

WildBrain Ltd.

Interim Condensed Consolidated Financial Statements
(unaudited)

March 31, 2024

(expressed in thousands of Canadian dollars)

May 9, 2024

Management's Responsibility for Financial Reporting

The accompanying interim condensed consolidated financial statements of WildBrain Ltd. (the "Company") are the responsibility of management and have been approved by the Board of Directors (the "Board"). The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the interim condensed consolidated financial statements. The Board carries out this responsibility through its Audit Committee. The Audit Committee reviews the Company's interim condensed consolidated financial statements and recommends their approval by the Board.

The Audit Committee is appointed by the Board and all of its members are independent directors. It meets with Company's management and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the interim condensed consolidated financial statements to the Board for approval.

The interim condensed consolidated financial statements have been prepared by management in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board. When alternative methods of accounting exist, management has chosen those it deems most appropriate in the circumstances. The interim condensed consolidated financial statements include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the interim condensed consolidated financial statements, management must make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

(signed) "*Josh Scherba*"

President and Chief Executive Officer
Toronto, Ontario

(signed) "*Nicholas Gawne*"

Chief Financial Officer
Toronto, Ontario

WildBrain Ltd.

Interim Condensed Consolidated Balance Sheets (unaudited)

As at March 31, 2024 and June 30, 2023

(expressed in thousands of Canadian dollars)

	March 31, 2024	June 30, 2023
	\$	\$
Assets		
Current assets		
Cash	57,930	80,348
Amounts receivable and derivative assets (note 5)	283,449	303,378
Prepaid expenses and other	11,194	7,624
Investment in film and television programs (note 6)	191,868	175,692
	544,441	567,042
Long-term amounts receivable (note 5)	30,745	57,711
Acquired and library content (note 7)	80,436	85,470
Property and equipment	28,758	34,237
Derivative assets (note 14)	2	337
Intangible assets (note 4)	453,052	447,754
Goodwill (note 4)	27,592	21,435
	1,165,026	1,213,986
Liabilities		
Current liabilities		
Bank indebtedness (note 8)	13,800	7,000
Accounts payable, accrued and derivative liabilities	158,053	171,464
Deferred revenue	55,903	75,549
Interim production financing (note 8)	64,016	86,891
Current portion of lease liabilities	8,801	9,132
Current portion of long-term debt (note 8)	140,919	3,773
	441,492	353,809
Long-term debt (note 8)	364,091	490,205
Long-term lease liabilities	18,442	22,917
Derivative liabilities (note 14)	164	339
Other long-term liabilities	7,694	14,444
Deferred income taxes	4,191	6,949
	836,074	888,663
Shareholders' Equity		
Equity attributable to shareholders of the Company	71,529	76,041
Non-controlling interest	257,423	249,282
	328,952	325,323
	1,165,026	1,213,986

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

WildBrain Ltd.

Interim Condensed Consolidated Statements of (Loss) Income (unaudited)

For the three and nine month periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars, except for amounts per share)

	Three months ended		Nine months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Revenues (note 17)	100,063	140,864	331,852	407,996
Expenses (note 13)				
Direct production costs and expense of film and television produced	49,540	73,388	170,290	223,971
Amortization of acquired and library content (note 7)	2,168	2,495	6,505	7,254
Amortization of property and equipment and intangible assets	6,292	5,994	18,937	18,302
Write-down of investment in film and television programs, and acquired and library content (notes 6 and 7)	—	6,032	—	6,032
Selling, general and administrative	25,075	28,149	74,889	80,415
Share-based compensation (note 10)	839	1,255	3,519	6,955
Finance costs, net (note 12)	13,724	15,202	41,924	36,827
Change in fair value of embedded derivatives	—	(15,651)	(339)	(3,933)
Foreign exchange loss	9,051	7,234	11,529	10,896
Reorganization, development and other expense (note 13)	2,907	2,471	11,460	6,761
	109,596	126,569	338,714	393,480
(Loss) income before taxes	(9,533)	14,295	(6,862)	14,516
Provision for (recovery of) income taxes (note 11)				
Current	3,070	3,277	694	7,720
Deferred	(1,929)	(10,579)	(1,557)	(15,426)
	1,141	(7,302)	(863)	(7,706)
Net (loss) income for the period	(10,674)	21,597	(5,999)	22,222
Net income attributable to non-controlling interests	4,067	2,223	19,260	23,372
Net (loss) income attributable to shareholders of the Company	(14,741)	19,374	(25,259)	(1,150)
Basic (loss) earnings per common share (note 15)	(0.07)	0.11	(0.12)	(0.01)
Diluted (loss) earnings per common share (note 15)	(0.07)	0.05	(0.12)	(0.01)

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

WildBrain Ltd.

Interim Condensed Consolidated Statements of Comprehensive Income (unaudited) For the three and nine month periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars)

	Three months ended		Nine months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Net (loss) income for the period	(10,674)	21,597	(5,999)	22,222
Other comprehensive income				
Items that may be subsequently reclassified to the consolidated statements of (loss) income				
Foreign currency translation adjustment:				
Attributable to non-controlling interests	6,291	(287)	5,803	12,171
Attributable to shareholders of the Company	7,837	2,005	7,223	12,017
	14,128	1,718	13,026	24,188
Comprehensive income for the period	3,454	23,315	7,027	46,410

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

WildBrain Ltd.

Interim Condensed Consolidated Statements of Changes in Equity (unaudited) For the nine month periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars)

	Common shares	Contributed surplus	Accumulated other comprehensive loss	Deficit	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$
Balance - July 1, 2022	368,734	43,978	(22,500)	(310,784)	235,975	315,403
Net (loss) income for the period	—	—	—	(1,150)	23,372	22,222
Other comprehensive income for the period	—	—	12,017	—	12,171	24,188
Comprehensive income (loss) for the period	—	—	12,017	(1,150)	35,543	46,410
Common shares issued, net of issuance costs and deferred taxes	3,141	(3,427)	—	—	—	(286)
Share-based compensation	—	6,955	—	—	—	6,955
Distributions to non-controlling interests	—	—	—	—	(13,923)	(13,923)
Balance - March 31, 2023	371,875	47,506	(10,483)	(311,934)	257,595	354,559
Balance - July 1, 2023	405,612	42,542	(15,776)	(356,337)	249,282	325,323
Net (loss) income for the period	—	—	—	(25,259)	19,260	(5,999)
Other comprehensive income for the period	—	—	7,223	—	5,803	13,026
Comprehensive income (loss) for the period	—	—	7,223	(25,259)	25,063	7,027
Common shares issued, net of issuance costs and payroll taxes remitted	1,911	434	—	—	—	2,345
Common shares issued to settle business acquisition	7,660	—	—	—	—	7,660
Share-based compensation	—	3,519	—	—	—	3,519
Distributions to non-controlling interests	—	—	—	—	(16,922)	(16,922)
Balance - March 31, 2024	415,183	46,495	(8,553)	(381,596)	257,423	328,952

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

WildBrain Ltd.

Interim Condensed Consolidated Statements of Cash Flows (unaudited) For the nine month periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars)

	March 31, 2024	March 31, 2023
Cash provided by (used in)	\$	\$
Operating activities		
Net (loss) income for the period	(5,999)	22,222
Charges (credits) not involving cash		
Amortization of property and equipment	9,332	8,549
Amortization of intangible assets	9,605	9,753
Amortization of acquired and library content	6,505	7,254
Accretion expense and amortization of deferred financing fees	6,899	11,274
Unrealized foreign exchange loss	8,900	15,045
Share-based compensation	3,519	6,955
Change in fair value of embedded derivatives	(339)	(3,933)
Change in fair value of interest rate swap and forward foreign exchange contract	7,072	(1,109)
Interest income	(2,809)	(1,849)
Interest expense	30,762	28,511
Deferred tax recovery	(1,557)	(15,426)
Write-down of investment in film and television programs	—	5,700
Write-down of acquired and library content	—	332
Net investment in film and television programs (note 16)	(13,339)	(6,194)
Net change in non-cash balances related to operations (note 16)	(3,231)	(23,326)
Cash provided by operating activities	55,320	63,758
Financing activities		
Common shares issued, net of issuance costs and payroll taxes remitted	2,345	(286)
Distributions to non-controlling interests	(16,922)	(13,923)
Proceeds from bank indebtedness	6,800	5,356
Repayment of long-term debt	(2,887)	(2,902)
Payment of debt issue costs	(148)	(500)
Interest paid on long-term debt and lease liabilities	(30,833)	(27,002)
Repayment of lease liabilities	(7,583)	(7,566)
Net repayment of interim production financing (note 16)	(22,875)	(2,345)
Cash used in financing activities	(72,103)	(49,168)
Investing activities		
Business acquisition, net of cash acquired (note 4)	(3,533)	—
Acquisition of acquired and library content	—	(1,841)
Acquisition of property and equipment	(671)	(659)
Acquisition of intangible assets	(1,397)	(5,313)
Cash used in investing activities	(5,601)	(7,813)
Effect of foreign exchange rate changes on cash	(34)	10
Net change in cash during the period	(22,418)	6,787
Cash - Beginning of the period	80,348	68,734
Cash - End of the period	57,930	75,521

Supplemental information (note 16)

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

1 Nature of business

WildBrain Ltd. (the "Company" or "WildBrain"), was incorporated on February 12, 2004 under the laws of the Province of Nova Scotia, Canada, and continued on April 25, 2006 under the Canada Business Corporation Act. The Company is a public company whose common shares are traded on the Toronto Stock Exchange ("TSX") under the symbol 'WILD'.

The Company develops, produces and distributes films and television programs for domestic and international markets; licenses its brands in the domestic and international markets; broadcasts films and television programs in the domestic market; sells advertising on various ad-supported video-on-demand platforms; and manages copyrights, licensing and brands for third parties. The address of the Company's head office is 25 York Street, Unit 1201, Toronto, Ontario, M5J 2V5.

2 Basis of preparation

These interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by International Accounting Standards Board ("IFRS Accounting Standards"), applicable to the preparation of interim financial statements, under International Accounting Standards ("IAS") 34, Interim Financial Reporting, and follow the same accounting policies as those used in the Company's most recent audited annual consolidated financial statements. These interim condensed consolidated financial statements do not include all the disclosures included in the Company's audited annual consolidated financial statements. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements.

These interim condensed consolidated financial statements have been authorized for issuance by the Board of Directors on May 9, 2024.

3 Summary of material accounting policies, judgments and estimation uncertainty

The preparation of interim condensed consolidated financial statements under IFRS Accounting Standards requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates.

New Accounting Standards

The following amendments to standards and interpretations became effective for the annual periods beginning on or after January 1, 2023. The application of these amendments and interpretations had no significant impact on the Company's interim condensed consolidated financial statements.

i) Disclosure of Accounting Policies (Amendments to IAS 1)

The amendments to IAS 1 require an entity to disclose its material accounting policies instead of its significant accounting policies. The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements.

ii) Definition of Accounting Estimates (Amendments to IAS 8)

The amendments to IAS 8 provide guidance to assist entities in distinguishing between accounting policies and accounting estimates. The amendments replace the definition of a change in accounting estimates with the definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. In

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

iii) Deferred Tax on Assets and Liabilities Arising from Lease and Decommissioning Obligation Transactions (Amendments to IAS 12)

The amendments to IAS 12 provide clarifications in accounting for deferred tax on certain transactions such as leases and decommissioning obligations. The amendments clarify that the initial recognition exemption does not apply to transactions such as leases and decommissioning obligations. As a result, entities may need to recognize both a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of leases and decommissioning obligations.

4 Business Combination

a) Acquisition of business

On July 19, 2023, the Company acquired 100% of the outstanding shares of House of Cool ("HOC"), a privately held pre-production company. In accordance with IFRS Accounting Standards 3, the substance of this acquisition constituted a business combination as the group of assets acquired, along with the processes and outputs, were determined to have met the definition of a business under the standard. Accordingly, the assets acquired, have been recorded at their respective estimated fair values as of the acquisition date.

The Company financed the transaction through the issuance of 4,479,406 WildBrain Ltd. shares (the "Share Consideration") and \$5,195 in cash (subject to a customary working capital adjustment). Additionally, the Company is required to repay the seller for certain tax credits relating to in process productions as at the date of acquisition and completed productions which have yet to receive their final tax credit. \$6,000 has been recorded as a liability to the seller based on the estimated value of tax credits on acquisition.

Recognized goodwill is attributable to HOC's assembled workforce combined with its considerable expertise, product development knowledge and skills, and synergies by integrating its operations with the Company's existing production processes. No portion of goodwill is deductible for tax purposes.

Due to the timing of the acquisition and the ongoing collection of data necessary to value the acquired assets and liabilities, the identifiable assets acquired and liabilities assumed have been determined provisionally and the purchase price allocation has not yet been finalized. This includes working capital balances and acquired customer lists and brand name. Changes in the assumptions used in the valuation of these assets may affect the fair value resulting in a reallocation of purchase price to or from the amount recognized for goodwill. Any changes in these amounts will also result in a change in the relevant deferred tax liabilities recognized on the intangibles. Due to unexpected delay in the filing of 2022 tax returns, the Company has revised its expectation to finalize its purchase price allocation from the third quarter to the fourth quarter of fiscal 2024. Further to this, the Company has estimated the amount of tax credits to be paid to the seller for in process productions as at the date of acquisition and completed productions which have yet to receive their final tax credit. This amount is subject to change upon final determination of eligible expenses and tax credits as at the date of acquisition.

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

The preliminary fair value of consideration transferred for the acquisition of HOC consists of the following:

	<u>July 19, 2023</u>
	Purchase price
	\$
Consideration paid in cash ⁽¹⁾	5,195
Consideration paid in common shares	7,660
Consideration for outstanding tax credits receivable	6,000
Total Consideration	<u>18,855</u>

⁽¹⁾ Consideration paid in cash for business acquisition in Interim Condensed Consolidated Statements of Cash Flows excludes \$1,662 cash acquired.

During the nine-month period ended March 31, 2024, the company recorded the following preliminary purchase price allocation for the acquired assets and liabilities:

	<u>July 19, 2023</u>
	Preliminary amounts
	\$
Current assets	
Cash	1,662
Amounts receivable ⁽¹⁾	14,941
Prepaid expenses and other	63
Investment in film and television programs	633
	<u>17,299</u>
Non-current assets	
Property and equipment	402
Intangible assets	5,000
Goodwill	5,609
	<u>11,011</u>
Current liabilities	
Accounts payable	(8,040)
Current portion of lease liabilities	(90)
	<u>(8,130)</u>
Non-current liabilities	
Deferred tax liability	(1,325)
	<u>(1,325)</u>
Total net assets acquired	<u>18,855</u>

⁽¹⁾ Amounts receivable include outstanding tax credits receivable of \$6,000.

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

5 Amounts receivable and derivative assets

	March 31, 2024	June 30, 2023
	\$	\$
Trade receivables	225,260	227,371
Less: ECL allowance on trade receivables	(6,739)	(8,935)
Trade receivables, net of loss allowance	218,521	218,436
Interest rate swap ⁽¹⁾	2,506	9,385
Sales tax receivable	1,892	1,113
Federal and provincial film tax credits	60,530	74,444
Short-term amounts receivable	283,449	303,378
Long-term amounts receivable	30,745	57,711
Total amounts receivable	314,194	361,089

⁽¹⁾ During the fourth quarter of fiscal 2021, the Company entered into a 3-year term interest rate swap maturing on June 28, 2024, which secures US\$165,000 of Term Facility from an interest rate of SOFR plus 4.25% to a fixed interest rate of 5.24% (note 14).

6 Investment in film and television programs

	March 31, 2024	June 30, 2023
	\$	\$
Development costs	10,696	5,971
Productions in progress		
Cost, net of government and third party assistance	34,997	47,741
Productions completed and released		
Cost, net of government and third party assistance	884,101	831,829
Accumulated expense	(696,341)	(668,262)
Accumulated write-down of investment in film and television programs	(60,357)	(60,357)
	127,403	103,210
Program and film rights - broadcasting⁽¹⁾		
Cost	188,599	182,631
Accumulated expense	(164,090)	(158,124)
Accumulated write-down of program and film rights	(5,737)	(5,737)
	18,772	18,770
	191,868	175,692

⁽¹⁾ All program and film rights - broadcasting relate to WildBrain Television.

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

The continuity of investment in film and television programs is as follows:

	March 31, 2024	June 30, 2023
	\$	\$
Net opening investment in film and television programs	175,692	163,563
Increase in development costs	4,725	1,099
Cost of productions (completed and released and productions in progress), net of assistance	37,324	112,832
Expense of investment in film and television programs	(28,079)	(100,242)
Write-down of investment in film and television programs	—	(6,568)
Increase of program and film rights - broadcasting	5,968	7,080
Expense of program and film rights - broadcasting	(5,966)	(8,696)
Foreign exchange	2,204	6,624
	191,868	175,692

During the nine-month period ended March 31, 2024, interest of \$375 (March 31, 2023 - \$2,079) was capitalized to investment in film and television programs.

During the nine-month period ended March 31, 2024, additions to investment in film and television programs were reduced by \$1,510 (March 31, 2023 - \$3,747) in respect of production tax credits.

7 Acquired and library content

	March 31, 2024	June 30, 2023
	\$	\$
Net opening acquired and library content	85,470	92,732
Additions	—	1,841
Write-down of acquired and library content	—	(1,827)
Amortization	(6,505)	(9,701)
Foreign exchange	1,471	2,425
Net closing acquired and library content	80,436	85,470

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

8 Credit facilities

	March 31, 2024	June 30, 2023
	\$	\$
Bank indebtedness ⁽¹⁾	13,800	7,000
Interim production financing ⁽²⁾	64,016	86,891
Term Facility, net of unamortized issue costs of \$6,613 (June 30, 2023 - \$7,849)	367,986	360,976
Convertible Debentures, net of unamortized issue costs and conversion option of \$2,976 (June 30, 2023 - \$6,998) ⁽³⁾	137,024	133,002
Total	582,826	587,869
Amount due within 12 months	(218,735)	(97,664)
Amount due beyond 12 months	364,091	490,205

⁽¹⁾ Under the Revolving Facility, when amounts are drawn and outstanding at the end of any fiscal quarter, the Company is required to comply with a leverage covenant of 6.25x. As at March 31, 2024, the Company's Total Net Leverage Ratio was 4.97x.

⁽²⁾ Assignment and direction of specific production financing, licensing contracts receivable and film tax credits receivable have been pledged as security. As at March 31, 2024, the Canadian dollar bank prime rate was 7.20% (June 30, 2023 - 6.95%).

⁽³⁾ The Convertible Debentures mature on September 30, 2024 and have been included in the current portion of long-term debt on the interim condensed consolidated balance sheet.

9 Share capital

	March 31, 2024		June 30, 2023	
	Number #	Amount \$	Number #	Amount \$
Preferred variable voting shares				
Opening balance	500,000,000	—	500,000,000	—
Ending balance	500,000,000	—	500,000,000	—
Common shares⁽¹⁾				
Opening balance	199,994,229	405,612	173,108,668	368,734
Options exercised	—	—	171,600	426
PSU exercised	—	—	880,167	798
Employee share purchase plan	—	—	18,542	45
RSU settled	418,278	745	5,640,333	5,630
DSU settled	979,646	1,166	197,692	411
Shares for business acquisition	4,479,406	7,660	—	—
Conversion of exchangeable debentures	—	—	19,977,227	29,568
Ending balance	205,871,559	415,183	199,994,229	405,612
Common Voting Shares	30,157,725		28,995,711	
Variable Voting Shares	175,713,834		170,998,518	
	205,871,559		199,994,229	

⁽¹⁾ The common shares of the Company are inclusive of Common Voting Shares, Variable Voting Shares and Non-Voting Shares.

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

10 Share-based compensation

Omnibus equity incentive plan ("Omnibus Plan")

As at March 31, 2024, the total amount available for issuance under the Omnibus Plan subject to the 10% maximum was 20,274,717 (March 31, 2023 - at 10% - 17,326,513).

During the three and nine-month periods ended March 31, 2024, the Company recognized the following share-based compensation expense (income) with a corresponding adjustment to contributed surplus:

	Three months ended		Nine months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Options	—	(23)	—	20
Performance share unit plan ("PSUs")	90	336	(49)	619
Restricted share unit plan ("RSUs")	677	920	2,431	5,070
Deferred share unit plan ("DSUs")	72	69	1,137	1,280
Long-term incentives plan ("LTIP")	—	(47)	—	(41)
Employee stock purchase plan ("ESPP")	—	—	—	7
	839	1,255	3,519	6,955

Options

As at March 31, 2024 and 2023, the Company had the following stock options outstanding:

	Number of options #	Weighted average exercise price per stock option \$
Outstanding at June 30, 2022	4,308,800	3.96
Forfeited	(25,000)	2.26
Expired	(594,400)	7.27
Exercised	(171,600)	1.94
Outstanding at March 31, 2023	3,517,800	3.52
Exercisable at March 31, 2023	3,711,425	3.52
Outstanding at June 30, 2023	3,517,800	3.52
Expired	(1,006,800)	5.61
Outstanding at March 31, 2024	2,511,000	2.68
Exercisable at March 31, 2024	2,511,000	2.68

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

The range of exercise prices for options outstanding at March 31, 2024 and 2023, is presented below.

	Number outstanding at	Weighted average remaining	Weighted average exercise	Number outstanding at	Weighted average exercise
Range of exercise prices	March 31, 2024 #	contractual life years	price \$	March 31, 2023 #	price \$
\$1.50 - \$3.49	1,841,000	1.50	1.58	2,041,000	1.60
\$3.50 - \$5.49	100,000	0.50	5.47	100,000	5.47
\$5.50 - \$7.49	570,000	0.28	5.73	1,376,800	6.21
Total	2,511,000	1.18	2.68	3,517,800	3.52

Performance share unit plan ("PSUs")

The following table illustrates the movements in the number of PSUs during the period.

	Nine months ended	
	March 31, 2024	March 31, 2023
	PSU #	PSU #
Outstanding, beginning of period	1,850,968	2,737,467
Granted	766,695	1,815,500
Forfeited	(512,500)	—
Outstanding, end of period	2,105,163	4,552,967

Restricted share unit plan ("RSUs")

The following table illustrates the movements in the number of RSUs during the period.

	Nine months ended	
	March 31, 2024	March 31, 2023
	RSU #	RSU #
Outstanding, beginning of period	2,483,778	4,691,764
Granted	854,097	3,426,096
Forfeited	(150,129)	(61,650)
Exercised	(276,648)	(3,127,793)
Outstanding, end of period	2,911,098	4,928,417

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

Deferred share unit plan ("DSUs")

The following table illustrates the movements in the number of DSUs during the period.

	Nine months ended	
	March 31, 2024	March 31, 2023
	DSU	DSU
	#	#
Outstanding, beginning of period	3,245,260	2,582,342
Granted	674,523	603,109
Redeemed	(979,646)	—
Outstanding, end of period	2,940,137	3,185,451

11 Income taxes

For the three and nine-month period ended March 31, 2024, the Company recorded income tax expense (recovery) rate of 12.0% and 12.6%, respectively (March 31, 2023 - income tax recovery rate of 51.1% and recovery rate of 53.1%). The income tax (recovery) expense in each period reflects the mix of taxing jurisdictions in which pre-tax income and losses were recognized. The income attributable to non-controlling interests is taxed outside the Company. Further items impacting the effective tax rate include the different statutory tax rates in the taxing jurisdictions, non-deductible items, the utilization of certain unrecognized tax losses and the continued nonrecognition of certain deferred tax assets in Canada.

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

12 Finance costs, net

Net finance costs comprise the following:

	Three months ended		Nine months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Finance costs				
Change in fair value of interest rate swap and forward contract	2,141	2,013	7,072	(1,109)
Interest income	(932)	(620)	(2,809)	(1,849)
Interest expense on bank indebtedness	419	221	1,272	1,543
Interest on long-term debt	8,872	9,236	26,774	25,389
Interest on completed and released productions	1,186	332	2,716	1,579
Amortization of deferred financing fees	260	937	2,051	2,374
Accretion on convertible debentures, exchangeable debentures, lease liabilities and other	1,778	3,083	4,848	8,900
	13,724	15,202	41,924	36,827

Interest income consists of accretion on long-term amounts receivable and cash interest earned on bank deposits and tax credit receivables.

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

13 Expenses by nature and employee benefit expense

The following sets out the expenses by nature and employee benefits expense:

	Three months ended		Nine months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Direct production and new media costs	42,358	40,344	136,245	138,314
Expense of film and television programs	5,185	30,889	28,079	79,073
Expense of film and broadcast rights for broadcasting	1,997	2,154	5,966	6,584
Amortization of property and equipment and intangible assets	6,292	5,994	18,937	18,302
Amortization of acquired and library content	2,168	2,495	6,505	7,254
Write-down of investment in film and television programs, and acquired and library content (notes 6 and 7)	—	6,032	—	6,032
Office and administrative	5,219	5,795	13,991	16,141
Investor relations and marketing	547	526	1,576	2,585
Professional and regulatory	1,903	2,159	6,472	8,029
Reorganization, development and other expenses, excluding employee benefits	2,132	1,741	6,965	4,246
Finance costs, net	13,724	15,202	41,924	36,827
Change in fair value of embedded derivatives	—	(15,651)	(339)	(3,933)
Foreign exchange	9,051	7,234	11,529	10,896
	90,576	104,914	277,850	330,350
Employee benefits expense:				
Salaries and employee benefits	17,406	19,669	52,850	53,659
Share-based compensation (note 10)	839	1,255	3,519	6,955
Termination and other benefits	775	730	4,495	2,515
	19,020	21,654	60,864	63,129
	109,596	126,568	338,714	393,479

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

The following sets out the expenses included in reorganization, development and other expenses:

	Three months ended		Nine months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
System implementation costs	928	140	3,517	798
Development write-off	778	458	2,035	1,381
Relocation costs	—	197	—	688
Asia-Pacific ("APAC") start up costs	—	—	—	204
Other	426	946	1,413	1,175
	2,132	1,741	6,965	4,246

14 Management of financial risks and financial instruments

The financial risks arising from the Company's operations include credit, interest rate, liquidity, currency and market risk. These risks arise from the normal course of operations. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out in the audited annual consolidated financial statements. Management monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The following table summarizes the Company's financial liabilities and their contractual maturities:

	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
	\$	\$	\$	\$	\$
Bank indebtedness	13,800	13,800	—	—	—
Accounts payable and accrued liabilities	158,052	158,052	—	—	—
Interim production financing	64,016	64,016	—	—	—
Other long-term liabilities	10,931	—	10,931	—	—
Senior unsecured convertible Debentures	144,124	144,124	—	—	—
Term facility	437,041	19,721	38,949	378,371	—
Finance lease obligations	23,412	9,846	10,575	2,292	699
	851,376	409,559	60,455	380,663	699

Contractual payments in the table above include fixed rate interest payments but exclude variable rate interest payments and are not discounted.

Fair value of financial instruments

Financial instruments recorded at fair value on the interim condensed consolidated balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Fair value estimates are made at a specific point in time based on relevant market information. These are estimates and involve uncertainties, and matters of significant judgment and cannot be determined with precision. Changes in assumptions and estimates could significantly affect fair values.

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

Financial assets and (liabilities) measured at fair value

	As at			
	March 31, 2024		June 30, 2023	
	Fair value hierarchy	Fair value ⁽¹⁾	Fair value hierarchy	Fair value ⁽¹⁾
		\$		\$
Embedded derivatives ⁽²⁾	Level 2	(1)	Level 2	(340)
Foreign currency forwards ⁽³⁾	Level 2	2	Level 2	154
Foreign currency forwards ⁽³⁾	Level 2	(164)	Level 2	183
Interest rate swap ⁽⁴⁾	Level 2	2,506	Level 2	9,385

⁽¹⁾ Derivative financial instruments are initially measured at fair value on the trade date. Subsequent valuations are based on observable inputs to the valuation model.

⁽²⁾ Embedded derivatives at March 31, 2024 include convertible debentures (March 31, 2023 - convertible debentures and exchangeable debentures), measured using valuation models. This is classified under Accounts payable, accrued and derivative liabilities in the interim condensed consolidated balance sheet as the maturity date is within the next 12 months.

⁽³⁾ The fair value of foreign currency contracts is determined using prevailing exchange rates. These are classified as Derivative assets and Derivative liabilities, respectively, in the interim condensed consolidated balance sheet.

⁽⁴⁾ Includes a 3-year term interest rate swap agreement, maturing on June 28, 2024, entered to secure US\$165,000 of total Term Facility at an interest rate of 5.24%. The fair value is determined using the prevailing interest rates. This is classified under Amounts receivable and derivative assets in the interim condensed consolidated balance sheet as the maturity date is within the next 12 months.

As at March 31, 2024, the Company held forward contract options with the following notional value and average contractual exchange rates:

US\$ exchange for GBP

Less than one year	US\$1,531 to US\$2,197
Weighted average rate	1.2758

US\$ exchange for Canadian dollars

Less than one year	US\$2,648 to US\$3,845
Weighted average rate	1.3180

Chinese Yuan ("RMB") exchange for Canadian dollars

Less than one year	\$269 to \$280
Weighted average rate	5.2000

Japanese Yen ("Yen") exchange for US\$

Less than one year	US\$2,175 to US\$2,228
Weighted average rate	149.8250

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

Financial assets and liabilities not measured at fair value

The carrying amount of all remaining financial instruments presented in the interim condensed consolidated financial statements approximate their fair values, except for the Convertible Debentures as follows:

	As at					
	March 31, 2024			June 30, 2023		
	Fair value hierarchy	Fair value liability	Carrying value	Fair value hierarchy	Fair value liability	Carrying value
		\$	\$		\$	\$
Convertible Debentures ⁽¹⁾	Level 1	129,500	137,024	Level 1	132,286	133,002

⁽¹⁾ The fair value of the Convertible Debentures is based on market quotes as these are actively traded on the open exchange.

During the three and nine-month period ended March 31, 2024, the Company recorded a gain of \$nil and \$339, respectively, as a change in fair value of the embedded derivative (March 31, 2023 - a gain of \$2,803 and \$541, respectively), and the estimated fair value of the embedded derivative as at March 31, 2024 was \$1 (June 30, 2023 - \$340).

15 Earnings or loss per common share

a) Basic

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

	Three months ended		Nine months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Net (loss) income attributable to shareholders of the Company	(14,741)	19,374	(25,259)	(1,150)
Weighted average number of common shares outstanding (in 000's)	206,605	177,692	205,996	176,292
Basic (loss) earnings per common share	(0.07)	0.11	(0.12)	(0.01)

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

b) Diluted

During the three and nine-month period ended March 31, 2024, the diluted weighted average number of common shares outstanding was the same as the basic weighted average number of common shares outstanding, as the Company had a net loss and all potential dilutive instruments were anti-dilutive, (March 31, 2023 - the weighted average number of potentially dilutive instruments was 2,902,974 and nil, respectively).

	Three months ended		Nine months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Net (loss) income attributable to shareholders of the Company	(14,741)	19,374	(25,259)	(1,150)
Adjusted net (loss) earnings attributable to shareholders of the Company	(14,741)	11,463	(25,259)	(1,150)
Weighted average number of common shares (in 000's)	206,605	177,692	205,996	176,292
Dilutive effect of share-based compensation and warrants (in 000's)	—	2,903	—	—
Weighted average number of diluted shares outstanding (in 000's)	206,605	215,950	205,996	176,292
Diluted (loss) earnings per common share	(0.07)	0.05	(0.12)	(0.01)

16 Interim Condensed Consolidated statement of cash flows - supplementary information

Net change in non-cash balances related to operations

	March 31, 2024	March 31, 2023
	\$	\$
Amounts receivable	29,211	(34,312)
Prepaid expenses and other	(3,507)	(389)
Long-term amounts receivable	26,966	16,843
Accounts payable and accrued liabilities	(36,255)	1,301
Deferred revenue	(19,646)	(6,769)
	(3,231)	(23,326)

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

Net change in film and television programs

	March 31, 2024	March 31, 2023
	\$	\$
Development ⁽¹⁾	(4,092)	(846)
Productions in progress	12,744	1,540
Productions completed and released	(50,068)	(87,156)
Film and television programs	28,079	79,073
Program and film rights - broadcasting	(5,968)	(5,389)
Film and broadcast rights - broadcasting	5,966	6,584
	<u>(13,339)</u>	<u>(6,194)</u>

⁽¹⁾ Includes \$633 investment in film and television programs acquired as part of business combination.

Net change in interim production financing

	March 31, 2024	March 31, 2023
	\$	\$
Proceeds from interim production financing	44,912	60,414
Repayment of interim production financing	(67,787)	(62,759)
	<u>(22,875)</u>	<u>(2,345)</u>

Supplemental cash flow information

	March 31, 2024	March 31, 2023
	\$	\$
Taxes paid	(3,637)	(3,409)
Taxes refunded	503	2,932
	<u>(3,134)</u>	<u>(477)</u>

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited)

For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

Reconciliation between the opening and closing balances on the interim condensed consolidated balance sheet arising from financing activities:

	Term facility	Senior unsecured convertible debentures	Lease liabilities	Exchangeable debentures	Total
	\$	\$	\$	\$	\$
Balance - June 30, 2022	353,387	128,089	36,239	22,662	540,377
Repayments	(2,906)	—	(7,565)	—	(10,471)
Payment of debt issue costs	(500)	—	—	—	(500)
Total financing cash flow activities	(3,406)	—	(7,565)	—	(10,971)
Amortization of deferred financing costs	1,518	667	—	189	2,374
Lease liabilities additions	—	—	4,909	—	4,909
Interest paid on lease liabilities	—	—	(1,497)	—	(1,497)
Accretion expense	1	2,971	1,497	4,432	8,901
Foreign exchange	18,226	—	539	1,186	19,951
Total other activities	19,745	3,638	5,448	5,807	34,638
Balance - March 31, 2023	369,726	131,727	34,122	28,469	564,044

	Term facility	Senior unsecured convertible debentures	Lease liabilities	Total
	\$	\$	\$	\$
Balance - June 30, 2023	360,976	133,002	32,049	526,027
Repayments	(2,871)	—	(7,583)	(10,454)
Payment of debt issue costs	(148)	—	—	(148)
Total financing cash flow activities	(3,019)	—	(7,583)	(10,602)
Amortization of deferred financing costs	1,383	668	—	2,051
Lease liabilities additions	—	—	2,684	2,684
Interest paid on lease liabilities	—	—	(1,494)	(1,494)
Accretion expense	—	3,354	1,494	4,848
Foreign exchange	8,646	—	93	8,739
Total other activities	10,029	4,022	2,777	16,828
Balance - March 31, 2024	367,986	137,024	27,243	532,253

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

17 Revenues and segmented information

The Company operates production entities and offices throughout Canada, the United States, Europe and Asia.

	Three months ended March 31, 2023		
	Content and Licensing	Television	Consolidated
	\$	\$	\$
Revenues	131,460	9,404	140,864
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	88,819	5,333	94,152
Segment profit	42,641	4,071	46,712
Corporate selling, general and administrative			8,640
Amortization of property and equipment and intangible assets			5,994
Amortization of acquired and library content			2,495
Write-down of investment in film and television programs and acquired and library content			6,032
Finance costs, net			15,202
Change in fair value of embedded derivatives			(15,651)
Foreign exchange loss			7,234
Reorganization, development and other expenses			2,471
Income before income taxes			14,295

	Three months ended March 31, 2024		
	Content and Licensing	Television	Consolidated
	\$	\$	\$
Revenues	90,380	9,683	100,063
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	66,860	4,533	71,393
Segment profit	23,520	5,150	28,670
Corporate selling, general and administrative			4,061
Amortization of property and equipment and intangible assets			6,292
Amortization of acquired and library content			2,168
Finance costs, net			13,724
Foreign exchange loss			9,051
Reorganization, development and other expenses			2,907
Loss before income taxes			(9,533)

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

	Nine months ended March 31, 2023		
	Content and Licensing	Television	Consolidated
	\$	\$	\$
Revenues	377,416	30,580	407,996
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	271,717	15,936	287,653
Segment profit	105,699	14,644	120,343
Corporate selling, general and administrative			23,688
Amortization of property and equipment and intangible assets			18,302
Amortization of acquired and library content			7,254
Reversal of right-of-use asset impairment			6,032
Finance costs, net			36,827
Change in fair value of embedded derivatives			(3,933)
Foreign exchange loss			10,896
Reorganization, development and other expenses			6,761
Income before income taxes			14,516

	Nine months ended March 31, 2024		
	Content and Licensing	Television	Consolidated
	\$	\$	\$
Revenues	304,648	27,204	331,852
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	220,140	14,113	234,253
Segment profit	84,508	13,091	97,599
Corporate selling, general and administrative			14,445
Amortization of property and equipment and intangible assets			18,937
Amortization of acquired and library content			6,505
Finance costs, net			41,924
Change in fair value of embedded derivatives			(339)
Foreign exchange loss			11,529
Reorganization, development and other expenses			11,460
Loss before income taxes			(6,862)

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended March 31, 2024 and 2023

(expressed in thousands of Canadian dollars unless otherwise noted, except for amounts per share)

The following table presents the Company's disaggregated revenues recognized from contracts with customers:

	Three months ended		Nine months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Content and Licensing				
Content creation and audience engagement ⁽¹⁾	40,823	80,580	144,738	217,054
Global licensing	49,557	50,880	159,910	160,362
	90,380	131,460	304,648	377,416
Television				
Canadian Television Broadcasting	9,683	9,404	27,204	30,580
	100,063	140,864	331,852	407,996

⁽¹⁾ During the first quarter of fiscal 2024, the Company integrated WildBrain Spark into Content creation and audience engagement to better align the nature of this revenue with other similar revenue streams within the same category. For the transition period of fiscal 2024, the Company will provide legacy WildBrain Spark revenue for comparable results. Legacy WildBrain Spark revenue for the three and nine-month period ended March 31, 2024 was \$12,399 and \$38,318, respectively (March 31, 2023 - \$9,085 and \$36,748, respectively).

18 Commitments and contingencies

As at March 31, 2024, the Company has entered into various contracts to buy broadcast rights with future commitments totaling \$1,696.

The Company is, from time-to-time, involved in various claims, legal proceedings and complaints arising in the normal course of business and as such, provisions have been recorded where appropriate. Management does not believe that the final determination of these claims will have a material adverse effect on the financial position or results of operations of the Company.