



Condensed Interim Consolidated Financial Statements of

**Wow Unlimited Media Inc.**

For the three and six months ended June 30, 2021 and 2020

(Unaudited)

# Wow Unlimited Media Inc.

## Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2021 and December 31, 2020 (Unaudited)

Expressed in Canadian dollars

	Note	June 30, 2021	December 31, 2020
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 2,292,996	\$ 4,174,317
Trade and other accounts receivable	3	33,578,187	32,823,943
Prepaid expenses, deposits and other		3,745,320	2,916,498
		39,616,503	39,914,758
Property, plant and equipment		13,576,466	12,040,638
Investment in film and television programming	4	16,440,097	14,773,302
Other intangible assets	5	860,145	1,215,848
Goodwill		2,482,661	2,565,135
Long-term accounts receivable	3	636,483	996,719
Deposits		105,638	156,274
		34,101,490	31,747,916
<b>TOTAL ASSETS</b>		<b>\$ 73,717,993</b>	<b>\$ 71,662,674</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Bank indebtedness	7	\$ 3,308,758	\$ 2,036,156
Accounts payable and accrued liabilities		6,240,467	7,589,668
Interim production financing	7	14,615,632	17,192,426
Deferred revenue	10	23,200,979	20,038,666
Current portion of lease obligations		2,809,455	2,207,025
Other current liabilities		839,036	1,595,608
		51,014,327	50,659,549
Lease obligations		13,078,759	12,351,670
Convertible debentures	8	4,375,634	4,308,151
Other non-current liabilities		300,222	971,957
		17,754,615	17,631,778
<b>TOTAL LIABILITIES</b>		<b>68,768,942</b>	<b>68,291,327</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		84,969,758	84,969,758
Reserves		5,242,503	5,473,721
Accumulated deficit		(85,263,210)	(87,072,132)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>4,949,051</b>	<b>3,371,347</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 73,717,993</b>	<b>\$ 71,662,674</b>

Going concern (Note 2 (d)), Subsequent event (Note 17)

Approved by the Directors:

**"Michael Hirsh"**

Michael Hirsh, Director

**"David Richards"**

David Richards, Director

See accompanying notes to these unaudited condensed interim consolidated financial statements

# Wow Unlimited Media Inc.

## Condensed Interim Consolidated Statements of Comprehensive Income (Loss) For the three and six months ended June 30, 2021 and 2020 (Unaudited)

Expressed in Canadian dollars

	Note	For the three months ended		For the six months ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenue	10	\$ 18,798,232	\$ 11,527,594	\$ 33,753,362	\$ 25,223,079
Expenses					
Operating	11	12,825,612	10,720,052	23,665,900	23,078,426
Depreciation and amortization		4,208,642	1,587,314	6,509,533	3,085,885
General and administration	11	753,842	911,735	1,366,517	1,574,078
Restructuring costs		–	1,099,685	–	1,099,685
Forgiveness of CRTC tangible benefits obligation	6	–	–	(584,538)	–
Share-based compensation expense	13	72,451	137,036	128,359	292,404
<b>Income (loss) before finance costs and taxes</b>		<b>937,685</b>	<b>(2,928,228)</b>	<b>2,667,591</b>	<b>(3,907,399)</b>
Finance costs	14	461,084	440,174	858,669	1,003,259
<b>Income (loss) before taxes</b>		<b>476,601</b>	<b>(3,368,402)</b>	<b>1,808,922</b>	<b>(4,910,658)</b>
Deferred income tax expense (recovery)		–	–	–	(75,024)
<b>Net income (loss)</b>		<b>\$ 476,601</b>	<b>\$ (3,368,402)</b>	<b>\$ 1,808,922</b>	<b>\$ (4,835,634)</b>
Other comprehensive (income) loss:					
Item that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustment		222,138	307,381	359,577	(499,466)
<b>Total comprehensive income (loss)</b>		<b>\$ 254,463</b>	<b>\$ (3,675,783)</b>	<b>\$ 1,449,345</b>	<b>\$ (4,336,168)</b>
<b>Earnings (loss) per share</b>					
- basic	12	\$ 0.01	\$ (0.11)	\$ 0.06	\$ (0.15)
- diluted	12	\$ 0.01	\$ (0.11)	\$ 0.05	\$ (0.15)

See accompanying notes to these unaudited condensed interim consolidated financial statements

# Wow Unlimited Media Inc.

## Condensed Interim Consolidated Statements of Changes in Shareholders' Equity For the six months ended June 30, 2021 and 2020 (Unaudited)

Expressed in Canadian dollars

	Note	Number of non-voting shares issued	Number of common voting shares issued <sup>(1)</sup>	Reserves					Total
				Share capital	Equity component of convertible debentures	Warrant reserve	Share-based payment reserve	Foreign currency translation reserve	
Balance as at January 1, 2020		2,581,757	29,442,557	\$ 84,969,758	\$ 351,851	\$ 969,747	\$ 4,609,251	\$ (960,269)	\$ 7,834,563
Six months ended June 30, 2020		-	-	-	-	-	-	-	(4,835,634)
Net loss		-	-	-	-	-	-	499,466	499,466
Other comprehensive income (loss)		-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the period		-	-	-	-	-	-	499,466	(4,336,168)
Warrants issued	13	-	-	-	-	204,000	-	-	204,000
Equity settled share-based compensation expense	13	-	-	-	-	-	88,404	-	88,404
Balance as at June 30, 2020		2,581,757	29,442,557	84,969,758	351,851	1,173,747	4,697,655	(460,803)	3,790,799
Six months ended December 31, 2020		-	-	-	-	-	-	-	(130,723)
Net loss		-	-	-	-	-	-	-	(591,984)
Other comprehensive income (loss)		-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the period		-	-	-	-	-	-	(591,984)	(722,707)
Warrants issued	13	-	-	-	-	102,000	-	-	102,000
Equity settled share-based compensation expense	13	-	-	-	-	-	18,871	-	18,871
Fair value of equity component of convertible debentures on issuance, net of transaction costs		-	-	-	252,912	-	-	-	252,912
Deferred tax liability relating to convertible debentures		-	-	-	(70,528)	-	-	-	(70,528)
Balance as at December 31, 2020		2,581,757	29,442,557	84,969,758	534,235	1,275,747	4,716,526	(1,052,787)	3,371,347
Six months ended June 30, 2021		-	-	-	-	-	-	-	1,808,922
Net income (loss)		-	-	-	-	-	-	(359,577)	(359,577)
Other comprehensive income (loss)		-	-	-	-	-	-	-	-
Total comprehensive income (loss) for the period		-	-	-	-	-	-	(359,577)	1,449,345
Equity settled share-based compensation expense	13	-	-	-	-	-	128,359	-	128,359
Balance as at June 30, 2021		2,581,757	29,442,557	84,969,758	534,235	\$ 1,275,747	\$ 4,844,885	\$ (1,412,364)	\$ 4,949,051

<sup>(1)</sup> The common voting shares issued are inclusive of common voting shares, and variable voting shares.

See accompanying notes to these unaudited condensed interim consolidated financial statements

# Wow Unlimited Media Inc.

## Condensed Interim Consolidated Statements of Cash Flows

For the six months ended June 30, 2021 and 2020 (Unaudited)

Expressed in Canadian dollars

	Note	For the six months ended	
		June 30, 2021	June 30, 2020
<b>OPERATING ACTIVITIES</b>			
Net income (loss)		\$ 1,808,922	\$ (4,835,634)
Items not involving cash:			
Depreciation and amortization		1,126,041	1,399,976
Amortization of investment in film and television programming	4	4,995,771	1,123,653
Amortization of other intangible assets	5	387,721	562,256
Share-based compensation expense	13	128,359	292,404
Finance costs	14	858,669	1,003,259
Deferred income tax expense (recovery)		–	(75,024)
Forgiveness of CRTC tangible benefits obligation	6	(584,538)	–
Paycheck Protection Program loan forgiveness	7 (e)	(791,813)	–
Other non-cash losses (gains)		(301,160)	207,614
		7,627,972	(321,496)
Investment in film and television programming	4	(10,209,681)	(5,081,167)
Funding received for investment in film and television programming		–	26,723
Changes in non-cash working capital and other	16	4,799,895	2,594,318
<b>Cash generated by (used in) operating activities</b>		<b>2,218,186</b>	<b>(2,781,622)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from interim production financing	7	10,123,543	9,089,424
Repayment of interim production financing	7	(12,633,151)	(7,495,812)
Interest paid		(671,605)	(780,529)
Repayment of lease obligations		(1,263,506)	(1,525,800)
Proceeds from paycheck protection program loan	7 (e)	–	854,313
<b>Cash generated by (used in) financing activities</b>		<b>(4,444,719)</b>	<b>141,596</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(845,781)	(61,356)
Purchase of other intangible assets	5	(56,390)	–
<b>Cash generated by (used in) investing activities</b>		<b>(902,171)</b>	<b>(61,356)</b>
Increase (decrease) in cash and cash equivalents for the period		(3,128,704)	(2,701,382)
Effect of foreign exchange on cash and cash equivalents		(25,219)	44,353
Cash and cash equivalents, beginning of the period	16 (b)	2,138,161	1,796,058
<b>Cash and cash equivalents, end of the period</b>	<b>16 (b)</b>	<b>\$ (1,015,762)</b>	<b>\$ (860,971)</b>

Supplemental information (Note 16)

See accompanying notes to these unaudited condensed interim consolidated financial statements

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020 (Unaudited)

Expressed in Canadian dollars

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### 1. Nature of operations

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

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

### 2. Basis of presentation

#### (a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). They do not include all of the information required for annual financial statements and should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2020.

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, 2020, 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.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 26, 2021.

#### (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, 2020. Management continues to evaluate potential operational and financial risks to the Company as a result of the

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

### For the three and six months ended June 30, 2021 and 2020 (Unaudited)

*Expressed in Canadian dollars*

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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 resurgences in the number of COVID-19 cases, the realizable value of the Company's assets subsequent to June 30, 2021, may be materially affected.

#### **(d) Going concern**

These condensed interim consolidated financial statements have been prepared using the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and settle its liabilities in the normal course of business. For the six months ended June 30, 2021, the Company had positive cash flows from operating activities of \$2,218,186 (six months ended June 30, 2020 – negative \$2,781,622), and at June 30, 2021, had net current liabilities of \$11,397,824 (December 31, 2020 – net current liabilities \$10,744,791).

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 will need to raise funds through public or private equity and/or debt financings. This funding may not be available on acceptable terms, or at all, and may be dilutive to shareholder interests. If the Company is unable to generate positive cash flows or obtain adequate financing, the Company may need to curtail operations. These factors may cast significant doubt on the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the carrying amounts on the condensed interim consolidated statement of financial position.

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020 (Unaudited)

Expressed in Canadian dollars

### 3. Trade and other accounts receivable

	June 30, 2021	December 31, 2020
Trade receivables	\$ 13,691,344	\$ 15,648,319
Tax credits receivable	19,809,465	17,111,947
Other receivables	713,861	1,060,396
	\$ 34,214,670	\$ 33,820,662
Less long-term accounts receivable	(636,483)	(996,719)
Current portion of accounts receivable	\$ 33,578,187	\$ 32,823,943

Trade receivables include \$nil (December 31, 2020 - \$nil) of unbilled accounts receivable for services rendered prior to invoicing.

### 4. Investment in film and television programming

	Distribution rights	Productions in development	Productions in progress	Completed productions	Total
<b>Cost</b>					
As at January 1, 2021	\$ 4,459,165	\$ 2,326,261	\$ 6,676,386	\$ 34,483,533	\$ 47,945,345
Additions, net of government assistance and third party contributions	-	233,786	6,731,996	-	6,965,782
Disposals	-	(36,105)	-	-	(36,105)
Transfer to completed productions	-	-	(6,009,009)	6,009,009	-
Transfer to productions in progress	-	(119,690)	119,690	-	-
Exchange difference	(101,681)	(4,350)	(56,393)	(879,479)	(1,041,903)
Balance at June 30, 2021	\$ 4,357,484	\$ 2,399,902	\$ 7,462,670	\$ 39,613,063	\$ 53,833,119
<b>Accumulated amortization and impairment</b>					
As at January 1, 2021	\$ 4,096,926	\$ 1,715,451	\$ -	\$ 27,359,666	\$ 33,172,043
Additions	179,534	-	-	4,816,237	4,995,771
Exchange difference	(98,739)	-	-	(676,053)	(774,792)
Balance at June 30, 2021	\$ 4,177,721	\$ 1,715,451	\$ -	\$ 31,499,850	\$ 37,393,022
<b>Carrying amount</b>					
December 31, 2020	\$ 362,239	\$ 610,810	\$ 6,676,386	\$ 7,123,867	\$ 14,773,302
June 30, 2021	\$ 179,763	\$ 684,451	\$ 7,462,670	\$ 8,113,213	\$ 16,440,097

Additions to productions in progress include interest capitalized of \$79,029 and \$199,812 for the three and six months ended June 30, 2021 (three and six months ended June 30, 2020 - \$77,164 and \$147,340).

There were no impairments recorded against productions for the three and six months ended June 30, 2021, nor was there an indication that impairments previously recorded should be reversed (three and six months ended June 30, 2020 - \$nil and impairment reversal of \$nil).



# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020 (Unaudited)

Expressed in Canadian dollars

### 5. Other intangible assets

	Production agreements	Animation network	Brands	Software	Total
<b>Cost</b>					
Balance as at January 1, 2021	\$ 1,022,640	\$ 8,104,422	\$ 562,452	\$ 1,149,280	\$ 10,838,794
Additions	–	–	–	56,390	56,390
Disposals and retirements	(1,022,640)	–	–	–	(1,022,640)
Exchange difference	–	(260,574)	(18,084)	–	(278,658)
Balance at June 30, 2021	\$ –	\$ 7,843,848	\$ 544,368	\$ 1,205,670	\$ 9,593,886
<b>Accumulated amortization and impairment</b>					
Balance as at January 1, 2021	\$ 1,022,640	\$ 7,608,303	\$ 227,324	\$ 764,679	\$ 9,622,946
Additions	–	242,199	27,458	118,064	387,721
Disposals and retirements	(1,022,640)	–	–	–	(1,022,640)
Exchange difference	–	(246,737)	(7,549)	–	(254,286)
Balance at June 30, 2021	\$ –	\$ 7,603,765	\$ 247,233	\$ 882,743	\$ 8,733,741
<b>Carrying amount</b>					
December 31, 2020	\$ –	\$ 496,119	\$ 335,128	\$ 384,601	\$ 1,215,848
June 30, 2021	\$ –	\$ 240,083	\$ 297,135	\$ 322,927	\$ 860,145

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

On February 5, 2021, the Canadian Radio-television and Telecommunications Commission (“CRTC”) announced in its ‘Broadcasting Decision 2021-51’ that it had approved the Company’s application to revoke its Broadcast License. The revocation of the Broadcasting License also nullifies the Company’s requirement to invest \$687,000 of tangible benefits into the Canadian broadcasting system over a seven-year period. The tangible benefits obligation was assessed in 2018, as a requirement by the CRTC, in its decision to approve the Company’s acquisition of a Broadcasting License from Bell Media Inc. The present value of the tangible benefits obligation of \$558,745 was initially capitalized to the ‘Broadcast License’ intangible asset, as a directly attributable cost of bringing the asset to its working condition. In 2019, as part of its annual impairment assessment, management reviewed the carrying value of its Broadcasting License and fully impaired the asset. As a result of the CRTC’s Broadcasting Decision on February 5, 2021, the Company derecognized the tangible benefits obligation in ‘other current’ and ‘other non-current liabilities’ and recognized a recovery of \$584,538 into the condensed interim consolidated statements of comprehensive income (loss) in the first quarter of 2021.

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020 (Unaudited)

Expressed in Canadian dollars

### 7. Bank indebtedness and Interim production financing

	Currency	Date of maturity	June 30, 2021		December 31, 2020	
			Facility amount <sup>1</sup> (CAD)	Carrying amount (CAD) <sup>2</sup>	Facility amount <sup>1</sup> (CAD)	Carrying amount (CAD) <sup>2</sup>
Interim production financing	CAD	On demand	\$ 32,800,857	\$ 11,449,697	\$ 26,461,624	\$ 10,305,425
Interim production financing	USD	On demand	9,149,094	3,165,935	7,209,612	6,887,001
			\$ 41,949,951	\$ 14,615,632	\$ 33,671,236	\$ 17,192,426
Bank indebtedness	CAD	On demand	5,000,000	3,308,758	5,000,000	2,036,156
Paycheck protection program loan	USD	Note 7 (e)	-	-	798,938	798,938
			\$ 46,949,951	\$ 17,924,390	\$ 39,470,174	\$ 20,027,520

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

<sup>2</sup> Carrying amount represents the amount drawn as at June 30, 2021 and December 31, 2020, including interest reserve

#### (a) Interim production financing

The Company's interim production financing facilities with a Canadian bank bear interest at rates ranging from bank prime plus 1.25% - 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

The Company has a \$5,000,000 revolving demand facility with a Canadian bank. Draws under the revolving demand facility can be made in Canadian or US dollars at the option of the Company by way of bank prime rate loans, Canadian Bankers' Acceptances, US Libor, or letters of credit and the aggregate of principal amounts outstanding shall not exceed the facility limit at any time. Canadian or US dollar bank prime borrowings bear interest at a rate equal to bank prime plus 2.00% 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% per annum.

On May 18, 2021, the Company amended its credit facility (the "Facility") with a Canadian bank. This amendment allows the Company to make draws under the revolving demand facility utilizing Canadian dollar bank overdrafts. Canadian dollar bank overdrafts bear interest at a rate equal to bank prime plus 2.00% per annum and can be prepaid at any time without penalty and without notice.

Subsequent to June 30, 2021, on July 29, 2021, the Company amended its Facility to increase its equipment lease line limit to \$8,000,000 and to amend financial covenants under the Facility.

As at June 30, 2021 and December 31, 2020, the Company was in compliance with all covenants.

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

### For the three and six months ended June 30, 2021 and 2020 (Unaudited)

Expressed in Canadian dollars

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#### (c) Equipment lease line

As at June 30, 2021, the Company had drawn down \$6,988,275 of equipment under the Facility's \$7,000,000 equipment lease line (December 31, 2020 - \$6,290,281). Each transaction will have specific financing terms in respect of the leased equipment such as term, finance amount, rate, and payment terms. The Company has recorded right-of-use assets and lease obligations for the leased equipment acquired in respect of these draws. As described above, the amendment entered subsequent to June 30, 2021, increased the limit under the Facility's equipment lease line from \$7,000,000 to \$8,000,000.

#### (d) Treasury risk management facility

As at June 30, 2021, there were no outstanding amounts drawn under the Facility's treasury risk management facility (December 31, 2020 - \$nil). The treasury risk management facility has a limit of \$500,000.

As part of the May 18, 2021, amendment to the Facility, the maximum term for foreign exchange forward contracts and interest rate swaps have each been revised to a maximum term of up to one year. The maximum term for foreign exchange forward contracts and interest rate swaps was previously two years.

#### (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 was guaranteed by the US Small Business Administration ("US SBA"), pursuant to the Coronavirus Aid, Relief and Economic Security Act. After satisfying certain conditions, a loan forgiveness application was filed in November 2020 and on February 6, 2021, the Company was informed that it had been granted full loan forgiveness by the US SBA. In accordance with IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance, the Company recognized loan forgiveness of \$791,813 (\$625,000 USD) in operating expenses in the condensed interim consolidated statement of comprehensive income (loss) in the first quarter of 2021 (Note 11).

## 8. Convertible debentures

The Company issued unsecured subordinated convertible debentures ("Debentures") in the amount of \$4,700,000 on the closing of a non-brokered private placement offering that was completed in two tranches. The first tranche was completed on November 17, 2020, for gross proceeds of \$2,639,000 and the second tranche was completed on December 14, 2020, for gross proceeds of \$2,061,000. The Debentures accrue interest at a rate of 9.5% per annum payable quarterly in arrears and are convertible into common shares of the Company at a price of \$0.55 per share. The Debentures mature on November 17, 2023 and are governed by the terms of an indenture between the Company and Computershare Trust Company of Canada.

A continuity of the amounts recorded for convertible debentures and the equity component during the six months ended June 30, 2021, is as follows:

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020 (Unaudited)

Expressed in Canadian dollars

	Convertible debentures	Equity component of convertible debentures	Total
Balance at January 1, 2021	\$ 4,308,151	\$ 534,235	\$ 4,842,386
Interest accretion expense	288,898	–	288,898
Interest paid	(110,096)	–	(110,096)
Interest payable recorded in accounts payable and accrued liabilities	(111,319)	–	(111,319)
Balance at June 30, 2021	\$ 4,375,634	\$ 534,235	\$ 4,909,869

### 9. 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 six months ended		
	Animation Production	Networks and Platforms	Total	Animation Production	Networks and Platforms	Total
<i>June 30, 2021</i>						
<b>Segment and external revenues</b>	\$ 11,468,160	\$ 7,330,072	\$ 18,798,232	\$ 20,161,516	\$ 13,591,846	\$ 33,753,362
Operating expenses	5,909,293	6,916,319	12,825,612	11,253,916	12,411,984	23,665,900
Amortization of investment in film and television programming	3,292,766	67,808	3,360,574	4,859,455	136,316	4,995,771
Depreciation and amortization	714,004	1,267	715,271	1,242,699	1,406	1,244,105
Finance costs	461,084	-	461,084	855,563	3,106	858,669
<b>Segment profit (loss)</b>	\$ 1,091,013	\$ 344,678	1,435,691	\$ 1,949,883	\$ 1,039,034	2,988,917
Amortization of acquisition-related intangibles			132,797			269,657
Forgiveness of CRTC tangible benefits obligation			-			(584,538)
General and administration			753,842			1,366,517
Share-based compensation expense			72,451			128,359
<b>Income (loss) before taxes</b>			\$ 476,601			\$ 1,808,922
<b>Capital expenditures</b>						
Investment in film and television programming	\$ 3,824,234	\$ -	\$ 3,824,234	\$ 6,965,782	\$ -	\$ 6,965,782
Other intangible assets	\$ -	\$ -	\$ -	\$ 56,390	\$ -	\$ 56,390
Property, plant & equipment	\$ 3,056,669	\$ -	\$ 3,056,669	\$ 3,168,756	\$ -	\$ 3,168,756

The CRTC tangible benefits obligation is related to the Company's former Broadcasting license that was an inactive stand-alone asset not grouped with assets or groups of CGUs comprising the Company's operating segments.

Forgiveness of the tangible benefits obligation associated with the Broadcasting License has been excluded from segment profit as it does not impact operating decisions taken by the Company's management and is based upon the way the performance of the Company's business is evaluated in the Company's internal management reports.

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020 (Unaudited)

Expressed in Canadian dollars

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

## 10. Revenue

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

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

June 30, 2021	For the three months ended			For the six months ended		
	Animation Production	Networks and Platform	Total	Animation Production	Networks and Platform	Total
Point in time	\$ 4,179,284	\$ 7,330,072	\$ 11,509,356	\$ 6,289,286	\$ 13,591,846	\$ 19,881,132
Over time	7,288,876	-	7,288,876	13,872,230	-	13,872,230
	\$ 11,468,160	\$ 7,330,072	\$ 18,798,232	\$ 20,161,516	\$ 13,591,846	\$ 33,753,362

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

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020 (Unaudited)

Expressed in Canadian dollars

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

	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
United States	\$ 17,359,376	\$ 9,145,662	\$ 30,569,460	\$ 19,618,879
United Kingdom <sup>1</sup>	568,288	2,181,932	1,782,652	5,187,533
Canada	870,568	200,000	1,401,250	416,667
	\$ 18,798,232	\$ 11,527,594	\$ 33,753,362	\$ 25,223,079

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

### b) Contract balances

Trade receivables and unbilled accounts receivable are disclosed in Note 3.

The Company's only contract related liabilities are deferred revenue, which reflects the timing difference between the receipt of cash and the recognition of revenue. The following table reflects the movement in deferred revenue as a result of cash received and revenue recognized in the six months ended June 30, 2021:

#### Deferred revenue

Balance as at January 1, 2021	\$ 20,038,666
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	(12,654,975)
Increases due to cash received, excluding amounts recognized as revenue during the period	15,825,530
Exchange difference	(8,242)
Balance as at June 30, 2021	\$ 23,200,979

### 11. Nature of expenses

	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>Operating expenses</b>				
Employee costs	\$ 9,139,796	\$ 8,598,576	\$ 17,498,112	\$ 17,251,771
Refundable tax credits	(4,054,096)	(3,744,644)	(7,668,467)	(7,451,294)
Contractors and other third party expenses	6,922,958	4,475,716	12,893,732	11,005,038
Rent and occupancy	184,048	249,295	347,884	507,434
IT support and maintenance	486,808	495,975	977,862	1,057,258
Paycheck Protection Program loan forgiveness (Note 7(e))	—	—	(791,813)	—
Other	146,098	645,134	408,590	708,219
	\$ 12,825,612	\$ 10,720,052	\$ 23,665,900	\$ 23,078,426

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020 (Unaudited)

Expressed in Canadian dollars

	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>General and administration expenses</b>				
Employee costs	\$ 386,356	\$ 596,749	\$ 687,576	\$ 921,891
Legal and accounting	143,679	107,568	260,499	255,852
Contractors and other third party expenses	40,560	21,849	81,120	21,849
Rent and occupancy	–	13,703	–	30,549
Other	183,247	171,866	337,322	343,937
	\$ 753,842	\$ 911,735	\$ 1,366,517	\$ 1,574,078

	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
<b>Employee costs and benefits</b>				
Employee costs	\$ 9,526,152	\$ 9,195,325	\$ 18,185,688	\$ 18,173,662
Restructuring costs	–	1,099,685	–	1,099,685
Share-based compensation expense	72,451	137,036	128,359	292,404
	\$ 9,598,603	\$ 10,432,046	\$ 18,314,047	\$ 19,565,751

### 12. Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net income (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period.

	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Net income (loss)	\$ 476,601	\$ (3,368,402)	\$ 1,808,922	\$ (4,835,634)
Weighted average number of common shares outstanding	32,024,314	32,024,314	32,024,314	32,024,314
<b>Earnings (loss) per share - basic</b>	\$ 0.01	\$ (0.11)	\$ 0.06	\$ (0.15)

Diluted earnings (loss) per share is calculated by adjusting basic earnings (loss) per share, as described above, for the effects of all potentially dilutive instruments during the period.

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020 (Unaudited)

Expressed in Canadian dollars

	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Net income (loss)	\$ 476,601	\$ (3,368,402)	\$ 1,808,922	\$ (4,835,634)
Interest expense on convertible debentures, net of tax (Note 8, 14)	106,030	-	210,896	-
Net income (loss) - diluted	\$ 582,631	\$ (3,368,402)	\$ 2,019,818	\$ (4,835,634)
Weighted average number of common shares outstanding	32,024,314	32,024,314	32,024,314	32,024,314
Effect of potentially dilutive convertible debentures (Note 8)	8,545,455	-	8,545,455	-
Effect of potentially dilutive stock options (Note 13)	205,885	-	86,338	-
Weighted average number of common shares outstanding - diluted	40,775,654	32,024,314	40,656,107	32,024,314
<b>Earnings (loss) per share - diluted</b>	<b>\$ 0.01</b>	<b>\$ (0.11)</b>	<b>\$ 0.05</b>	<b>\$ (0.15)</b>

For the three and six months ended June 30, 2021, 1,907,672 stock options and 900,000 warrants were excluded from the diluted weighted average number of common shares outstanding calculation because their effect would have been anti-dilutive. For the three and six months ended June 30, 2020, the Company had a net loss and the effect of any potentially dilutive convertible debentures, warrants, and stock options would have been anti-dilutive and were excluded from the diluted weighted average number of common shares outstanding calculation.



# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020 (Unaudited)

Expressed in Canadian dollars

### 13. Share-based compensation

Total share-based compensation expense from all forms of share-based payment awards for the three and six months ended June 30, 2021 and 2020, is summarized below:

Share-based compensation expense	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Stock options	\$ 72,451	\$ 35,036	\$ 128,359	\$ 88,404
Warrants	–	102,000	–	204,000
	\$ 72,451	\$ 137,036	\$ 128,359	\$ 292,404

### 14. Finance costs

	For the three months ended		For the six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Interest expense on interim production financing	\$ 174,767	\$ 202,261	\$ 368,324	\$ 446,988
Interest expense on bank indebtedness	22,785	21,733	44,423	40,844
Interest and accretion on convertible debentures (Note 8)	145,247	129,309	288,898	258,618
Interest accretion on lease obligations	197,314	156,573	353,730	390,010
Interest accretion on tangible benefits obligation (Note 6)	–	7,462	3,106	14,139
Interest capitalized to investments in film and television (Note 4)	(79,029)	(77,164)	(199,812)	(147,340)
	\$ 461,084	\$ 440,174	\$ 858,669	\$ 1,003,259

### 15. Financial instruments

#### (a) Fair value measurement of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Company categorizes its fair value measurements according to a three-level hierarchy. A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Inputs that are based on unobservable inputs which are supported by little or no market activity.

During the six months ended June 30, 2021, the Company entered into twenty USD forward contracts with a total notional value of USD \$5,180,966 (six months ended June 30, 2020 - \$nil). Ten of the forward contracts were fully exercised during the six months ended June 30, 2021, at an average exchange rate of 1.2792. As at June 30, 2021,

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020 (Unaudited)

Expressed in Canadian dollars

the remaining outstanding USD forward contracts have a total notional value of USD \$1,480,966. These contracts have an expiry date ranging from July 14, 2021, to January 12, 2022, at an average rate of 1.2788. For the three and six months ended June 30, 2021, the Company realized a gain of \$78,785 and \$108,345, respectively (three and six months ended June 30, 2020 - \$nil and \$nil) and an unrealized gain of \$7,231 and \$61,668, respectively (three and six months ended June 30, 2020 - \$nil and \$nil) in operating expenses in the condensed interim consolidated statements of comprehensive income (loss).

The Company has designated its financial instruments as follows:

	Fair Value Hierarchy	June 30, 2021		December 31, 2020	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<b>Financial assets:</b>					
<b>Amortized cost</b>					
Cash and cash equivalents	Level 1	\$ 2,292,996	\$ 2,292,996	\$ 4,174,317	\$ 4,174,317
Trade receivables	Level 2	13,691,344	13,691,344	15,648,319	15,648,319
Long-term accounts receivable	Level 2	636,483	636,483	996,719	996,719
Deposits	Level 2	105,638	105,638	156,274	156,274
<b>Fair value through profit or loss</b>					
Other financial assets	Level 2	61,668	61,668	–	–
<b>Financial liabilities:</b>					
<b>Amortized cost</b>					
Bank indebtedness	Level 2	3,308,758	3,308,758	2,036,156	2,036,156
Accounts payable and accrued liabilities	Level 2	6,240,467	6,240,467	7,589,668	7,589,668
Interim production financing	Level 2	14,615,632	14,615,632	17,192,426	17,192,426
Convertible debentures	Level 2	4,375,634	4,982,840	4,308,151	4,982,840
Lease obligations	Level 2	15,888,214	15,888,214	14,558,695	14,558,695
Other liabilities	Level 2	1,103,901	1,103,901	2,484,271	2,484,271

### (b) Risks arising from financial instruments

#### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's liquidity needs can be met through a variety of sources including generating cash from operations, borrowing against license contracts, production service contracts, refundable tax credits receivable, entering into leases, the issuance of debentures, the issuance of shares, or the issuance of share purchase warrants. The Company manages liquidity risk by continuously monitoring actual and forecasted cash flows, using lease financing and by maintaining revolving credit facilities (Note 2 (d)).

# Wow Unlimited Media Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2021 and 2020 (Unaudited)

Expressed in Canadian dollars

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

As at June 30, 2021	< 1 year	1 to 5 years	Greater than 5 years	Total	Carrying Amount
Accounts payable and accrued liabilities	\$ 6,240,467	\$ –	\$ –	\$ 6,240,467	\$ 6,240,467
Bank indebtedness	3,308,758	–	–	3,308,758	3,308,758
Lease obligations <sup>1</sup>	4,051,049	8,852,952	8,195,220	21,099,221	15,888,214
Interim production financing	14,615,632	–	–	14,615,632	14,615,632
Convertible debentures <sup>1</sup>	446,500	5,317,760	–	5,764,260	4,375,634
Other liabilities <sup>1</sup>	839,036	275,553	–	1,114,589	1,103,901
	\$29,501,442	\$ 14,446,265	\$ 8,195,220	\$ 52,142,927	\$ 45,532,606

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

### 16. Consolidated statement of cash flows - supplemental information

#### (a) Changes in non-cash working capital

The net change in non-cash working capital related to operations for the six months ended June 30, 2021 and 2020, are as follows:

	For the six months ended	
	June 30, 2021	June 30, 2020
Trade and other accounts receivable	\$ 3,592,507	\$ 902,757
Prepaid expenses, deposits and other	(497,104)	(774,886)
Deposits	50,636	(7,496)
Accounts payable and accrued liabilities	(1,460,520)	(3,261,541)
Deferred revenue	3,162,313	5,817,725
Other current and non-current liabilities	(47,937)	(82,241)
Net change in non-cash working capital	\$ 4,799,895	\$ 2,594,318

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

	June 30, 2021	December 31, 2020	June 30, 2020
Cash and cash equivalents	\$ 2,292,996	\$ 4,174,317	\$ 2,805,154
Bank indebtedness	(3,308,758)	(2,036,156)	(3,666,125)
	\$ (1,015,762)	\$ 2,138,161	\$ (860,971)

### 17. Subsequent event

#### Bank indebtedness

On July 29, 2021, the Company amended its credit facility with a Canadian bank. Refer to Note 7(b)(c) for further details.