ZOOMERMEDIA LIMITED

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

For the three months ended November 30, 2020 and November 30, 2019

(The financial information contained herein have not been reviewed nor audited by an independent audit firm)

ZOOMERMEDIA LIMITED
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)

(expressed in Canadian dollars)	November 30, 2020	August 31, 2020
ASSETS		
Current assets		
Cash	$ 21,754,675	$ 17,670,346
Short-term investments (Note 4)	5,125,530	10,405,211
Trade and other receivables	10,840,012	10,027,598
Prepaid expenses	1,021,754	613,597
	38,741,971	38,716,752
Non-current assets		
Property and equipment (Note 5)	3,371,994	3,326,432
Right-of-use assets (Note 6)	22,630,387	23,041,972
Deferred tax assets	2,891,721	2,613,561
Intangible assets (Note 7)	14,321,116	14,289,440
Goodwill (Note 7)	2,768,738	2,768,738
Other non-current assets	408,730	406,730
TOTAL ASSETS	$ 85,134,657	$ 85,163,625
LIABILITIES		
Current liabilities		
Trade and other payables	$ 5,083,767	$ 4,916,520
Current portion of contract liabilities (Note 8)	2,904,012	3,736,641
Income tax liabilities	698,648	2,064,542
Current portion of lease liabilities (Note 6)	899,427	863,414
Current portion of program right liabilities	1,725,769	1,455,715
Current portion of provisions	8,570	8,570
	11,320,193	13,045,402
Non-current liabilities		
Contract liabilities (Note 8)	1,011,289	1,011,615
Deferred tax liabilities	89,040	89,040
Long-term lease liabilities (Note 6)	22,780,369	23,023,479
Other liabilities	14,350	—
	35,215,241	37,169,536
EQUITY		
Equity attributable to owners of the parent		
Share capital	63,130,020	63,130,020
Contributed surplus	3,787,143	3,778,855
Deficit	(14,769,527)	(16,686,566)
	52,147,636	50,222,309
Non-controlling interest (Note 10)	(2,228,220)	(2,228,220)
Total equity	49,919,416	47,994,089
TOTAL LIABILITIES AND EQUITY	$ 85,134,657	$ 85,163,625

Commitments and contingent liabilities (Note 17)

APPROVED ON BEHALF OF THE BOARD:

signed Director — Moses Znaimer

signed Director — Peter Palframan

ZOOMERMEDIA LIMITED

Condensed Consolidated Interim Statements of Income and Comprehensive Income
For the three months ended November 30, 2020 and 2019
(Unaudited)

	Three months ended	
	November 30, 2020	**November 30, 2019** (as restated - Note 19)
Revenue	$ 13,227,295	$ 14,720,369
Operating expenses (Note 11)	9,698,039	11,981,750
Depreciation (Note 5, 6)	598,556	611,737
Amortization of other intangible assets (Note 7)	263,121	285,430
Operating income	2,667,579	1,841,452
Interest income	(18,202)	(56,526)
Interest expense (Note 6)	327,863	338,352
Net interest expense	309,661	281,826
Unrealized (gain) loss on equity instruments (Note 4)	(255,284)	112,222
Gain on sale of property (Note 5)	—	(137,229)
	(255,284)	(25,007)
Net income before income taxes	2,613,202	1,584,633
Income tax (recovery) expense	696,163	(390,687)
Net income from continuing operations	1,917,039	1,975,320
Net loss from discontinued operations (Note 12)	—	(347,491)
Net income and comprehensive income for the period	$ 1,917,039	$ 1,627,829
Net income and comprehensive income attributed to:		
Owners of the parent	$ 1,917,039	$ 1,627,829
Non-controlling interest (Note 10)	—	—
	$ 1,917,039	$ 1,627,829
Basic and diluted income (loss) per share (Note 13)		
Continuing operations	$ 0.00	$ 0.00
Discontinued operations	0.00	(0.00)
Net income per share (basic and diluted)	$ 0.00	$ 0.00

ZOOMERMEDIA LIMITED
Condensed Consolidated Interim Statements of Cash Flows
For the three months ended November 30, 2020 and 2019
(Unaudited)

	Three months ended	
	November 30, 2020	November 30, 2019 (as restated - Note 19)
Operating activities		
Net income for the period	$ 1,917,039	$ 1,975,320
Add (deduct) non-cash items:		
Depreciation (Note 5)	186,971	202,063
Depreciation of right-of-use assets (Note 6)	411,585	409,673
Amortization of program rights (Note 7)	1,256,153	1,436,492
Amortization of other intangibles (Note 7)	263,121	285,430
Stock-based compensation	8,288	7,124
Interest accrued on short-term investments	(1,763)	(39,674)
Deferred income tax recovery	(278,160)	(1,122,233)
Unrealized (gain) loss on equity instruments (Note 4)	(255,284)	112,222
Change in other non-current assets	(2,000)	—
Interest expense on lease liabilities (Note 6)	327,385	337,816
Gain on sale of property (Note 5)	—	(137,229)
Change in contract liabilities	(832,955)	(114,402)
Net change in non-cash working capital (Note 14)	(2,417,455)	864,759
Operating activities from discontinued operations	—	(307,373)
	582,925	3,909,988
Purchase of program rights (Note 7)	(1,214,210)	(2,237,986)
Change in liabilities related to program rights	284,404	(55,493)
	(929,806)	(2,293,479)
	(346,881)	1,616,509
Investing activities		
Purchase of short-term investments	(9,122,681)	(1,506,003)
Proceeds from sale of short-term investments	14,657,646	1,499,040
Proceeds from sale of property, net (Note 5)	—	240,541
Additions to property and equipment (Note 5)	(232,533)	(163,789)
Purchase of other intangible assets (Note 7)	(336,740)	(597)
Investing activities from discontinued operations	—	(266,183)
	4,965,692	(196,991)
Financing activities		
Repayment of lease liabilities (Note 6)	(534,482)	(532,390)
	(534,482)	(532,390)
Change in cash	4,084,329	887,128
Cash, beginning of period	17,670,346	7,570,031
Cash, end of period	$ 21,754,675	$ 8,457,159
Supplementary cash flow information:		
Interest paid	$ 327,863	$ 338,352
Income taxes paid	2,340,217	—

ZOOMERMEDIA LIMITED

Condensed Consolidated Interim Statements of Changes in Equity
For the three months ended November 30, 2020 and 2019
(Unaudited)

	Common Shares		Preference Shares		Contributed Surplus	Deficit (restated Note 19)	Non-controlling Interest	Total Shareholders' Equity (restated Note 19)
	#	$	#	$	$	$	$	$
Balance - September 1, 2019	264,330,297	24,342,107	387,879,129	38,787,913	3,753,484	(23,887,605)	(2,228,220)	40,767,679
Stock-based compensation	—	—	—	—	7,124	—	—	7,124
Net income from continuing operations	—	—	—	—	—	1,975,320	—	1,975,320
Net loss from discontinued operations	—	—	—	—	—	(347,491)	—	(347,491)
Balance - November 30, 2019	264,330,297	24,342,107	387,879,129	38,787,913	3,760,608	(22,259,776)	(2,228,220)	42,402,632
Balance - September 1, 2020	264,330,297	24,342,107	387,879,129	38,787,913	3,778,855	(16,686,566)	(2,228,220)	47,994,089
Stock-based compensation	—	—	—	—	8,288	—	—	8,288
Net income and comprehensive income from continuing operations	—	—	—	—	—	1,917,039	—	1,917,039
Balance - November 30, 2020	264,330,297	24,342,107	387,879,129	38,787,913	3,787,143	(14,769,527)	(2,228,220)	49,919,416

1. NATURE OF OPERATIONS

ZoomerMedia Limited (the "**Company**" or "**ZoomerMedia**") is a multimedia company that serves the 45plus "Zoomer" demographic through television, radio, magazine, internet, conferences and trade shows. ZoomerMedia's television properties include; Vision TV, a multi-cultural, multi-faith, family friendly specialty television service; ONE: Get Fit, offering 24 hours of fitness and healthy living programs; JoyTV in Vancouver, Victoria, Surrey and the Fraser Valley, and FAITH TV in Winnipeg, both devoted to broadcasting Christian and local programming; and TVL Channel 5, a linear television channel guide available to Rogers households in Ontario and New Brunswick. ZoomerMedia's radio properties include CFMZ-FM Toronto - The New Classical 96.3FM, CFMX-FM Cobourg - The New Classical 103.1FM, CFMO-FM Collingwood - The New Classical 102.9FM, Canada's only commercial classical music radio stations serving the Greater Toronto Area (GTA), eastern Ontario and Collingwood, CFZM-AM 740 Toronto and CFZM-FM 96.7FM Toronto - Zoomer Radio, Toronto's "Timeless Hits" station. ZoomerMedia also publishes ZOOMER Magazine, the Company's flagship magazine that caters to the 45-plus market, On The Bay Magazine, a regional lifestyle magazine published quarterly for the 20 towns and villages of Southern Georgian Bay, Ontario, as well as Tonic Magazine (**"Tonic"**), a regional health and wellness magazine published every two months and distributed across the City of Toronto. ZoomerMedia is Canada's leading provider of online content targeting the 45-plus age group through many properties, the key one being www.EverythingZoomer.com. ZoomerMedia has trade show and conference divisions that produce the ZoomerShows, annual consumer shows directed to the Zoomer demographic and ideaCity, an annual Canadian conference also known as 'Canada's Premiere Meeting of the Minds'. ZoomerMedia also had a Software-as-a-Service (**"SaaS"**) platform called Darwin CX that manages customer experience orchestration for external clients that was launched in September 2018, and sold in August 2020 (see Note 12).

The Company is incorporated and domiciled in Canada and its registered office is located at 70 Jefferson Avenue, Toronto, Ontario, M6K 1Y4. The Company's shares are publicly traded on the TSX Venture Exchange under the symbol "ZUM".

These condensed consolidated interim financial statements have been authorized for issue in accordance with a resolution from the Board of Directors on January 27, 2021.

2. BASIS OF PREPARATION

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (**"IFRS"**) as issued by the International Accounting Standards Board (**"IASB"**).

These unaudited condensed consolidated financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including International Accounting Standards (**"IAS"**) 34, *Interim Financial Reporting*. The disclosures contained in these unaudited condensed consolidated interim financial statements do not contain all requirements of IFRS for annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2020.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as described in the audited consolidated financial statements for the year ended August 31, 2020. Areas involving higher degree of judgment or complexity, or areas where assumptions are significant to the condensed consolidated interim financial statements are disclosed in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Significant Accounting Judgments and Estimation Uncertainties

Critical accounting judgments and estimates

The preparation of financial statements under IFRS requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's historical experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ materially from these estimates.

The key judgments, estimates and assumptions made in applying accounting policies which have the most significant risk of causing a material adjustment to the carrying amount of assets and liabilities are: the determination of Cash Generating Units (**"CGUs"**); the values associated with indefinite life intangible assets and goodwill; the valuation of business combinations or acquisitions; the estimated period of use of program rights; and the estimated useful lives of non-financial assets with definite useful lives.

As required by IFRS 3, *Business Combinations* (**"IFRS 3"**), the Company is required to determine whether the acquisition of Tonic should be accounted for as a business combination or as an asset acquisition. Under IFRS 3, the components of a business must include inputs and processes applied to those inputs that have the ability to create outputs. In October 2018, the IASB amended IFRS 3 to clarify the definition of a business. As part of the amendment, the IASB narrowed the definition of a business and the definition of outputs, and included an optional concentration test that allows for a simplified assessment of whether an acquired set of activities or assets is a business. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. In consideration of the above, management has determined that the acquisition of Tonic does not meet the definition of the business by virtue of the optional concentration test, whereby all or substantially all of the fair value of the acquired assets are concentrated in a single identifiable asset or a group of similar identifiable assets. Accordingly, the acquisition of Tonic has been recorded as an asset acquisition consisting wholly of Tonic's identifiable intangible assets. See Note 7 for further discussion.

(b) Interests in Structured Entities and Other

JTM Classical Performance Inc. (**"JTM Classical"**), JTM Holiday II Inc. (**"JTM Holiday"**), JTM Classical Performance II Inc. (**"JTM Classical II"**), JTM Libby's Story Inc. (**"JTM Libby"**), Gospel Song Productions Inc. (**"GSPI"**), People Who Sing Together 2 Inc. (**"PWST2"**), JTM Hit Parade Inc. (**"JTM Hit Parade"**), JTM Unholy Inc. (**"JTM Unholy"**), JTM Hit Parade 3 Inc. **("JTM Hit Parade 3"),** JTM Healing Gardens Inc. **("JTM Healing Gardens")**, and 2585882 Ontario Inc. (**"Kettle Bells Series")** are structured entities. JTM Classical was incorporated on November 6, 2012, JTM Holiday was incorporated on October 31, 2013, JTM Classical II was incorporated on October 8, 2014, JTM Libby was incorporated on May 5, 2014, GSPI was incorporated on September 30, 2015, PWST2 was incorporated on October 4, 2016, JTM Hit Parade was incorporated on November 23, 2017. JTM Unholy was incorporated on July 17, 2018, JTM Hit Parade 3 was incorporated on November 28, 2018, JTM Healing Gardens was incorporated on September 17, 2019, and Kettle Bells Series was incorporated on July 5, 2017. The Company concluded that it controls JTM Classical, JTM Holiday , JTM Classical II, JTM Libby, GSPI, PWST2, JTM Hit Parade, JTM Unholy, JTM Hit Parade 3, JTM Healing Gardens, and Kettle Bells Series (together **"the JTM entities"**) as the main activities of the JTM entities is the creation of television programming content for which the Company will have exclusive Canadian rights. Additionally, the JTM entities are dependent on the Company for financial support, both in the form of program license fee payments as well as through the provision of production services, including equipment and personnel. The JTM entities also expect to receive funding from the Canada Media Fund and through Federal and Provincial tax credits. To the extent such amounts are not received, the JTM entities may not have the ability to pay the Company for the provision of production services. As at November 30, 2020, cash of $885,567 and other current liabilities of $202,804 are included in the condensed consolidated interim financial statements resulting from the consolidation of the JTM entities (August 31, 2020, cash of $858,255 and other current liabilities of $241,345).

Net income before income taxes for the three months ended November 30, 2020 decreased by $15,245 resulting from the consolidation of the JTM entities (November 30, 2019 - net income before income taxes decreased by $90,151).

Canadian Association of Retired Persons ("**CARP**") is a national, non-partisan, not-for-profit membership organization with the mandate of promoting and protecting the interest, rights and quality of life for aging Canadians. Under the guidance of IFRS 10, *Consolidated financial statements*, the Company is deemed to have control of CARP as an investee. The significant judgments and assumptions made in this determination include ZoomerMedia's exposure and rights to CARP's variable returns and its ability to impact those returns. Although the advocacy activities of CARP remain primarily independent, ZoomerMedia holds agreements that give it the right to make decisions about the provision, selling and promotion of products or services to CARP members. ZoomerMedia is exposed to CARP's variable returns through its payment of various subsidies to CARP and through its affinity royalty revenue arrangements, subscription revenue of ZOOMER magazine and advertising revenue across all forms of its media. Additionally, ZoomerMedia has the ability to make decisions about the relevant activities of CARP, including how CARP builds its membership. Accordingly, CARP has been consolidated as an investee in these condensed consolidated interim financial statements (see Note 10).

4. SHORT-TERM INVESTMENTS

Short-term investments consist of:

(a) 16,147 common shares of Canopy Growth Corporation, a Canadian publicly traded corporation (the "Canopy shares"). The Canopy shares were acquired via private placement as part of consideration given to the Company with respect to an exclusive brand license agreement entered into in October 2018. At the time of acquisition, these equity instruments had a fair value of $1,000,000. This consideration was recorded as a contract liability and is being recognized as royalty revenue over the term of the agreement. As at November 30, 2020, the Canopy shares have a fair value of $602,606 (August 31, 2020 - $347,322).

(b) Government of Canada treasury bills of $1,522,924 (August 31, 2020 - $3,057,889).

(c) Royal Bank of Canada guaranteed investment certificates of $3,000,000 (August 31, 2020 - $7,000,000).

The Company records the Canopy shares as financial assets at fair value through profit and loss and recorded an unrealized gain of $255,284 during the three months ended November 30, 2020 (2019 - unrealized loss of $112,222).

The Company records its Government of Canada treasury bills and guaranteed investment certificates as financial assets at amortized cost. These investments have a maturity date ranging from one to two months with an interest rate yield between 0.063% and 0.350% (2019 - 1.595% and 1.663%). The Company uses the effective interest rate method in determining amortized cost for these instruments.

5. PROPERTY AND EQUIPMENT

	Land & building	Broadcast equipment	Equipment & vehicles	Computer hardware	Leasehold improvements	Total
At August 31, 2020						
Cost	$ 680,727	$ 8,678,927	$ 2,236,172	$ 2,113,808	$ 1,011,214	$ 14,720,848
Accumulated depreciation	(123,154)	(6,997,512)	(2,098,454)	(1,854,543)	(320,753)	(11,394,416)
Net book value	$ 557,573	$ 1,681,415	$ 137,718	$ 259,265	$ 690,461	$ 3,326,432
Three months ended November 30, 2020						
Opening net book value	$ 557,573	$ 1,681,415	$ 137,718	$ 259,265	$ 690,461	$ 3,326,432
Additions	—	141,309	1,478	88,466	1,280	232,533
Depreciation for the period	(3,712)	(93,861)	(9,746)	(54,116)	(25,536)	(186,971)
Closing net book value	$ 553,861	$ 1,728,863	$ 129,450	$ 293,615	$ 666,205	$ 3,371,994
At November 30, 2020						
Cost	$ 680,727	$ 8,820,236	$ 2,237,650	$ 2,202,274	$ 1,012,494	$ 14,953,381
Accumulated depreciation	(126,866)	(7,091,373)	(2,108,200)	(1,908,659)	(346,289)	(11,581,387)
Net book value	$ 553,861	$ 1,728,863	$ 129,450	$ 293,615	$ 666,205	$ 3,371,994

On October 30, 2019, the Company closed an agreement to sell its office property located at 1 Queen Street, Cobourg, Ontario for gross proceeds of $255,000. The Company incurred $14,459 in selling costs for this transaction. The net book value of the building at the time of disposal was $103,312 and a gain of $137,229 was recorded in the condensed consolidated interim financial statements for the three months ended November 30, 2019.

6. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Company leases its office buildings located in Toronto, Ontario, Collingwood, Ontario and Surrey, British Columbia, as well as various office equipment and vehicles.

The following table presents the right-of-use assets for the three months ended November 30, 2020:

	Right-of-use: Land & building	Right-of-use: Equipment & vehicles	Total
At August 31, 2020			
Cost	$ 24,426,922	$ 259,477	$ 24,686,399
Accumulated depreciation	(1,571,349)	(73,078)	(1,644,427)
Net book value	$ 22,855,573	$ 186,399	$ 23,041,972
Three months ended November 30, 2020			
Opening net book value	$ 22,855,573	$ 186,399	$ 23,041,972
Additions	—	—	—
Depreciation for the period	(392,838)	(18,747)	(411,585)
Closing net book value	$ 22,462,735	$ 167,652	$ 22,630,387

The following table presents the lease liabilities for the three months ended November 30, 2020:

	Right-of-use: Land & building	Right-of-use: Equipment & vehicles	Total
At August 31, 2020			
Current portion	$ 789,547	$ 73,867	$ 863,414
Long-term portion	22,906,097	117,382	23,023,479
	$ 23,695,644	$ 191,249	$ 23,886,893
Three months ended November 30, 2020			
Opening balance	$ 23,695,644	$ 191,249	$ 23,886,893
Interest expense	324,869	2,516	327,385
Lease payments	(513,874)	(20,608)	(534,482)
Closing balance	$ 23,506,639	$ 173,157	$ 23,679,796
At November 30, 2020			
Current portion	$ 824,551	$ 74,876	$ 899,427
Long-term portion	22,682,088	98,281	22,780,369
	$ 23,506,639	$ 173,157	$ 23,679,796

7. INTANGIBLE ASSETS AND GOODWILL

Details of intangible assets and goodwill are as follows:

	Broadcast licenses	Program rights	Royalty stream rights	Brand names	Computer software	Customer list & non-compete clause	Total intangible assets	Goodwill
At August 31, 2020								
Cost	$ 22,620,517	$ 21,567,798	$ 12,650,072	$ 790,000	$ 1,274,350	$ 550,000	$ 59,452,737	$ 8,731,879
Accumulated amortization	—	(16,141,243)	(10,694,038)	(790,000)	(1,081,804)	(235,695)	(28,942,780)	—
Accumulated impairment	(16,220,517)	—	—	—	—	—	(16,220,517)	(5,963,141)
Net book value	$ 6,400,000	$ 5,426,555	$ 1,956,034	$ —	$ 192,546	$ 314,305	$ 14,289,440	$ 2,768,738
Three months ended November 30, 2020								
Opening net book value	$ 6,400,000	$ 5,426,555	$ 1,956,034	$ —	$ 192,546	$ 314,305	$ 14,289,440	$ 2,768,738
Additions	—	1,214,210	—	336,740	—	—	1,550,950	—
Amortization for the period	—	(1,256,153)	(210,834)	(8,419)	(24,227)	(19,641)	(1,519,274)	—
Closing net book value	$ 6,400,000	$ 5,384,612	$ 1,745,200	$ 328,321	$ 168,319	$ 294,664	$ 14,321,116	$ 2,768,738
At November 30, 2020								
Cost	$ 22,620,517	$ 22,782,008	$ 12,650,072	$ 1,126,740	$ 1,274,350	$ 550,000	$ 61,003,687	$ 8,731,879
Accumulated amortization	—	(17,397,396)	(10,904,872)	(798,419)	(1,106,031)	(255,336)	(30,462,054)	—
Accumulated impairment	(16,220,517)	—	—	—	—	—	(16,220,517)	(5,963,141)
Net book value	$ 6,400,000	$ 5,384,612	$ 1,745,200	$ 328,321	$ 168,319	$ 294,664	$ 14,321,116	$ 2,768,738

On September 1, 2020, the Company acquired the intellectual property of Tonic Magazine in exchange for $336,740 in consideration, which consisted of a cash payout in the amount of $203,575, a one-year promissory note valued at $30,840, and contingent consideration in the amount of $102,325. The contingent consideration relates to future earnings performance, and is payable over two years.

In accordance with the IFRS 3 amendments set forth by the IASB effective for annual reporting periods beginning on or after January 1, 2020, the acquisition of Tonic has been accounted for as an asset acquisition, as all of the acquired assets, which include all trademarks, rights, titles, interest, domain names, websites, copyright materials, archived materials and customer lists, are concentrated in a single identifiable asset.

Accordingly, the fair value of the total acquisition consideration has been attributed wholly to the intangible assets acquired, cumulatively regarded as the Tonic brand, and will be subsequently recorded at amortized cost as appropriate. No impairment loss was recognized in the condensed consolidated interim financial statements as management determined that the recoverable amount for the Tonic brand exceeds its carrying value as at November 30, 2020.

8. CONTRACT LIABILITIES

		November 30, 2020		August 31, 2020
Magazine subscriptions revenue	$	1,608,156	$	1,700,465
Membership revenue		1,301,858		1,482,492
Royalty revenue		51,966		394,472
Canada Periodical Fund		411,655		823,309
Show and conference revenue		63,750		62,400
Advertising revenue		469,916		277,118
Production revenue		8,000		8,000
	$	3,915,301	$	4,748,256
Less: Current portion		(2,904,012)		(3,736,641)
	$	1,011,289	$	1,011,615

9. SHARE CAPITAL

(a) Authorized

Unlimited preference shares may be issued in one or more series by the Board of Directors. Preference shares are non-voting, are convertible into common shares at the option of the holder on a one for one basis at any time and have rights to dividends. As at November 30, 2020, the Company had 387,879,129 preference shares outstanding (August 31, 2020 – 387,879,129).

Unlimited number of common shares. As at November 30, 2020, the Company had 264,330,297 common shares outstanding (August 31, 2020 – 264,330,297).

(b) Stock Options

The Company has a stock option plan for the benefit of employees and directors of the Company and certain key service providers to the Company. Under the plan the Company is authorized to issue stock options up to 10% of the shares issued and outstanding at the time of the grant.

The options vest one-third upon issuance and one-third in each of the following two years.

As at November 30, 2020, the Company had 30,900,000 stock options outstanding with a weighted exercise price of $0.05 per share (August 31, 2020 - 16,800,000).

During the three months ended November 30, 2020, the Company issued 15,200,000 stock options (2019 - nil). In addition, 1,100,000 stock options were cancelled during the three months ended November 30, 2020 (2019 - nil).

10. INVESTEE WITH NON-CONTROLLING INTEREST

CARP is recorded as an investee of the Company in these condensed consolidated interim financial statements, although the Company has no equity interest in CARP (see Note 3 (c)). The non-controlling interest of CARP comprises its membership base, which holds the deficit. The following financial information of CARP as an investee is presented below. This information is based on amounts before elimination of balances and transactions between ZoomerMedia and its subsidiaries as the investor and CARP as the investee.

Summarized Statement of Financial Position

	November 30, 2020	August 31, 2020
ASSETS		
Current assets		
Cash	$ 178,992	$ 104,719
Trade and other receivables	14,310	62,643
Prepaid expenses	32,211	23,897
	225,513	191,259
Non-current assets		
Property and equipment	16,137	16,987
Intangible assets	31,238	32,642
TOTAL ASSETS	$ 272,888	$ 240,888
LIABILITIES		
Current liabilities		
Trade and other payables	$ 186,159	$ 222,599
Due to controlling entity	1,013,091	764,017
Contract liabilities	950,300	1,130,608
	2,149,550	2,117,224
Non-current liabilities		
Contract liabilities	351,558	351,884
	2,501,108	2,469,108
EQUITY		
Deficit	(2,228,220)	(2,228,220)
TOTAL LIABILITIES AND EQUITY	$ 272,888	$ 240,888

Summarized Statements of Income and Comprehensive Income

	Three months ended	
	November 30, 2020	**November 30, 2019**
REVENUE		
Membership fees	$ 367,919	$ 382,260
Subsidy from controlling entity	—	182,260
Sponsorship and other income	257,284	142,482
	625,203	707,002
OPERATING EXPENSES		
Employee benefits:		
Salaries and wages	151,902	182,724
Other employee costs	7,551	20,054
	159,453	202,778
Distribution and transmission costs	202,084	243,977
Other operating expenses	261,413	257,516
	622,950	704,271
Operating income	2,253	2,731
Depreciation	849	976
Amortization of other intangible assets	1,404	1,755
Net income before income taxes	—	—
Income tax expense	—	—
Net income and comprehensive income for the year	$ —	$ —

11. OPERATING EXPENSES

Operating expenses of the Company for the years ended November 30, 2020 and November 30, 2019 are as follows:

	Three months ended November 30, 2020	November 30, 2019 (as restated - Note 19)
Employee benefits:		
Salaries and wages	$ 3,851,875	$ 3,958,436
Other employee costs	1,187,648	1,538,180
Stock based compensation	8,288	7,124
	5,047,811	5,503,740
Amortization of program rights	1,256,153	1,436,492
Distribution and transmission costs	1,706,501	2,545,593
Other operating expenses	1,687,574	2,495,925
	$ 9,698,039	$ 11,981,750

12. DIVESTITURE AND DISCONTINUED OPERATIONS

On May 18, 2020 the Company announced that it had entered into an agreement with Irish Studios LLC (**"Irish Studios"**), for the sale of substantially all of the net assets comprising the operations of Darwin CX, the Company's SaaS operations reported under the Company's Other operating segment, for gross proceeds of $7,465,126. The transaction was completed on August 18, 2020.

The details of the impact of the transaction with Irish Studios are as follows:

Gross proceeds	$ 7,465,126
Purchase price adjustments	(757,887)
Transaction costs	(107,493)
Net proceeds	6,599,746
Less: Net book value of net assets disposed	
Trade and other receivables	(264,431)
Prepaid expenses	(15,432)
Intangible assets	(2,659,125)
Trade and other payables	877,988
Contract liabilities	24,667
Pre-tax gain on sale of Darwin disposal group	4,563,413
Income tax expense	(692,244)
After-tax gain on sale of Darwin disposal group	$ 3,871,169

Included in the purchase price adjustments is a payout to key employees in the amount of $678,976. As a result of the transaction, the Company has presented the results of Darwin CX as discontinued operations. Accordingly, the post-tax profit and loss of discontinued operations and the cash flow impact of discontinued operations have been presented separately from the results of the Company's continuing operations in the consolidated statement of income and comprehensive income and the consolidated statement of cash flows, and the financial results for the prior year have been restated.

Reconciliation of net loss from discontinued operations

	Three months ended	
	November 30, 2020	**November 30, 2019**
Revenue	$ —	$ 58,772
Operating expenses		
Salaries and wages	—	159,583
Other employee costs	—	26,833
Distribution and transmission costs	—	139,408
Other operating expenses	—	71,985
	—	397,809
Amortization of other intangible assets	—	88,563
Operating loss	—	(427,600)
Interest income	—	(246)
Interest expense	—	862
Net interest expense	—	616
Net loss before income taxes	—	(428,216)
Income tax recovery	—	(80,725)
Net loss from discontinued operations	$ —	$ (347,491)

13. BASIC AND DILUTED INCOME (LOSS) PER SHARE

The following table outlines the calculations of basic and diluted income (loss) per share attributed to owners of the parent for the three months ended November 30, 2020 and November 30, 2019:

	Three months ended			
		November 30, 2020		**November 30, 2019**
Numerator for basic and diluted income (loss) per share:				
Net income from continuing operations	$	1,917,039	$	1,975,320
Net loss from discontinued operations		—		(347,491)
Adjusted numerator for income per share	$	1,917,039	$	1,627,829
Common shares		264,330,297		264,330,297
Preference shares		387,879,129		387,879,129
Denominator for income per share - weighted average		652,209,426		652,209,426
Effect of potential dilutive securities		8,828,571		—
Adjusted denominator for diluted income (loss) per share		661,037,997		652,209,426
Basic income (loss) per share				
Continuing operations	$	0.00	$	0.00
Discontinued operations		0.00		(0.00)
	$	**0.00**	**$**	**0.00**
Diluted income (loss) per share				
Continuing operations	$	0.00	$	0.00
Discontinued operations		0.00		(0.00)
	$	**0.00**	**$**	**0.00**

The dilutive effect of outstanding stock options on income per share is based on the application of the treasury stock method. Under this method, the proceeds for the exercise of such securities are assumed to be used to purchase common shares of the Company.

For the three months ended November 30, 2020, the effect of the potential exercise of stock options has been included in the calculation of diluted earnings per share. For the three months ended November 30, 2019, no effect has been given to the potential exercise of stock options in the calculation of diluted earnings per share as the effect would be anti-dilutive.

14. NET CHANGE IN NON-CASH WORKING CAPITAL

The net change in non-cash working capital balances for the years ended November 30, 2020 and November 30, 2019 consists of the following:

	Three months ended	
	November 30, 2020	**November 30, 2019 (as restated - Note 19)**
Trade and other receivables	$ (810,651)	$ (894,559)
Prepaid expenses	(408,157)	(121,681)
Trade and other payables	167,247	1,880,999
Income tax liabilities	(1,365,894)	—
	$ (2,417,455)	$ 864,759

15. RELATED PARTY TRANSACTIONS

The Company is controlled by Olympus Management Limited (**"OML**"), which owns 64.9% (2020 - 64.9%) of the Company's equity through both common shares and preference shares. The President and Chief Executive Officer of the Company control OML and is the ultimate controlling party of the Company. Fairfax Financial Holdings Limited ("**Fairfax**"), through its wholly owned subsidiary Northbridge Financial Corporation ("**Northbridge**"), holds 27.0% (2020 - 27.0%) of the Company's equity through both common shares and preference shares. The remaining 8.1% (2020 - 8.1%) of the Company's equity is made up of common shares widely held.

The Company's related party transactions are summarized below. These transactions are in the normal course of operations.

(a) Transactions with the principal shareholder

During the three months ended November 30, 2020, the Company paid management fees of $345,250 (2019 – $345,250) and fees for ancillary services of $42,756 (2019 – $42,724) to OML, the majority shareholder of the Company, for the provision of executive management services, home office costs, contractor services and talent fees. At November 30, 2020, included in accounts payable and accrued liabilities is a payable to OML of $nil (August 31, 2020 - $294).

(b) Transactions with entities controlled by a principal shareholder

During the three months ended November 30, 2020, the Company received royalty revenues from Northbridge of $251,886 (2019 – $287,495) and advertising revenues of $7,225 (2019 – $61,901). Included in accounts receivable at November 30, 2020 is a receivable from Northbridge of $89,936 (August 31, 2020 – $78,717).

A director of the Company is employed by a subsidiary of Fairfax.

16. CAPITAL MANAGEMENT

The Company considers its capital structure as the aggregate of shareholders' equity. The Company manages its capital structure and makes adjustments to it in order to have funds available to support the business activities which the Board of Directors intends to pursue in addition to maximizing the return to shareholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

In order to carry out current operations and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes to the Company's approach to capital management during the three months ended November 30, 2020.

The Company is not subject to externally imposed capital requirements.

17. COMMITMENTS AND CONTINGENT LIABILITIES

(a) At November 30, 2020, the Company has entered into various agreements for the right to broadcast certain television programs in the future. The acquisition of these broadcast rights is contingent on the actual delivery of the productions. Management estimates that these arrangements will result in future program expenditures of approximately $1,063,191 (August 31, 2020 - $893,389).

(b) In May 2012, the Company assigned its interests under a property lease to a third party. In the event that the third party does not fulfill its obligations, the Company will be liable for the remaining payments due under the lease. The Company's continuing obligation under the lease is secured by a general security agreement covering the assets of the Company excluding the assets of the Radio business segment. At November 30, 2020, the remaining future minimum payments due under the lease are $167,475 (August 31, 2020 - $267,960). The lease expires in April 2021.

18. SEGMENTED INFORMATION

Management has determined that during the year, the Company operated within five reportable business segments: Television, Radio, Print, Royalty and Other operations. These business segments reflect the management structure of the Company and the way in which management reviews business performance. The Company evaluates the performance of its operating segments primarily based on segment income (loss), as presented below.

The Television segment consists of the Company's specialty and conventional television stations (Vision TV, ONE: Get Fit, JoyTV in Vancouver, FAITH TV in Winnipeg, and TVL Channel 5) and generates revenues from subscriber fees, the sale of broadcast time and advertising. The Radio segment consists of the Company's five radio stations and generates revenues primarily from the sale of advertising. The Print segment publishes ZOOMER magazine, On The Bay magazine and Tonic Magazine, and generates revenue from advertising, subscriptions and sundry sources. The Membership & Royalty segment includes the operating activities of CARP as well as membership and marketing services to CARP, earning revenue from membership fees and royalties.

Other activities include the operation of a number Canadian websites and the production of ZoomerShows, and other trade and consumer shows directed to the 45plus age group. Also included are a television production and distribution company, and JTM Classical Performance Inc. ("JTM Classical"), JTM Holiday II Inc. ("JTM Holiday"), JTM Classical Performance II Inc. ("JTM Classical II"), JTM Libby's Story Inc. ("JTM Libby"), Gospel Song Productions Inc. ("GSPI"), People Who Sing Together 2 Inc. ("PWST2"), JTM Hit Parade Inc. ("JTM Hit Parade"), JTM Unholy Inc. ("JTM Unholy"), JTM Hit Parade 3 Inc. ("JTM Hit Parade 3), JTM Healing Gardens Inc. ("JTM Healing Gardens") and 2585882 Ontario Inc. ("Kettle Bells Series"), structured entities that create television programming content.

Other activities generate revenue from advertising, production and distribution services, sponsorship, booth rentals and ticket sales.

During the year ended August 31,2020, the Company completed an agreement to sell substantially all of the net assets of Darwin CX, a SaaS platform that manages customer experience orchestration for external clients (see Note 12 for further discussion). The Company had determined that the assets and liabilities of the disposal group meets the IFRS criteria for the presentation and disclosure of discontinued operations. Accordingly, the financial results related to the disposal group has been presented separately from the results of the company's continuing operations for the years ended November 30, 2020 and 2019. For the purposes of segmented reporting, the results of the Darwin disposal group has been excluded from the Company's Other operating segment.

Corporate results primarily represent the incremental cost of corporate overhead in excess of the amount allocated to the segments, and also includes expenses relating to the operation of the Company's commercial property located in Toronto.

	Three months ended November 30, 2020						
	Television	Radio	Print	Membership & Royalty	Other	Corporate	Total Continuing Operations
Revenue	$ 8,097,095	$ 1,718,599	$ 1,342,660	$ 1,254,128	$ 806,406	$ 8,407	$ 13,227,295
Operating expenses	4,122,539	1,927,280	1,021,474	546,055	1,104,452	976,239	9,698,039
Depreciation	74,483	53,212	294,642	849	173,560	1,810	598,556
Amortization	13,517	—	23,254	212,238	13,967	145	263,121
	4,210,539	1,980,492	1,339,370	759,142	1,291,979	978,194	10,559,716
Interest expense	141	362	—	—	246	327,114	327,863
Interest income	—	—	—	—	—	(18,202)	(18,202)
Unrealized gain on equity instruments	—	—	—	(255,284)	—	—	(255,284)
Segmented income (loss)	$ 3,886,415	$ (262,255)	$ 3,290	$ 750,270	$ (485,819)	$ (1,278,699)	$ 2,613,202
Segmented assets	$ 23,125,595	$ 4,734,597	$ 34,499,089	$ 1,839,097	$ 20,720,266	$ 216,013	$ 85,134,657
Additions - property and equipment	9,368	139,290	—	—	30,621	53,254	232,533
Additions - program rights	1,214,210	—	—	—	—	—	1,214,210
Additions - other intangible assets	—	—	336,740	—	—	—	336,740

	Three months ended November 30, 2019 (as restated - Note 19)						
	Television	Radio	Print	Membership & Royalty	Other	Corporate	Total Continuing Operations
Revenue	$ 7,936,720	$ 2,477,479	$ 1,511,588	$ 1,367,424	$ 1,358,942	$ 68,216	$ 14,720,369
Operating expenses	4,396,295	2,217,326	1,437,443	814,355	1,662,751	1,453,580	11,981,750
Depreciation	77,387	56,679	248,116	976	217,652	10,927	611,737
Amortization	47,526	101	12,969	212,589	11,660	585	285,430
	4,521,208	2,274,106	1,698,528	1,027,920	1,892,063	1,465,092	12,878,917
Interest expense	967	476	—	—	104	336,805	338,352
Interest income	—	(32,084)	—	—	—	(24,442)	(56,526)
Unrealized loss on equity instruments	—	—	—	112,222	—	—	112,222
Segmented income (loss)	$ 3,414,545	$ 372,210	$ (186,940)	$ 227,282	$ (533,225)	$ (1,709,239)	$ 1,584,633
Segmented assets	$ 24,780,991	$ 4,442,245	$ 24,880,114	$ 2,685,674	$ 20,866,583	$ 1,122,807	$ 78,778,414
Additions - property and equipment	117,529	12,251	1,500	—	3,078	29,431	163,789
Additions - program rights	2,237,986	—	—	—	—	—	2,237,986
Additions - other intangible assets	(15,987)	—	—	—	—	16,584	597

19. RESTATEMENT OF PRIOR PERIOD INFORMATION

(a) Discontinued Operations

During the third quarter of fiscal 2020, the Company entered into an agreement to sell substantially all of the net assets of Darwin CX to an arms length party, and the transaction was completed in August 18, 2020 (see Note 12 for further discussion). As a result of the transaction, the Company has presented the results of Darwin CX as discontinued operations. Accordingly, the post-tax profit and loss of discontinued operations and the cash flow impact of discontinued operations have been presented separately from the results of the Company's continuing operations in the consolidated statement of income and comprehensive income and the consolidated statement of cash flows.

(b) IFRS 16

In the first three quarters of fiscal 2020, it had been disclosed that the Company recognized $24.84 million in right-of-use assets and lease liabilities as a result of the adoption of IFRS 16, effective September 1, 2019. The opening balances were discounted using a weighted average rate of 5.95%

In further review of the IFRS criteria for identifying lease and non-lease components, management determined that the Company had excluded $3.61 million in additional lease components related to its building lease. Furthermore, it had included $4.48 million in broadcasting equipment leases that have been deemed outside the scope of IFRS 16, *Leases* by virtue of the capacity portion of the identified assets as the assets are not physically distinct and do not represent substantially all of the assets' capacity.

In addition, management revised the weighted average incremental borrowing rate to 5.49%, which is better reflective of the market rates the Company would have received had it been required to raise financing for the identified assets on the date of adoption.

Accordingly, the opening balances have been restated, and the resulting impact for the three months ended November 30, 2019 is as follows:

- An increase to right-of-use assets, net of accumulated depreciation of $0.06 million
- A reduction to current portion of lease liabilities of $1.02 million
- An increase to long-term lease liabilities of $1.06 million
- An increase to operating expenses of $0.27 million,
- A reduction to depreciation expense of $0.25 million, and
- A reduction to interest expense of $0.03 million.

The impact of the above restatements on the comparative period financial statements are as follows (all amounts expressed in Canadian dollars):

Consolidated Statement of Income and Comprehensive Income

	Three months ended November 30, 2019 (as previously reported)	(a) Impact of Darwin discontinued operations	(b) Impact of IFRS 16 adjustment	Three months ended November 30, 2019 (as restated)
Revenue	$ 14,779,141	$ (58,772)	$ —	$ 14,720,369
Operating expenses	12,112,615	(397,808)	266,943	11,981,750
Depreciation	865,590	—	(253,853)	611,737
Amortization of other intangible assets	373,993	(88,563)	—	285,430
Operating income (loss)	1,426,943	427,599	(13,090)	1,841,452
Interest income	(56,771)	245	—	(56,526)
Interest expense	368,951	(862)	(29,737)	338,352
Net interest expense	312,180	(617)	(29,737)	281,826
Unrealized loss on equity instruments	112,222	—	—	112,222
Gain on sale of assets	(137,229)	—	—	(137,229)
Net income before income taxes	1,139,770	428,216	16,647	1,584,633
Income tax (recovery) expense	(471,412)	80,725	—	(390,687)
Net income from continuing operations	1,611,182	347,491	16,647	1,975,320
Net loss from discontinued operations	—	(347,491)	—	(347,491)
Net income and comprehensive income for the period	$ 1,611,182	$ —	$ 16,647	$ 1,627,829
Net income and comprehensive income attributed to:				
Owners of the parent	$ 1,611,182	$ —	$ 16,647	$ 1,627,829
Non-controlling interest	—	—	—	—
	$ 1,611,182	$ —	$ 16,647	$ 1,627,829

Other Operating Expenses

	Three months ended November 30, 2019 (as previously reported)	(a) Impact of Darwin discontinued operations	(b) Impact of IFRS 16 adjustment	Three months ended November 30, 2019 (as restated)
Employee benefits:				
Salaries and wages	$ 4,118,019	$ (159,583)	$ —	$ 3,958,436
Other employee costs	1,565,013	(26,833)	—	1,538,180
Stock based compensation	7,124	—	—	7,124
	$ 5,690,156	(186,416)	$ —	$ 5,503,740
Amortization of program rights	1,436,492	—	—	1,436,492
Distribution and transmission costs	2,346,058	(139,408)	338,943	2,545,593
Other operating expenses	2,639,909	(71,984)	(72,000)	2,495,925
	$ 12,112,615	$ (397,808)	$ 266,943	$ 11,981,750

Changes in Other Non-Cash Working Capital

	Three months ended November 30, 2019 (as previously reported)	(a) Impact of Darwin discontinued operations	(b) Impact of IFRS 16 adjustment	Three months ended November 30, 2019 (as restated)
Trade and other receivables	$ (975,901)	$ 81,342	$ —	$ (894,559)
Prepaid expenses	(131,453)	9,772	—	(121,681)
Trade and other payables	1,842,941	38,058	—	1,880,999
	$ 735,587	$ 129,172	$ —	$ 864,759

In addition to the above:

- On the consolidated statement of cash flows for the three months ended November 30, 2019, cash from operating activities decreased by $266,942 and cash from investing activities increased by $266,942 due to the IFRS 16 adjustment. Cash from financing activities was not impacted.
- The cash flow impact of the discontinued operations for the three months ended November 30, 2019 was a decrease in cash from operating activities of $307,373 and a decrease in cash from investing activities of $266,183. Cash from financing activities was not impacted.

20. COVID-19

The outbreak of the novel strain of coronavirus, specifically identified as ("**COVID-19**"), has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and border lock-downs, have caused significant disruption to businesses, economies and financial markets around the world, resulting in an economic slowdown. The medium and long-term impact of COVID-19 are unknown at this time, including its duration, severity and further measures that could be implemented by governments and central banks.

The impact of COVID-19 on the Company for the three months ended November 30, 2020 includes a decline in commercial advertising revenues and the cancellation of the Toronto ZoomerShow in October 2020. The Company has continued to enact a number of measures to respond to the impact of COVID-19 on business operations, including exploring new revenue streams, as well as a continued focus on reducing non-critical expenses. The Company is eligible and has applied for the Canada Emergency Wage Subsidy from September to November 2020, although no amounts were received or recognized as of November 30, 2020.