2

QUARTER

2020

Six Months Ended June 30 2020

Share Information

At August 27, 2020, the Company had 32,024,314 common shares outstanding and stock options exercisable for 1,701,391 additional common shares and warrants exercisable into 800,000 common shares.

Investor Information

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is dated August 27, 2020 and is intended to assist in understanding the results of operations and financial condition of Wow Unlimited Media Inc. as at and for the three and six months ended June 30, 2020 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the three and six months ended June 30, 2020 and other public disclosure documents of Wow Unlimited Media Inc., including its previously filed December 31, 2019, annual consolidated financial statements.

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

Additional information, including other publicly filed documents relating to the Company are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at www.sedar.com.

FORWARD LOOKING STATEMENTS

Certain statements contained in this MD&A, and in certain documents incorporated by reference in this MD&A, constitute "forward looking information" within the meaning of applicable Canadian securities laws. The words "anticipate", "achieve", "could", "believe", "plan", "intend", "continuous", "ongoing", "estimate", "outlook", "expect", "may", "will", "project", "should", and similar expressions are often used to identify forward looking statements. These statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events, and include, but are not limited to statements relating to the Company's objectives, priorities, strategies, actions, targets, expectations and outlook. In particular, this MD&A contains forward-looking statements relating to: (i) WOW Unlimited's business strategy; (ii) the market in which the Company operates and the demand for children's entertainment content; (iii) the ability of the Company to successfully integrate its component businesses and to realize on perceived synergies; (iv) the Company's potential future revenue and long-term vision; (v) the ability of the Company to identify suitable acquisition/partnership targets and to acquire/partner with such targets on reasonable terms and in a timely fashion; (vi) the ability of the Company to expand into potential markets and to capitalize on such expansion; (vii) future operational and financial performance, including production capacity; (viii) expectations regarding the ability of the Company to raise capital and to increase its business; (ix) the Company's proposed strategies for global rollout and platform growth; (x) the Company's proposed operations for 2020; and (xi) the continued access to and stability of distribution channels. The reader is cautioned that such forward-looking statements may prove to be incorrect. By their very nature, forward looking statements involve inherent risks and uncertainties, both general and specific, and a number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, a reader should specifically consider various factors; including the risks outlined in this MD&A under the heading “Risks and Uncertainties” which may cause actual results to differ materially from any forward-looking statement.

The forward-looking statements contained herein reflect management’s current expectations and beliefs and are based upon certain assumptions that management believes to be reasonable based on the information currently available. Such assumptions include, but are not limited to: (i) the performance of the Company's business, including current business and economic trends; (ii) capital expenditure programs and other expenditures by the Company and its customers; (iii) the ability of the Company to retain and hire qualified personnel; (iv) the ability of the Company to market its content successfully to existing and new customers; (v) the ability of the Company to retain customers; (vi) the ability of the Company to obtain timely financing on acceptable terms; (vii) a stable competitive environment; (viii) the Company’s ability to anticipate and adapt to changes in technology and product consumption patterns; and (ix) a stable industry regulatory environment. Should one or more of the risks or uncertainties identified herein materialize, or should the assumptions underlying the forward-looking statements prove to be incorrect, then actual results may vary materially from those described herein.

Unless otherwise indicated, all forward-looking statements are made as of the date hereof and, except as required by applicable securities laws, the Company does not intend, and does not assume any obligation, to update the forward-looking statements contained herein. Certain information contained herein is based on, or derived from, information provided by independent third-party sources. The Company believes that such information is accurate and that the sources from which it has been obtained are reliable. The Company cannot guarantee the accuracy of such information, however, and has not independently verified the assumptions on which such information is based. The Company does not assume any responsibility for the accuracy or completeness of such information. Readers are cautioned not to place undue reliance on forward-looking statements.

COMPANY PROFILE

Wow Unlimited Media Inc. is creating a leading animation-focused entertainment company by producing top-end content and building brands and audiences on the most engaging media platforms. The Company produces animation in its two established studios: Frederator Studios in Los Angeles, which has a 20-year track record; and one of Canada's largest, multi-faceted animation production studios, Mainframe Studios in Vancouver, which has a 25-year track record. The Company's media assets include Channel Frederator Network which is a Multi-Channel Network ("MCN") on YouTube, as well as WOW! branded programming on Crave, Canada's leading streaming entertainment platform, owned by Bell Media. The common voting shares of the Company (the "Common Voting Shares") and variable voting shares of the Company (the "Variable Voting Shares") are listed on the TSX Venture Exchange (the "TSX-V") (TSX-V: WOW) and the OTCQX Best Market (OTCQX: WOWMF).

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

Animation Production

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

Networks and Platforms

The Company operates a diverse animated multi-channel network on the YouTube platform from which it generates advertising revenue. In addition, the Company owns various proprietary channels on the same platform generating additional advertising revenues. The Company has partnered with Bell Media to be the principal curator of kids programming for Crave TV, Canada's leading streaming service.

In conjunction with its strategic partnership with Bell Media, the Company acquired a Category B Canadian specialty service and the related Canadian Radio-television and Telecommunications ("CRTC") broadcasting license (the "Broadcasting License") on August 30, 2019. Given the challenges in the cable and satellite industry in Canada and the United States and uncertainty in the broader television industry, Management recognized a non-cash impairment charge of $5.5 million for the Broadcasting License in the consolidated statement of comprehensive loss for the year ended December 31, 2019. Despite this impairment, the Company continues to seek partnerships prior to launching a WOW! branded linear channel and, to that end, the Company continues to explore investment and strategic candidates across multiple regions. However, the success of finding a suitable partnership cannot be assured.

Also, as a benefit of the strategic partnership, the Company has an agreement with Bell Media to provide Video-On-Demand (VOD) programming for Bell Media's Crave platform, Canada's leading Over-The-Top (OTT) streaming service. The Company currently provides over 250 hours of kids programming to Crave in three collections: WOW! Preschool Playdate (targeted at kids aged 0-5), WOW! World Kids (ages 6-11), and WOW! MiniTOONS (short-form cartoons).

NON-IFRS FINANCIAL MEASURES

In addition to results reported in accordance with IFRS, the Company reports using certain non-IFRS financial measures as supplemental indicators of the Company's financial and operating performance. These non-IFRS financial measures include *operating profit or loss, operating profit or loss per share*, *operating EBITDA*, and *backlog*. The Company believes these supplemental financial measures reflect the Company's on-going business in a manner that allows for meaningful period-to-period comparisons and analysis of trends in its business. These non-IFRS measures have been consistently calculated in all periods presented.

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

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

The Company defines *backlog* as the undiscounted value of signed agreements for production services and intellectual property in relation to licensing and distribution agreements for work that has not yet been performed, but for which the Company expects to recognize revenue in future periods. Backlog excludes estimates of variable consideration for transactions involving sales or usage-based royalties in exchange for licences of intellectual property. The extent of eventual revenue recognized in future periods may be materially higher or lower than this amount, depending upon factors which include, but are not limited to the following: (i) contract modifications, (ii) fluctuations in foreign exchange rates for contracts not denominated in Canadian dollars, (iii) changes to production and delivery schedules, or (iv) valuation issues in connection with the collectability of fees.

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

OVERVIEW OF RESULTS

Results of operations

$000's, except per share amounts	For the three months ended June 30, 2020	June 30, 2019	For the six months ended June 30, 2020	June 30, 2019
Revenue	**$ 11,528**	**$ 26,614**	**$ 25,223**	**$ 46,111**
Operating EBITDA[1]	(664)	(625)	(553)	(2,438)
Operating loss[1]	(2,131)	(2,214)	(3,518)	(5,481)
Operating loss per share				
- basic and diluted	$ (0.07)	$ (0.07)	$ (0.11)	$ (0.18)
Net loss	**$ (3,368)**	**$ (2,361)**	**$ (4,836)**	**$ (5,754)**
Net loss per share				
- basic and diluted	$ (0.11)	$ (0.07)	$ (0.15)	$ (0.19)
Weighted average number of shares outstanding:				
- basic and diluted	32,024,314	31,963,696	32,024,314	31,079,549

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

Financial position

$000's	June 30, 2020	December 31, 2019
Financial position		
Total assets	$ 71,859	$ 65,437
Total current assets	37,138	35,683
Total non-current assets	34,721	29,754
Convertible debentures	4,247	4,161
Total liabilities	68,068	57,602
Shareholders' equity	3,791	7,835

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Revolving Demand Facility amendment

Subsequent to June 30, 2020, the Company amended its credit 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.

Paycheck Protection Program loan

On April 28, 2020, Frederator Networks Inc., a subsidiary of the Company, received an unsecured advance of $0.6 million USD ($0.9 million 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.

Frederator Restructuring

In June 2020, the Company commenced a restructuring project at its Frederator operations and as a result, for the three and six months ended June 30, 2020, the Company has recognized restructuring costs of $0.8 million USD ($1.1 million CAD) in the condensed interim consolidated statements of comprehensive loss. A restructuring and reorganization project was implemented in order to reduce the headcount at Frederator and to implement overhead and cost saving initiatives which are expected to provide potential EBITDA savings in excess of $1.5 million USD ($2.0 million CAD) on an annualized basis. Reductions were specific to the Owned & Operated (O&O) channels group, where the Company is in the process of redefining its business model for optimal success within the YouTube and other advertising-supported online platforms.

OPERATIONAL HIGHLIGHTS

Animation Production

- The Company continued production of the animated series titled *Madagascar: A Little Wild* in partnership with DreamWorks Animation. The series will consist of 52 episodes of 22 minutes each, and initial delivery of episodes commenced during the Q2 2020.
- The Company continued production on a new internally developed animated series which began production in Q4 2019. The new series, consisting of 44 episodes of 11 minutes each, is being produced in partnership with a leading US based studio, and it will be released on a prominent global streaming platform. The initial delivery date of the series is tentatively scheduled to commence in early 2021.
- Season 3 of the series *Castlevania* debuted on Netflix on March 5, 2020 and received critical acclaim through various media outlets. The Company is currently producing a fourth season of Castlevania for Netflix, with deliveries expected to commence in Q4 2020.
- The final episodes of season 2 of *Barbie Dreamhouse Adventures* were delivered to longstanding client, Mattel, in Q1 2020. In August 2020, the Company also delivered a 70-minute animated film entitled *Barbie Princess Adventure* which is expected to be available for streaming on Netflix beginning September 1, 2020. In addition, the Company continues production on a 60-minute animated *Barbie* movie for delivery in Q4 2020.

- Production of Seasons 5 through 8 of the series *Octonauts*, comprising 184 episodes of 11 minutes each, continued during the quarter for Silvergate Media. Delivery of the final episodes are expected to be completed at the end of 2023. In addition, delivery of a 3-episode special for *Octonauts* comprised of two 70-minute episodes and one 40-minute episode was completed during Q2 2020. The first special episode which is entitled *Octonauts and the Caves of Sac Actun* was released on Netflix in August 2020.
- The Company continues production on the animated series *Made by Maddie,* comprising 44 episodes of 11 minutes each, for Silvergate Media, with final delivery expected in the first half of 2021.
- Subsequent to the end of Q2 2020, the Company's premiere property, *Bee & PuppyCat*, was picked up by a prominent global streaming platform. Additional details will be released in the coming months.

Networks and Platforms

- Statistics from YouTube's Content Management System show that Channel Frederator Network had approximately 3,000 channels as at June 30, 2020.

CONSOLIDATED RESULTS

$000's		For the three months ended June 30, 2020		June 30, 2019		For the six months ended June 30, 2020		June 30, 2019
Revenue	**$**	**11,528**	**$**	**26,614**	**$**	**25,223**	**$**	**46,111**
Amortization of investment in film and television programming	**$**	**559**	**$**	**293**	**$**	**1,124**	**$**	**657**
Operating EBITDA	**$**	**(664)**	**$**	**(625)**	**$**	**(553)**	**$**	**(2,438)**
Finance costs		440		530		1,003		979
Depreciation and amortization[1]		1,027		1,059		1,962		2,064
Operating loss		(2,131)		(2,214)		(3,518)		(5,481)
Items affecting comparability:								
Share-based compensation expense		137		147		293		273
Restructuring costs		1,100		–		1,100		–
Deferred income tax expense (recovery)		–		–		(75)		–
		1,237		147		1,318		273
Net loss	**$**	**(3,368)**	**$**	**(2,361)**	**$**	**(4,836)**	**$**	**(5,754)**

[1] Excludes amortization of investment in film and television programming

Revenue and Operating EBITDA

Revenue for the three and six months ended June 30, 2020, decreased by $15.1 million and $20.9 million, respectively, compared to the same periods in 2019. For the three and six months ended June 30, 2020, revenues for the Networks and Platforms segment decreased by $15.6 million and $23.6 million, respectively, and revenues for the Animation Production segment increased by $0.5 million and $2.7 million, respectively, in comparison to the same periods in 2019. The decrease in revenue for the Networks and Platforms segment for the three and six months ended June 30, 2020, was primarily the result of decreased views generated by Channel Frederator Network as a result of the termination of the ADME agreement as previously announced in December 2019.

The growth in revenue for the Animation Production segment for the three and six months ended June 30, 2020, was driven by the increased number of active productions compared to the same periods in 2019.

Operating EBITDA for the three and six months ended June 30, 2020, decreased by $0.04 million and increased by $1.9 million, respectively, compared to the same periods in 2019. The higher operating EBITDA for the six months ended June 30, 2020, was driven by increased revenue and margins in the Animation Production segment as a result of the increase in the number of active productions.

Amortization of investment in film and television programming

Amortization of investment in film and television programming during the three and six months ended June 30, 2020, was $0.6 million and $1.1 million, respectively, compared to $0.3 million and $0.7 million for the three and six months ended June 30, 2019. The increased amortization of investment in film and television for the three and six months ended June 30, 2020, resulted from a higher capitalized value of productions completed in prior years.

Finance costs

$000's	For the three months ended June 30, 2020	June 30, 2019	For the six months ended June 30, 2020	June 30, 2019
Finance expense:				
Interest expense on interim production financing	$ 202	$ 314	$ 446	$ 579
Interest expense on bank indebtedness	22	9	41	18
Interest and accretion on convertible debentures	129	129	259	257
Interest accretion on lease obligations	157	226	390	398
Interest accretion on tangible benefits obligation	7	8	14	15
Interest capitalized to investments in film and television programming	(77)	(156)	(147)	(288)
	$ 440	**$ 530**	**$ 1,003**	**$ 979**

Finance costs decreased by $0.1 million and increased by $0.02 million for the three and six months ended June 30, 2020, respectively. The decrease in interest expense on interim production financing and interest capitalized to investments in film and television programming during the three and six months ended June 30, 2020, relates primarily to the repayment of certain production financing loans during Q1 2020.

Depreciation and amortization

$000's	For the three months ended June 30, 2020	June 30, 2019	For the six months ended June 30, 2020	June 30, 2019
Property, plant and equipment	$ 821	$ 655	$ 1,519	$ 1,282
Other intangible assets	288	405	562	782
Amounts capitalized to Investment in film and television	(82)	–	(119)	–
	$ 1,027	**$ 1,060**	**$ 1,962**	**$ 2,064**

Depreciation on property plant and equipment decreased for the three and six months ended June 30, 2020, compared to the same periods in 2019, primarily as a result of capitalized amortization on investment in film and television on a new internally developed animated series which began production in Q4 2019.

Net loss and items affecting comparability

The comparison of financial results under IFRS between periods is hindered by the inclusion and variability of specified items that may not be indicative of the ongoing operational performance of the Company’s ongoing business. For the three and six months ended June 30, 2020, the net losses after adjusting for such items was $3.4 and $4.8 million, respectively. The most significant of these specified items are discussed below.

Share-based compensation expense

Share-based compensation expense for the three and six months ended June 30, 2020, and 2019, was $0.1 million and $0.3 million, respectively and relates to the vesting of warrants and stock options issued in previous periods.

Restructuring costs

Restructuring costs of $1.1 million for the three and six months ended June 30, 2020, represents employee severance costs in relation to the restructuring of Frederator which commenced during Q2 2020, as previously discussed.

OUR BUSINESS MODEL

Animation Production

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

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

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

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

With the strong growth of subscription and advertising based streaming platforms worldwide, the demand for quality animation content is higher than ever before. The Company aims to be a beneficiary of this demand by providing top-end animation services to its partners worldwide, and by creating and licensing profitable animation series and features. Since the formation of the Company, it has added multiple marquee partners and clients and has been working to develop an extensive slate of animation content.

The Company also has access to a strong creator network by virtue of its ownership of the Frederator Network. Frederator discovers top content creators and concepts both from its unique short films ("Shorts") development program as well as the Channel Frederator Network. It works closely with those creators to develop, produce and distribute top-end content across multiple platforms worldwide – this represents one example of potential synergies across the Company's two operating divisions.

Networks and Platforms

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

As described earlier, management continues to seek investment and strategic candidates for a financial partnership prior to launching a WOW! branded linear channel. However, the success of finding a suitable partnership cannot be assured.

OUTLOOK

The Company continues to pursue and secure new opportunities in several key segments of the animation production and distribution industry. These include production service contracts in both the feature film and television markets. In addition, the

Company remains focused on selectively acquiring and investing in various intellectual properties that allow the Company to retain an ownership interest and share in future revenues, in a capital and risk efficient manner. In particular, the Company continues to pursue investment opportunities for IP that has potential for multi-pronged commercial success related to distribution, brand awareness as well as global licensing and merchandising opportunities.

As at June 30, 2020, the Company's animation production backlog was $64.3 million. Backlog represents the undiscounted value of signed agreements for production services contracts and intellectual property in relation to licensing and distribution agreements for work that has not yet been performed, but for which the Company expects to recognize revenue in future periods. Backlog excludes estimates of refundable tax credits as well as variable consideration for transactions involving sales or usage-based royalties in exchange for licences of intellectual property. The Company expects to recognize the majority of backlog as revenue over the next 30 months.

Channel Frederator Network is viewed primarily across digital devices, providing the Company with a global marketing platform for its animation content, as well as a strong understanding of these 'digital-first' consumers. The Company's goal is to leverage this understanding of digital consumers as well as the viewership analytics obtained from YouTube to create more compelling content.

The unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2020 and 2019 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 and six months ended June 30, 2020, the Company had negative cash flows from operating activities of $4.0 million and $2.8 million, respectively (three and six months ended June 30, 2019 – negative $1.7 million and negative $6.9 million, respectively).

The Company's future operations are dependent upon many factors, including the ability to generate earnings and obtaining additional equity and/or debt financing in order to meet its planned business objectives.

The Company will need to raise funds in the future 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 statement of financial position. Management continues to explore options to raise equity and debt financing.

The Company has convertible subordinated debentures with a face value of $4.3 million which will mature in December 2020. The Company is actively exploring its options for the repayment or refinancing of that obligation and is in discussions with multiple interested parties.

Animation Production - Production services business

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

During the first quarter of 2019, the Company began the production of *Madagascar: A Little Wild* in partnership with DreamWorks Animation. The series will consist of 52 episodes of 22 minutes in length and initial deliveries commenced in Q1 2020.

The final episodes of season 2 of *Barbie Dreamhouse Adventures* and the 70-minute film *Barbie Princess Adventure* were delivered to longstanding client, Mattel, in Q1 2020 and Q3 2020, respectively. The Company also continues production of a 60-minute animated *Barbie* movie for delivery in Q4 2020.

Production of the animated series *Made by* Maddie in addition to seasons 5 through 8 of the series *Octonauts* continued during the quarter for Silvergate Media. Delivery of the final episodes for *Made by Maddie* is expected to be in the first half of 2021, and delivery of the final episodes of *Octonauts* are expected to be completed at the end of 2023. In addition, the Company completed the delivery of a 3-episode special for *Octonauts* during Q2 2020, with the first episode, *Octonauts and the Caves of Sac Actun,* being released on Netflix in August 2020.

Animation Production - Intellectual properties

Castlevania

Castlevania is based on the hit **Konami** video game. *Castlevania* season 3 was released on Netflix on March 5, 2020, to rave reviews and extensive coverage from numerous media outlets and entertainment publications. In addition to “Top 10” designations from Netflix across multiple territories, the animated hit series has achieved a “Masterpiece” and “Editor’s Choice” rating from IGN and a 100% critic’s rating on Rotten Tomatoes. Season 4 of *Castlevania* is currently in production with deliveries slated for Q4 2020 through Q1 2021

In addition, the Company also began production of a new internally developed animated series in the fourth quarter of 2019 in partnership with a leading US based studio which will be released on a prominent global streaming platform. This series will consist of 44 episodes of 11 minutes in length and the delivery date is planned for early 2021.

Networks and Platforms

Channel Frederator Network continues to build its unique appeal to affiliate members with video tools, music rights and member programs targeting the animation and gaming communities.

The Company owns a Category B Canadian specialty service and the related Canadian Radio-television and Telecommunications ("CRTC") broadcasting license (the “Broadcasting License”). As described earlier, given the challenges in the cable and satellite industry in Canada and the United States and uncertainty in the broader television industry, Management recognized a non-cash impairment charge of $5.5 million in the consolidated statement of comprehensive loss for the year ended December 31, 2019. Despite this impairment, the Company continues to seek partnerships prior to launching a WOW! branded linear channel and, to that end, the Company continues to explore investment and strategic candidates across multiple regions. However, the success of finding a suitable partnership cannot be assured.

Impact of COVID-19

In December 2019, a novel coronavirus disease (“COVID-19”) was reported and on March 11, 2020, the World Health Organization (“WHO”) characterized COVID-19 as a global pandemic. Since the WHO characterized COVID-19 as a pandemic, several measures have been implemented globally including in the United States and Canada. In response to the impact of COVID-19, the Company has temporarily closed its offices and studios while our staff and employees continue working remotely from their homes. We have instituted the practice of daily communications amongst our team members via conference calls and are in regular phone and e-mail contact with our key service providers, subcontractors, clients, and partners. In addition, the Company has suspended all non-essential business-related travel in order to ensure the safety of our staff. Mainframe Studios plans to adapt its work from home model, beyond the current crisis, to expand its production capacity considerably, without leasing additional facilities. Frederator's operations have been largely unaffected by the virus except for some delays experienced by its external animation service providers. Management continues to evaluate potential operational and financial risks as a result of the pandemic, as well as additional steps that may be required to ensure continuity in production and the company's overall growth. The circumstances and extent to which COVID-19 impacts our business operations are dynamic, and therefore, the duration and impact on our future operations cannot be reasonably estimated.

RESULTS BY SEGMENT

$000's	For the three months ended June 30, 2020	For the three months ended June 30, 2019	For the six months ended June 30, 2020	For the six months ended June 30, 2019
Revenue				
Animation Production	$ 7,326	$ 6,859	$ 15,016	$ 12,346
Networks and Platforms	4,202	19,755	10,207	33,765
Total revenue	$ 11,528	$ 26,614	$ 25,223	$ 46,111
Amortization of investment in film and television programming				
Animation Production	$ 442	$ 251	$ 882	$ 552
Networks and Platforms	117	42	242	105
Total amortization of investment in film and television programming	$ 559	$ 293	$ 1,124	$ 657
Segment profit (loss)				
Animation Production	$ (830)	$ (795)	$ (836)	$ (2,310)
Networks and Platforms	(171)	(195)	(677)	(620)
Total segment profit (loss)	$ (1,001)	$ (990)	$ (1,513)	$ (2,930)

Animation Production

Revenue for the Animation Production segment was $7.3 million and $15.0 million for the three and six months ended June 30, 2020, respectively, compared to $6.9 million and $12.3 million for the same periods in 2019. The increase in revenue for the three and six months ended June 30, 2020, was primarily a result of the increased number of active productions compared to the same periods in 2019.

The amortization of investment in film and television programming for the three and six months ended June 30, 2020, was $0.4 million and $0.9 million, respectively, compared to $0.3 million and $0.6 million for the three and six months ended June 30, 2019. The increase in amortization of investment in film and television for the three and six months ended June 30, 2020, resulted from a higher capitalized value of productions completed in prior years.

Segment profit (loss) was a loss of $0.8 million and $0.8 million for the three and six months ended June 30, 2020, respectively, compared to a loss of $0.8 million and $2.3 million for the same periods in 2019. The lower segment loss for the six months ended June 30, 2020, was driven by increased revenue and margins as a result of an increase in the number of active productions ongoing for the three months ended March 31, 2020, compared to the same period in 2019.

Networks and Platforms

Revenue earned in the Networks and Platforms segment was $4.2 million and $10.2 million for the three and six months ended June 30, 2020, respectively, compared to $19.8 million and $33.8 million for the three and six months ended June 30, 2019. In addition, segment profit (loss) for the Networks and Platforms segment was a loss of $0.2 million and $0.7 million for the three and six months ended June 30, 2020, respectively, compared to a loss of $0.2 million and $0.6 million for the same periods in 2019. The large decrease in revenue with only a slight change to segment profit (loss) for the three and six months ended June 30, 2020, resulted from the decline in the number of views on the channels within Channel Frederator Network as a result of the termination of the ADME agreement which represented a significant portion of the Company's revenue but not a significant portion of the Company's profitability.

QUARTERLY FINANCIAL DATA (UNAUDITED)

	For the three months ended			
$000's	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
Revenue	**$ 11,528**	**$ 13,695**	**$ 34,413**	**$ 23,349**
Operating EBITDA[(1)]	(664)	111	3,038	831
Operating profit (loss)	(2,131)	(1,387)	1,622	(723)
Net profit (loss)	**$ (3,368)**	**$ (1,467)**	**$ (12,473)**	**$ (1,356)**
Basic net profit (loss) per share	$ (0.11)	$ (0.05)	$ (0.39)	$ (0.04)
Diluted net profit (loss) per share	$ (0.11)	$ (0.05)	$ (0.39)	$ (0.04)
	For the three months ended			
	Jun 30, 2019	**Mar 31, 2019**	**Dec 31, 2018**	**Sep 30, 2018**
Revenue	**$ 26,614**	**$ 19,496**	**$ 28,984**	**$ 17,711**
Operating EBITDA[(1)]	(625)	(1,814)	(920)	(1,502)
Operating profit (loss)	(2,214)	(3,267)	(1,875)	(2,659)
Net profit (loss)	**$ (2,361)**	**$ (3,392)**	**$ (1,429)**	**$ (3,051)**
Basic net profit (loss) per share	$ (0.07)	$ (0.11)	$ (0.05)	$ (0.11)
Diluted net profit (loss) per share	$ (0.07)	$ (0.11)	$ (0.05)	$ (0.11)

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

The increase in operating EBITDA in the fourth quarter of 2018 was a result of increased EBITDA in the Animation Production segment from the delivery of *Castlevania,* season 2, during the quarter.

The decrease in operating EBITDA during the first quarter of 2019 was a result of higher legal and accounting fees incurred during the quarter compared to previous quarters, slightly offset by a decrease in operating costs as a result of adopting IFRS 16.

The increase in operating EBITDA during the second quarter of 2019 resulted from increased animation production service work during the quarter.

The increase in operating EBITDA during the third quarter of 2019 was primarily a result of the revenue recognition from the delivery of a number of episodes of *Bee & Puppy Cat,* season 2, net of the associated amortization of capitalized production costs on the series during the quarter.

The increase in operating EBITDA during the fourth quarter of 2019 was primarily a result of the revenue recognition from the delivery of IP during the quarter.

There was no revenue recognition from the delivery of IP during the first and second quarters of 2020, resulting in a decrease in operating EBITDA for those periods.

RECONCILIATIONS

The following tables reconcile operating EBITDA and operating loss to net (loss) profit for the last eight quarters.

$000's	June 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019
	For the three months ended			
Operating EBITDA	**$ (664)**	**$ 111**	**$ 3,038**	**$ 831**
Finance costs	440	564	390	505
Depreciation and amortization[1]	1,027	934	1,026	1,049
Operating profit (loss)	(2,131)	(1,387)	1,622	(723)
Items affecting comparability:				
Share-based compensation expense	137	155	210	633
Impairment of other intangible assets and goodwill	–	–	13,811	–
Restructuring costs	1,100	–	–	–
Deferred income tax expense (recovery)	–	(75)	74	–
	1,237	80	14,095	633
Net profit (loss)	**$ (3,368)**	**$ (1,467)**	**$ (12,473)**	**$ (1,356)**

[1] Excludes amortization of investment in film and television programming which has been included in operating EBITDA above.

$000's	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018
	For the three months ended			
Operating EBITDA	**$ (625)**	**$ (1,814)**	**$ (920)**	**$ (1,502)**
Finance costs	530	449	165	359
Depreciation and amortization[1]	1,059	1,004	790	798
Operating profit (loss)	(2,214)	(3,267)	(1,875)	(2,659)
Items affecting comparability:				
Share-based compensation expense	147	125	138	183
Deferred income tax (recovery) expense	–	–	(584)	209
	147	125	(446)	392
Net profit (loss)	**$ (2,361)**	**$ (3,392)**	**$ (1,429)**	**$ (3,051)**

[1] Excludes amortization of investment in film and television programming which has been included in operating EBITDA above.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s liquidity requirements can be met through a variety of sources. Borrowings against tax credits earned and contracts from both service productions and the production of our own content are a key source of operational financing. Other sources include generating cash from operations, entering into leases, borrowings under a line of credit, issuance of convertible debentures, or the issuance of common shares or common share purchase warrants. Sources of funding for IP include production financing facilities secured by licensing agreements. The Company’s policy is to identify sources of funding for 100% of the direct costs of proprietary productions prior to the commencement of production. The exploitation of the Broadcasting License as discussed above would require an investment in programming and operating costs and accordingly, the Company is deferring the launch of a linear channel unless and until significant financial partnerships are in place. The Company manages liquidity risk by continuously monitoring actual and forecast cash flows, drawing upon available facilities and using lease financing.

The condensed interim consolidated financial statements for the three and six months ended June 30, 2020 and 2019 have been prepared using the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and settle its liabilities in the normal course of business.

See *Outlook* section for factors which cast significant doubt on the Company’s ability to continue as a going concern. For the three and six months ended June 30, 2020, the Company had negative cash flows from operating activities of $4.0 million and $2.8 million, respectively (three and six months ended June 30, 2019 – negative $1.7 million and $6.9 million, respectively). As at June 30, 2020, the Company had a cash balance of $2.8 million and $13.5 million in additional unutilized credit facilities available by way of interim production loans secured against refundable tax credits and sales contracts. In addition, the Company had $4.1 million in credit facilities available under a CAD line of credit, of which $3.7 million was drawn as at June 30, 2020. A summary of the Company's cash flows for the three and six months ended June 30, 2020 and 2019 is as follows:

	For the three months ended		For the six months ended	
$000's	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Cash generated by (used in) operating activities	$ (3,987)	$ (1,728)	$ (2,782)	$ (6,865)
Cash generated by (used in) financing activities	2,890	2,275	142	6,477
Cash generated by (used in) investing activities	(47)	(4)	(61)	(49)
Net change in cash and cash equivalents	(1,144)	543	(2,701)	(437)
Effect of foreign exchange on cash and cash equivalents	(37)	(12)	44	(35)
Cash and cash equivalents, beginning balance	320	1,523	1,796	2,526
Cash and cash equivalents, ending balance [1]	$ (861)	$ 2,054	$ (861)	$ 2,054

[1] Cash and cash equivalents less bank indebtedness

Cash generated by (used in) operating activities

	For the three months ended		For the six months ended	
$000's	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Cash provided by (used in) operating activities before changes in non-cash working capital	$ (1,190)	$ (225)	$ (322)	$ (1,623)
Investment in film and television programming	(2,576)	(2,501)	(5,081)	(4,910)
Funding received for investment in film and television programming	–	–	27	67
Changes in non-cash working capital:				
Trade and other accounts receivable	(4,523)	(2,640)	903	(4,262)
Other assets [1]	(167)	(323)	(783)	(835)
Accounts payable and accrued liabilities	975	2,180	(3,262)	896
Deferred revenue	3,621	1,781	5,818	3,802
Other liabilities [2]	(127)	–	(82)	–
Cash generated by (used in) operating activities	$ (3,987)	$ (1,728)	$ (2,782)	$ (6,865)

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

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

Cash flows from operating activities for the three and six months ended June 30, 2020, used $4.0 million and $2.8 million in cash, respectively, compared to $1.7 million and $6.9 million for the same periods in 2019.

Investment in film and television programming decreased cash by $2.6 million and $5.1 million for the three and six months ended June 30, 2020, respectively, compared to decreases of $2.5 million and $4.9 million for the three and six months ended June 30, 2019, respectively. Expenditures for the three and six months ended June 30, 2020, primarily relate to the costs incurred on Castlevania, season 4, and a new internally developed animated series which began production in Q4 2019, while the expenditures for the three and six months ended June 30, 2019, primarily relate to costs incurred on *Castlevania*, season 3 and *Bee & Puppy Cat*, season 2.

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

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

During the three and six months ended June 30, 2020, $nil and $0.7 million in tax credit refunds were received, respectively, compared to $nil for the three and six months ended June 30, 2019. Tax credits earned for the three and six months ended June 30, 2020, were $3.7 million and $7.4 million, respectively, compared to $3.1 million and $5.8 million for the same periods in 2019. As the refundable tax credits are a significant component of our non-cash working capital balances, we finance them through production tax credit loans as discussed below under “Cash generated by (used in) financing activities”.

During the three and six months ended June 30, 2020, changes in trade and other receivables decreased cash by $0.8 million and increased cash by $7.6 million, respectively, compared to increasing cash by $0.5 million and $1.5 million for the same periods in 2019. These changes in cash are primarily dependent on the timing of payments by our clients.

The changes in other assets primarily relate to changes in timing of software license renewals and other prepaid expenditures which were renewed during the three and six months ended June 30, 2020.

The changes in accounts payable and accrued liabilities and other liabilities primarily relate to the timing of invoices received and paid.

Deferred revenue represents cash received from customers in excess of revenues earned to date on a production. The balance of deferred revenue generally increases during periods where there are more active productions and decreases when there are fewer productions. The change in deferred revenue for the three and six months ended June 30, 2020, generated operating cash flows of $3.6 million and $5.8 million, respectively, compared to $1.8 million and $3.8 million for the same periods in 2019, as a result of the timing of cash receipts. This reflects the stage of productions at June 30, 2020. Generally, the earlier in a production, the higher the deferred revenue, as invoices are issued in advance of work performed to ensure that cash is received before it is required to be paid.

Cash generated by (used in) financing activities

	For the three months ended		For the six months ended	
$000's	**June 30, 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Proceeds from interim production financing, net of repayment	$ 3,211	$ 1,491	$ 1,594	$ 6,328
Interest paid	(279)	(393)	(780)	(662)
Repayment of lease obligations	(896)	(786)	(1,526)	(1,152)
Proceeds from paycheck protection program loan	854	–	854	–
Proceeds from private placement, net of share issuance costs	–	1,963	–	1,963
Cash generated by (used in) financing activities	$ 2,890	$ 2,275	$ 142	$ 6,477

As discussed under “Cash flow from operating activities”, the Company uses interim production financing to finance tax credit receivables. Proceeds from interim production financing, less repayments, for the three and six months ended June 30, 2020, resulted in net cash inflows of $3.2 million and $1.6 million, respectively, compared to net cash inflows of $1.5 million and $6.3 million for the same periods in 2019. The repayment of interim production financing is dependent on the timing and collection of refundable tax credits, and as a result, periods where the net proceeds from interim production financing are lower typically represent periods in which the Company has applied the receipt of refundable tax credits to the applicable interim production financing loans.

Interest paid on interim production loans, leases, bank indebtedness and convertible debentures during the three and six months ended June 30, 2020, was $0.3 million and $0.8 million, respectively, compared to $0.4 million and $0.7 million for the same periods in 2019. The small decrease in interest paid during the three and six months ended June 30, 2020 was primarily a result of a decrease on interest paid on interim production financing.

Principal repayments on leases during the three and six months ended June 30, 2020, was $0.9 million and $1.5 million, respectively, compared to $0.8 million and $1.2 million for the same periods in 2019. The increase was primarily a result of the new leases entered into during Q1 2020.

As previously discussed, during the 3 months ended June 30, 2020, the Company received an unsecured advance of $0.6 million USD ($0.9 million 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.

CONTRACTUAL OBLIGATIONS

The following is a summary of the Company's contractual obligations as at June 30, 2020:

$000's		Less than 1 year		1 to 5 years		Greater than 5 years		Total
Accounts payable and accrued liabilities	$	7,542	$	–	$	–	$	7,542
Bank indebtedness		3,666		–		–		3,666
Lease obligations [1]		3,609		8,540		9,414		21,563
Interim production financing		19,166		–		–		19,166
Convertible debentures [1]		4,485		–		–		4,485
Other liabilities [1]		1,470		990		196		2,656
	$	39,938	$	9,530	$	9,610	$	59,078

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

CAPITAL EXPENDITURES

During the three and six months ended June 30, 2020, the Company incurred non-lease capital expenditures of $0.05 million and $0.06 million, respectively, compared to $0.01 million and $0.05 million for the same periods in 2019. The additions during 2020 primarily consisted of purchases of computer equipment. The Company endeavours to fund IT purchases through leases, where possible.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, unbilled accounts receivable, deposits, trade and other payables, bank indebtedness, lease obligations, interim production financing, Paycheck Protection Program loan, tangible benefits obligation, and convertible debentures.

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

SEASONALITY

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

RISKS AND UNCERTAINTIES

Risks and uncertainties are included in the Company's Management's Discussion and Analysis for the year ended December 31, 2019 and are available on SEDAR at www.sedar.com.

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

JUDGEMENTS AND CRITICAL ACCOUNTING ESTIMATES

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

In preparing the unaudited condensed interim consolidated financial statements, the areas of estimation and judgment that management considers most significant are the same as those applied to and disclosed in the audited consolidated financial statements for the year ended December 31, 2019.

CONTROLS AND PROCEDURES

For the three months ended June 30, 2020, no changes were made in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CAPITAL STRUCTURE AND OUTSTANDING SHARE DATA

Stock options and common share purchase warrants

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

During the three and six months ended June 30, 2020, there were no new issuances of stock options.

As at June 30, 2020, the Company had 2,287,042 stock options outstanding and stock options exercisable for 2,002,013 additional common shares.

As at August 27, 2020, the Company had 1,907,672 stock options outstanding and stock options exercisable for 1,701,391 additional common shares.

As at June 30, 2020 and August 27, 2020, the Company had 900,000 warrants outstanding and warrants exercisable for 800,000 additional common shares.

Outstanding Shares

As at June 30, 2020, and August 27, 2020, the Company had 32,024,314 common shares issued and outstanding. The total shares outstanding were comprised of the following balances:

- Common Voting Shares 21,993,968
- Variable Voting Shares 7,448,589
- Common Non-Voting Shares 2,581,757

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTIES

Remuneration of key management personnel

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

	For the three months ended		For the six months ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Remuneration	$ 364	$ 366	$ 737	$ 722
Share-based compensation expense	12	68	37	146
	$ 376	**$ 434**	**$ 774**	**$ 868**