Condensed Interim Consolidated Financial Statements of

Wow Unlimited Media Inc.

For the three and nine months ended September 30, 2020 and 2019

(Unaudited)

Wow Unlimited Media Inc.

Condensed Interim Consolidated Statements of Financial Position

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

Expressed in Canadian dollars

	Note	September 30, 2020	December 31, 2019
ASSETS			
Current			
Cash and cash equivalents		$ 4,503,460	$ 3,205,058
Trade and other accounts receivable	**3**	29,219,654	30,179,710
Prepaid expenses, deposits and other		3,029,057	2,298,297
		36,752,171	35,683,065
Property, plant and equipment		12,706,544	10,988,706
Investment in film and television programming	**4**	16,256,111	12,347,616
Other intangible assets	**5**	1,529,439	2,056,705
Goodwill		2,685,335	2,622,326
Long-term accounts receivable	**3**	74,938	1,482,178
Deposits		166,113	256,305
		33,418,480	29,753,836
TOTAL ASSETS		**$ 70,170,651**	**$ 65,436,901**
LIABILITIES			
Current			
Bank indebtedness	**6**	$ 1,484,413	$ 1,409,000
Accounts payable and accrued liabilities	**11**	7,698,569	10,716,797
Interim production financing	**6**	18,968,347	16,960,405
Convertible debentures	**7, 16 (a)**	4,290,067	4,160,516
Deferred revenue	**9**	17,126,439	9,454,764
Current portion of lease obligations		2,187,239	794,898
Other current liabilities	**6, 16 (b)**	1,544,886	491,367
		53,299,960	43,987,747
Lease obligations		12,989,912	12,080,545
Deferred tax liabilities		–	73,105
Other non-current liabilities		1,157,915	1,460,941
		14,147,827	13,614,591
TOTAL LIABILITIES		**67,447,787**	**57,602,338**
SHAREHOLDERS' EQUITY			
Share capital		84,969,758	84,969,758
Reserves		5,696,050	4,970,580
Accumulated deficit		(87,942,944)	(82,105,775)
TOTAL SHAREHOLDERS' EQUITY		**2,722,864**	**7,834,563**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 70,170,651**	**$ 65,436,901**

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

Approved by the Directors:

"Michael Hirsh" ***"David Richards"***

Michael Hirsh, Director 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 nine months ended September 30, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

	Note	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Revenue	**9**	$ 15,462,761	$ 23,348,662	$ 40,685,840	$ 69,459,198
Expenses					
Operating	**10**	12,303,529	19,761,556	35,381,955	65,782,399
Depreciation and amortization		2,729,509	3,158,231	5,815,394	5,879,242
General and administration	**10**	825,597	646,228	2,399,675	2,516,388
Restructuring costs	**11**	–	–	1,099,685	–
Share-based compensation expense	**12**	110,201	633,400	402,605	906,269
Loss before finance costs and taxes		(506,075)	(850,753)	(4,413,474)	(5,625,100)
Finance costs	**13**	495,460	505,242	1,498,719	1,484,475
Loss before taxes		**(1,001,535)**	**(1,355,995)**	**(5,912,193)**	**(7,109,575)**
Deferred income tax expense (recovery)		–	–	(75,024)	–
Net loss		**$ (1,001,535)**	**$ (1,355,995)**	**$ (5,837,169)**	**$ (7,109,575)**
Other comprehensive (income) loss:					
Item that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustment		176,601	(171,396)	(322,865)	481,480
Total comprehensive loss		**$ (1,178,136)**	**$ (1,184,599)**	**$ (5,514,304)**	**$ (7,591,055)**
Loss per share					
- basic and diluted		**$ (0.03)**	**$ (0.04)**	**$ (0.18)**	**$ (0.23)**
Weighted average number of shares outstanding					
- basic and diluted		32,024,314	32,024,314	32,024,314	31,397,931

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 nine months ended September 30, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

	Note	Number of non-voting shares issued	Number of common voting shares issued [1]	Share capital	Reserves: Equity component of convertible debentures	Reserves: Warrant reserve	Reserves: Share-based payment reserve	Reserves: Foreign currency translation reserve	Accumulated deficit	Total
Balance as at January 1, 2019		2,581,757	27,603,820	$ 83,006,928	$ 351,851	$ 561,747	$ 4,104,653	$ (232,461)	(62,523,098)	$ 25,269,620
Nine months ended September 30, 2019										
Net loss		–	–	–	–	–	–	–	(7,109,575)	(7,109,575)
Other comprehensive income (loss)		–	–	–	–	–	–	(481,480)	–	(481,480)
Total comprehensive income (loss) for the period		–	–	–	–	–	–	(481,480)	(7,109,575)	(7,591,055)
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	–	–	–	–	306,000	–	–	–	306,000
Equity settled share-based compensation expense	12	–	–	–	–	–	396,269	–	–	396,269
Balance as at September 30, 2019		2,581,757	29,442,557	84,969,758	351,851	867,747	4,500,922	(713,941)	(69,632,673)	20,343,664
Three months ended December 31, 2019										
Net loss		–	–	–	–	–	–	–	(12,473,102)	(12,473,102)
Other comprehensive income (loss)		–	–	–	–	–	–	(246,328)	–	(246,328)
Total comprehensive income (loss) for the period		–	–	–	–	–	–	(246,328)	(12,473,102)	(12,719,430)
Warrants issued	12	–	–	–	–	102,000	–	–	–	102,000
Equity settled share-based compensation expense	12	–	–	–	–	–	108,329	–	–	108,329
Balance as at December 31, 2019		2,581,757	29,442,557	84,969,758	351,851	969,747	4,609,251	(960,269)	(82,105,775)	7,834,563
Nine months ended September 30, 2020										
Net loss		–	–	–	–	–	–	–	(5,837,169)	(5,837,169)
Other comprehensive income (loss)		–	–	–	–	–	–	322,865	–	322,865
Total comprehensive income (loss) for the period		–	–	–	–	–	–	322,865	(5,837,169)	(5,514,304)
Warrants issued	12	–	–	–	–	306,000	–	–	–	306,000
Equity settled share-based compensation expense	12	–	–	–	–	–	96,605	–	–	96,605
Balance as at September 30, 2020		2,581,757	29,442,557	$ 84,969,758	$ 351,851	$ 1,275,747	$ 4,705,856	$ (637,404)	$ (87,942,944)	$ 2,722,864

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

See accompanying notes to these unaudited condensed interim consolidated financial statements

Wow Unlimited Media Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30, 2020 and 2019 (Unaudited)

Expressed in Canadian dollars

	Note	For the nine months ended September 30, 2020	September 30, 2019
OPERATING ACTIVITIES			
Net loss		$ (5,837,169)	$ (7,109,575)
Items not involving cash:			
Depreciation and amortization		2,105,836	1,927,036
Amortization of investment in film and television programming	4	2,865,744	2,766,769
Amortization of other intangible assets	5	843,814	1,185,437
Share-based compensation expense	12	402,605	906,269
Finance costs	13	1,498,719	1,484,475
Deferred income tax expense (recovery)		(75,024)	–
Other non-cash losses (gains)		233,418	181,050
		2,037,943	1,341,461
Investment in film and television programming	4	(8,018,437)	(7,022,604)
Funding received for investment in film and television programming		26,723	67,200
Changes in non-cash working capital and other	15	8,374,759	1,074,639
Cash generated by (used in) operating activities		**2,420,988**	**(4,539,304)**
FINANCING ACTIVITIES			
Proceeds from interim production financing	6	13,799,038	21,024,113
Repayment of interim production financing	6	(12,350,347)	(13,316,510)
Interest paid		(1,216,002)	(1,300,962)
Repayment of lease obligations		(2,240,825)	(1,865,403)
Proceeds from paycheck protection program loan	6	854,313	–
Proceeds from private placement, net of share issuance costs		–	1,962,830
Cash generated by (used in) financing activities		**(1,153,823)**	**6,504,068**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(70,563)	(46,916)
Purchase of other intangible assets		–	(33,432)
Cash generated by (used in) investing activities		**(70,563)**	**(80,348)**
Increase (decrease) in cash and cash equivalents for the period		1,196,602	1,884,416
Effect of foreign exchange on cash and cash equivalents		26,387	(45,743)
Cash and cash equivalents, beginning of the period	15 (b)	1,796,058	2,525,635
Cash and cash equivalents, end of the period	15 (b)	**$ 3,019,047**	**$ 4,364,308**

Supplemental information (Note 15)

See accompanying notes to these unaudited condensed interim consolidated financial statements

1. Nature of operations

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

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

2. Basis of presentation

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for annual financial statements and should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 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 November 26, 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.

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 first quarter of 2020 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, including the recent resurgence in the number of COVID-19 cases, the realizable value of the Company's assets subsequent to September 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 nine months ended September 30, 2020, the Company had positive cash flows from operating activities of $2,420,988 (nine months ended September 30, 2019 – negative $4,539,304), and at September 30, 2020, had net current liabilities of $16,547,789, which includes $4,290,067 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). On October 28, 2020, the Company announced a non-brokered private placement offering of unsecured subordinated convertible debentures (Note 16(a)). The net proceeds of this offering will be used first, to pay down the Company's existing outstanding debentures of $4,326,000; and secondly, for general working capital purposes.

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.

Expressed in Canadian dollars

3. Trade and other accounts receivable

	September 30, 2020	December 31, 2019
Trade receivables	$ 11,446,606	$ 19,772,901
Tax credits receivable	17,685,440	10,285,221
Other receivables	162,546	1,603,766
	$ 29,294,592	$ 31,661,888
Less long-term accounts receivable	(74,938)	(1,482,178)
Current portion of accounts receivable	$ 29,219,654	$ 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
Cost					
As at January 1, 2020	$ 4,030,198	$ 2,287,279	$ 4,041,029	$ 29,803,148	$ 40,161,654
Additions, net of government assistance and third party contributions	492,476	67,347	6,158,391	–	6,718,214
Disposals	–	(146,992)	–	–	(146,992)
Transfer to completed productions	–	–	(1,661,542)	1,661,542	–
Exchange difference	77,684	2,180	44,293	527,346	651,503
Balance at September 30, 2020	$ 4,600,358	$ 2,209,814	$ 8,582,171	$ 31,992,036	$ 47,384,379
Accumulated amortization and impairment					
As at January 1, 2020	$ 3,586,497	$ 1,715,451	$ –	$ 22,512,090	$ 27,814,038
Additions	461,491	–	–	2,404,253	2,865,744
Exchange difference	72,164	–	–	376,322	448,486
Balance at September 30, 2020	$ 4,120,152	$ 1,715,451	$ –	$ 25,292,665	$ 31,128,268
Carrying amount					
December 31, 2019	$ 443,701	$ 571,828	$ 4,041,029	$ 7,291,058	$ 12,347,616
September 30, 2020	$ 480,206	$ 494,363	$ 8,582,171	$ 6,699,371	$ 16,256,111

Additions to productions in progress include interest capitalized of $94,646 and $241,986 for the three and nine months ended September 30, 2020 (three and nine months ended September 30, 2019 – $188,132 and $476,444).

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

Expressed in Canadian dollars

5. Other intangible assets

	Production agreements	Animation network	Brands	Software	Broadcasting license	Total
Cost						
Balance as at January 1, 2020	$ 1,045,440	$ 8,285,112	$ 574,992	$ 4,626,912	$ 5,498,020	$ 20,030,476
Additions	–	–	–	269,162	–	269,162
Disposals	–	–	–	(983)	–	(983)
Exchange difference	25,120	199,076	13,816	–	–	238,012
Balance at September 30, 2020	$ 1,070,560	$ 8,484,188	$ 588,808	$ 4,895,091	$ 5,498,020	$ 20,536,667
Accumulated amortization and impairment						
Balance as at January 1, 2020	$ 794,970	$ 7,270,753	$ 174,893	$ 4,235,135	$ 5,498,020	$ 17,973,771
Additions	203,065	394,056	44,674	202,019	–	843,814
Disposals	–	–	–	(983)	–	(983)
Exchange difference	16,766	170,171	3,689	–	–	190,626
Balance at September 30, 2020	$ 1,014,801	$ 7,834,980	$ 223,256	$ 4,436,171	$ 5,498,020	$ 19,007,228
Carrying amount						
December 31, 2019	$ 250,470	$ 1,014,359	$ 400,099	$ 391,777	$ –	$ 2,056,705
September 30, 2020	$ 55,759	$ 649,208	$ 365,552	$ 458,920	$ –	$ 1,529,439

6. Loans and borrowings

			September 30, 2020		December 31, 2019	
	Currency	Date of maturity	Facility amount[1] (CAD)	Carrying amount (CAD)[2]	Facility amount[1] (CAD)	Carrying amount (CAD)[2]
Interim production financing	CAD	On demand	$ 28,419,358	$ 11,772,259	$ 23,392,725	$ 5,537,091
Interim production financing	USD	On demand	14,967,767	7,196,088	16,576,758	11,423,314
			$ 43,387,125	$ 18,968,347	$ 39,969,483	$ 16,960,405
Bank indebtedness	CAD	On demand	5,000,000	1,484,413	1,500,000	1,409,000
Paycheck protection program loan	USD	Note 6 (e)	836,375	836,375	-	-
			$ 49,223,500	$ 21,289,135	$ 41,469,483	$ 18,369,405

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

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

In the second quarter of 2020, the Company entered into amendments to temporarily increase its revolving demand facility limit from $1,500,000 to $4,100,000, against specific client receivables. 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.

The Company entered into further amendments during the three months ended September 30, 2020 to increase its revolving demand facility limit from $1,500,000 to $5,000,000 and its equipment lease line to $7,000,000. 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 September 30, 2020 and December 31, 2019, the Company did not have any letter of credit facilities in place.

As at September 30, 2020, the Company was in compliance with all covenants.

(c) Equipment lease line

As at September 30, 2020, the Company had made drawdown requests for equipment under the Facility's equipment lease line of $6,290,281 (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 Company entered into amendments under the Facility's equipment lease line that increased the limit from $6,000,000 to $7,000,000 during the three months ended September 30, 2020.

(d) Treasury risk management facility

As at September 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

Expressed in Canadian dollars

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 if the proceeds are used to fund qualifying expenditures such as payroll and benefits costs, rent, and utilities costs over an elected coverage period of 8-weeks or 24-weeks. The amount of loan forgiveness the Company applies for may be subject to reductions if certain staffing or payroll levels are not maintained. A loan forgiveness application was filed subsequent to September 30, 2020 (Note 16(b)). The PPP loan is recognized as a government grant in accordance with IAS 20 – Accounting For Government Grants And Disclosure Of Government Assistance. A forgivable government loan is treated as a government grant when there is reasonable assurance that the Company will meet the terms for forgiveness of the loan. Under the income approach, a forgivable government loan is recognized into the condensed interim consolidated statements of comprehensive earnings or loss in the period in which forgiveness is granted. As at the date of issuance of these condensed interim consolidated financial statements, the Company does not have reasonable assurance that it has met the terms for forgiveness in relation to the loan. As at September 30, 2020, the Company has recognized $625,000 USD ($836,375 CAD) 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 in the amount of $4,326,000, on the completion of a non-brokered private placement offering. The convertible 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 convertible 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 September 30, 2020, the convertible debentures have been classified as current liabilities in the condensed interim consolidated statement of financial position. Subsequent to September 30, 2020, the Company announced it had closed the first tranche of a non-brokered private placement offering of unsecured subordinated convertible debentures (Note 16(a)).

A continuity of the amounts recorded for convertible debentures and the equity component during the nine months ended September 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	389,347	–	389,347
Interest paid	(172,566)	–	(172,566)
Interest payable recorded in accounts payable and accrued liabilities	(87,230)	–	(87,230)
Balance at September 30, 2020	$ 4,290,067	$ 351,851	$ 4,641,918

Expressed in Canadian dollars

8. Segmented information

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

The Company measures segment performance based on revenues reported in accordance with IFRS and segment profit and loss. The following tables summarize the operating performance and assets of the reporting segments:

	For the three months ended			For the nine months ended		
September 30, 2020	Animation Production	Networks and Platforms	Total	Animation Production	Networks and Platforms	Total
Segment and external revenues	$ 8,902,399	$ 6,560,362	$ 15,462,761	$ 23,918,146	$ 16,767,694	$ 40,685,840
Operating expenses	6,158,274	6,145,255	12,303,529	18,780,934	16,601,021	35,381,955
Amortization of investment in film and television programming	1,592,336	149,755	1,742,091	2,474,569	391,175	2,865,744
Depreciation and amortization	712,618	64,165	776,783	2,070,252	237,603	2,307,855
Finance costs	487,898	7,562	495,460	1,477,018	21,701	1,498,719
Segment profit (loss)	$ (48,727)	$ 193,625	144,898	$ (884,627)	$ (483,806)	(1,368,433)
Amortization of acquisition-related intangibles			210,635			641,795
General and administration			825,597			2,399,675
Share-based compensation expense			110,201			402,605
Restructuring costs			–			1,099,685
Loss before taxes			$ (1,001,535)			$ (5,912,193)
Capital expenditures						
Investment in film and television programming	$ 2,206,147	$ 219,254	$ 2,425,401	$ 6,225,738	$ 492,476	$ 6,718,214
Other intangible assets	$ 97,740	$ -	$ 97,740	$ 269,162	$ -	$ 269,162
Property, plant & equipment	$ 251,631	$ (20,246)	$ 231,385	$ 3,864,785	$ 184,544	$ 4,049,329

	For the three months ended			For the nine months ended		
September 30, 2019	Animation Production	Networks and Platforms	Total	Animation Production	Networks and Platforms	Total
Segment and external revenues	$ 9,956,364	$ 13,392,298	$ 23,348,662	$ 22,302,291	$ 47,156,907	$ 69,459,198
Operating expenses	6,243,850	13,517,706	19,761,556	18,200,524	47,581,875	65,782,399
Amortization of investment in film and television programming	2,073,505	35,824	2,109,329	2,625,727	141,042	2,766,769
Depreciation and amortization	696,993	15,161	712,154	1,880,289	214,977	2,095,266
Finance costs	497,446	7,796	505,242	1,461,394	23,081	1,484,475
Segment profit (loss)	$ 444,570	$ (184,189)	260,381	$ (1,865,643)	$ (804,068)	(2,669,711)
Amortization of acquisition-related intangibles			336,748			1,017,207
General and administration			646,228			2,516,388
Share-based compensation expense			633,400			906,269
Loss before taxes			$ (1,355,995)			$ (7,109,575)
Capital expenditures						
Investment in film and television programming	$ 2,300,555	$ -	$ 2,300,555	$ 7,404,763	$ 30,328	$ 7,435,091
Other intangible assets	$ 33,432	$ -	$ 33,432	$ 339,006	$ -	$ 339,006
Property, plant & equipment	$ -	$ -	$ -	$ 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:

	For the three months ended			For the nine months ended		
September 30, 2020	**Animation Production**	**Networks and Platform**		**Animation Production**	**Networks and Platform**	**Total**
Point in time	$ 2,118,223	$ 6,360,362	**$ 8,478,585**	$ 2,438,902	$ 16,151,027	**$ 18,589,929**
Over time	6,784,176	200,000	**6,984,176**	21,479,244	616,667	**22,095,911**
	$ 8,902,399	$ 6,560,362	**$ 15,462,761**	$ 23,918,146	$ 16,767,694	**$ 40,685,840**

	For the three months ended			For the nine months ended		
September 30, 2019	**Animation Production**	**Networks and Platform**		**Animation Production**	**Networks and Platform**	**Total**
Point in time	$ 3,609,210	$ 13,375,631	**$ 16,984,841**	$ 3,941,821	$ 47,106,906	**$ 51,048,727**
Over time	6,347,154	16,667	**6,363,821**	18,360,470	50,001	**18,410,471**
	$ 9,956,364	$ 13,392,298	**$ 23,348,662**	$ 22,302,291	$ 47,156,907	**$ 69,459,198**

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

	For the three months ended		For the nine months ended	
	September 30, 2020	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
United States	$ 13,323,409	$ 21,460,070	$ 32,942,288	$ 62,689,919
United Kingdom[1]	1,939,352	1,871,696	7,126,885	6,631,105
Canada	200,000	16,896	616,667	138,174
	$ 15,462,761	$ 23,348,662	$ 40,685,840	$ 69,459,198

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

b) Contract balances

Trade receivables and unbilled accounts receivable are disclosed in Note 3. The Company has unbilled accounts receivable contract assets of $nil as at September 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 nine months ended September 30, 2020:

Expressed in Canadian dollars

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	(8,741,678)
Increases due to cash received, excluding amounts recognized as revenue during the period	16,424,966
Exchange difference	(11,613)
Balance as at September 30, 2020	$ 17,126,439

10. Nature of expenses

Operating expenses	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Employee costs	$ 8,001,722	$ 7,786,129	$ 25,253,493	$ 21,741,910
Refundable tax credits	(3,639,549)	(3,590,995)	(11,090,843)	(9,390,008)
Contractors and other third party expenses	6,692,679	13,983,700	17,697,717	49,140,200
Rent and occupancy	244,207	293,035	751,641	987,571
IT support and maintenance	461,067	608,716	1,518,325	1,487,459
Other	543,403	680,971	1,251,622	1,815,267
	$ 12,303,529	$ 19,761,556	$ 35,381,955	$ 65,782,399

General and administration expenses	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Employee costs	$ 410,233	$ 433,347	$ 1,332,124	$ 1,351,848
Legal and accounting	248,184	43,879	504,036	515,688
Contractors and other third party expenses	12,757	–	34,606	8,000
Rent and occupancy	–	19,996	30,549	62,374
Other	154,423	149,006	498,360	578,478
	$ 825,597	$ 646,228	$ 2,399,675	$ 2,516,388

Employee costs and benefits	For the three months ended September 30, 2020	For the three months ended September 30, 2019	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Employee costs	$ 8,411,955	$ 8,219,476	$ 26,585,617	$ 23,093,758
Restructuring costs	–	–	1,099,685	–
Share-based compensation expense	110,201	633,400	402,605	906,269
	$ 8,522,156	$ 8,852,876	$ 28,087,907	$ 24,000,027

Expressed in Canadian dollars

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 nine months ended September 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. As at September 30, 2020, a provision of $648,782 USD ($868,200 CAD) is recognized as part of 'accounts payable and accrued liabilities' in the condensed interim consolidated statement of financial position.

12. Share-based compensation

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

	For the three months ended		For the nine months ended	
Share-based compensation expense	**September 30, 2020**	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
Stock options	$ 8,201	$ 116,763	$ 96,605	$ 314,609
Warrants	102,000	510,000	306,000	510,000
Share appreciation rights	–	6,637	–	81,660
	$ 110,201	$ 633,400	$ 402,605	$ 906,269

13. Finance costs

	For the three months ended		For the nine months ended	
	September 30, 2020	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
Interest expense on interim production financing	$ 217,478	$ 321,056	$ 664,466	$ 900,065
Interest expense on bank indebtedness	29,581	13,043	70,425	31,097
Interest and accretion on convertible debentures (Note 7)	130,729	130,729	389,347	387,926
Interest accretion on lease obligations	204,756	220,750	594,766	618,750
Interest accretion on tangible benefits obligation	7,562	7,796	21,701	23,081
Interest capitalized to investments in film and television (Note 4)	(94,646)	(188,132)	(241,986)	(476,444)
	$ 495,460	$ 505,242	$ 1,498,719	$ 1,484,475

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.

Expressed in Canadian dollars

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

The Company has designated its financial instruments as follows:

	Fair Value Hierarchy	September 30, 2020 Carrying Value	September 30, 2020 Estimated Fair Value	December 31, 2019 Carrying Value	December 31, 2019 Estimated Fair Value
Financial assets:					
Amortized cost					
Cash and cash equivalents	Level 1	$ 4,503,460	$ 4,503,460	$ 3,205,058	$ 3,205,058
Trade receivables	Level 2	11,446,606	11,446,606	19,772,901	19,772,901
Long-term accounts receivable	Level 2	74,938	74,938	1,482,178	1,482,178
Deposits	Level 2	166,113	166,113	256,305	256,305
Financial liabilities:					
Amortized cost					
Bank indebtedness	Level 2	1,484,413	1,484,413	1,409,000	1,409,000
Accounts payable and accrued liabilities	Level 2	7,698,569	7,698,569	10,716,797	10,716,797
Interim production financing	Level 2	18,968,347	18,968,347	16,960,405	16,960,405
Convertible debentures	Level 2	4,290,067	4,326,000	4,160,516	4,326,000
Lease obligations	Level 2	15,177,151	15,177,151	12,875,443	12,875,443
Other liabilities	Level 2	2,514,045	2,514,045	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

Expressed in Canadian dollars

Company manages liquidity risk by continuously monitoring actual and forecasted cash flows, using lease financing and by maintaining revolving credit facilities (Note 2 (d)).

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

As at September 30, 2020	< 1 year	1 to 5 years	Greater than 5 years	Total	Carrying Amount
Accounts payable and accrued liabilities	$ 7,698,569	$ –	$ –	$ 7,698,569	$ 7,698,569
Bank indebtedness	1,484,413	–	–	1,484,413	1,484,413
Lease obligations [1]	3,599,001	8,289,888	9,073,342	20,962,231	15,177,151
Interim production financing	18,968,347	–	–	18,968,347	18,968,347
Convertible debentures [1]	4,398,060	–	–	4,398,060	4,290,067
Other liabilities [1]	1,532,067	909,611	196,286	2,637,964	2,514,045
	$37,680,457	$ 9,199,499	$ 9,269,628	$ 56,149,584	$ 50,132,592

[1] 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 nine months ended September 30, 2020 and 2019, are as follows:

	For the nine months ended September 30, 2020	For the nine months ended September 30, 2019
Trade and other accounts receivable	$ 4,262,087	$ 2,376,194
Prepaid expenses, deposits and other	(436,154)	(381,782)
Deposits	90,192	35,379
Accounts payable and accrued liabilities	(3,105,458)	(4,600,415)
Deferred revenue	7,671,675	3,449,822
Other current and non-current liabilities	(107,583)	195,441
Net change in non-cash working capital	$ 8,374,759	$ 1,074,639

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

	September 30, 2020	December 31, 2019	September 30, 2019
Cash and cash equivalents	$ 4,503,460	$ 3,205,058	$ 5,773,308
Bank indebtedness	(1,484,413)	(1,409,000)	(1,409,000)
	$ 3,019,047	$ 1,796,058	$ 4,364,308

16. Subsequent event

(a) Convertible Debentures

On October 28, 2020, the Company announced a non-brokered private placement offering (the "Offering") of unsecured subordinated convertible debentures ("Debentures") which raised gross proceeds of $4,700,000. The closing of the Offering will be completed in two tranches. The first tranche of the Offering (the "First Tranche Closing") closed on November 17, 2020, for gross proceeds of $2,639,000. The Company also received irrevocable subscriptions for an additional $2,061,000, for a total offering of $4,700,000.

Pursuant to the First Tranche Closing, the Company issued 2,639 Debentures at an issue price of $1,000 per $1,000 principal amount of Debentures. The Company has received irrevocable subscriptions for 2,061 Debentures to be issued pursuant to the second tranche of the Offering (the "Second Tranche"), the closing of which the Company anticipates to be completed upon the maturity of the existing debentures (the "Existing Debentures") on December 14, 2020. The investors subscribing for Debentures in the Second Tranche are fully comprised of holders of the Company's Existing Debentures. Holders of Existing Debentures who participate in the Second Tranche may set-off any amounts to which they are entitled on the maturity date of the Existing Debentures against amounts otherwise payable in connection with their subscription for Debentures under the Offering.

Each Debenture will be convertible, at the option of the holder, into common shares of the Company at any time prior to the close of business on the earlier of: (i) the last business day immediately preceding the maturity date; and (ii) the date fixed for redemption, at a conversion price of $0.55 per Share. The Debentures will be subordinated to the bank indebtedness and interim production financing of the Company but rank pari passu with other series of debentures and, except as prescribed by law, with all existing and future unsecured indebtedness of the Company other than senior indebtedness.

The Debentures will mature on November 17, 2023, and are redeemable at any time after 12 months from the date of issuance at a redemption price equal to the principal amount of the Debentures plus accrued and unpaid interest thereon. Each Debenture will bear interest at a rate of 9.5% per annum from the date of issue, payable in equal quarterly payments on March 31, June 30, September 30 and December 31 in each year commencing December 31, 2020.

The net proceeds from both tranches will be used first, to pay down the Company's existing outstanding debentures of $4,326,000 and secondly, for general working capital purposes.

In connection with the First Tranche Closing, the Company will pay aggregate finders' fees of $10,000.

The Offering remains subject to customary closing conditions, including but not limited to the approval of the TSX Venture Exchange, and the securities issued pursuant to the Offering will be subject to a statutory hold period expiring four months and one day from the First Tranche Closing and Second Tranche closing, as applicable, pursuant to applicable Canadian securities laws.

(b) Paycheck Protection Program Loan

In November 2020, Frederator Networks Inc., a subsidiary of the Company applied for full loan forgiveness of its $625,000 USD ($836,375 CAD) loan received under the PPP (Note 6(e)) using a 24-week coverage period for qualifying expenditures. Management anticipates that it may take up to five months for the determination as to whether its loan will be fully or partially forgiven; as of the date of issuance of these condensed interim consolidated financial statements, the Company has not received a response from the US Small Business Association in respect of its loan forgiveness application.