



ZOOMER MEDIA

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ZOOMER MEDIA LIMITED

Management's Discussion and Analysis **For the three and nine months ended May 31, 2021 and May 31, 2020**

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

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 nine months ended May 31, 2021.

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 July 28, 2021. 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

ZoomerMedia Limited is a multimedia company that serves the 45plus “Zoomer” demographic through television, radio, magazine, internet, conferences and trade shows. Our 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. Our 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. We also publish ZOOMER Magazine, the largest paid circulation magazine in Canada for the mature market, On The Bay Magazine, a regional lifestyle magazine published quarterly for the 20 towns and villages of Southern Georgian Bay, Ontario, and Tonic Magazine, a regional health and wellness magazine published every two months and distributed across the City of Toronto. We are Canada’s leading provider of online content targeting the 45plus age group through many properties, the key one being www.EverythingZoomer.com. We have 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'.

During the third quarter of fiscal 2020, ZoomerMedia entered into an agreement with an arms-length party for the sale of substantially all of the net assets of Darwin CX, a Software-as-a-Service ("SaaS") platform that manages customer experience orchestration for circulation and membership based clientele launched in September 2018. The transaction closed on August 18, 2020. Accordingly, the operating results and cash flows for the Darwin CX disposal group are presented as discontinued operations. Please refer to the section "DISCONTINUED OPERATIONS" below for further discussion.

Please note that this MD&A reflects ZoomerMedia's results of continuing operations unless otherwise stated.

OVERVIEW OF CONSOLIDATED RESULTS

	Three months ended			Nine months ended		
	May 31 2021	May 31 2020 (as restated)	% Change	May 31 2021	May 31 2020 (as restated)	% Change
Revenue	\$ 11,425,474	\$ 12,436,587	(8.1)%	\$ 36,782,642	\$ 40,136,696	(8.4)%
Operating expenses	9,864,463	9,846,468	(0.2)%	28,435,415	32,338,576	12.1%
Adjusted EBITDA¹	1,561,011	2,590,119	(39.7)%	8,347,227	7,798,120	7.0%
<i>Adjusted EBITDA %</i>	<i>13.7%</i>	<i>20.8%</i>	<i>(7.1)%</i>	<i>22.7%</i>	<i>19.4%</i>	<i>3.3%</i>
Depreciation & Amortization	845,123	879,619	3.9%	2,540,394	2,666,582	4.7%
Operating income	715,888	1,710,500	(58.1)%	5,806,833	5,131,538	13.2%
Interest income	(25,544)	(84,379)		(59,147)	(168,039)	
Interest expense	322,658	333,344		975,188	1,007,224	
Unrealized (gain) loss on equity instruments	23,914	15,501		(305,323)	117,066	
Loss on sale of equity instruments	13,341	—		13,341	—	
Gain on sale of property	—	—		—	(137,229)	
Net income before income taxes	381,519	1,446,034	(73.6)%	5,182,774	4,312,516	20.2%
Income tax expense	135,519	358,509	62.2%	1,545,679	1,264,879	(22.2)%
Net income and comprehensive income for the period	246,000	1,087,525	(77.4)%	3,637,095	3,047,637	19.3%

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 three and nine months ended May 31, 2021 were \$11.43 million and \$36.78 million respectively, a decrease of 8.1% and 8.4% compared to the same periods in the prior year. This was primarily attributed to the continued impact of COVID-19 on Radio and Print commercial advertising sales, the cancellation of the Toronto ZoomerShow in October 2020 and the Vancouver ZoomerShow in April 2021, and a decline in Membership & Royalty revenues.

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

OPERATING EXPENSES

Consolidated operating expenses for the three months ended May 31, 2021 were \$9.86 million, an increase of 0.2% compared to the same period in the prior year. For the nine months ended May 31, 2021, consolidated operating expenses were \$28.44 million, a decrease of 12.1% compared to the same period in the prior year. Various cost containment initiatives implemented for fiscal 2021, lower sales costs as a result of a decline in revenues, timing of programming acquisition and marketing spend, and the receipt of \$0.98 million in Canada Emergency Wage Subsidy ("CEWS") and \$0.12 million in Canada Emergency Rent Subsidy ("CERS") contributed to the decrease in operating expenses.

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

DEPRECIATION AND AMORTIZATION

Depreciation and amortization expense for the three and nine months ended May 31, 2021 were \$0.85 million and \$2.54 million respectively, a decrease of 3.9% and 4.7% compared to the same periods in the prior year.

INTEREST INCOME AND INTEREST EXPENSE

For the three and nine months ended May 31, 2021, interest income earned on short-term investments and deposits were \$0.03 million and \$0.06 million respectively.

Interest expense for the three and nine months ended May 31, 2021 were \$0.32 million and \$0.98 million respectively, due mainly to the accretion of interest on the lease liabilities recorded on adoption of IFRS 16 at the beginning of the prior year.

INCOME TAXES

For the three months ended May 31, 2021, income tax expense was \$0.14 million, compared to \$0.36 million in the prior year.

For the nine months ended May 31, 2021, income tax expense were \$1.55 million, compared to \$1.26 million in the prior year.

NET INCOME AND COMPREHENSIVE INCOME

For the three months ended May 31, 2021, net income was \$0.25 million, compared to a net loss of \$1.09 million in the prior year.

For the nine months ended May 31, 2021, net income was \$3.64 million, compared to \$3.05 million in the prior year.

TELEVISION

The television division operates Vision TV, ONE: Get Fit, TVL Channel 5, JoyTV in Vancouver and FAITH TV in Winnipeg.

	Three months ended			Nine months ended		
	May 31 2021	May 31 2020	% Change	May 31 2021	May 31 2020	% Change
Revenue	\$ 7,627,737	\$ 8,260,768	(7.7)%	\$ 24,014,954	\$ 24,117,413	(0.4)%
Subscriber fees	2,820,566	3,126,770	(9.8)%	8,796,594	9,281,870	(5.2)%
Mosaic air time sales	2,518,121	2,719,077	(7.4)%	7,525,028	7,816,466	(3.7)%
Commercial advertising	2,220,255	1,907,586	16.4%	6,940,305	6,051,392	14.7%
Distribution, retransmission & other	68,795	507,335	(86.4)%	753,027	967,685	(22.2)%
Operating expenses	3,913,896	3,781,545	(3.5)%	11,531,654	12,411,030	7.1%
Segment Adjusted EBITDA	3,713,841	4,479,223	(17.1)%	12,483,300	11,706,383	6.6%
<i>Adjusted EBITDA Margin</i>	<i>48.7%</i>	<i>54.2%</i>		<i>52.0%</i>	<i>48.5%</i>	

For the three and nine months ended May 31, 2021, total revenues from the Television division decreased by 7.7% and 0.4% respectively, compared to the same periods in the prior year. This was primarily attributed to the timing of retransmission royalties for JoyTV and FAITH TV, a decline in subscriber fees due to continuing market-wide cord-cutting, and the COVID-19 impact to Mosaic air time sales. The decline was partially offset by an increase in commercial advertising revenues in Vision TV and ONE: Get Fit as a result of additional programming changes, which has positively impacted viewership and reduced previously unused advertising inventory.

For the three months ended May 31, 2021, operating expenses increased by 3.5% compared to the same period in the prior year. This was primarily attributable to one-time expense related to staff turnover in VisionTV's sales department incurred during the quarter.

For the nine months ended May 31, 2021, operating expenses decreased by 7.1%, compared to the same period in the prior year. This was mainly driven by lower amortization of program rights as a result of a deferral in new third-party programming spend, and various cost containment initiatives implemented since the onset of the pandemic, which reduced sales costs and non-critical spending including travel, conference and entertainment.

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.

	Three months ended			Nine months ended		
	May 31 2021	May 31 2020	% Change	May 31 2021	May 31 2020	% Change
Revenue	\$ 1,431,572	\$ 1,285,071	11.4%	\$ 4,563,415	\$ 5,879,643	(22.4)%
Operating expenses	1,539,383	1,753,220	12.2%	4,882,419	6,150,562	20.6%
Segment Adjusted EBITDA	(107,811)	(468,149)	77.0%	(319,004)	(270,919)	(17.7)%
Adjusted EBITDA Margin	(7.5)%	(36.4)%		(7.0)%	(4.6)%	

For the three months ended May 31, 2021, total revenues from the Radio division increased by 11.4%, compared to the same period in the prior year. This was mainly driven by the initial impact of COVID-19 lockdowns in March and April 2020, which led to widespread cancellations and deferrals across all industry segments.

For the nine months ended May 31, 2021, total revenues from the Radio division decreased by 22.4%, compared to the same period in the prior year, highlighting the the prolonged impact of COVID-19 lockdowns in the live events, hospitality and retail sectors, staple local advertising clients for Radio.

Operating expenses for the three and nine months ended May 31, 2021 decreased by 12.2% and 20.6% respectively, compared to the same periods in the prior year. This was driven by reduced sales related costs and tariff payments corresponding to the revenue decline, the deferral of a major advertising campaign, and savings in discretionary travel, entertainment and general expenses. Included in operating expenses for the three and nine months ended May 31, 2021 is the receipt of \$0.23 million and \$0.65 million in CEWS respectively, recorded as a reduction to salaries expense for the period. In addition, the Radio division received \$0.82 million in CERS during the quarter, further reducing operating expenses.

PRINT

The Print operations consists 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.

	Three months ended			Nine months ended		
	May 31 2021	May 31 2020	% Change	May 31 2021	May 31 2020	% Change
Revenue	\$ 1,208,100	\$ 1,177,420	2.6%	\$ 3,214,225	\$ 3,400,660	(5.5)%
ZOOMER magazine - Subscriber fees	536,058	504,853	6.2%	1,317,749	1,264,374	4.2%
ZOOMER magazine - Commercial advertising	479,870	508,027	(5.5)%	1,423,696	1,654,012	(13.9)%
Tonic magazine	38,213	—	100.0%	85,893	—	100.0%
On The Bay magazine	153,959	164,540	(6.4)%	386,887	482,274	(19.8)%
Operating expenses	1,263,878	942,501	(34.1)%	3,210,836	3,302,336	2.8%
ZOOMER magazine	1,055,334	856,660	(23.2)%	2,600,429	2,879,740	9.7%
Tonic magazine	59,407	—	(100.0)%	158,859	—	(100.0)%
On The Bay magazine	149,137	85,841	(73.7)%	451,548	422,596	(6.9)%
Segment Adjusted EBITDA	(55,778)	234,919	(123.7)%	3,389	98,324	(96.6)%
<i>Adjusted EBITDA Margin</i>	<i>(4.6)%</i>	<i>20.0%</i>		<i>0.1%</i>	<i>2.9%</i>	

For the three months ended May 31, 2021, total revenues from the Print division increased by 2.6%, compared to the same period in the prior year. This was mainly attributable to the inclusion of Tonic magazine, which commenced on September 1, 2020.

For the nine months ended May 31, 2021, total revenues from Print operations decreased by 5.5%, compared to the same period in the prior year. This was mainly attributable to the pandemic impact on advertising sales in ZOOMER magazine and On The Bay Magazine, with continued lockdowns impacting the travel and hospitality sectors, which had been key business segments in prior years.

For the three months ended May 31, 2021, operating expenses increased by 34.1%, compared to the same period in the prior year. This was the result of the addition of Tonic magazine at the beginning of the current fiscal year, the timing of circulation initiatives in ZOOMER magazine, and timing of sales related expenses in On The Bay Magazine.

For the nine months ended May 31, 2021, operating expenses decreased by 2.8%, compared to the same period in the prior year, driven by the timing of marketing campaigns, continued cost containment measures, and lower sales related costs.

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" below for further discussion of our relationship to CARP.

	Three months ended			Nine months ended		
	May 31	May 31	% Change	May 31	May 31	% Change
	2021	2020		2021	2020	
Revenue	\$ 836,142	\$ 1,034,886	(19.2)%	\$ 2,951,953	\$ 3,668,072	(19.5)%
Membership and Other	372,973	449,526	(17.0)%	1,472,428	1,540,962	(4.4)%
Royalty	463,169	585,360	(20.9)%	1,479,525	2,127,110	(30.4)%
Operating expenses	649,394	497,422	(30.6)%	1,690,027	2,060,050	18.0%
Segment Adjusted EBITDA	186,748	537,464	(65.3)%	1,261,926	1,608,022	(21.5)%
<i>Adjusted EBITDA Margin</i>	<i>22.3%</i>	<i>51.9%</i>		<i>42.7%</i>	<i>43.8%</i>	

For the three and nine months ended May 31, 2021, total revenues for the Membership & Royalty division decreased by 19.2% and 19.5% respectively, compared to the same periods in the prior year. This was driven by a decrease in Canopy Growth royalty revenues and CARP educational revenues, as well as the pandemic impact on Northbridge travel insurance royalties.

For the three months ended May 31, 2021, operating expenses increased by 30.6%, compared to the same period in the prior year. This was mainly attributable to a one-time implementation fee recognized in the third quarter of the current fiscal year related to additional CARP membership benefits program.

For the nine months ended May 31, 2021, operating expenses decreased by 18.0%, compared to the same period in the prior year. This was attributable to the deferral of several CARP promotion campaigns, and reduced general and administrative spending.

OTHER

The Other division of the Company comprises 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 Holiday II Inc., JTM Classical Performance II Inc., JTM Libby's Story Inc., Gospel Song Productions Inc., People Who Sing Together 2 Inc., JTM Hit Parade Inc., JTM Unholy Inc., JTM Hit Parade 3 Inc., JTM Healing Gardens Inc., and 2585882 Ontario Inc., structured entities that create television programming content exclusively for Vision TV and ONE: Get Fit.

The operating results of Darwin CX Inc., an entity that owns a cloud-based customer experience orchestration platform called Darwin CX, has been classified to discontinued operations and excluded in the Other division for the purposes of segmented reporting for the nine months ended May 31, 2021 and May 31, 2020. Please refer to the section "DISCONTINUED OPERATIONS" for further discussion.

	Three months ended			Nine months ended		
	May 31 2021	May 31 2020 (as restated)	% Change	May 31 2021	May 31 2020 (as restated)	% Change
Revenue	\$ 297,773	\$ 678,442	(56.1)%	\$ 1,995,106	\$ 3,060,623	(34.8)%
Operating expenses	1,107,598	1,601,812	30.9%	3,512,640	4,185,056	16.1%
Segment Adjusted EBITDA	(809,825)	(923,370)	12.3%	(1,517,534)	(1,124,433)	(35.0)%
<i>Adjusted EBITDA Margin</i>	<i>(272.0)%</i>	<i>(136.1)%</i>		<i>(76.1)%</i>	<i>(36.7)%</i>	

For the three and nine months ended May 31, 2021, Other revenues decreased by 56.1% and 34.8% respectively, compared to the same periods in the prior year. This was due to the cancellation of the Toronto ZoomerShow in October 2020 and the Vancouver ZoomerShow in April 2021, as well as the timing of JTM production deliveries year-over-year. The revenue decline was partially offset by new revenue streams from online commercial advertising revenues, as well as revenues realized from the rental of production facilities and virtual summits.

For the three and nine months ended May 31, 2021, operating expenses decreased by 30.9% and 16.1% respectively, compared to same periods in the prior year. This was driven by lower expenses as a result of the Toronto and Vancouver ZoomerShow cancellations, lower use of external resources for technical operations and production, and other cost containment initiatives implemented.

CORPORATE

Corporate revenues represent 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 corporate management 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.

	Three months ended			Nine months ended		
	May 31 2021	May 31 2020 (as restated)	% Change	May 31 2021	May 31 2020 (as restated)	% Change
Revenue	\$ 24,150	\$ —	100.0%	\$ 42,989	\$ 10,285	318.0%
Operating expenses	1,390,314	1,269,968	(9.5)%	3,607,839	4,229,542	14.7%
Segment Adjusted EBITDA	(1,366,164)	(1,269,968)	(7.6)%	(3,564,850)	(4,219,257)	15.5%

For the three months ended May 31, 2021, operating expenses related to corporate overhead increased by 9.5%, compared to the same period in the prior year, as a result of staff turnover, higher professional fees, and an increase in building lease costs.

For the nine months ended May 31, 2021, operating expenses related to corporate overhead decreased by 14.7%, compared to the same period in the prior year. This was the result of various cost containment initiatives implemented since the onset of COVID-19. Included in operating expenses is the receipt of \$0.16 million in CEWS and \$0.04 million in CERS, recorded as a reduction to salaries and occupancy expenses for the period.

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		<u>6,599,746</u>
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		<u>4,563,413</u>
Income tax expense		(692,244)
After-tax gain on sale of Darwin disposal group	\$	<u><u>3,871,169</u></u>

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 following summarizes the Company's net loss from discontinued operations for the three and nine months ended May 31, 2021 and May 31, 2020.

	Three months ended		Nine months ended	
	May 31	May 31	May 31	May 31
	2021	2020	2021	2020
Revenue	\$ —	\$ 133,203	\$ —	\$ 304,146
Operating expenses				
Salaries and wages	—	152,901	—	463,326
Other employee costs	—	68,600	—	202,981
Distribution and transmission costs	—	72,653	—	325,775
Other operating expenses	—	64,526	—	215,245
	—	358,680	—	1,207,327
Amortization of other intangible assets	—	76,468	—	267,751
Operating loss	—	(301,945)	—	(1,170,932)
Interest income	—	—	—	(246)
Interest expense	—	—	—	862
Net interest expense	—	—	—	616
Net loss before income taxes	—	(301,945)	—	(1,171,548)
Income tax recovery	—	(48,642)	—	(292,798)
Net loss from discontinued operations	<u>\$ —</u>	<u>\$ (253,303)</u>	<u>\$ —</u>	<u>\$ (878,750)</u>

The following summarizes the cash flow impact of the Company's discontinued operations for the three and nine months ended May 31, 2021 and May 31, 2020.

	Three months ended		Nine months ended	
	May 31	May 31	May 31	May 31
	2021	2020	2021	2020
Operating activities from discontinued operations	—	293,327	\$ —	\$ (268,801)
Investing activities from discontinued operations	—	(266,771)	—	(817,760)
Cash flow impact of discontinued operations	<u>\$ —</u>	<u>\$ 26,556</u>	<u>\$ —</u>	<u>\$ (1,086,561)</u>

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 except for the three months ended May 31, 2021, February 28, 2021, November 30, 2020, August 31, 2020 and 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 for the nine months ended May 31, 2020 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 \$1.04 million
- An increase to long-term lease liabilities of \$1.57 million
- An increase to operating expenses of \$0.81 million,
- A reduction to depreciation expense of \$0.76 million, and
- A reduction to interest expense of \$0.08 million.

	(000's of dollars – except per share amounts)							
	2021 May 31	2021 Feb 28	2020 Nov 30	2020 Aug 31	2020 May 31	2020 Feb 29	2019 Nov 30	2019 Aug 31
Revenue as previously disclosed	\$11,425	\$12,130	\$13,227	\$10,549	\$12,437	\$13,092	\$14,779	\$13,516
Impact of (a)	—	—	—	—	—	(112)	(59)	(71)
Impact of (b)	—	—	—	—	—	—	—	—
Revenue as restated	\$11,425	\$12,130	\$13,227	\$10,549	\$12,437	\$12,980	\$14,720	\$13,445
Net income (loss) as previously disclosed	\$246	\$1,474	\$1,917	\$1,543	\$1,088	\$(304)	\$1,611	\$608
Impact of (a)	—	—	—	—	—	278	347	363
Impact of (b)	—	—	—	—	—	11	17	—
Net income (loss) as restated	\$246	\$1,474	\$1,917	\$1,543	\$1,088	\$(15)	\$1,975	\$971
Net income (loss) per share	\$0.00	\$0.00	\$0.00	\$0.01	\$0.00	\$(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 May 31, 2021, we had cash of \$14.44 million and short-term investments of \$16.64 million. During the nine months ended May 31, 2021, we had a cash inflow of \$5.00 million from operating activities, compared to an inflow of \$7.29 million for the nine months ended May 31, 2020. Cash used for investing activities was \$7.02 million for the nine months ended May 31, 2021, compared to \$3.70 million during the nine months ended May 31, 2020. During the nine months ended May 31, 2021, cash outflow from financing activities was \$1.21 million, compared to \$1.60 million for the nine months ended May 31, 2020.

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 in April 2021. At May 31, 2021, the remaining future minimum payments due under the lease is \$nil.

RELATED PARTY TRANSACTIONS

The Company is controlled by Olympus Management Limited ("OML"), which owns 64.9% 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 27.0% of the Company's equity through both common shares and preference shares. The remaining 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 nine months ended May 31, 2021, the Company paid management fees of \$1.04 million (2020 – \$1.04 million) and fees for ancillary services of \$0.13 million (2020 – \$0.13 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 May 31, 2021, included in accounts payable and accrued liabilities is a payable to OML of \$nil (August 31, 2020 - \$0.0003 million). At May 31, 2021, included in trade and other receivables is a receivable balance of \$0.25 million from the owner of OML, the Company's principal shareholder, related to the exercise of stock options (August 31, 2020 - \$nil).

b. Transactions with entities controlled by a principal shareholder

During the nine months ended May 31, 2021, the Company received royalty revenues from Northbridge of \$0.54 million (2020 – \$0.67 million) and advertising revenues of \$0.10 million (2020 – \$0.08 million). Included in accounts receivable at May 31, 2021 is a receivable from Northbridge of \$0.11 million (August 31, 2020 – \$0.08 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 allowance for doubtful accounts receivable, 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, JoyTV, FAITH TV, Channel 5 (TVL), Zoomer Magazine, On The Bay Magazine, Tonic Magazine, AM Radio, FM Radio, CARP, Royalty, Website, Shows and Conferences, and Television Production and Distribution. Goodwill recorded in the consolidated financial statements relates to the Television group 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.

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 three and nine months ended May 31, 2021 and May 31, 2020:

	Three months ended		Nine months ended	
	May 31	May 31	May 31	May 31
	2021	2020	2021	2020
Net income and comprehensive income	\$ 246,000	\$ 1,087,525	\$ 3,637,095	\$ 3,047,637
Depreciation	592,228	596,783	1,765,284	1,809,233
Amortization of other intangible assets	252,895	282,836	775,110	857,349
Interest expense	322,658	333,344	975,188	1,007,224
Interest income	(25,544)	(84,379)	(59,147)	(168,039)
Income tax expense	135,519	358,509	1,545,679	1,264,879
EBITDA	1,523,756	2,574,618	8,639,209	7,818,283
Unrealized (gain) loss on equity instruments	23,914	15,501	(305,323)	117,066
Gain on sale of property	—	—	—	(137,229)
Adjusted EBITDA	<u>\$ 1,547,670</u>	<u>\$ 2,590,119</u>	<u>\$ 8,333,886</u>	<u>\$ 7,798,120</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 May 31, 2021 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 May 31, 2021, 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 nine months ended May 31, 2021.

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. Subsequent to the end of the reporting period and prior to the issuance of the financial statements, 1,000,000 stock options were exercised. On July 28, 2021, there were 273,163,297 common shares issued and outstanding, 387,879,129 preference shares issued and outstanding and 21,067,000 stock options outstanding with a weighted average exercise price of \$0.05.