



Condensed Interim Consolidated Financial Statements of

Wow Unlimited Media Inc.

For the three months ended March 31, 2020 and 2019

(Unaudited)

Wow Unlimited Media Inc.

Condensed Interim Consolidated Statements of Financial Position

As at March 31, 2020 and December 31, 2019 (Unaudited)

Expressed in Canadian dollars

	Note	March 31, 2020	December 31, 2019
ASSETS			
Current			
Cash and cash equivalents		\$ 2,229,009	\$ 3,205,058
Trade and other accounts receivable	3	25,704,669	30,179,710
Prepaid expenses, deposits and other		3,201,588	2,298,297
		31,135,266	35,683,065
Property, plant and equipment		13,334,445	10,988,706
Investment in film and television programming	4	14,902,444	12,347,616
Other intangible assets	5	2,077,030	2,056,705
Goodwill		2,832,625	2,622,326
Long-term accounts receivable	3	866,185	1,482,178
Deposits		268,757	256,305
		34,281,486	29,753,836
TOTAL ASSETS		\$ 65,416,752	\$ 65,436,901
LIABILITIES			
Current			
Bank indebtedness	6	\$ 1,909,000	\$ 1,409,000
Accounts payable and accrued liabilities		6,480,346	10,716,797
Interim production financing	6	16,110,369	16,960,405
Convertible debentures	7	4,203,542	4,160,516
Deferred revenue	9	11,651,449	9,454,764
Current portion of lease obligations		1,855,838	794,898
Other current liabilities		578,540	491,367
		42,789,084	43,987,747
Lease obligations		13,872,681	12,080,545
Deferred tax liabilities		—	73,105
Other non-current liabilities		1,425,441	1,460,941
		15,298,122	13,614,591
TOTAL LIABILITIES		58,087,206	57,602,338
SHAREHOLDERS' EQUITY			
Share capital		84,969,758	84,969,758
Reserves		5,932,795	4,970,580
Accumulated deficit		(83,573,007)	(82,105,775)
TOTAL SHAREHOLDERS' EQUITY		7,329,546	7,834,563
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 65,416,752	\$ 65,436,901

Going concern (Note 2 (d)), Subsequent event (Note 15)

Approved by the Directors:

"Michael Hirsh"

Michael Hirsh, Director

"David Richards"

David Richards, 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, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

	Note	For the three months ended	
		March 31, 2020	March 31, 2019
Revenue	9	\$ 13,695,485	\$ 19,496,213
Expenses			
Operating	10	12,358,374	19,957,526
Depreciation and amortization		1,498,571	1,369,069
General and administration	10	662,343	987,791
Share-based compensation expense	11	155,368	125,373
Loss before finance costs and taxes		(979,171)	(2,943,546)
Finance costs	12	563,085	448,610
Loss before taxes		(1,542,256)	(3,392,156)
Deferred income tax expense (recovery)		(75,024)	–
Net loss		\$ (1,467,232)	\$ (3,392,156)
Other comprehensive (income) loss:			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustment		(806,847)	365,436
Total comprehensive loss		\$ (660,385)	\$ (3,757,592)
Loss per share			
- basic and diluted		\$ (0.05)	\$ (0.11)
Weighted average number of shares outstanding			
- basic and diluted		32,024,314	30,185,577

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, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

	Note	Number of non-voting shares issued	Number of common voting shares issued ⁽¹⁾	Reserves					Total
				Share capital	Equity component of convertible debentures	Warrant reserve	Share-based payment reserve	Foreign currency translation reserve	
Balance as at January 1, 2019		2,581,757	27,603,820	\$ 83,006,928	\$ 351,851	\$ 561,747	\$ 4,104,653	\$ (232,461)	\$ 25,269,620
Three months ended March 31, 2019									
Net loss		-	-	-	-	-	-	-	(3,392,156)
Other comprehensive income (loss)		-	-	-	-	-	-	(365,436)	(365,436)
Total comprehensive income (loss) for the period		-	-	-	-	-	-	(365,436)	(3,757,592)
Warrants issued	11	-	-	-	-	102,000	-	-	102,000
Equity settled share-based compensation expense	11	-	-	-	-	-	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)	21,739,401
Nine months ended September 30, 2019									
Net loss		-	-	-	-	-	-	-	(16,190,521)
Other comprehensive income (loss)		-	-	-	-	-	-	(362,372)	(362,372)
Total comprehensive income (loss) for the period		-	-	-	-	-	-	(362,372)	(16,552,893)
Common shares issued pursuant to private placement		-	1,838,737	2,022,611	-	-	-	-	2,022,611
Share issue costs		-	-	(59,781)	-	-	-	-	(59,781)
Warrants issued	11	-	-	-	-	306,000	-	-	306,000
Equity settled share-based compensation expense	11	-	-	-	-	-	379,225	-	379,225
Balance as at December 31, 2019		2,581,757	29,442,557	84,969,758	351,851	969,747	4,609,251	(960,269)	7,834,563
Three months ended March 31, 2020									
Net loss		-	-	-	-	-	-	-	(1,467,232)
Other comprehensive income (loss)		-	-	-	-	-	-	806,847	806,847
Total comprehensive loss for the period		-	-	-	-	-	-	806,847	(660,385)
Warrants issued	11	-	-	-	-	102,000	-	-	102,000
Equity settled share-based compensation expense	11	-	-	-	-	-	53,368	-	53,368
Balance as at March 31, 2020		2,581,757	29,442,557	84,969,758	351,851	1,071,747	4,662,619	(153,422)	7,329,546

⁽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, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

	Note	For the three months ended	
		March 31, 2020	March 31, 2019
OPERATING ACTIVITIES			
Net loss		\$ (1,467,232)	\$ (3,392,156)
Items not involving cash:			
Depreciation and amortization		660,802	626,945
Amortization of investment in film and television programming	4	564,292	364,685
Amortization of other intangible assets	5	273,477	377,439
Share-based compensation expense	11	155,368	125,373
Finance costs	12	563,085	448,610
Deferred income tax expense (recovery)		(75,024)	–
Other non-cash losses (gains)		193,444	51,389
		868,212	(1,397,715)
Investment in film and television programming	4	(2,505,316)	(2,408,995)
Funding received for investment in film and television programming		26,723	67,200
Changes in non-cash working capital and other	14	2,815,535	(1,397,205)
Cash generated by (used in) operating activities		1,205,154	(5,136,715)
FINANCING ACTIVITIES			
Proceeds from interim production financing		4,751,429	7,044,176
Repayment of interim production financing		(6,368,631)	(2,206,645)
Interest paid		(500,972)	(269,142)
Repayment of lease obligations		(630,052)	(366,586)
Cash generated by (used in) financing activities		(2,748,226)	4,201,803
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(14,819)	(45,207)
Cash generated by (used in) investing activities		(14,819)	(45,207)
Decrease in cash and cash equivalents for the period		(1,557,891)	(980,119)
Effect of foreign exchange on cash and cash equivalents		81,842	(22,402)
Cash and cash equivalents, beginning of the period	14 (b)	1,796,058	2,525,635
Cash and cash equivalents, end of the period	14 (b)	\$ 320,009	\$ 1,523,114

Supplemental information (Note 14)

See accompanying notes to these unaudited condensed interim consolidated financial statements

Wow Unlimited Media Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

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, 2019.

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, 2019, the date of the most recent annual audited consolidated financial statements. The accounting policies applied in these condensed interim consolidated financial statements are the same as those applied in the Company's most recent annual audited consolidated financial statements.

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

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 27, 2020.

(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).

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

On March 11, 2020, the World Health Organization ("WHO") characterized COVID-19 as a global pandemic. 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 future developments affect the judgments and estimates described in the Company's annual audited consolidated financial statements for the year ended December 31, 2019.

Wow Unlimited Media Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019 (Unaudited)

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Management continues to evaluate potential operational and financial risks to the Company as a result of the pandemic, including the impact on its judgments, estimates, accounting policies and amounts recognized in these condensed interim consolidated financial statements.

COVID-19 occurred in the latter part of the current quarter and did not have a material impact on the Company's anticipated revenues and the assumptions utilized in determining the recoverable amounts of the Company's right-of-use assets, other intangible assets, property, plant, and equipment, investment in film and television programming, goodwill, or cash-generating units in these condensed interim consolidated financial statements. However, depending on the severity and duration of COVID-19, the realizable value of the Company's assets subsequent to March 31, 2020, may materially be affected as a result of this outbreak.

(d) 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, 2020, the Company had positive cash flows from operating activities of \$1,205,154 (three months ended March 31, 2019 – negative \$5,136,715), and at March 31, 2020, had net current liabilities of \$11,653,818, which includes \$4,203,542 of convertible debentures classified as current liabilities (December 31, 2019 – net current liabilities \$8,304,682).

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.

The Company has convertible subordinated debentures with a face value of \$4,326,000 which will mature in December 2020 (Note 7). 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 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 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 condensed interim consolidated statement of financial position.

Wow Unlimited Media Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

3. Trade and other accounts receivable

	March 31, 2020	December 31, 2019
Trade receivables	\$ 11,912,011	\$ 19,772,901
Tax credits receivable	13,649,193	10,285,221
Other receivables	1,009,650	1,603,766
	\$ 26,570,854	\$ 31,661,888
Less long-term accounts receivable	(866,185)	(1,482,178)
Current portion of accounts receivable	\$ 25,704,669	\$ 30,179,710

Trade receivables include \$236,758 (December 31, 2019 - \$nil) of unbilled accounts receivable for services rendered prior to invoicing.

4. Investment in film and television programming

	Distribution rights	Productions in development	Productions in progress	Completed productions	Total
Cost					
As at January 1, 2020	\$ 4,030,198	\$ 2,287,279	\$ 4,041,029	\$ 29,803,148	\$ 40,161,654
Additions, net of government assistance and third party contributions	93,562	52,256	2,104,859	-	2,250,677
Exchange difference	259,276	7,845	396,554	1,738,005	2,401,680
Balance at March 31, 2020	\$ 4,383,036	\$ 2,347,380	\$ 6,542,442	\$ 31,541,153	\$ 44,814,011
Accumulated amortization and impairment					
As at January 1, 2020	\$ 3,586,497	\$ 1,715,451	\$ -	\$ 22,512,090	\$ 27,814,038
Additions	147,516	-	-	416,776	564,292
Exchange difference	244,772	-	-	1,288,465	1,533,237
Balance at March 31, 2020	\$ 3,978,785	\$ 1,715,451	\$ -	\$ 24,217,331	\$ 29,911,567
Carrying amount					
December 31, 2019	\$ 443,701	\$ 571,828	\$ 4,041,029	\$ 7,291,058	\$ 12,347,616
March 31, 2020	\$ 404,251	\$ 631,929	\$ 6,542,442	\$ 7,323,822	\$ 14,902,444

Additions to productions in progress include interest capitalized of \$70,176 for the three months ended March 31, 2020 (three months ended March 31, 2019 - \$132,561).

There were no impairments recorded against productions for the three months ended March 31, 2020, nor was there an indication that impairments previously recorded should be reversed (three months ended March 31, 2019 - \$nil).

Wow Unlimited Media Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

5. Other intangible assets

	Production agreements	Animation network	Brands	Software	Broadcasting license	Total
Cost						
Balance as at January 1, 2020	\$ 1,045,440	\$ 8,285,112	\$ 574,992	\$ 4,626,912	\$ 5,498,020	\$ 20,030,476
Additions	–	–	–	171,422	–	171,422
Exchange difference	83,840	664,432	46,112	–	–	794,384
Balance at March 31, 2020	\$ 1,129,280	\$ 8,949,544	\$ 621,104	\$ 4,798,334	\$ 5,498,020	\$ 20,996,282
Accumulated amortization and impairment						
Balance as at January 1, 2020	\$ 794,970	\$ 7,270,753	\$ 174,893	\$ 4,235,135	\$ 5,498,020	\$ 17,973,771
Additions	67,055	130,123	14,752	61,547	–	273,477
Exchange difference	67,278	589,925	14,801	–	–	672,004
Balance at March 31, 2020	\$ 929,303	\$ 7,990,801	\$ 204,446	\$ 4,296,682	\$ 5,498,020	\$ 18,919,252
Carrying amount						
December 31, 2019	\$ 250,470	\$ 1,014,359	\$ 400,099	\$ 391,777	\$ –	\$ 2,056,705
March 31, 2020	\$ 199,977	\$ 958,743	\$ 416,658	\$ 501,652	\$ –	\$ 2,077,030

6. Bank indebtedness and Interim production financing

	Currency	Date of maturity	March 31, 2020		December 31, 2019	
			Facility amount ¹ (CAD)	Carrying amount (CAD) ²	Facility amount ¹ (CAD)	Carrying amount (CAD) ²
Interim production financing	CAD	On demand	\$ 23,475,312	\$ 8,406,650	\$ 23,392,725	\$ 5,537,091
Interim production financing	USD	On demand	15,788,746	7,703,719	16,576,758	11,423,314
			\$ 39,264,058	\$ 16,110,369	\$ 39,969,483	\$ 16,960,405
Bank indebtedness	CAD	On demand	3,300,000	1,909,000	1,500,000	1,409,000
			\$ 42,564,058	\$ 18,019,369	\$ 41,469,483	\$ 18,369,405

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, 2020, including interest reserve

(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.

Wow Unlimited Media Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

(b) Bank indebtedness

In advance of a new expanded facility which is expected to be finalized by June 30, 2020, the Company entered into amendments during the quarter to temporarily increase its revolving demand facility limit from \$1,500,000 CAD to \$3,300,000 CAD (in March, 2020), and subsequently to \$4,100,000 CAD (in May, 2020), against specific client receivables, until June 30, 2020. Other than the temporary increase to the revolving demand facility limit, all other terms and conditions of the credit facility have not changed. 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 the facility limit at any time. Canadian or US dollar bank prime borrowings bear interest at a rate equal to bank prime plus 1.50% per annum. 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.

(c) Equipment lease line

As at March 31, 2020, the Company had made drawdown requests for equipment under the Facility's equipment lease line of \$5,344,745 (December 31, 2019 - \$2,509,012). Each transaction will have specific financing terms in respect of the leased equipment such as term, finance amount, rate, and payment terms. The Company has recorded right-of-use assets and lease obligations for the leased equipment acquired in respect of these draws.

(d) Treasury risk management facility

As at March 31, 2020, there were no outstanding amounts drawn under the Facility's treasury risk management facility (December 31, 2019 - \$nil).

7. 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 March 31, 2020, 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 three months ended March 31, 2020, is as follows:

	Convertible debentures	Equity component of convertible debentures	Total
Balance at January 1, 2020	\$ 4,160,516	\$ 351,851	\$ 4,512,367
Interest accretion expense	129,309	—	129,309
Interest payable recorded in accounts payable and accrued liabilities	(86,283)	—	(86,283)
Balance at March 31, 2020	\$ 4,203,542	\$ 351,851	\$ 4,555,393

Wow Unlimited Media Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

8. 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:

<i>March 31, 2020</i>	For the three months ended		
	Animation Production	Networks and Platforms	Total
Segment and external revenues	\$ 7,689,948	\$ 6,005,537	\$ 13,695,485
Operating expenses	6,063,151	6,295,223	12,358,374
Amortization of investment in film and television programming	439,995	124,297	564,292
Depreciation and amortization	636,794	85,555	722,349
Finance costs	556,408	6,677	563,085
Segment profit (loss)	\$ (6,400)	\$ (506,215)	(512,615)
Amortization of acquisition-related intangibles			211,930
General and administration			662,343
Share-based compensation expense			155,368
Loss before taxes			\$ (1,542,256)
Capital expenditures			
Investment in film and television programming	\$ 2,157,115	\$ 93,562	\$ 2,250,677
Other intangible assets	\$ 171,422	\$ -	\$ 171,422
Property, plant & equipment	\$ 2,823,193	\$ 202,827	\$ 3,026,020

<i>March 31, 2019</i>	For the three months ended		
	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 profit (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	\$ 2,387,989	\$ 27,984	\$ 2,415,973
Property, plant & equipment	\$ 9,594,311	\$ 474,020	\$ 10,068,331

Wow Unlimited Media Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

9. Revenue

a) Disaggregation of revenue from contracts with customers

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

<i>March 31, 2020</i>	For the three months ended		
	Animation Production	Networks and Platform	Total
Point in time	\$ 96,656	\$ 5,788,870	\$ 5,885,526
Over time	7,593,292	216,667	7,809,959
	\$ 7,689,948	\$ 6,005,537	\$ 13,695,485

<i>March 31, 2019</i>	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

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

	For the three months ended	
	March 31, 2020	March 31, 2019
United States	\$ 10,473,217	\$ 17,321,212
United Kingdom ¹	3,005,601	2,079,829
Canada	216,667	95,172
	\$ 13,695,485	\$ 19,496,213

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

b) Contract balances

Trade receivables and unbilled accounts receivable are disclosed in Note 3. The Company has unbilled accounts receivable contract assets of \$236,758 (December 31, 2019 - \$nil) as at March 31, 2020.

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, 2020:

Deferred revenue

Balance as at January 1, 2020	\$ 9,454,764
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	(6,686,867)
Increases due to cash received, excluding amounts recognized as revenue during the period	8,883,552
Balance as at March 31, 2020	\$ 11,651,449

Wow Unlimited Media Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

10. Nature of expenses

	For the three months ended	
	March 31, 2020	March 31, 2019
Operating expenses		
Employee costs	\$ 8,653,195	\$ 6,707,216
Refundable tax credits	(3,706,650)	(2,730,406)
Contractors and other third party expenses	6,529,322	14,633,135
Rent and occupancy	258,139	347,776
IT support and maintenance	561,283	432,955
Other	63,085	566,850
	\$ 12,358,374	\$ 19,957,526

	For the three months ended	
	March 31, 2020	March 31, 2019
General and administration expenses		
Employee costs	\$ 325,142	\$ 464,021
Legal and accounting	148,284	320,685
Contractors and other third party expenses	–	8,000
Rent and occupancy	16,846	20,573
Other	172,071	174,512
	\$ 662,343	\$ 987,791

	For the three months ended	
	March 31, 2020	March 31, 2019
Employee costs and benefits		
Employee costs	\$ 8,978,337	\$ 7,171,237
Share-based compensation expense	155,368	125,373
	\$ 9,133,705	\$ 7,296,610

Wow Unlimited Media Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

11. Share-based compensation

Total share-based compensation expense from all forms of share-based payment awards for the three months ended March 31, 2020 and 2019, is summarized below:

Share-based compensation expense	For the three months ended	
	March 31, 2020	March 31, 2019
Stock options	\$ 53,368	\$ 87,861
Warrants	102,000	–
Share appreciation rights	–	37,512
	<u>\$ 155,368</u>	<u>\$ 125,373</u>

12. Finance costs

	For the three months ended	
	March 31, 2020	March 31, 2019
Interest expense on interim production financing	\$ 244,727	\$ 265,244
Interest expense on bank indebtedness	19,111	8,678
Interest and accretion on convertible debentures (Note 7)	129,309	127,888
Interest accretion on lease obligations	233,437	171,769
Interest accretion on tangible benefits obligation	6,677	7,592
Interest capitalized to investments in film and television (Note 4)	(70,176)	(132,561)
	<u>\$ 563,085</u>	<u>\$ 448,610</u>

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

At March 31, 2020 and December 31, 2019, there are no financial instruments measured at fair value through profit or loss.

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The Company has designated its financial instruments as follows:

	Fair Value Hierarchy	March 31, 2020		December 31, 2019	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:					
Amortized cost					
Cash and cash equivalents	Level 1	\$ 2,229,009	\$ 2,229,009	\$ 3,205,058	\$ 3,205,058
Trade receivables	Level 2	11,912,011	11,912,011	19,772,901	19,772,901
Long-term accounts receivable	Level 2	866,185	866,185	1,482,178	1,482,178
Deposits	Level 2	268,757	268,757	256,305	256,305
Financial liabilities:					
Amortized cost					
Bank indebtedness	Level 2	1,909,000	1,909,000	1,409,000	1,409,000
Accounts payable and accrued liabilities	Level 2	6,480,346	6,480,346	10,716,797	10,716,797
Interim production financing	Level 2	16,110,369	16,110,369	16,960,405	16,960,405
Convertible debentures	Level 2	4,203,542	4,326,000	4,160,516	4,326,000
Lease obligations	Level 2	15,728,519	15,728,519	12,875,443	12,875,443
Other liabilities	Level 2	1,708,690	1,708,690	1,712,701	1,712,701

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, 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 (d)).

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Expressed in Canadian dollars

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

As at March 31, 2020	< 1 year	1 to 5 years	Greater than 5 years	Total	Carrying Amount
Accounts payable and accrued liabilities	\$ 6,480,346	\$ –	\$ –	\$ 6,480,346	\$ 6,480,346
Bank indebtedness	1,909,000	–	–	1,909,000	1,909,000
Lease obligations ¹	3,603,981	8,702,769	10,014,591	22,321,341	15,728,519
Interim production financing	16,110,369	–	–	16,110,369	16,110,369
Convertible debentures ¹	4,571,575	–	–	4,571,575	4,203,542
Other liabilities ¹	632,844	1,070,602	98,143	1,801,589	1,708,690
	\$ 33,308,115	\$ 9,773,371	\$ 10,112,734	\$ 53,194,220	\$ 46,140,466

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

14. 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 three months ended March 31, 2020 and 2019, are as follows:

	For the three months ended	
	March 31, 2020	March 31, 2019
Trade and other accounts receivable	\$ 5,425,544	\$ (1,622,282)
Prepaid expenses, deposits and other	(602,787)	(515,606)
Deposits	(12,452)	3,787
Accounts payable and accrued liabilities	(4,236,451)	(1,283,983)
Deferred revenue	2,196,685	2,020,879
Other current and non-current liabilities	44,996	–
Net change in non-cash working capital	\$ 2,815,535	\$ (1,397,205)

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

	March 31, 2020	December 31, 2019	March 31, 2019
Cash and cash equivalents	\$ 2,229,009	\$ 3,205,058	\$ 3,027,928
Bank indebtedness	(1,909,000)	(1,409,000)	(1,504,814)
	\$ 320,009	\$ 1,796,058	\$ 1,523,114

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15. Subsequent event

Paycheck Protection Program loan

On April 28, 2020, Frederator Networks Inc., a subsidiary of the Company received an unsecured advance of \$625,000 USD (\$882,000 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.