ZOOMERMEDIA LIMITED

Management's Discussion and Analysis
For the year ended August 31, 2018

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, 2018.

We prepare our consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP") as set out in Part 1 of the Handbook of the CPA Canada Handbook ("CPA Handbook").

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 December 21, 2018 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; and
- the dependence of the business on key personnel.

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, Canada's only multi-faith specialty television service; ONE: Get Fit, offering programs on exercise, meditation, yoga, natural health and living a planet-friendly lifestyle; JoyTV in Vancouver, Victoria, Surrey and the Fraser Valley, and Faith TV (formerly HOPETV), a lifestyle television service out of Winnipeg devoted to broadcasting Christian programming. ZoomerMedia's radio properties include CFMZ-FM Toronto - The New Classical 96.3FM, CFMX-FM Cobourg - The New Classical 103.1FM, CFMO-FM Collingwood - The New Classical 102.9FM, Canada's only commercial classical music radio stations serving the Greater Toronto Area (GTA), eastern Ontario and Collingwood, CFZM-AM 740 Toronto and CFZM-FM 96.7FM Toronto - Zoomer Radio, Toronto's "Timeless Hits" Station. We also publish ZOOMER Magazine, the largest paid circulation magazine in Canada for the mature market, as well as On The Bay Magazine, a regional lifestyle magazine published quarterly for the 20 towns and villages of Southern Georgian Bay, Ontario. 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 also 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'.

OVERVIEW OF CONSOLIDATED RESULTS

	2018	2017	% Change
Revenue	$50,665,666	$50,618,261	0.1%
Operating expenses	48,001,722	50,277,596	4.5%
Adjusted EBITDA[1]	**2,663,944**	**340,665**	**682.0%**
Adjusted EBITDA %	*5.3%*	*0.7%*	*4.6%*
Depreciation, amortization and impairment	2,442,526	5,293,075	53.9%
Operating income (loss)	**221,418**	**(4,952,410)**	**104.5%**
Interest income	(28,087)	(62,220)	(54.9)%
Interest expense	2,518	56,576	95.5%
Net interest expense (income)	(25,569)	(5,644)	353.0%
Net income (loss) before income taxes	**246,987**	**(4,946,766)**	**105.0%**
Income tax expense	195,028	1,498,405	87.0%
Net income (loss) and comprehensive income (loss) for the year	**51,959**	**(6,445,171)**	**100.8%**

[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

REVENUE

For the year ended August 31, 2018, consolidated revenue of $50.7 million was up 0.1% compared to $50.6 million in the prior year. Revenue increased in Radio by 7.2% and Print by 2.9%. These increases were partially offset by a decline in Television of 4.0%. Further analysis of revenues is provided in the discussion of segmented results.

OPERATING EXPENSES

For the year ended August 31, 2018, operating expenses of $48.0 million decreased 4.5% from $50.3 million in the prior year. On a consolidated basis, employee costs were lower by 3.7% primarily due to a reduction in staff and lower stock-based compensation expense. Distribution and transmission costs were higher when compared to the prior year due to Ontario Interactive Digital Media Tax Credit ("OIDMTC"), $2.3 million was received in 2017, but this was offset by lower amortization of program rights of $4.5 million (40.1%) in the current year. Also, reorganization and outsourcing of the Company's master control operations in the third quarter of the prior year contributed to the year over year decrease. Normalizing for the OIDMTC amounts received, operating expenses were lower by 8.5% in fiscal 2018. Further analysis of expenses is provided in the discussion of segmented results.

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Depreciation, amortization and impairment expense for the year ended August 31, 2018 was $2.4 million as compared to $5.3 million for the year ended August 31, 2017. During the year ended August 31, 2017, the Company recorded an impairment charge of $1.7 million associated with the FM Radio cash generating unit ("CGU") as well as $1.5 million associated with the ONE TV CGU. No impairment was recorded for the year ended August 31, 2018.

INTEREST INCOME AND INTEREST EXPENSE

Interest income was $28.1 thousand for the year ended August 31, 2018, attributable to interest earned on short-term investments (2017 - $62.2 thousand).

Interest expense for the year ended August 31, 2018 was $2.5 thousand (2017 - $56.6 thousand).

NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the year ended August 31, 2018, net income was $52.0 thousand, as compared to a net loss of $6.4 million in the prior year.

TELEVISION

The Television division operates Vision TV, ONE: Get Fit, JoyTV in Vancouver and Faith TV (formerly HOPETV) in Winnipeg.

	2018	2017	% Change
Revenue	**$30,620,942**	**$31,910,912**	**(4.0)%**
Subscriber fees	13,480,540	13,391,940	0.7%
Mosaic air-time sales	10,890,493	11,395,332	(4.4)%
Commercial advertising	5,416,642	6,408,419	(15.5)%
Distribution, retransmission & other	833,267	715,221	16.5%
Operating expenses	**17,454,241**	**23,899,113**	**27.0%**
Segment Adjusted EBITDA	**13,166,701**	**8,011,799**	**64.3%**
Adjusted EBITDA Margin	***43.0%***	*25.1%*	
Depreciation, Amortization, and Impairment	627,546	1,993,520	68.5%
Interest expense	—	1,829	100.0%
Segment Income	**12,539,155**	**6,016,450**	**108.4%**
Segment Margin	***40.9%***	*18.9%*	

Revenues were down 4.0% for the year ended August 31, 2018 when compared to prior year. This was driven primarily by a decrease in both commercial advertising and mosaic air-time sales which have been adversely impacted by softness in the television advertising market. Subscriber fees saw an increase of 0.7% due to higher negotiated rates with broadcast distribution undertakings. However, we continued to see a decrease in subscriber numbers of 10% in 2018 as television viewers shift towards alternatives to conventional cable packages.

Operating expenses for the year ended August 31, 2018 decreased 27.0% compared to prior year mainly due to lower programming costs which includes the amortization of program rights. Program rights purchases were lower in 2018 due primarily to a change in the program format and schedule for JoyTV. Additionally, employee costs and distribution and transmission costs were lower than in the prior year due to the reorganization and outsourcing of the Company's master control operations in the third quarter of the prior 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 - Zoomer Radio.

	2018	2017	% Change
Revenue	**$9,356,471**	$8,725,430	7.2%
Operating expenses	**9,196,945**	7,709,277	(19.3)%
Segment Adjusted EBITDA	**159,526**	**1,016,153**	**(84.3)%**
Adjusted EBITDA Margin	***1.7%***	*11.6%*	
Depreciation, Amortization, and Impairment	**268,570**	1,992,283	86.5%
Interest expense	—	3,432	100.0%
Segment Loss	**(109,044)**	**(979,562)**	**88.9%**
Segment Margin	***(1.2)%***	*(11.2)%*	

Revenue was up 7.2% in fiscal 2018 with increases in both local and national advertising sales. The Toronto radio market was up 2% this year vs prior year. The New Classical 96.3FM outperformed the market as a result of improved audience numbers. As audience numbers grow in key advertising buying demographics (Adults 25 to 54 and Women 25 to 54), more revenue is spent on stations with growing audiences by national advertising agencies, hence some of the growth seen on The New Classical 96.3FM. Local advertising sales revenue also benefited to a more moderate degree as some business was booked through advertising agencies on behalf of retail chain stores.

Operating expenses increased by 19.3% year over year. The increase is mainly attributable to higher variable compensation costs and $0.6 million in OIDMTC amounts received in the prior year, offsetting distribution and transmission costs. In addition, higher marketing costs were incurred for The New Classical 96.3FM fiscal 2018 fall campaign to drive more listenership. Normalizing for the OIDMTC amounts received in fiscal 2017, operating costs increased by 10.6% in fiscal 2018.

PRINT

The Print operations consists of the ZOOMER magazine and On The Bay magazine (effective August 31, 2017).

	2018	2017	% Change
Revenue	**$4,604,777**	**$4,475,483**	**2.9%**
ZOOMER magazine - Subscriber fees	1,675,414	1,873,432	(10.6)%
ZOOMER magazine - Commercial advertising	2,304,629	2,602,051	(11.4)%
On The Bay magazine	624,734	—	100.0%
Operating expenses	**5,531,635**	**4,602,014**	**(20.2)%**
Segment Adjusted EBITDA	**(926,858)**	**(126,531)**	**(632.5)%**
Adjusted EBITDA Margin	***(20.1)%***	*(2.8)%*	
Depreciation and Amortization	384,583	256,060	(50.2)%
Segment Loss	**(1,311,441)**	**(382,591)**	**(242.8)%**
Segment Margin	***(28.5)%***	*(8.5)%*	

Print revenues were up 2.9% year over year. The increase was mainly due to the addition of On The Bay Magazine, which sees the majority of its revenue through commercial advertising. This was offset by a decline in Zoomer magazine advertising sales driven by soft print market conditions.

Operating expenses increased by 20.2% from prior year. The increase was due to inclusion of the On the Bay magazine in the current year, as well as higher customer service related costs. In addition, higher postage and production costs contributed to the year over year increase.

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 older Canadians. The operating expenses are comprised of payments made to CARP to provide support to their membership and advocacy efforts, as well as efforts incurred by the Company to support the affinity partner relationships. In return, ZoomerMedia earns royalty revenues from Affinity Partners for use of the CARP name. Please refer to the section "MATERIAL CONTRACTS" and "RELATED PARTY TRANSACTIONS" below for further discussion of our relationship to CARP.

	2018	2017	% Change
Revenue	**$2,212,225**	$1,873,108	18.1%
Operating expenses	**2,179,087**	2,229,093	2.2%
Segment Adjusted EBITDA	**33,138**	(355,985)	109.3%
Adjusted EBITDA Margin	***1.5%***	*(19.0)%*	
Depreciation and Amortization	843,336	843,336	—%
Interest expense	—	29,086	100.0%
Segment Loss	**(810,198)**	**(1,228,407)**	**34.0%**
Segment Margin	***(36.6)%***	*(65.6)%*	

Royalty revenues were up 18.1% year-to-date. The year-to-date increase was related to the strong performance of the Zoomer Wireless affinity agreement with Rogers Communications, as well as additional revenue from both new and continuing CARP affinity partners.

Operating expenses were lower in fiscal 2018, reflecting a lower subsidy for CARP's operating losses combined with continued focus on cost containment.

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 Classical"), JTM Holiday II Inc. ("JTM Holiday"), JTM Classical Performance II Inc. ("JTM Classical II"), JTM Libby's Story Inc. ("JTM Libby"), Gospel Song Productions Inc. ("GSPI") and People Who Sing Together 2 Inc. ("PWST2"), structured entities that create television programming content.

	2018	2017	% Change
Revenue	**$3,185,165**	$3,121,049	2.1%
Operating expenses	4,616,510	5,872,784	21.4%
Segment Adjusted EBITDA	**(1,431,345)**	**(2,751,735)**	**48.0%**
Adjusted EBITDA Margin	***(44.9)%***	*(88.2)%*	
Depreciation and Amortization	262,047	178,567	(46.7)%
Interest expense	—	7,508	100.0%
Segment Loss	**(1,693,392)**	**(2,937,810)**	**42.4%**
Segment Margin	***(53.2)%***	*(94.1)%*	

Other revenues were up 2.1% year-to-date. The increase was primarily attributable to the television content production and distribution.

Other operating expenses were favourable by 21.4% year over year. The Other segment of the company is comprised of the web division, the consumer shows division which runs the ZoomerShows and annual ideaCity conference, a television production and distribution company, and JTM Classical Performance Inc. ("JTM Classical"), JTM Holiday II Inc. ("JTM Holiday"), JTM Classical Performance II Inc. ("JTM Classical II"), JTM Libby's Story Inc. ("JTM Libby"), Gospel Songs Productions Inc. ("GSPI") and Gospel 2 Productions Inc. ("PWST2"), structured entities that create television programming content. The delivery of PWST2 in the current fiscal year to the television division reduced the consolidated costs of the television production and distribution company, as the production costs are capitalized on the balance sheet as intangible assets and amortized over the economic life of the program produced. Additionally, further production funding amounts for JTM Libby and JTM Classical II were recognized as a cost reduction in the current year where the program were delivered in prior years.

CORPORATE

Corporate revenue represents overhead and management fees charged to CARP, as well as 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 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 costs of maintaining the facilities at 30, 64 and 70 Jefferson Avenue, Toronto.

	2018	**2017**	**% Change**
Revenue	**$686,086**	$512,279	33.9%
Operating expenses	**9,023,304**	5,965,315	(51.3)%
Corporate Adjusted EBITDA	**(8,337,218)**	(5,453,036)	(52.9)%
Adjusted EBITDA Margin	***(1,215.2)%***	*(1,064.5)%*	
Depreciation and Amortization	56,444	29,309	(92.6)%
Interest expense / (income)	(25,569)	(47,499)	(46.2)%
Corporate Segment Loss	**(8,368,093)**	**(5,434,846)**	**(54.0)%**
Corporate Segment Margin	***(1,219.7)%***	*(1,060.9)%*	

Revenue was up 33.9% in fiscal 2018 when compared to prior year. The increase was primarily attributable to a higher management fee charged to CARP.

Operating expenses related to corporate overhead were higher for the year ended August 31, 2018 as compared to prior year. The higher operating costs were primarily attributable to the receipt of OIDMTC amounts of $1.6 million in the prior year, lowering overall expenses. Moreover, restructuring of the finance function during the first quarter of the current fiscal year, as well as higher spend on information technology and marketing related solutions contributed to the cost increase. We continue to focus on cost containment initiatives. Normalizing for the OIDMTC amounts received, corporate costs were higher by 18.9% when compared to the prior year.

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 consolidated interim financial statements for each of the aforementioned periods.

	(000's of dollars – except per share amounts)							
	2018 Aug 31	**2018 May 31**	**2018 Feb. 28**	**2017 Nov. 30**	**2017 Aug. 31**	**2017 May 31**	**2017 Feb. 28**	**2016 Nov. 30**
Revenue	$ 12,740	$ 12,525	$ 11,383	$ 14,018	$ 12,178	$ 12,300	$ 11,826	$ 14,314
Net income (loss)	$ 101	$ 11	$ (584)	$ 524	$ (6,313)	$ (309)	$ (998)	$ 1,176
Net income (loss) 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, 2018, we had cash and cash equivalents of $6,597,063 and short-term investments of $3,008,249. During the year ended August 31, 2018, we had a cash inflow of $2,304,195 from operating activities as compared to an inflow of $3,153,248 for the year ended August 31, 2017. Cash used for investing activities was $410,702 for the year ended August 31, 2018 as compared to cash used for investing activities of $1,219,651 during the year ended August 31, 2017. During the year ended August 31, 2018, cash outflow from financing activities was $259,473 as compared to $914,332 during the year ended August 31, 2017.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they fall due. We manage liquidity risk through the management of our capital structure. We also manage liquidity risk by monitoring actual and projected cash flows, taking into account our 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.

We have expended cash to complete the renovations of new office facilities and will continue to expend cash to invest in new programming and increase subscribers to the magazine. We have experienced net losses in prior fiscal years, and have an accumulated deficit of $26,037,991 as at August 31, 2018.

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

Our current cash flow forecasts reflect positive cash flow from operations for the next twelve months and then improving thereafter based on cost saving measures implemented.

The following table reflects the Company's undiscounted cash flows for its financial liabilities at August 31, 2018:

	1 year	**2-3 years**	**4-5 years**	**Beyond 5 years**	**Total**
Trade and other payables	$ 3,544,254	$ —	$ —	$ —	$ 3,544,254
Other liabilities	2,594,390	—	87,000	—	2,681,390
Provisions	8,570	—	—	—	8,570
	$ 6,147,214	$ —	$ 87,000	$ —	$ 6,234,214

The Company also has significant contractual obligations in the form of operating leases and commitments to purchase programming.

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. Cash and cash equivalents consist of deposits with major commercial banks and accordingly credit risk is minimal. Short-term investments comprise low-yield government issue treasury bills with maturities of less than one year and are considered highly liquid with minimal credit risk. With respect to accounts receivable, the Company performs periodic credit evaluations of the financial condition of its customers and typically does not require collateral from them. Management assesses the need for allowances for the potential credit losses by considering the credit risk of specific customers, historical trends and other information.

Trade and other outstanding receivables are impaired when there is evidence that collection is unlikely. 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, 2018, the Company had amounts receivable of $11,953,510 (August 31, 2017 - $11,173,906) net of an allowance for doubtful accounts of $629,170 (August 31, 2017 - $432,604), which adequately reflects the Company's credit risk.

The aging of accounts receivable past due is as follows:

		August 31, 2018		August 31, 2017
Trade accounts receivable				
Current	$	3,253,193	$	3,439,911
30 - 90 days past due date		2,687,340		3,442,919
Over 90 days past due date		2,758,318		1,461,409
	$	8,698,851	$	8,344,239
Other receivables		3,254,659		2,829,667
	$	11,953,510	$	11,173,906
Less: Allowance for doubtful accounts		(629,170)		(432,604)
	$	11,324,340	$	10,741,302

The Company believes that its allowance for doubtful accounts is sufficient to reflect the related credit risk based on the history of collections. The activity of the allowance for doubtful accounts for the year is as follows:

		August 31, 2018		August 31, 2017
Allowance for doubtful accounts - beginning of year	$	(432,604)	$	(577,084)
Provision for doubtful accounts		(248,505)		(309,556)
Write-off of bad debts		51,939		454,036
Allowance for doubtful accounts - end of year	$	(629,170)	$	(432,604)

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 is that the interest rate that the future cash of a financial instrument will fluctuate because of 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

(a) The Company is committed to fixed and contingent royalty payments for certain marketing rights and royalty revenue derived from the CARP name which has a term expiring December 31, 2099. The Company also earns royalty revenues earned from other affinity partners for the use of the CARP name.

(b) Future minimum lease payments under operating leases for premises (excluding our proportionate share of building operating costs) and equipment over the next five fiscal years and in aggregate are as follows:

2019	$ 2,534,891
2020	2,453,351
2021	2,531,007
2022	2,152,495
2023	1,963,932
Thereafter	4,532,150
	$ 16,167,826

(c) At August 31, 2018, the Company has entered into various agreements for the right to broadcast certain television programs in the future. The acquisition of these broadcast rights is contingent on the actual delivery of the productions. Management estimates that these arrangements will result in future program expenditures of approximately $3.2 million.

(d) 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. At August 31, 2018, the remaining future minimum payments due under the lease is $1,071,840. The lease expires in April 2021.

RELATED PARTY TRANSACTIONS

ZoomerMedia is controlled by Olympus Management Limited ("OML"), which owns 64.5% of ZoomerMedia's equity through both common shares and preference shares. The President and Chief Executive Officer of ZoomerMedia controls OML and is the ultimate controlling party of ZoomerMedia. Fairfax Financial Holdings Limited ("Fairfax"), through its wholly owned subsidiary Northbridge Financial Corporation ("Northbridge"), holds 26.9% of ZoomerMedia's equity through both common shares and preference shares. The remaining 8.6% of ZoomerMedia's equity is made up of common shares widely held.

Our material related party transactions are summarized below. These transactions are in the normal course of operations.

a) Transactions with a related special purpose entity

Our majority shareholder, who is also the President and Chief Executive Officer and a director of the Company, is also the President of CARP. CARP is a not-for-profit organization that is focused on providing support for adults 45 years of age and up in Canada. During the year ended August 31, 2018, we paid subsidies of $1,770,057 (2017 – $2,124,393) to CARP. As we receive royalties from affinity programs and other programs that benefit from increasing membership in CARP, we benefit from supporting CARP. During the year ended August 31, 2018, we received from CARP advertising revenues of $20,000 (2017 - $15,000), management and accounting services fees of $662,760 (2017 - $490,104) and rent of $72,558 (2017 - $132,402). ZoomerMedia provides membership management services to CARP, including the cash collection and processing of CARP memberships. Accordingly, CARP membership funds are collected by ZoomerMedia and are paid and payable to CARP. In prior years, these membership management services were provided by a third party where funds for both CARP memberships and ZOOMER magazine subscriptions were collected by CARP and paid and payable to the Company. At August 31, 2018, the Company has a net receivable of $877,170 due from CARP (August 31, 2017 – net receivable of $1,140,412). These balances are unsecured, non-interest bearing, with no fixed terms of repayment.

b) Transactions with the parent company

During the year ended August 31, 2018, we paid management fees of $1,200,000 (2017 – $1,200,000) and fees for ancillary services of $371,553 (2017 – $351,430) 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, 2018, included in accounts payable and accrued liabilities is a payable to OML of $48,710 (August 31, 2017 - $110,134). This balance is unsecured, non-interest bearing, with no fixed terms of repayment.

c) Transactions with entities controlled by a principal shareholder

During the year ended August 31, 2018, we received royalty revenues from Northbridge of $1,096,287 (2017 – $1,113,132) and advertising revenues of $90,379 (2017 – $88,822). Included in accounts receivable at August 31, 2018 is a receivable from Northbridge of $178,928 (August 31, 2017 – $107,404).

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, uncertain tax positions, 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, Zoomer Magazine, On The Bay Magazine, AM Radio, FM Radio, Royalty, Website and Shows and Conferences. 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 fair value less cost of disposal 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.

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; educations 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 $720,765 which totals $10,811,475 over the term of the agreement. Pursuant to this agreement, Northbridge is required to spend a minimum of $250,000 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 impairment of broadcast licenses and the gain on sale of property. We believe that these non-GAAP measures 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 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 (loss) for the years ended August 31, 2018 and 2017:

	August 31, 2018	August 31, 2017
Net income (loss) and comprehensive income (loss)	$ 51,959	$ (6,445,171)
Depreciation	1,034,079	913,313
Amortization of other intangible assets	1,408,447	1,170,048
Interest expense	2,518	56,576
Interest income	(28,087)	(62,220)
Income tax expense	195,028	1,498,405
EBITDA	$ 2,663,944	$ (2,869,049)
Impairment of broadcast licenses	—	3,209,714
Adjusted EBITDA	$ 2,663,944	$ 340,665

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 pended as at August 31, 2018 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, 2018, 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 IFRS. 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, 2018.

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 December 21, 2018, there were 263,418,297 common shares issued and outstanding, 387,879,129 preference shares issued and outstanding and 20,300,000 stock options outstanding with a weighted average exercise price of $0.06 expiring in 2021.