



Condensed Interim Consolidated Financial Statements of

**Wow Unlimited Media Inc.**

For the three and six months ended June 30, 2020 and 2019

(Unaudited)

# Wow Unlimited Media Inc.

## Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2020 and December 31, 2019 (Unaudited)

Expressed in Canadian dollars

	Note	June 30, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 2,805,154	\$ 3,205,058
Trade and other accounts receivable	3	31,100,550	30,179,710
Prepaid expenses, deposits and other		3,232,764	2,298,297
		37,138,468	35,683,065
Property, plant and equipment		13,298,286	10,988,706
Investment in film and television programming	4	15,987,539	12,347,616
Other intangible assets	5	1,741,588	2,056,705
Goodwill		2,742,927	2,622,326
Long-term accounts receivable	3	686,169	1,482,178
Deposits		263,801	256,305
		34,720,310	29,753,836
<b>TOTAL ASSETS</b>		<b>\$ 71,858,778</b>	<b>\$ 65,436,901</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Bank indebtedness	6	\$ 3,666,125	\$ 1,409,000
Accounts payable and accrued liabilities	11	7,541,539	10,716,797
Interim production financing	6	19,165,506	16,960,405
Convertible debentures	7	4,246,568	4,160,516
Deferred revenue	9	15,272,489	9,454,764
Current portion of lease obligations		2,184,486	794,898
Other current liabilities	6	1,474,766	491,367
		53,551,479	43,987,747
Lease obligations		13,252,747	12,080,545
Deferred tax liabilities		–	73,105
Other non-current liabilities		1,263,753	1,460,941
		14,516,500	13,614,591
<b>TOTAL LIABILITIES</b>		<b>68,067,979</b>	<b>57,602,338</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		84,969,758	84,969,758
Reserves		5,762,450	4,970,580
Accumulated deficit		(86,941,409)	(82,105,775)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>3,790,799</b>	<b>7,834,563</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 71,858,778</b>	<b>\$ 65,436,901</b>

Going concern (Note 2 (d)), Subsequent event (Note 16)

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 and six months ended June 30, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

	Note	For the three months ended		For the six months ended	
		June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue	9	\$ 11,527,594	\$ 26,614,323	\$ 25,223,079	\$ 46,110,536
Expenses					
Operating	10	10,720,052	26,063,317	23,078,426	46,020,843
Depreciation and amortization		1,587,314	1,351,942	3,085,885	2,721,011
General and administration	10	911,735	882,369	1,574,078	1,870,160
Restructuring costs	11	1,099,685	–	1,099,685	–
Share-based compensation expense	12	137,036	147,496	292,404	272,869
<b>Loss before finance costs and taxes</b>		<b>(2,928,228)</b>	<b>(1,830,801)</b>	<b>(3,907,399)</b>	<b>(4,774,347)</b>
Finance costs	13	440,174	530,623	1,003,259	979,233
<b>Loss before taxes</b>		<b>(3,368,402)</b>	<b>(2,361,424)</b>	<b>(4,910,658)</b>	<b>(5,753,580)</b>
Deferred income tax expense (recovery)		–	–	(75,024)	–
<b>Net loss</b>		<b>\$ (3,368,402)</b>	<b>\$ (2,361,424)</b>	<b>\$ (4,835,634)</b>	<b>\$ (5,753,580)</b>
Other comprehensive (income) loss:					
Item that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustment		307,381	287,440	(499,466)	652,876
<b>Total comprehensive loss</b>		<b>\$ (3,675,783)</b>	<b>\$ (2,648,864)</b>	<b>\$ (4,336,168)</b>	<b>\$ (6,406,456)</b>
<b>Loss per share</b>					
- basic and diluted		<b>\$ (0.11)</b>	<b>\$ (0.07)</b>	<b>\$ (0.15)</b>	<b>\$ (0.19)</b>
<b>Weighted average number of shares outstanding</b>					
- basic and diluted		32,024,314	31,963,696	32,024,314	31,079,549

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 six months ended June 30, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

	Note	Number of non-voting shares issued	Number of common voting shares issued <sup>(1)</sup>	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
Six months ended June 30, 2019		-	-	-	-	-	-	-	(5,753,580)
Net loss		-	-	-	-	-	-	(652,876)	(652,876)
Other comprehensive income (loss)		-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the period		-	-	-	-	-	-	(652,876)	(6,406,456)
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	12	-	-	204,000	-	-	-	-	204,000
Equity settled share-based compensation expense	12	-	-	-	-	-	272,869	-	272,869
Balance as at June 30, 2019		2,581,757	29,442,557	84,969,758	351,851	765,747	4,377,522	(885,337)	21,302,863
Six months ended December 31, 2019		-	-	-	-	-	-	-	(13,829,097)
Net loss		-	-	-	-	-	-	(74,932)	(74,932)
Other comprehensive income (loss) for the period		-	-	-	-	-	-	(74,932)	(13,904,029)
Total comprehensive income (loss) for the period		-	-	-	-	-	-	(74,932)	(13,904,029)
Warrants issued	12	-	-	-	-	204,000	-	-	204,000
Equity settled share-based compensation expense	12	-	-	-	-	-	231,729	-	231,729
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
Six months ended June 30, 2020		-	-	-	-	-	-	-	(4,835,634)
Net loss		-	-	-	-	-	-	499,466	499,466
Other comprehensive income (loss) for the period		-	-	-	-	-	-	499,466	(4,336,168)
Total comprehensive income (loss) for the period		-	-	-	-	-	-	499,466	(4,336,168)
Warrants issued	12	-	-	-	-	204,000	-	-	204,000
Equity settled share-based compensation expense	12	-	-	-	-	-	88,404	-	88,404
Balance as at June 30, 2020		2,581,757	29,442,557	84,969,758	351,851	\$ 1,173,747	\$ 4,697,655	\$ (460,803)	\$ 3,790,799

<sup>(1)</sup> 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 six months ended June 30, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

	Note	For the six months ended	
		June 30, 2020	June 30, 2019
<b>OPERATING ACTIVITIES</b>			
Net loss		\$ (4,835,634)	\$ (5,753,580)
Items not involving cash:			
Depreciation and amortization		1,399,976	1,281,113
Amortization of investment in film and television programming	4	1,123,653	657,440
Amortization of other intangible assets	5	562,256	782,458
Share-based compensation expense	12	292,404	272,869
Finance costs	13	1,003,259	979,233
Deferred income tax expense (recovery)		(75,024)	–
Other non-cash losses (gains)		207,614	157,454
		(321,496)	(1,623,013)
Investment in film and television programming	4	(5,081,167)	(4,909,721)
Funding received for investment in film and television programming		26,723	67,200
Changes in non-cash working capital and other	15	2,594,318	(399,633)
<b>Cash generated by (used in) operating activities</b>		<b>(2,781,622)</b>	<b>(6,865,167)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from interim production financing	6	9,089,424	12,451,274
Repayment of interim production financing	6	(7,495,812)	(6,123,100)
Interest paid		(780,529)	(661,786)
Repayment of lease obligations		(1,525,800)	(1,152,339)
Proceeds from paycheck protection program loan	6	854,313	–
Proceeds from private placement, net of share issuance costs		–	1,962,830
<b>Cash generated by (used in) financing activities</b>		<b>141,596</b>	<b>6,476,879</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(61,356)	(49,416)
<b>Cash generated by (used in) investing activities</b>		<b>(61,356)</b>	<b>(49,416)</b>
Decrease in cash and cash equivalents for the period		(2,701,382)	(437,704)
Effect of foreign exchange on cash and cash equivalents		44,353	(34,273)
Cash and cash equivalents, beginning of the period	15 (b)	1,796,058	2,525,635
<b>Cash and cash equivalents, end of the period</b>	15 (b)	<b>\$ (860,971)</b>	<b>\$ 2,053,658</b>

Supplemental information (Note 15)

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 and six months ended June 30, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

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### 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 August 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 and six months ended June 30, 2020 and 2019 (Unaudited)

*Expressed in Canadian dollars*

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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 previous 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 June 30, 2020 may be materially affected.

#### **(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 six months ended June 30, 2020, the Company had negative cash flows from operating activities of \$2,781,622 (six months ended June 30, 2019 – negative \$6,865,167), and at June 30, 2020, had net current liabilities of \$16,413,011, which includes \$4,246,568 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 and is in discussions with multiple interested parties.

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 and six months ended June 30, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

### 3. Trade and other accounts receivable

	June 30, 2020	December 31, 2019
Trade receivables	\$ 12,930,632	\$ 19,772,901
Tax credits receivable	18,086,915	10,285,221
Other receivables	769,172	1,603,766
	\$ 31,786,719	\$ 31,661,888
Less long-term accounts receivable	(686,169)	(1,482,178)
Current portion of accounts receivable	\$ 31,100,550	\$ 30,179,710

Trade receivables include \$nil (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
<b>Cost</b>					
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	273,222	8,029	4,011,562	-	4,292,813
Exchange difference	148,688	4,410	192,204	996,700	1,342,002
Balance at June 30, 2020	\$ 4,452,108	\$ 2,299,718	\$ 8,244,795	\$ 30,799,848	\$ 45,796,469
<b>Accumulated amortization and impairment</b>					
As at January 1, 2020	\$ 3,586,497	\$ 1,715,451	\$ -	\$ 22,512,090	\$ 27,814,038
Additions	288,659	-	-	834,994	1,123,653
Exchange difference	139,763	-	-	731,476	871,239
Balance at June 30, 2020	\$ 4,014,919	\$ 1,715,451	\$ -	\$ 24,078,560	\$ 29,808,930
<b>Carrying amount</b>					
December 31, 2019	\$ 443,701	\$ 571,828	\$ 4,041,029	\$ 7,291,058	\$ 12,347,616
June 30, 2020	\$ 437,189	\$ 584,267	\$ 8,244,795	\$ 6,721,288	\$ 15,987,539

Additions to productions in progress include interest capitalized of \$77,164 and \$147,340 for the three and six months ended June 30, 2020 (three and six months ended June 30, 2019 – \$155,751 and \$288,312).

There were no impairments recorded against productions for the three and six months ended June 30, 2020, nor was there an indication that impairments previously recorded should be reversed (three and six months ended June 30, 2019 – \$nil and impairment reversal of \$nil).



# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

### 5. Other intangible assets

	Production agreements	Animation network	Brands	Software	Broadcasting license	Total
<b>Cost</b>						
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
Disposals	–	–	–	(983)	–	(983)
Exchange difference	48,080	381,034	26,444	–	–	455,558
Balance at June 30, 2020	\$ 1,093,520	\$ 8,666,146	\$ 601,436	\$ 4,797,351	\$ 5,498,020	\$ 20,656,473
<b>Accumulated amortization and impairment</b>						
Balance as at January 1, 2020	\$ 794,970	\$ 7,270,753	\$ 174,893	\$ 4,235,135	\$ 5,498,020	\$ 17,973,771
Additions	136,420	264,728	30,012	131,096	–	562,256
Disposals	–	–	–	(983)	–	(983)
Exchange difference	36,830	334,908	8,103	–	–	379,841
Balance at June 30, 2020	\$ 968,220	\$ 7,870,389	\$ 213,008	\$ 4,365,248	\$ 5,498,020	\$ 18,914,885
<b>Carrying amount</b>						
December 31, 2019	\$ 250,470	\$ 1,014,359	\$ 400,099	\$ 391,777	\$ –	\$ 2,056,705
June 30, 2020	\$ 125,300	\$ 795,757	\$ 388,428	\$ 432,103	\$ –	\$ 1,741,588

### 6. Loans and borrowings

	Currency	Date of maturity	June 30, 2020		December 31, 2019	
			Facility amount <sup>1</sup> (CAD)	Carrying amount (CAD) <sup>2</sup>	Facility amount <sup>1</sup> (CAD)	Carrying amount (CAD) <sup>2</sup>
Interim production financing	CAD	On demand	\$ 24,985,028	\$ 11,449,440	\$ 23,392,725	\$ 5,537,091
Interim production financing	USD	On demand	15,288,777	7,716,066	16,576,758	11,423,314
			\$ 40,273,805	\$ 19,165,506	\$ 39,969,483	\$ 16,960,405
Bank indebtedness	CAD	On demand	4,100,000	3,666,125	1,500,000	1,409,000
Paycheck protection program loan	USD	Note 6 (e)	854,313	854,313	–	–
			\$ 45,228,118	\$ 23,685,944	\$ 41,469,483	\$ 18,369,405

<sup>1</sup> Facility amount of the loans represents the maximum facility available, excluding interest reserve

<sup>2</sup> Carrying amount represents the amount drawn as at June 30, 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

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

### For the three and six months ended June 30, 2020 and 2019 (Unaudited)

*Expressed in Canadian dollars*

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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 entered into amendments during the quarter to temporarily increase its revolving demand facility limit from \$1,500,000 CAD to \$4,100,000 CAD, against specific client receivables, in advance of a new expanded facility. Other than the temporary increase to the revolving demand facility limit, all other terms and conditions of the credit facility did not change during the three months ended June 30, 2020.

Subsequent to June 30, 2020, the Company amended its credit facility (the "Facility") with a Canadian bank on July 30, 2020. The amendment to the Facility increased its revolving demand facility limit to \$5,000,000 CAD and its equipment lease line to \$7,000,000 CAD. In addition, amendments were made to financial covenants under the Facility.

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. Under the amendment, Canadian or US dollar bank prime borrowings bear interest at a rate equal to bank prime plus 2.00% (previously 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 3.75% (previously 3.25%) per annum.

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. Under the amendment, letters of credit issued bear interest at bank prime rates plus 3.75% (previously 3.25%) per annum. As at June 30, 2020 and December 31, 2019, the Company did not have any letter of credit facilities in place.

#### **(c) Equipment lease line**

As at June 30, 2020, the Company had made drawdown requests for equipment under the Facility's equipment lease line of \$5,944,666 (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. As described above, the amendment entered subsequent to June 30, 2020, increased the limit under the Facility's equipment lease line from \$6,000,000 CAD to \$7,000,000 CAD.

#### **(d) Treasury risk management facility**

As at June 30, 2020, there were no outstanding amounts drawn under the Facility's treasury risk management facility (December 31, 2019 - \$nil).

#### **(e) Paycheck protection program loan**

On April 28, 2020, Frederator Networks Inc., a subsidiary of the Company received an unsecured advance of \$625,000 USD (\$854,313 CAD) under the Paycheck Protection Program ("PPP"), which is guaranteed by the US Small Business Administration, pursuant to the Coronavirus Aid, Relief and Economic Security Act. The loan bears

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## Notes to the Condensed Interim Consolidated Financial Statements

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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. As at June 30, 2020, the Company has recognized the PPP loan balance of \$854,313 as part of 'other current liabilities' in the condensed interim consolidated statement of financial position.

### 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 June 30, 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 June 30, 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	258,618	–	258,618
Interest paid	(86,283)	–	(86,283)
Interest payable recorded in accounts payable and accrued liabilities	(86,283)	–	(86,283)
Balance at June 30, 2020	\$ 4,246,568	\$ 351,851	\$ 4,598,419

### 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:

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

June 30, 2020	For the three months ended			For the six months ended		
	Animation Production	Networks and Platforms	Total	Animation Production	Networks and Platforms	Total
<b>Segment and external revenues</b>	\$ 7,325,799	\$ 4,201,795	\$ 11,527,594	\$ 15,015,747	\$ 10,207,332	\$ 25,223,079
Operating expenses	6,559,509	4,160,543	10,720,052	12,622,660	10,455,766	23,078,426
Amortization of investment in film and television programming	442,238	117,123	559,361	882,233	241,420	1,123,653
Depreciation and amortization	720,840	87,883	808,723	1,357,634	173,438	1,531,072
Finance costs	432,712	7,462	440,174	989,120	14,139	1,003,259
<b>Segment profit (loss)</b>	\$ (829,500)	\$ (171,216)	(1,000,716)	\$ (835,900)	\$ (677,431)	(1,513,331)
Amortization of acquisition-related intangibles			219,230			431,160
General and administration			911,735			1,574,078
Share-based compensation expense			137,036			292,404
Restructuring costs			1,099,685			1,099,685
<b>Loss before taxes</b>			\$ (3,368,402)			\$ (4,910,658)
<b>Capital expenditures</b>						
Investment in film and television programming	\$ 1,862,476	\$ 179,660	\$ 2,042,136	\$ 4,019,591	\$ 273,222	\$ 4,292,813
Other intangible assets	\$ -	\$ -	\$ -	\$ 171,422	\$ -	\$ 171,422
Property, plant & equipment	\$ 789,961	\$ 1,963	\$ 791,924	\$ 3,613,154	\$ 204,790	\$ 3,817,944

June 30, 2019	For the three months ended			For the six months ended		
	Animation Production	Networks and Platforms	Total	Animation Production	Networks and Platforms	Total
<b>Segment and external revenues</b>	\$ 6,859,217	\$ 19,755,106	\$ 26,614,323	\$ 12,345,927	\$ 33,764,609	\$ 46,110,536
Operating expenses	6,262,172	19,801,145	26,063,317	11,956,674	34,064,169	46,020,843
Amortization of investment in film and television programming	250,990	41,765	292,755	552,222	105,218	657,440
Depreciation and amortization	617,968	99,931	717,899	1,183,296	199,816	1,383,112
Finance costs	522,930	7,693	530,623	963,948	15,285	979,233
<b>Segment profit (loss)</b>	\$ (794,843)	\$ (195,428)	\$ (990,271)	\$ (2,310,213)	\$ (619,879)	(2,930,092)
Amortization of acquisition-related intangibles			341,288			680,459
General and administration			882,369			1,870,160
Share-based compensation expense			147,496			272,869
<b>Loss before taxes</b>			\$ (2,361,424)			\$ (5,753,580)
<b>Capital expenditures</b>						
Investment in film and television programming	\$ 2,716,219	\$ 2,344	\$ 2,718,563	\$ 5,104,208	\$ 30,328	\$ 5,134,536
Other intangible assets	\$ 305,574	\$ -	\$ 305,574	\$ 305,574	\$ -	\$ 305,574
Property, plant & equipment	\$ 499,033	\$ 1,926	\$ 500,959	\$ 10,093,344	\$ 475,946	\$ 10,569,290

## 9. Revenue

### a) Disaggregation of revenue from contracts with customers

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

June 30, 2020	For the three months ended			For the six months ended		
	Animation Production	Networks and Platform	Total	Animation Production	Networks and Platform	Total
Point in time	\$ 224,023	\$ 4,001,795	\$ 4,225,818	\$ 320,679	\$ 9,790,665	\$ 10,111,344
Over time	7,101,776	200,000	7,301,776	14,695,068	416,667	15,111,735
	\$ 7,325,799	\$ 4,201,795	\$ 11,527,594	\$ 15,015,747	\$ 10,207,332	\$ 25,223,079

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

June 30, 2019	For the three months ended			For the six months ended		Total
	Animation Production	Networks and Platform		Animation Production	Networks and Platform	
Point in time	\$ 239,278	\$ 19,738,439	\$ 19,977,717	\$ 332,611	\$ 33,731,275	\$ 34,063,886
Over time	6,619,939	16,667	6,636,606	12,013,316	33,334	12,046,650
	\$ 6,859,217	\$ 19,755,106	\$ 26,614,323	\$ 12,345,927	\$ 33,764,609	\$ 46,110,536

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

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
United States	\$ 9,145,662	\$ 23,908,637	\$ 19,618,879	\$ 41,229,849
United Kingdom <sup>1</sup>	2,181,932	2,679,580	5,187,533	4,759,409
Canada	200,000	26,106	416,667	121,278
	\$ 11,527,594	\$ 26,614,323	\$ 25,223,079	\$ 46,110,536

<sup>1</sup> 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 \$nil as at June 30, 2020 (December 31, 2019 - \$nil).

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 six months ended June 30, 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	(8,733,090)
Increases due to cash received, excluding amounts recognized as revenue during the period	14,555,915
Exchange difference	(5,100)
Balance as at June 30, 2020	\$ 15,272,489

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 10. Nature of expenses

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>Operating expenses</b>				
Employee costs	\$ 8,598,576	\$ 7,248,565	\$ 17,251,771	\$ 13,955,781
Refundable tax credits	(3,744,644)	(3,068,607)	(7,451,294)	(5,799,013)
Contractors and other third party expenses	4,475,716	20,523,365	11,005,038	35,156,500
Rent and occupancy	249,295	346,760	507,434	694,536
IT support and maintenance	495,975	445,788	1,057,258	878,743
Other	645,134	567,446	708,219	1,134,296
	\$ 10,720,052	\$ 26,063,317	\$ 23,078,426	\$ 46,020,843

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>General and administration expenses</b>				
Employee costs	\$ 596,749	\$ 454,480	\$ 921,891	\$ 918,501
Legal and accounting	107,568	151,124	255,852	471,809
Contractors and other third party expenses	21,849	–	21,849	8,000
Rent and occupancy	13,703	21,805	30,549	42,378
Other	171,866	254,960	343,937	429,472
	\$ 911,735	\$ 882,369	\$ 1,574,078	\$ 1,870,160

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
<b>Employee costs and benefits</b>				
Employee costs	\$ 9,195,325	\$ 7,703,045	\$ 18,173,662	\$ 14,874,282
Restructuring costs	1,099,685	–	1,099,685	–
Share-based compensation expense	137,036	147,496	292,404	272,869
	\$ 10,432,046	\$ 7,850,541	\$ 19,565,751	\$ 15,147,151

### 11. Restructuring costs

On June 29, 2020, the Company commenced a restructuring project at its Frederator operations to reduce headcount and to implement overhead and cost saving initiatives. A provision for restructuring costs is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced to those affected by the plan. As at June 30, 2020, the Company recognized a provision for employee severance costs of \$792,680 USD in the condensed interim consolidated statement of financial position as part of 'accounts payable and accrued liabilities'. For the three and six months ended June 30, 2020, the Company has recognized restructuring costs of \$792,680 USD (\$1,099,685 CAD) in the condensed interim consolidated statements of comprehensive (loss) income.

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 12. Share-based compensation

Total share-based compensation expense from all forms of share-based payment awards for the three and six months ended June 30, 2020 and 2019, is summarized below:

Share-based compensation expense	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Stock options	\$ 35,036	\$ 109,985	\$ 88,404	\$ 197,846
Warrants	102,000	–	204,000	–
Share appreciation rights	–	37,511	–	75,023
	\$ 137,036	\$ 147,496	\$ 292,404	\$ 272,869

### 13. Finance costs

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Interest expense on interim production financing	\$ 202,261	\$ 313,765	\$ 446,988	\$ 579,009
Interest expense on bank indebtedness	21,733	9,376	40,844	18,054
Interest and accretion on convertible debentures (Note 7)	129,309	129,309	258,618	257,197
Interest accretion on lease obligations	156,573	226,231	390,010	398,000
Interest accretion on tangible benefits obligation	7,462	7,693	14,139	15,285
Interest capitalized to investments in film and television (Note 4)	(77,164)	(155,751)	(147,340)	(288,312)
	\$ 440,174	\$ 530,623	\$ 1,003,259	\$ 979,233

### 14. 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 June 30, 2020 and December 31, 2019, there are no financial instruments measured at fair value through profit or loss.

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

The Company has designated its financial instruments as follows:

	Fair Value Hierarchy	June 30, 2020		December 31, 2019	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<b>Financial assets:</b>					
<b>Amortized cost</b>					
Cash and cash equivalents	Level 1	\$ 2,805,154	\$ 2,805,154	\$ 3,205,058	\$ 3,205,058
Trade receivables	Level 2	12,930,632	12,930,632	19,772,901	19,772,901
Long-term accounts receivable	Level 2	686,169	686,169	1,482,178	1,482,178
Deposits	Level 2	263,801	263,801	256,305	256,305
<b>Financial liabilities:</b>					
<b>Amortized cost</b>					
Bank indebtedness	Level 2	3,666,125	3,666,125	1,409,000	1,409,000
Accounts payable and accrued liabilities	Level 2	7,541,539	7,541,539	10,716,797	10,716,797
Interim production financing	Level 2	19,165,506	19,165,506	16,960,405	16,960,405
Convertible debentures	Level 2	4,246,568	4,326,000	4,160,516	4,326,000
Lease obligations	Level 2	15,437,233	15,437,233	12,875,443	12,875,443
Other liabilities	Level 2	2,524,421	2,524,421	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)).



# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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

As at June 30, 2020	< 1 year	1 to 5 years	Greater than 5 years	Total	Carrying Amount
Accounts payable and accrued liabilities	\$ 7,541,539	\$ –	\$ –	\$ 7,541,539	\$ 7,541,539
Bank indebtedness	3,666,125	–	–	3,666,125	3,666,125
Lease obligations <sup>1</sup>	3,609,226	8,540,419	9,414,393	21,564,038	15,437,233
Interim production financing	19,165,506	–	–	19,165,506	19,165,506
Convertible debentures <sup>1</sup>	4,485,292	–	–	4,485,292	4,246,568
Other liabilities <sup>1</sup>	1,469,509	990,107	196,286	2,655,902	2,524,421
	\$ 39,937,197	\$ 9,530,526	\$ 9,610,679	\$ 59,078,402	\$ 52,581,392

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

### 15. 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 six months ended June 30, 2020 and 2019, are as follows:

	For the six months ended	
	June 30, 2020	June 30, 2019
Trade and other accounts receivable	\$ 902,757	\$ (4,262,456)
Prepaid expenses, deposits and other	(774,886)	(852,676)
Deposits	(7,496)	17,077
Accounts payable and accrued liabilities	(3,261,541)	896,190
Deferred revenue	5,817,725	3,802,232
Other current and non-current liabilities	(82,241)	–
Net change in non-cash working capital	\$ 2,594,318	\$ (399,633)

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

	June 30, 2020	December 31, 2019	June 30, 2019
Cash and cash equivalents	\$ 2,805,154	\$ 3,205,058	\$ 3,462,658
Bank indebtedness	(3,666,125)	(1,409,000)	(1,409,000)
	\$ (860,971)	\$ 1,796,058	\$ 2,053,658

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2020 and 2019 (Unaudited)

*Expressed in Canadian dollars*

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### 16. Subsequent event

#### *Bank indebtedness*

On July 30, 2020, the Company amended its credit facility with a Canadian bank. Refer to Note 6(b) for further details.