



ZOOMERMEDIA
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ZOOMERMEDIA LIMITED

Management's Discussion and Analysis
For the year ended August 31, 2022 and 2021

BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("MD&A") provides a review of the financial condition and operating performance of ZoomerMedia Limited for the year ended August 31, 2022.

We prepare our consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This document contains forward-looking statements, which are qualified with reference to, and should be read in conjunction with the Cautionary Statement on Forward-Looking Statements section of this MD&A.

Unless the context otherwise requires, all references to "ZoomerMedia", "Company", "our", "us", and "we" refers to ZoomerMedia Limited and its subsidiaries. Additional information regarding the Company is available on SEDAR at www.sedar.com. This MD&A is dated November 30, 2022. All amounts herein are presented in Canadian dollars, unless otherwise stated.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

Certain statements made in this report are 'forward-looking statements' which may include, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements, and may contain the words 'believe', 'anticipate', 'expect', 'estimate', 'project', 'will be', 'will continue', 'will likely result' or similar words or phrases. Forward-looking statements involve risks and uncertainties, which may cause actual results to differ materially from the forward-looking statements. The risks and uncertainties are detailed from time to time in filings by us with provincial securities commissions. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Such risks, uncertainties and other factors include, but are not limited to, the following:

- the risks inherent in magazine publishing generally;
- the risks inherent in the operation of Internet media properties generally;
- the risks inherent in the operation of television broadcast properties generally;
- the risks inherent in the operation of radio broadcast properties generally;
- the risks inherent in the operations of affinity partners with respect to royalty revenue;
- the risks inherent in the operation of consumer shows generally;
- the competition within the media industry for the baby boomer generation's business;
- the risks associated with governmental regulation of the publishing, internet, radio and television broadcasting businesses;
- the results of legal claims made by or against the Company;
- the dependence of the business on the continuing operation of its computer systems;
- the dependence of the business on key personnel; and
- the emergence of public health crisis and emergencies, such as COVID-19.

Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. We do not intend and do not assume any obligation to update these forward-looking statements.

OVERVIEW OF THE BUSINESS

Founded by television and media icon Moses Znaimer in 2008, ZoomerMedia Limited is a multimedia company devoted to creating content, services and experiences for Canada's most powerful audiences: the 17.2 million people aged 45-plus aka "Zoomers", and the 13.7 million Millennials and Gen Zs, coincidentally also called "Zoomers", who follow in their footsteps.

ZoomerMedia operates 5 TV, 2 Radio, 3 Print, 3 Live Event, and 15 Digital properties including the newly acquired youth-friendly local news and lifestyle digital publication blogTO. ZoomerMedia produces original TV, Radio, and Podcast programming, offers clients creative audio and video production services, and bespoke events on site at its 2.6 acre complex in Toronto's Liberty Village.

For specific ZoomerMedia property names and focus, please see below.

ZoomerMedia's **Television** properties include: VisionTV, available in 7.5 million households is Canada's home for British comedy and drama series, plus uplifting movies, music, news, and multi-cultural and multi-lingual faith programming; ONETV: The Exercise & Entertainment Channel, combines original yoga, pilates, tai chi, and cardio fitness series with British serial soaps, dramas and American movies; JoyTV in Vancouver, Victoria, Surrey and the Fraser Valley, and FAITH TV in Winnipeg are devoted to broadcasting Christian, multi-faith, and local content.

ZoomerMedia's **Digital** properties include: blogTO.com, Canada's unrivalled local publisher across digital and social media platforms, bringing in 8 million monthly active users, and over 360 million page views annually; and EverythingZoomer.com, Canada's leading provider of online content targeting the 45-plus.

ZoomerMedia's **Radio** properties include: The New Classical FM, Canada's only commercial all classical music radio station broadcasting over three frequencies in a unique regional Ontario network: 96.3FM CFMZ-FM Toronto (GTA), 103.1FM CFMX-FM Cobourg (Eastern Ontario), and 102.9FM CFMO-FM Collingwood (Southern Georgian Bay); and Zoomer Radio, The Original Greatest Hits, the biggest broadcast footprint in Canada also reaching 28 American States, and broadcasting simultaneously both in AM and FM in Toronto (740AM CFZM-AM and 96.7FM CFZM-FM).

ZoomerMedia's **Print** properties include: ZOOMER Magazine, the Company's flagship magazine and Canada's largest paid circulation magazine for the 45-plus market; On The Bay Magazine, a dominant regional lifestyle magazine published quarterly for the 20 towns and villages of Ontario's Southern Georgian Bay; and Tonic Magazine, a regional health and wellness magazine published bi-monthly and distributed across the City of Toronto. ZoomerMedia's **Tradeshow and Conferences** include: The ZoomerShow, annual lifestyle expos in Toronto and Vancouver, and Moses Znaimer's ideaCity conference which presents the "Smartest People with The Biggest Ideas".

In the second quarter of fiscal 2022, ZoomerMedia closed an agreement to acquire all of the issued and outstanding shares of Freshdaily Inc. ("**FreshDaily**"), owner and publisher of blogTO, the leading digital source for Greater Toronto Region news, culture, restaurant reviews, event listings, and all the best the GTA has to offer. The operating results of FreshDaily subsequent to the date of acquisition have been included in our Other operating segment. Please refer to the section "ACQUISITION OF FRESHDAILY" for further discussion.

OVERVIEW OF CONSOLIDATED RESULTS

	Year ended		
	August 31, 2022	August 31, 2021	% Change
Revenue	\$ 54,242,930	\$ 48,860,672	11.0%
Operating expenses	44,899,081	39,618,093	(13.3)%
Adjusted EBITDA¹	9,343,849	9,242,579	1.1%
<i>Adjusted EBITDA %</i>	<i>17.2%</i>	<i>18.9%</i>	<i>(1.7)%</i>
Depreciation & Amortization	3,864,331	3,399,669	(13.7)%
Operating income	5,479,518	5,842,910	(6.2)%
Interest income	(129,710)	(118,799)	
Interest expense	1,398,551	1,295,981	
Unrealized (gain) loss on equity instruments	406,994	(212,686)	
(Gain) loss on sale of equity instruments	(973,903)	8,683	
Net income before income taxes	4,777,586	4,869,731	(1.9)%
Income tax expense	1,296,466	1,136,142	(14.1)%
Net income and comprehensive income for the period	3,481,120	3,733,589	(6.8)%

¹ Adjusted EBITDA is a Non-GAAP measure. Please refer to the section entitled "RECONCILIATION AND DEFINITION OF NON-IFRS MEASURES" of this MD&A

REVENUES

Consolidated revenues for the year ended August 31, 2022 was \$54.24 million, an increase of 11.0% compared to the prior year. This was primarily attributed to higher Television advertising sales, the newly acquired blogTO, higher royalty revenues generated from new partnerships, and dividend income recognized in the Corporate division. The gradual reopening of the economy has positively impacted advertising sales in Radio and Print, with many clients in the live events, tourism and hospitality industries returning, while strong programming rotations have bolstered advertising revenues in Television, offsetting the decline in subscriber fees.

While our year end results remain strong, the medium and long-term impact of COVID-19 are still uncertain, including the potential emergence of variants, the adverse impact to global supply chains, and further measures that could be implemented by governments. This was evident by the January lockdown related to the spread of the Omicron variant, which led to cancellations/deferral of advertising spend from local clients, negatively impacting the second quarter performance of certain operating segments.

Further analysis of performance by segment is provided in the discussion of segmented results.

OPERATING EXPENSES

Consolidated operating expenses for the year ended August 31, 2022 was \$44.90 million, an increase of 13.3% compared to the prior year. This was driven by higher sales costs correlated to advertising revenue growth, the inclusion of blogTO expenses, increased spending in content creation, marketing and other business development opportunities, as well as lower amounts received from Canada Emergency Wage Subsidy ("CEWS") as compared to the prior year.

Further analysis of expenses is provided in the discussion of segmented results.

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the year ended August 31, 2022 was \$3.86 million, an increase of 13.7% compared to the same periods in the prior year. This was the result of higher amortization expense related to the acquired intangible assets from FreshDaily.

INTEREST INCOME AND INTEREST EXPENSE

For the the year ended August 31, 2022, interest income earned on short-term investments and deposits was \$0.13 million.

For the year ended August 31, 2022, interest expense due mainly to the accretion of lease liabilities under IFRS 16 was \$1.40 million.

INCOME TAXES

For the year ended August 31, 2022, income tax expense was \$1.30 million, a decrease of (14.1)% compared to the prior year. This was primarily attributed to lower operating income in the current year and a higher share of net income attributed to capital gains.

NET INCOME AND COMPREHENSIVE INCOME

For the year ended August 31, 2022, net income was \$3.48 million, compared to \$3.73 million in the prior year. Included in net income in the current fiscal is a realized gain on sale of equity instruments in the amount of \$0.97 million.

TELEVISION

The television division operates Vision TV, ONE TV, TVL Channel 5, JoyTV in Vancouver and FAITH TV in Winnipeg. At the beginning of the fiscal year, the Company made a decision to streamline the ONE TV brand by eliminating the "Get Fit" slogan in order to reflect the newly added drama strips and movies. Bespoke exercise programming remains a pillar of the channel, while the entertainment content has served to broaden audience appeal and viewership.

	Year ended		
	August 31, 2022	August 31, 2021	% Change
Revenue	\$ 31,879,977	\$ 32,069,206	(0.6)%
Subscriber fees	10,011,406	11,605,656	(13.7)%
Mosaic air time sales	10,473,714	10,140,317	3.3%
Commercial advertising	10,174,714	9,054,095	12.4%
Distribution, retransmission & other	1,220,143	1,269,138	(3.9)%
Operating expenses	16,173,583	15,654,399	(3.3)%
Segment Adjusted EBITDA	15,706,394	16,414,807	(4.3)%
<i>Adjusted EBITDA Margin</i>	<i>49.3%</i>	<i>51.2%</i>	

For the year ended August 31, 2022, total revenues from the Television division decreased by (0.6%), compared to the prior year. This was the result of continued subscriber revenue erosion from cord cutting, a one-time adjustment to ONE TV's subscriber fees in the second quarter of fiscal 2022 related to a retroactive implicit rate concession with one of the station's major BDU partners; partially offset by higher commercial advertising revenue in Vision and ONE TV as well as growth in Mosaic airtime sales.

For the year ended August 31, 2022, operating expenses increased by 3.3%, compared to the prior year. This was driven by higher sales costs correlated to the increase in advertising revenues, increased technical production and administrative spending, and lower CEWS received in the current year.

RADIO

The radio division operates CFMZ-FM Toronto - The New Classical 96.3FM, CFMX-FM Cobourg - The New Classical 103.1FM, CFMO-FM Collingwood - The New Classical 102.9FM and CFZM-AM 740 Toronto and CFZM-FM 96.7FM Toronto - ZoomerRadio.

	Year ended		% Change
	August 31, 2022	August 31, 2021	
Revenue	\$ 7,079,369	\$ 6,070,779	16.6%
Operating expenses	8,056,623	6,922,447	(16.4)%
Segment Adjusted EBITDA	(977,254)	(851,668)	(14.7)%
<i>Adjusted EBITDA Margin</i>	<i>(13.8)%</i>	<i>(14.0)%</i>	

For the year ended August 31, 2022, total revenues from the Radio division increased by 16.6%, compared to the prior year. The gradual reopening of the economy has had a positive impact on Radio in the current fiscal year, as evident by the return of staple clients in the live events, hospitality and tourism sectors. National and local advertising revenues for Classical FM and AM 740 remain strong, driven by favourable audience ratings. Included in revenue for the year ended August 31, 2022 is the recovery of previously unrecognized rental income in the amount of \$0.20 million resulting from a shared transmission tower agreement in Cobourg.

Operating expenses for the year ended August 31, 2022 increased by 16.4%, compared to the prior year. This was driven by higher sales costs and royalty tariffs correlated to the increase in revenues, as well as higher marketing spend and lower CEWS received in the current year.

PRINT

The Print operations consist of ZOOMER magazine and On The Bay magazine. In addition, the Company introduced Tonic magazine in September 2020 after acquiring its trademarks and all other intellectual property from an arms-length party.

	Year ended		% Change
	August 31 2022	August 31 2021	
Revenue	\$ 4,205,708	\$ 3,811,154	10.4%
ZOOMER magazine - Subscriber fees	1,684,918	1,605,254	5.0%
ZOOMER magazine - Commercial advertising	1,726,260	1,566,195	10.2%
Tonic magazine	99,358	103,649	(4.1)%
On The Bay magazine	695,172	536,056	29.7%
Operating expenses	4,830,081	4,292,131	(12.5)%
ZOOMER magazine	3,924,529	3,512,129	(11.7)%
Tonic magazine	191,792	190,749	(0.5)%
On The Bay magazine	713,760	589,253	(21.1)%
Segment Adjusted EBITDA	(624,373)	(480,977)	29.8%
Adjusted EBITDA Margin	(14.8)%	(12.6)%	

For the year ended August 31, 2022, total revenues from Print operations increased by 10.4%, compared to the prior year. This was mainly attributable to the increase in commercial advertising and subscriber revenues in ZOOMER magazine. In addition, the rebranding of On the Bay magazine is showing positive returns, contributing to the increase in revenue for the Print division.

For the year ended August 31, 2022, operating expenses increased by 12.5% compared to the prior year. This was driven by more aggressive subscriber acquisition activities under a sustainable cost containment plan and lower Aid to Publisher grant received by ZOOMER magazine in the current fiscal year.

MEMBERSHIP & ROYALTY

ZoomerMedia owns the marketing rights to the Canadian Association for Retired Persons (CARP) and has access to their members. CARP is Canada's largest advocacy association for Canadians 45 plus. In addition, ZoomerMedia consolidates the operating results of CARP, which includes membership and educational revenue as well as the operating expenses of the not-for-profit operation. ZoomerMedia also incurs expenses in efforts to support the affinity partner relationships. In return, the Company earns royalty revenues from Affinity Partners for use of the CARP name. Please refer to the section "MATERIAL CONTRACTS" for further discussion of our relationship to CARP.

	Year ended		
	August 31, 2022	August 31, 2021	% Change
Revenue	\$ 4,453,161	\$ 4,062,400	9.6%
Membership and Other	1,875,736	1,948,089	(3.7)%
Royalty	2,577,425	2,114,311	21.9%
Operating expenses	2,009,712	2,634,215	23.7%
Segment Adjusted EBITDA	2,443,449	1,428,185	71.1%
<i>Adjusted EBITDA Margin</i>	<i>54.9%</i>	<i>35.2%</i>	

For the year ended August 31, 2022, total revenues for the Membership & Royalty division increased by 9.6%, compared to the prior year. This was driven by revenues from new partnerships with Purpose Investments, Revera, Health Depot and Opticann formed in the first quarter of fiscal 2022 and increased revenue from ZoomerWireless. We continue to seek additional partners by offering integrated opportunities across ZoomerMedia's platforms, and increase value added support services. In addition, we earned additional revenue from a one time penalty from royalty partner Northbridge Financial Corporation for underspent media of \$0.15 million in the last quarter of fiscal 2022.

For the year ended August 31, 2022, operating expenses decreased by (23.7%), compared to the prior year. This was mainly driven by a \$0.61 million one-time implementation fee for additional CARP memberships benefits web platform last year, as well as saving in the current year's operating expenses.

OTHER

The Other division of the Company comprises the operation of a number of Canadian websites, the key ones being www.EverythingZoomer.com and more recently, www.blogTO.com. which was acquired in the second quarter of fiscal 2022. The Other division also includes the production of ZoomerShows and other trade and consumer shows directed to the 45plus age group, a television production and distribution company, and JTM Amalco Inc., JTM Hit Parade Inc., JTM Unholy Inc., JTM Hit Parade 3 Inc., JTM Healing Gardens Inc., 2585882 Ontario Inc., and JTM Hit Parade 4 Inc., JTM Hit Parade 5 Inc., JTM Healing Gardens 2 Inc., structured entities that create television programming content exclusively for Vision TV and ONE TV.

	Year ended		
	August 31, 2022	August 31, 2021	% Change
Revenue	\$ 6,164,904	\$ 2,691,138	129.1%
blogTO.com	2,768,573	—	100.0%
Other	3,396,331	2,691,138	26.2%
Operating expenses	7,115,590	4,823,004	(47.5)%
Segment Adjusted EBITDA	(950,686)	(2,131,866)	55.4%
<i>Adjusted EBITDA Margin</i>	<i>(15.4)%</i>	<i>(79.2)%</i>	

For the year ended August 31, 2022, Other revenues increased significantly compared to the prior year. This was driven by the inclusion of blogTO revenues acquired in the second quarter of the current fiscal, strong performance of EverythingZoomer in the third quarter of the current fiscal, and a one-time clawback prior year adjustment related to JTM productions. These were partially offset by lower ZoomerShow revenues resulting from virtual summits.

For the year ended August 31, 2022, operating expenses increased by 47.5%, compared to the prior year. This was driven by higher editorial costs, the inclusion of blogTO expenses of \$1.86 million and increased spending in content production and other digital support costs.

The inclusion of blogTO division in the current fiscal contributed to an additional adjusted EBITDA of \$0.9 million or 32.7%.

CORPORATE

Corporate revenues represent dividend income and other sundry amounts received. Corporate expenses represent the incremental cost of corporate overhead in excess of the amount allocated to the other operating divisions. Corporate overhead comprises administration and support functions including marketing and audience development, finance and information technology costs that are not directly attributable to the other segments of ZoomerMedia, as well as the facilities cost for the company head office at 30, 64 and 70 Jefferson Avenue, Toronto.

	Year ended		
	August 31, 2022	August 31, 2021	% Change
Revenue	\$ 459,811	\$ 155,995	194.8%
Operating expenses	6,713,492	5,291,897	(26.9)%
Segment Adjusted EBITDA	(6,253,681)	(5,135,902)	(21.8)%

For the year ended August 31, 2022, Corporate revenues were \$0.46 million, which consisted primarily of dividend income received from various Canadian publicly traded companies as a result of the Company's investment portfolio.

For the year ended August 31, 2022, operating expenses related to corporate overhead increased by 26.9% compared to the prior year. This was mainly attributable to a lower government Covid support received, increased legal and development spending as well as higher provision for expected credit losses.

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 \$7.47 million. 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 \$0.68 million. 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.

The Company's did not report any gain (loss) from discontinued operations for the year ended August 31, 2022 and 2021.

ACQUISITION OF FRESHDAILY

On January 21, 2022, the Company acquired all of the issued and outstanding shares of Freshdaily Inc., owner and publisher of blogTO, the leading digital source for local Toronto news, culture, restaurant reviews, event listings, and all the best the city has to offer. The acquisition provides ZoomerMedia a local audience that is unrivaled in terms of online and social media reach and engagement.

Total consideration given is as follows:

Cash proceeds	\$	10,000,000
Working capital adjustments (paid on closing)		72,442
Promissory note		5,000,000
		<u>15,072,442</u>

The promissory note bears an interest rate of 5%, with interest accrued payable monthly, and the principal amount maturing and payable in full three years following the date of acquisition.

The final assessment of the assets acquired and liabilities assumed as at the date of acquisition is as follows:

Cash	\$	21,949
Trade and other receivables		801,944
Property and equipment, net		5,455
Trade and other payables		(390,299)
Income tax payable		(111,152)
Deferred tax liabilities (on acquisition)		<u>(1,662,126)</u>
		(1,334,229)
Non-compete clause		636,000
Brand names		4,248,000
Customer List		<u>1,386,000</u>
Acquired intangible assets		6,270,000
Goodwill		10,136,671
		<u><u>15,072,442</u></u>

The assets acquired and liabilities assumed have been recorded at fair value as part of the evaluation of the purchase price allocation and it is subsequently recorded at cost less accumulated amortization and impairment.

Goodwill reflects excess earning power expected from the collective human resources related to the future business development and its synergy with the existing businesses. There is no item deductible from the taxable income related to the recognized goodwill.

The Company incurred transaction costs for due diligence, legal and other professional fees in the amount of \$0.06 million in relation to the acquisition. These amounts have been expensed in the other operating expenses line (Note 12) as incurred, in the consolidated financial statements for the year ended August 31st, 2022.

Subsequent to the acquisition date, FreshDaily contributed revenue and net income of \$2.77 million and \$0.90 million respectively. The proforma impact of contributed revenue and net income, as if FreshDaily had been acquired on September 1st, 2021 are \$4,801 million and \$1,329 million respectively.

QUARTERLY RESULTS OF OPERATIONS

The following table sets out certain unaudited quarterly results for the previous eight quarters. The information contained herein is drawn from the condensed consolidated interim financial statements for each of the aforementioned periods. All quarters prior to May 31, 2020 have been restated for the following:

(a) Discontinued Operations

During the third quarter of fiscal 2020, ZoomerMedia entered into an agreement to sell substantially all of the net assets of Darwin CX ("disposal group") to an arms-length party. Management has 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, and the prior year comparative periods have been restated. Please refer to the section "DISCONTINUED OPERATIONS" above for further discussion.

(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 more 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 are disclosed below.

	(000's of dollars – except per share amounts)							
	2022	2022	2022	2021	2021	2021	2021	2020
	Aug 31	May 31	Feb 28	Nov 30	Aug 31	May 31	Feb 28	Nov 30
Revenue	\$13,152	\$14,327	\$12,687	\$14,077	\$12,078	\$11,425	\$12,130	\$13,227
Net income	\$(1,017)	\$910	\$1,956	\$1,632	\$96	\$246	\$1,474	\$1,917
Net income per share	\$(0.00)	\$0.00	\$0.00	\$0.00	\$0.01	\$0.00	\$0.00	\$0.00

Quarterly results are subject to seasonal fluctuations that can significantly impact quarter-to-quarter operating results. As a result, one quarter's operating results are not necessarily indicative of what a subsequent quarter's operating results will be. In particular, as one of our major sources of revenue is advertising, operating results are dependent on general advertising and retail cycles associated with consumer spend activity.

LIQUIDITY, SOLVENCY AND CASH FLOW

At August 31, 2022, we had cash of \$11.07 million and short-term investments of \$9.79 million. During the year ended August 31, 2022, we had a cash inflow of \$3.63 million from operating activities, compared to an inflow of \$8.22 million for the year ended August 31, 2021. Cash used for investing activities was \$3.37 million for the year ended August 31, 2022, compared to \$7.50 million during the year ended August 31, 2021. During the year ended August 31, 2022, cash outflow from financing activities was \$5.87 million, compared to \$1.72 million for the year ended August 31, 2021.

Liquidity Risk

Liquidity risk is the risk that a company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure, as outlined in Note 17 of the financial statements. It also manages liquidity risk by monitoring actual and projected cash flows, taking into account the Company's revenues and receipts and matching the maturity profile of financial assets and liabilities. The Board of Directors reviews and approves the Company's annual operating and capital budgets, as well as any material transactions out of the ordinary course of business, including proposals on acquisitions and other major investments.

The Company has expended cash on upgrading its television and radio broadcast equipment and IT infrastructure, and will continue to invest in new programming, expend funds on subscriber acquisition initiatives to increase subscribers to the magazine and invest in capital infrastructure in the radio and television production divisions. The Company has an accumulated deficit of \$13.55 million as at August 31, 2022.

While some of the Company's costs are variable based on the revenue generated, a significant portion of the costs, including programming interest costs, are fixed and some cannot be reduced quickly. Some of these factors are beyond the Company's control and may impact the future cash flows from operating activities.

Management's current cash flow projections reflect positive cash flow from operations for the next twelve months.

The following table reflects the Company's undiscounted cash flows for its financial liabilities at August 31, 2022:

	1 year	2-3 years	4-5 years	Beyond 5 years	Total
Trade and other payables	\$ 4,789,425	\$ —	\$ —	\$ —	\$ 4,789,425
Other liabilities	2,149,210	—	—	—	2,149,210
Provisions	—	—	—	—	—
Promissory Note	—	5,000,000	—	—	5,000,000
Deferred Tax Liabilities	—	—	—	1,751,166	1,751,166
Leases	2,167,380	4,261,784	4,561,022	20,693,197	31,683,383
	<u>\$ 9,106,015</u>	<u>\$ 9,261,784</u>	<u>\$ 4,561,022</u>	<u>\$ 22,444,363</u>	<u>\$ 45,373,184</u>

The Company also has significant contractual obligations in the form of program rights commitments.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company's credit risk is attributable to cash and cash equivalents, short-term investments and accounts receivable.

The Company's cash consist of deposits and GICs with major commercial banks as per its practice of protecting its capital rather than maximizing investment yield through additional risk.

Short-term investments include low-yield government issue treasury bills with maturities of less than one year and are considered highly liquid with minimal credit risk.

Financial instruments that potentially subject the Company to concentrations of credit risk consist of trade accounts

receivables. The Company's trade accounts receivable are disclosed net of provision for expected credit losses. Credit risk associated with the non-performance of these customers can be directly impacted by a decline in economic conditions, which could impair the customers' ability to satisfy their obligations to the Company along with other factors which are built into the Company's assessment of the provision for expected credit losses. In order to reduce the exposure to this risk, the Company has credit procedures in place whereby analyses are performed to control the granting of credit to any new or high risk customers.

During the process of reviewing trade and other amounts receivable for impairment, the probability of the non-payment of the amounts receivable is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime provision for expected credit losses for trade and other amounts receivable. The factors that are considered in determining if collection is unlikely include the aging of the balance owing, the customer's financial condition and history of collections, whether the customer is in bankruptcy, under administration or the payments are in dispute, and general business conditions.

At August 31, 2022, the Company had amounts receivable of \$10.13 million (August 31, 2021 - \$8.36 million) net of provision for expected credit losses of \$1.11 million (August 31, 2021 - \$0.48 million), which adequately reflects the Company's credit risk. The Company's amounts receivable are primarily from Canadian customers.

The aging of accounts receivable past due is as follows:

	<u>August 31, 2022</u>	<u>August 31, 2021</u>
Trade accounts receivable		
Current	\$ 3,066,819	\$ 3,602,389
30 - 90 days past due date	2,647,761	2,401,529
Over 90 days past due date	1,362,455	350,788
	<u>\$ 7,077,035</u>	<u>\$ 6,354,706</u>
Other receivables	3,055,851	2,002,865
	<u>\$ 10,132,886</u>	<u>\$ 8,357,571</u>
Less: Provision for expected credit losses	<u>(1,108,873)</u>	<u>(481,803)</u>
	<u><u>\$ 9,024,013</u></u>	<u><u>\$ 7,875,768</u></u>

The Company believes that its provision for expected credit losses is sufficient to reflect the related credit risk based on the history of collections. The activity of the provision for expected credit losses for the years ended August 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Provision for expected credit losses - beginning of year	\$ (481,803)	\$ (669,244)
Provision (recovery) for expected credit losses	(739,026)	106,748
Write-off of bad debts	111,956	80,693
Provision for expected credit losses - end of year	<u><u>\$ (1,108,873)</u></u>	<u><u>\$ (481,803)</u></u>

Market and Price Risk

Market Risk

All of the Company's operations take place within Canada serving the Canadian market. Market risk concerns the potential loss associated with a general market decline in which the Company operates. Market risk is driven by changes in demand, price and costs of the advertising market. The Company is responsible for developing and marketing its brand names in the Canadian market and is impacted by changes in price and demand; therefore the Company is exposed to market risk.

Price Risk

There is limited exposure to foreign currency denominated assets or liabilities. Other price risk represents the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's short-term and long-term liabilities have fixed interest rates, thereby minimizing the exposure to cash flow interest rate risk.

CONTRACTUAL OBLIGATIONS

In May 2012, we assigned our interests under a property lease to a third party. In the event that the third party does not fulfill its obligations, we will be liable for the remaining payments due under the lease. Our continuing obligation under the lease is secured by a general security agreement covering our assets excluding the assets of the Radio business segment. The lease expired on April 2021, and at August 31, 2022, there are no remaining future minimum payments due under the lease (August 31, 2021 - \$nil)

RELATED PARTY TRANSACTIONS

The Company is controlled by Olympus Management Limited (“**OML**”), which owns 64.7% of the Company’s equity through both common shares and preference shares. The President and Chief Executive Officer of the Company controls 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 26.6% of the Company’s equity through both common shares and preference shares. The remaining 8.7% 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 year ended August 31, 2022, the Company paid management fees of \$1.53 million (2021 – \$1.38 million) and fees for ancillary services of \$0.18 million (2021 – \$0.17 million) to OML, the majority shareholder of the Company, for the provision of executive management services, home office costs, contractor services and talent fees. At August 31, 2022, included in accounts payable and accrued liabilities is a payable to OML of \$nil (August 31, 2021 - \$0.05 million). At August 31, 2022, included in the consolidated financial statements is a dividend payable to OML of \$nil (August 31, 2021 - \$0.63 million).

b. Transactions with entities controlled by a principal shareholder

During the year ended August 31, 2022, the Company received royalty revenues from Northbridge of \$0.88 million (2021 – \$0.80 million) and advertising revenues of \$0.27 million (2021 – \$0.18 million). Included in accounts receivable at August 31, 2022 is a receivable from Northbridge of \$0.28 million (August 31, 2021 – \$0.12 million). At August 31, 2022, included in the consolidated financial statements is a dividend payable to Northbridge of \$nil (August 31, 2021 - \$0.33 million).

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

CONTINGENT OFF-BALANCE SHEET ARRANGEMENTS

We do not have off-balance sheet financial commitments and do not anticipate entering into any contracts of such nature, other than the addition of such operating leases for equipment as may be required in the normal course of business.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Our significant accounting policies are described in Note 3 to the consolidated financial statements. The preparation of financial statements in conformity with International Financial Reporting Standards (“IFRS”) requires us to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Items requiring significant estimates and subject to measurement uncertainty include provision for expected credit losses, the carrying values of intangible assets, useful lives and valuation of program rights, carrying value of goodwill, long-term debt, deferred income taxes and the valuation of stock options. Actual results could differ from those 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 as follows:

Cash Generating Units (CGUs)

The determination of the CGUs involves significant judgment. We have identified several non-goodwill CGUs which include Vision TV, ONE TV, JoyTV, FAITH TV, Channel 5 (TVL), Zoomer Magazine, On The Bay Magazine, Tonic Magazine, AM Radio, FM Radio, CARP, Royalty, Website, Shows and Conferences, Television Production and Distribution and FreshDaily. Goodwill recorded in the consolidated financial statements relates to the Television group CGU and FreshDaily CGU.

Impairment of goodwill and indefinite life intangible assets

The values associated with indefinite life intangible assets and goodwill involve significant estimates and assumptions made by us with respect to future cash flows, growth rates and discount rates. These significant estimates and judgments could affect future results if the current estimates of future performance and fair values change.

We review goodwill and indefinite life intangible assets at least annually for impairment. The impairment test is carried out by allocating these assets to the relevant CGUs and comparing the aggregate recoverable amount of the assets included in the CGUs to their respective carrying amounts. The recoverable amount is determined based on the value in use of the CGUs using discounted cash flows models that require assumptions about future cash flows, margins and discount rates.

Estimated period of use of program rights

We amortize program rights over the estimated period of use. The amount of amortization recognized for any period is affected by our estimated period of use. These significant estimates are reviewed at least annually and are updated if expectations change as a result of changes in the broadcast schedules of our television stations. It is possible that changes in the broadcast schedules of the television stations may cause significant changes in the estimated period of use of the program rights. When there is a change in the intended use of the program rights the useful life will be revised and an additional amortization will be recorded.

Estimated useful lives

We estimate the useful lives of non-financial assets with definite useful lives, such as property and equipment and intangible assets with definite useful lives, based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for the depreciation and amortization on these assets are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence or other limits of use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of these assets in the future.

Valuation of business combinations or acquisitions

The values associated with assets acquired through business combinations or similar acquisitions involve significant estimates and assumptions with respect to future cash flows, growth rates, and discount rates. For each acquired set of activities or assets acquired, we are required to make an assessment of the various inputs, processes and outputs which require significant judgments. These significant estimates and judgments could affect the reported amounts and disclosure of assets and liabilities at the date of the financial statements, as well as revenues and expenses during the reporting period.

Income taxes

Income tax liabilities must be estimated by us, including an assessment of temporary differences. Any temporary differences will generally result in the recognition of deferred tax assets and liabilities in the financial statements. Significant judgment is required regarding our future profitability to be able to realize deferred tax assets. Changes in market conditions, changes in tax legislation and other factors could adversely affect the ongoing value of deferred taxes.

Additionally, we participate in transactions for which the ultimate tax treatment is uncertain. We may record a provision from time to time in respect of uncertain tax positions that we believe appropriately reflects the Company's risk. Such provisions are made using the best estimate of the amount expected to be incurred based on an assessment of all relevant factors.

MATERIAL CONTRACTS

We have rights to license the use of the CARP logo, and to control the use of the CARP name and other intellectual property in certain media as follows:

a) Agency Agreement

An assignment of the agency agreement dated May 1, 2001, pursuant to which we have the right to act as the exclusive representative and agent with regard to contracts, dealings and endeavours of any type by virtue of which CARP could receive certain remuneration. The agreement has terms which continue until December 31, 2099 subject to cancellation by us on three years' notice. Our rights under this agreement include the following rights:

- (i) to publish articles, newsletters, tabloids, newspapers, magazines and other periodicals in any form of media featuring, using or exploiting CARP's name and/or any one or more of CARP's tradenames, trademarks or other like intellectual property;
- (ii) to publish books featuring, using or exploiting CARP's name and/or any one or more of CARP's tradenames, trademarks or other like intellectual property;
- (iii) to produce and distribute radio programs, television programs, and programs in any other media using or exploiting CARP's name and/or any one or more of CARP's tradenames, trademarks or other like intellectual property;
- (iv) to produce and distribute motion pictures in film, video and any other media using or exploiting CARP's name and/or any one or more of CARP's tradenames, trademarks or other like intellectual property;
- (v) to affix any one or more of CARP's tradenames, trademarks or other like intellectual property to products, packaging, sales or promotional materials, except those soliciting membership in CARP;
- (vi) to mark products and/or their packaging as having been approved by CARP, or as having been manufactured under license from CARP, or as having been produced for members of CARP;
- (vii) to hold out products or services as having been approved by CARP or as having been designed or formulated for members of CARP, including without limitation offering products or services at prices which purportedly for members of CARP afford a discount from the regular prices thereof;

- (viii) to promote and market goods and services to the members of CARP, including, but without limiting the generality of the foregoing, newspapers; publications other than newspapers; residences; nursing care facilities; medical facilities; communication equipment and services; appliances; vehicles (rental, lease and sale); transportation facilities and services; vacations; travel accommodation and services; financial services; insurance services, policies and programs; education services; and entertainment;
- (ix) to establish and maintain any one or more remotely accessible information or communication sites (including but without limitation any one or more sites on the worldwide web) which are targeted to members of CARP, under any contractual format or regime which is contemplated to generate revenues; and
- (x) to use CARP's membership list subject to and in compliance with applicable legislation.

We are entitled to utilize such rights at our own discretion and to remunerate CARP as we may determine at our own discretion. Subject to certain terms and conditions including the obligation to ensure that no published material is obscene, lewd or lascivious, or promotes or could incite hatred or intolerance of, or discrimination against, any persons because of their race, colour, religion or national origin, sex, sexual orientation, handicap or family status.

b) Publishing Contract

An assignment of a publishing contract dated May 1, 2001, pursuant to which we have been given the sole and exclusive right, license and authority to publish magazines, newspapers, newsletters, tabloids and other periodicals, as well as books, pamphlets, catalogues and other publications, intended principally for members of CARP, in any form of media now known or which hereafter comes into existence (including without limitation, in print form or in any electronic form, which expression includes the worldwide web) under, featuring, using or exploiting any one or more of CARP's tradenames, trademarks and other intellectual property.

c) Northbridge Financial Corporation Royalty Agreement

An assignment of a royalty agreement dated August 1, 2007 pursuant to which Northbridge agreed to pay the Company a royalty calculated on the amount of direct premiums for insurance coverage payable until August 1, 2022 under policies of insurance insuring any member of CARP and issued or placed by Northbridge or its affiliates. The royalty payment agreement permits an annual offset of \$0.72 million which totals \$10.8 million over the term of the agreement. Pursuant to this agreement, Northbridge is required to spend a minimum of \$0.25 million in advertising with ZOOMER magazine, increased annually by the Consumer Price Index for a period of 15 years, except that for every 10% reduction in the subscription levels for ZOOMER magazine during a contract year from a threshold level of 90% of the paid subscribers as at August 1, 2007 (approximately 190,000 paid subscribers), such minimum advertising commitment may be reduced by 10%. Northbridge may elect to cease making advertising expenditures where the ZOOMER magazine subscription level falls to less than 60% of such threshold and there is a failure to raise the ZOOMER magazine subscription level to greater than 60% of such threshold upon 60 days' notice.

The Northbridge agreement was extended for a further year with a reduction in the royalty percentage which may result in lower royalty premiums.

RECONCILIATION AND DEFINITION OF NON-IFRS MEASURES

Earnings before Interest, Taxes, Depreciation and Amortization (“EBITDA”) is a non-GAAP measure used by management to provide additional insight into our performance and financial condition. Adjusted EBITDA excludes the gain on sale of property and the unrealized gain or loss on equity instruments. We believe that these non-GAAP measure are an important part of the financial reporting process and are useful in communicating information that complements and supplements the consolidated financial statements. Accordingly, we are presenting EBITDA and Adjusted EBITDA in this MD&A to enhance the usefulness of our MD&A. We have provided a reconciliation of EBITDA and Adjusted EBITDA to the most directly comparable IFRS number, disclosure of the purpose of the non-GAAP measure, and how the non-IFRS measure is used in managing the business.

We report EBITDA because it is a key measure used by management to evaluate performance of our business segments and the Company. EBITDA is a measure commonly reported and widely used by investors as an indicator of a company’s operating performance and ability to service debt, and as a valuation metric. We report Adjusted EBITDA to evaluate performance primarily because of the significant effect certain unusual or non-recurring amounts have on EBITDA from period to period. The Company believes EBITDA and Adjusted EBITDA assist investors in comparing a company’s performance on a consistent basis without regard to depreciation and amortization, which are non-cash in nature and can vary significantly dependent on accounting methods or non-operating factors such as historical cost.

EBITDA and Adjusted EBITDA are not calculations based on IFRS and should not be considered an alternative to net income or loss in measuring the Company’s performance, nor should they be used as an exclusive measure of cash flow, because they do not consider the impact of movements in working capital (including liabilities relating to program rights), capital expenditures, debt principal reductions and other sources and uses of cash which are disclosed in the consolidated statements of cash flows. Investors should carefully consider the specific items included in our computation of EBITDA and Adjusted EBITDA.

The following is a reconciliation of EBITDA and Adjusted EBITDA with net income for the year ended August 31, 2022 and 2021:

	Year ended	
	August 31,	August 31,
	2022	2021
Net income and comprehensive income	\$ 3,481,120	\$ 3,733,589
Depreciation	2,405,185	2,371,474
Amortization of other intangible assets	1,459,146	1,028,195
Interest expense	1,398,551	1,295,981
Interest income	(129,710)	(118,799)
Income tax expense	1,296,466	1,136,142
EBITDA	9,910,758	9,446,582
Unrealized (gain) loss on equity instruments	406,994	(212,686)
(Gain) loss on sale of equity instruments	(973,903)	8,683
Adjusted EBITDA	<u>\$ 9,343,849</u>	<u>\$ 9,242,579</u>

LEGAL PROCEEDINGS

In the normal course of business, we become involved in various claims and legal proceedings. While the final outcome with respect to claims and legal proceedings pending as at August 31, 2022 cannot be predicted with certainty, these matters are not expected to have a material adverse effect on our financial position.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO), on a timely basis so that appropriate decisions can be made regarding public disclosure. As at August 31, 2022, the CEO and CFO have evaluated the effectiveness of our disclosure controls and procedures as defined in Multilateral Instrument 52-109 (Certification of Disclosure in Issuers' Annual and Interim Filings) of the Canadian Securities Administrators and have concluded that such controls and procedures are effective.

INTERNAL CONTROL OVER FINANCIAL REPORTING and DISCLOSURE CONTROLS AND PROCEDURES

In accordance with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings), the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") file Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements and accompanying Management's Discussion and Analysis. The Venture Issuer Basic Certification includes a "Note to Reader" stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

As part of our corporate governance practices, internal controls over financial reporting ("ICFR") and disclosure controls and procedures ("DC&P") have been designed. There has been no formal evaluation of the operation of these controls. We have designed our ICFR to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP. Management works to mitigate the risk of a material misstatement in financial reporting; however a control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Our DC&P has been designed to ensure that the information required to be disclosed by ZoomerMedia is accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. It should be noted that while the Company's CEO and CFO believe that our DC&P provide reasonable assurance that they are effective, they do not expect that the DC&P and ICFR will prevent all errors or fraud. There has been no material change in the internal controls of the Company in the year ended August 31, 2022.

DISCLOSURE OF OUTSTANDING SHARE DATA

ZoomerMedia Limited common shares trade on the TSX Venture Exchange under the symbol "ZUM". The Company is authorized to issue an unlimited number of preference shares in one or more series and an unlimited number of common shares without par value. On November 23, 2022, there were 273,646,964 common shares issued and outstanding, 387,879,129 preference shares issued and outstanding and 25,483,333 stock options outstanding with a weighted average exercise price of \$0.05.