1

2021

QUARTER

THREE MONTHS ENDED MARCH 31 2021

Share Information

At May 27, 2021, the Company had 32,024,314 common shares outstanding and stock options exercisable for 1,906,786 additional common shares and warrants exercisable into 900,000 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 May 27, 2021 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 months ended March 31, 2021 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes for the three months ended March 31, 2021 and other public disclosure documents of Wow Unlimited Media Inc., including its previously filed December 31, 2020, 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 2021; 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 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 the USA, which has a 20-year track record; and one of Canada's largest, multi-faceted animation production studios, Mainframe Studios, which has a 25-year track record. The Company also operates Channel Frederator Network on YouTube. 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 multi-channel network, Channel Frederator 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, Canada’s leading Over-The-Top (OTT) streaming service. The Company currently provides 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).

On February 5, 2021, the Canadian Radio-television and Telecommunications Commission ("CRTC") announced, in a broadcasting decision, that it had approved the Company’s application to revoke its broadcasting license (the “Broadcasting License”). The revocation of the Broadcasting License nullifies the Company’s obligation to invest $0.6 million of tangible benefits into the Canadian broadcasting industry. As a result, the Company recognized a $0.6 million recovery associated with the reversal of the tangible benefits obligation into the consolidated statement of comprehensive income or loss for the three months ended March 31, 2021.

STRATEGIC REVIEW

On April 28, 2021, the Board of Directors, working closely with management, approved a process to explore potential strategic alternatives focused on maximizing shareholder value – these alternatives could include, among other things, an acquisition, a merger or other business combination, a financing, a sale of assets, a sale of the Company or other strategic transactions that may be available to the Company.

In conjunction with the strategic review, the Company's Board has formed a Special Committee of independent directors to oversee the strategic review process. The Board is committed to fully evaluating appropriate strategic alternatives while concurrently supporting management and employees in their delivery of services to customers and partners. The Board believes that this course of action is in the best interests of the Company and its stakeholders.

The Board has not yet made any decisions related to any strategic alternatives at this time. There can be no assurance that the exploration and review of strategic alternatives will result in a transaction. The Company does not intend to provide announcements or updates unless, or until, it determines that further disclosure is required by law.

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 income 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

$000's, except per share amounts	For the three months ended March 31, 2021	March 31, 2020
Revenue	**$ 14,955**	**$ 13,695**
Operating EBITDA[1]	1,868	111
Operating profit (loss)[1]	803	(1,387)
Operating profit (loss) per share		
- basic	$ 0.03	$ (0.04)
- diluted	$ 0.02	$ (0.04)
Net income (loss)	**$ 1,332**	**$ (1,467)**
Earnings (loss) per share		
- basic	$ 0.04	$ (0.05)
- diluted	$ 0.04	$ (0.05)
Weighted average number of shares outstanding:		
- basic	32,024,314	32,024,314
- diluted	40,603,860	32,024,314

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

Financial position

$000's	March 31, 2021	December 31, 2020
Financial position		
Total assets	$ 75,253	$ 71,663
Total current assets	43,053	39,915
Total non-current assets	32,200	31,748
Convertible debentures	4,342	4,308
Total liabilities	70,631	68,291
Shareholders' equity	4,622	3,371

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Forgiveness of 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.

On February 6, 2021, the Company was granted forgiveness of its Paycheck Protection Program loan by the US Small Business Administration and recognized the loan forgiveness of $0.7 million CAD ($0.6 million USD) into the consolidated statement of comprehensive income or loss in the first quarter of 2021.

Forgiveness of Canadian Radio-television and Telecommunications Commission tangible benefits obligation

On February 5, 2021, the CRTC announced that it had approved the Company's application to revoke its Broadcasting License. As a result, the Company recognized a $0.6 million recovery associated with the reversal of the tangible benefits obligation into the consolidated statement of comprehensive income or loss for the three months ended March 31, 2021.

OPERATIONAL HIGHLIGHTS

Animation Production

- During Q1 2021, Mainframe Studios announced its plans to produce a new 2d-animated series entitled *The Guava Juice* Show in partnership with Studio71 and YouTube sensation Roi Fabito. The show will build on the appeal of Roi's blockbuster (16.5 million subscriber) Guava Juice channel on YouTube. Production of the new series will commence in Q2 2021.
- The Company continues production and deliveries of the animated series titled *Madagascar: A Little Wild* for DreamWorks Animation. The series consists of 52 episodes of 22 minutes each, and initial deliveries commenced during Q2 2020.
- The Company continues 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. Delivery of the series commenced in Q2 2021.
- The Company continues production on a significant new project in partnership with Spin Master, a global Canadian toy and entertainment company.
- The fourth and final season of *Castlevania* completed delivery in Q2 2021 and premiered on Netflix on May 13, 2021.
- The Company continues to work with its longstanding client, Mattel, on various new projects and recently completed the delivery of the 60-minute animated movie titled *Barbie & Chelsea The Lost Birthday* which premiered on Netflix on April 16, 2021.
- Production of Seasons 5 through 8 of the series *Octonauts*, 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* 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 second special episode entitled *The Great Barrier Reef* was released on Netflix in October 2020. The third special entitled *The Ring of Fire* was released on Netflix in March 2021.

- In October 2020, Netflix and the Company announced a new animated series *Bee and PuppyCat: Lazy in Space*, which is expected to be delivered in Q4 2021 and premiere in Spring 2022. The announcement was received with excitement on social media and old episodes of the show on YouTube also saw increased viewership and engagement.

Networks and Platforms

- Statistics from YouTube's Content Management System demonstrate that Channel Frederator Network had over 2,500 channels as at March 31, 2021.

CONSOLIDATED RESULTS

$000's		For the three months ended March 31, 2021		March 31, 2020
Revenue	**$**	**14,955**	**$**	**13,695**
Amortization of investment in film and television programming	**$**	**1,635**	**$**	**564**
Operating EBITDA	**$**	**1,868**	**$**	**111**
Finance costs		399		564
Depreciation and amortization[1]		666		934
Operating profit (loss)		803		(1,387)
Items affecting comparability:				
Share-based compensation expense		56		155
Forgiveness of CRTC tangible benefits obligation		(585)		–
Deferred income tax expense (recovery)		–		(75)
		(529)		80
Net income (loss)	**$**	**1,332**	**$**	**(1,467)**

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

Revenue and Operating EBITDA

Revenue for the three months ended March 31, 2021, increased by $1.3 million compared to the same period in 2020. For the three months ended March 31, 2021, revenues for the Networks and Platforms segment increased by $0.3 million and revenues for the Animation Production segment increased by $1.0 million in comparison to the same period in 2020. The increase in revenue for the Networks and Platforms segment for the three months ended March 31, 2021, was primarily the result of an increase in advertising revenue generated on YouTube in comparison to the prior year.

The growth in revenue for the Animation Production segment for the three months ended March 31, 2021, was driven by the delivery of IP during the period.

Operating EBITDA for the three months ended March 31, 2021, increased by $1.8 million compared to the same period in 2020. The higher operating EBITDA for the three months ended March 31, 2021, was driven by increased revenue and margins in the Animation Production segment in addition to the recognition of the Paycheck Protection Program loan forgiveness, as previously discussed.

Amortization of investment in film and television programming

Amortization of investment in film and television programming during the three months ended March 31, 2021, was $1.6 million compared to $0.6 million for the three months ended March 31, 2020. The increased amortization of investment in film and television for the three months ended March 31, 2021, was a result of initial amortization from the delivery of IP during the period.

Finance costs

$000's	For the three months ended March 31, 2021	March 31, 2020
Finance expense:		
Interest expense on interim production financing	$ 194	$ 245
Interest expense on bank indebtedness	22	19
Interest and accretion on convertible debentures	144	129
Interest accretion on lease obligations	157	234
Interest accretion on tangible benefits obligation	3	7
Interest capitalized to investments in film and television programming	(121)	(70)
	$ 399	**$ 564**

The decrease in overall finance costs of $0.2 million for the three months ended March 31, 2021, is primarily the result of higher interest capitalized to investments in film and television and programming as a result of an increase in IP projects worked on during the period.

Depreciation and amortization

$000's	For the three months ended March 31, 2021	March 31, 2020
Property, plant and equipment	$ 686	$ 697
Other intangible assets	199	273
Amounts capitalized to Investment in film and television	(219)	(36)
	$ 666	**$ 934**

Depreciation and amortization decreased by $0.3 million for the three months ended March 31, 2021. The decrease is primarily a result of higher amortization capitalized to investment in film and television for the three months ended March 31, 2021, as a result of an increase in IP projects worked on during the period. In addition, the decline in amortization of other intangible assets compared to the three months ended March 31, 2020, is attributable to lower amortization of the animation network, which is amortized on a 50% declining basis each year.

Net income (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 months ended March 31, 2021, after adjusting for such items the net income was $1.3 million compared to a net loss of $1.5 million for the same period in 2020. The most significant of these specified items are discussed below.

Share-based compensation expense

Share-based compensation expense for the three months ended March 31, 2021, was $0.1 million compared to $0.2 million for the same period in 2020. The higher expense for the three months ended March 31, 2020, was primarily a result of the share-based compensation expense related to Bell Warrants.

Forgiveness of CRTC Tangible Benefits Obligation

As previously noted, on February 5, 2021, the CRTC announced that it had approved the Company's application to revoke its Broadcasting License. As a result, the Company recognized a $0.6 million recovery associated with the reversal of the tangible benefits obligation into the consolidated statement of comprehensive income or loss for the three months ended March 31, 2021.

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 *Bee & PuppyCat* Season 2, which was financed by a production loan secured by a distribution and licensing contract 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 Channel 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.

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 March 31, 2021, the Company's backlog was $77.0 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 24 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 months ended March 31, 2021 and 2020 have been prepared using the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and settle its liabilities in the normal course of business. For the three months ended March 31, 2021, the Company had used $2.4 million in cash flows from operating activities (three months ended March 31, 2020 – generated $1.2 million).

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 consolidated statements of financial position.

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* for DreamWorks Animation. The series consists of 52 episodes of 22 minutes in length and initial deliveries commenced in Q2 2020.

The final episodes of season 2 of *Barbie Dreamhouse Adventures*, a 70-minute film *Barbie Princess Adventure,* and a 60-minute film *Barbie and Chelsea The Lost Birthday* were delivered to longstanding client, Mattel, in Q1 2020, Q3 2020, and Q4 2020, respectively. The Company also continues to work on other Mattel projects.

Production of seasons 5 through 8 of the *Octonauts* series continued during the quarter for Silvergate Media, and the 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, and the second episode, *The Great Barrier Reef*, being released on Netflix in October 2020. The third episode, *The Ring of Fire*, was released on Netflix in March 2021.

In Q4 2020, the Company also began production on a significant new project in partnership with Spin Master, a global Canadian toy and entertainment company.

Animation Production - Intellectual properties

Season 4, the final season, of *Castlevania*, completed delivery to Netflix in Q2 2021 and premiered on the streaming platform on May 13, 2021. The Company continues to explore opportunities to build upon its success with adaptions of popular video games.

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 deliveries commenced in Q2 2021.

The Company has commenced production on new episodes of its recently announced animated series *Bee and PuppyCat: Lazy in Space*, set to premiere in Spring 2022 on Netflix.

On March 9, 2021, the Company announced its acquisition of the rights to develop a new, original animated series based on the award-winning steampunk urban fantasy novel series, the *Parasol Protectorate*, by author Gail Carriger. With over a million copies in print, the *Parasol Protectorate* series (which includes the books *Soulless, Changeless, Blameless, Heartless*, and *Timeless*) is a *New York Times* and *USA Today* bestseller.

On March18, 2021, the Company announced that it acquired the rights to develop and produce a brand new series based on the award-winning hit preschool show *Maggie and the Ferocious Beast*. The new series is created by Mickey Paraskevas and Maria Bruno, and will be produced by Michael Hirsh. Hirsh also produced the original show, which was based on the Simon & Schuster book of the same title, *Maggie and the Ferocious Beast*, that was created by Betty Paraskevas and Mickey Paraskevas. When the *Maggie and the Ferocious Beast* series first premiered, it averaged in the top three shows for Nick Junior. Airing on Nick Jr. and Nickelodeon channels internationally, the show garnered huge acclaim, winning a Gold award from the Parent’s Choice Foundation in 2001 and a Gemini Award in the category of Best Preschool Program or series in 2002.

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.

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 March 31, 2021	March 31, 2020
Revenue		
Animation Production	$ 8,693	$ 7,690
Networks and Platforms	6,262	6,005
Total revenue	$ 14,955	$ 13,695
Amortization of investment in film and television programming		
Animation Production	$ 1,567	$ 440
Networks and Platforms	69	124
Total amortization of investment in film and television programming	$ 1,636	$ 564
Segment profit (loss)		
Animation Production	$ 859	$ (7)
Networks and Platforms	694	(506)
Total segment profit (loss)	$ 1,553	$ (513)

Animation Production

Revenue for the Animation Production segment was $8.7 million for the three months ended March 31, 2021, compared to $7.7 million for the same period in 2020. Amortization of investment in film and television programming for the three months ended March 31, 2021, was $1.6 million compared to $0.4 million for the three months ended March 31, 2020. The higher revenue and amortization of investment in film and television and programming for the three months ended March 31, 2021, were primarily a result of the delivery of IP during the period.

Segment profit (loss) was a profit of $0.9 million for the three months ended March 31, 2021, compared to a segment loss of $0.01 million for the same period in 2020. The increase in segment profit (loss) for the three months ended March 31, 2021, was primarily the result of delivery of IP during the period, in addition to the recognition of the of the Paycheck Protection Program Loan forgiveness as previously discussed.

Networks and Platforms

Revenue earned in the Networks and Platforms segment was $6.3 million for the three months ended March 31, 2021, compared to $6.0 million for the three months ended March 31, 2020. The increase in revenue for the three months ended March 31, 2021, was a result of an increase in advertising revenue generated on YouTube in comparison to the prior year.

Segment profit (loss) for the Networks and Platforms segment was a profit of $0.7 million for the three months ended March 31, 2021, compared to a loss of $0.5 million for the same period in 2020. The increase in segment profit (loss) for the three months ended March 31, 2021, was a result of lower operating costs as a result of the Frederator restructuring, the recognition of the Paycheck Protection Program Loan forgiveness, and an increase in advertising revenue generated on YouTube as previously noted.

QUARTERLY FINANCIAL DATA (UNAUDITED)

	For the three months ended			
$000's	**Mar 31, 2021**	**Dec 31, 2020**	**Sep 30, 2020**	**Jun 30, 2020**
Revenue	**$ 14,955**	**$ 20,437**	**$ 15,463**	**$ 11,528**
Operating EBITDA[1]	1,868	2,044	594	(664)
Operating profit (loss)	803	810	(891)	(2,131)
Net income (loss)	**$ 1,332**	**$ 870**	**$ (1,001)**	**$ (3,368)**
Basic earnings (loss) per share	$ 0.04	$ 0.03	$ (0.03)	$ (0.11)
Diluted earnings (loss) per share	$ 0.04	$ 0.03	$ (0.03)	$ (0.11)

	For the three months ended			
$000's	**Mar 31, 2020**	**Dec 31, 2019**	**Sep 30, 2019**	**Jun 30, 2019**
Revenue	**$ 13,695**	**$ 34,413**	**$ 23,349**	**$ 26,614**
Operating EBITDA[1]	111	3,038	831	(625)
Operating profit (loss)	(1,387)	1,622	(723)	(2,214)
Net income (loss)	**$ (1,467)**	**$ (12,473)**	**$ (1,356)**	**$ (2,361)**
Basic earnings (loss) per share	$ (0.05)	$ (0.39)	$ (0.04)	$ (0.07)
Diluted earnings (loss) per share	$ (0.05)	$ (0.39)	$ (0.04)	$ (0.07)

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

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 & PuppyCat,* 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 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.

The increase in operating EBITDA during the third and fourth quarter of 2020 in addition to the first quarter of 2021 was primarily due to the delivery of IP during the quarters, in addition to overhead cost savings from the restructuring of Frederator, as previously discussed.

RECONCILIATIONS

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

	For the three months ended			
$000's	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	June 30, 2020
Operating EBITDA	**$ 1,868**	**$ 2,044**	**$ 594**	**$ (664)**
Finance costs	399	446	497	440
Depreciation and amortization[1]	666	788	988	1,027
Operating profit (loss)	803	810	(891)	(2,131)
Items affecting comparability:				
Share-based compensation expense	56	11	110	137
Restructuring costs	–	–	–	1,100
Forgiveness of CRTC tangible benefits obligation	(585)	–	–	–
Deferred income tax expense (recovery)	–	(71)	–	–
	(529)	(60)	110	1,237
Net income (loss)	**$ 1,332**	**$ 870**	**$ (1,001)**	**$ (3,368)**

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

	For the three months ended			
$000's	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019
Operating EBITDA	**$ 111**	**$ 3,038**	**$ 831**	**$ (625)**
Finance costs	564	390	505	530
Depreciation and amortization[1]	934	1,026	1,049	1,059
Operating profit (loss)	(1,387)	1,622	(723)	(2,214)
Items affecting comparability:				
Share-based compensation expense	155	210	633	147
Impairment of other intangible assets and goodwill	–	13,811	–	–
Deferred income tax (recovery) expense	(75)	74	–	–
	80	14,095	633	147
Net income (loss)	**$ (1,467)**	**$ (12,473)**	**$ (1,356)**	**$ (2,361)**

[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 Company manages liquidity risk by continuously monitoring actual and forecast cash flows, drawing upon available facilities and using lease financing.

The unaudited condensed interim consolidated financial statements for the three months ended March 31, 2021 and 2020 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 months ended March 31, 2021, the Company had negative cash flows from operating activities of $2.4 million (three months ended March 31, 2020 – positive $1.2 million). As at March 31, 2021, the Company had a cash balance of $4.5 million and $20.3 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 $5.0 million in credit facilities available under a CAD line of credit, of which $2.3 million was drawn as at March 31, 2021. A summary of the Company's cash flows for the three months ended March 31, 2021 and 2020 is as follows:

$000's		For the three months ended March 31, 2021		March 31, 2020
Cash generated by (used in) operating activities	$	(2,355)	$	1,205
Cash generated by (used in) financing activities		2,465		(2,748)
Cash generated by (used in) investing activities		(66)		(15)
Net change in cash and cash equivalents		44		(1,558)
Effect of foreign exchange on cash and cash equivalents		(33)		82
Cash and cash equivalents, beginning balance		2,138		1,796
Cash and cash equivalents, ending balance [1]	$	2,149	$	320

[1] Cash and cash equivalents less bank indebtedness

Cash generated by (used in) operating activities

$000's		For the three months ended March 31, 2021		March 31, 2020
Cash provided by (used in) operating activities before changes in non-cash working capital	$	2,607	$	868
Investment in film and television programming		(4,693)		(2,505)
Funding received for investment in film and television programming		–		27
Changes in non-cash working capital:				
Trade and other accounts receivable		(888)		5,425
Other assets [1]		45		(615)
Accounts payable and accrued liabilities		(1,014)		(4,236)
Deferred revenue		1,625		2,196
Other liabilities [2]		(37)		45
Cash generated by (used in) operating activities	$	(2,355)	$	1,205

[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 months ended March 31, 2021, generated $2.6 million in cash compared to $0.9 million for the same period in 2020.

Investment in film and television programming decreased cash by $4.7 million for the three months ended March 31, 2021, compared to $2.5 million for the three months ended March 31, 2020. Expenditures for the three months ended March 31, 2021, 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 months ended March 31, 2020, primarily relate to costs incurred only on *Castlevania*, season 4.

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 months ended March 31, 2021, $2.3 million in tax credit refunds were received, compared to $0.7 million for the three months ended March 31, 2020. Tax credits earned for the three months ended March 31, 2021, were $3.6 million compared to $3.7 million for the same period in 2020. 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". The changes in trade and other receivables increased cash by $4.7 million and decreased cash by $5.9 million in 2020 primarily as a result of timing of invoices received and paid.

During the three months ended March 31, 2021, changes in trade and other receivables increased cash by $0.4 million compared to $8.4 million for the same period in 2020. These changes in cash are primarily dependent on the timing of payments by our clients.

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 months ended March 31, 2021, generated operating cash flows of $1.6 million, compared to $2.2 million for the same period in 2020, as a result of the timing of cash receipts. This reflects the stage of productions at March 31, 2021. 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	
$000's	**March 31, 2021**	**March 31, 2020**
Proceeds from interim production financing, net of repayment	$ 3,114	$ (1,617)
Interest paid	(241)	(501)
Repayment of lease obligations	(408)	(630)
Cash generated by (used in) financing activities	$ 2,465	$ (2,748)

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 months ended March 31, 2021, resulted in net cash inflow of $3.1 million compared to net cash outflow of $1.6 million for the same period in 2020. 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 months ended March 31, 2021, was $0.2 million compared to $0.5 million for the same period in 2020. The decrease was a result of a decrease on interest paid on interim production financing, due to the repayment of production loans.

Principal repayments on leases during March 31, 2021, was $0.4 million compared to $0.6 million for the three months ended March 31, 2020. The decrease was primarily a result of the expiry of equipment leases during 2020.

CONTRACTUAL OBLIGATIONS

The following is a summary of the Company's contractual obligations as at March 31, 2021:

$000's	Less than 1 year	1 to 5 years	Greater than 5 years	Total
Accounts payable and accrued liabilities	$ 6,719	$ –	$ –	$ 6,719
Bank indebtedness	2,336	–	–	2,336
Lease obligations [1]	3,441	7,384	8,561	19,386
Interim production financing	20,309	–	–	20,309
Convertible debentures [1]	447	5,429	–	5,876
Other liabilities [1]	758	356	–	1,114
	$ 34,010	$ 13,169	$ 8,561	$ 55,740

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

CAPITAL EXPENDITURES

During the three months ended March 31, 2021 and 2020, the Company incurred non-lease capital expenditures of $0.01 million. The additions 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, 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 consolidated statements of financial position, and measured at fair value through profit and loss.

During the three months ended March 31, 2021, the Company entered into twenty USD forward contracts with a total notional value of $5.2 million USD (three months ended March 31, 2020 - $nil). Five of the forward contracts were fully exercised during the three months ended March 31, 2021, at an average exchange rate of 1.2793. As at March 31,2021, the remaining outstanding USD forward contracts have a total notional value of USD $3.1 million. These contracts have an expiry date ranging from April 9, 2021, to January 12, 2022, at an average rate of 1.2789. For the three months ended March 31, 2021, the Company realized a gain of $0.01 million and an unrealized gain of $0.05 million in the unaudited condensed interim consolidated statements of comprehensive income (loss) (three months ended March 31, 2020 - $nil and $nil).

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, 2020 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, 2020.

CONTROLS AND PROCEDURES

For the three months ended March 31, 2021, 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 months ended March 31, 2021, the Company issued 895,000 stock options.

As at March 31, 2021, the Company had 2,927,672 stock options outstanding and stock options exercisable for 1,803,458 additional common shares.

As at May 27, 2021, the Company had 2,927,672 stock options outstanding and stock options exercisable for 1,906,786 additional common shares.

As at March 31, 2021 and May 27, 2021, the Company had 900,000 warrants outstanding and warrants exercisable for 900,000 additional common shares.

Outstanding Shares

As at March 31, 2021 and May 27, 2021, 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:

	March 31, 2021	March 31, 2020
Remuneration	$ 266	$ 379
Share-based compensation expense	19	24
	$ 285	**$ 403**