	Level 2	11,689,691	11,689,691	12,836,304	12,836,304
Lease obligations (Note 3 (a))	Level 2	13,170,098	13,170,098	2,883,785	2,883,785
Interim production financing	Level 2	19,347,777	19,347,777	14,520,033	14,520,033
Convertible debentures	Level 2	4,030,493	4,326,000	3,987,940	4,326,000
Other liabilities	Level 2	1,781,099	1,781,099	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

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 (Note 2 (c)).

Expressed in Canadian dollars

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

As at March 31, 2019	< 1 year	1 to 5 years	Greater than 5 years	Total	Carrying Amount
Accounts payable and accrued liabilities	$11,689,691	$ –	$ –	$ 11,689,691	$ 11,689,691
Bank indebtedness	1,504,814	–	–	1,504,814	1,504,814
Lease obligations [1] (Note 3 (a))	3,204,812	6,792,221	11,450,608	21,447,641	13,170,098
Interim production financing	19,347,777	–	–	19,347,777	19,347,777
Convertible debentures [1]	347,028	4,571,575	–	4,918,603	4,030,493
Other liabilities [1]	98,143	1,605,228	196,286	1,899,657	1,781,099
	$36,192,265	$ 12,969,024	$11,646,894	$ 60,808,183	$ 51,523,972

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

17. Consolidated statement of cash flows - supplemental information

Changes in non-cash working capital

The net change in non-cash working capital related to operations for the three months ended March 31, 2019 and 2018, are as follows:

	For the three months ended March 31, 2019	For the three months ended March 31, 2018
Trade and other accounts receivable	$ (1,622,282)	$ (4,314,675)
Prepaid expenses, deposits and other	(515,606)	(205,710)
Deposits and other assets	3,787	(4,792)
Accounts payable and accrued liabilities	(1,283,983)	2,120,876
Deferred revenue	2,020,879	(1,436,917)
Other current and non-current liabilities	–	6,386
Net change in non-cash working capital	$ (1,397,205)	$ (3,834,832)

18. Related parties

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 a director of the Company. The initial option payment was USD $10,000 and any further payments will be dependant upon the exercise of additional option periods or the exercise of a purchase option to purchase the property and proceed with series production.

Officer/director financing advances to a third-party service provider

In the first and second quarter of 2018, certain officers/directors of the Company made unsecured, non-recourse production advances aggregating USD $200,000 to an unrelated animation services provider in order to expedite production of a television series for which the Company had not yet entered into a formal production commitment. These production advances were repaid in full by the animation services provider in the third quarter of 2018.

19. Subsequent event

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 $2,022,610 at an issuance price of $1.10 per share.