# WildBrain Ltd.

Consolidated Financial Statements
**June 30, 2024 and 2023**
(expressed in thousands of Canadian dollars)

September 17, 2024

## Management’s Responsibility for Financial Reporting

The accompanying 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 consolidated financial statements. The Board carries out this responsibility through its Audit Committee. The Audit Committee reviews the Company’s 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 consolidated financial statements to the Board for approval.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards 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 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 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

# Independent auditor's report

To the Shareholders of WildBrain Ltd.

## Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of WildBrain Ltd. and its subsidiaries (together, the Company) as at June 30, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

**What we have audited**

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at June 30, 2024 and 2023;
- the consolidated statements of loss for the years then ended;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2500, Toronto, Ontario, Canada M5J 0B2
T.: +1 416 863 1133, F.: +1 416 365 8215, Fax to mail: ca_toronto_18_york_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended June 30, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of intangible asset with indefinite useful life related to the WildBrain Television cash generating unit (CGU)**<br><br>*Refer to note 3 – Summary of material accounting policies, judgments and estimates, note 10 – Intangible assets and note 11 – Goodwill to the consolidated financial statements.*<br><br>As at June 30, 2024, the Company had indefinite life intangible assets, which included broadcast licenses, with a carrying value of $67.8 million, prior to impairment, related to the Company's WildBrain Television CGU. Indefinite life intangible assets are tested for impairment annually as at June 30, or more frequently if events or circumstances indicate that the assets might be impaired. In assessing the indefinite life intangible assets for impairment, management groups assets into CGUs and compares the carrying value of its CGU to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal (FVLCD) and value-in-use (VIU). Management applied the VIU approach to determine the recoverable amount of the WildBrain Television CGU.<br><br>The VIU of the WildBrain Television CGU was determined based on discounted five-year cash flow models with years one to three being based on the cash flow projections, which included negative revenue growth rates, prepared from business plans approved by the Board of Directors and the remaining two years determined by applying an estimated negative revenue growth rate under multiple scenarios. The scenarios were applied to account for the uncertainty in the macroeconomic environment and the uncertainty relating to certain | Our approach to addressing the matter included the following procedures, among others:<br><br>• Evaluated how management determined the recoverable amount of the WildBrain Television CGU, which included the following:<br><br>– Evaluated the reasonableness of the negative revenue growth rates by (i) comparing the negative revenue growth rates applied to historical trends, to the business plans approved by the Board of Directors and to available industry and market data; (ii) examining customer correspondence and related regulatory filings; and (iii) discussing with management and internal legal counsel.<br><br>– Professionals with specialized skill and knowledge in the field of valuation assisted in testing (i) the appropriateness of the VIU approach and the discounted cash flow models and (ii) the reasonableness of the after-tax discount rates used in the discounted cash flow models.<br><br>– Tested the mathematical accuracy of the discounted cash flow models.<br><br>– Tested the underlying data used in the discounted cash flow models.<br><br>• With the assistance of professionals with specialized skill and knowledge in the field of valuation, developed an independent point estimate of the recoverable amount of the Wildbrain Television CGU, which included the use of an alternative method and assumptions, which was then compared against the outcome of management's models to assess reasonability. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| current and future contract renewals. The after-tax discount rates applied to the cash flow projections were derived from the Company's weighted average cost of capital, adjusted to reflect the corresponding cash flow risk under these scenarios. As a result, the most significant assumptions impacting the recoverable amount are the negative revenue growth rates in each of the five years of cash flows and the related after-tax discount rates.<br><br>As a result of the assessment as at June 30, 2024, management recognized an impairment charge of $67.5 million against indefinite life intangible assets, related to the broadcast licenses for the WildBrain Television CGU.<br><br>We considered this a key audit matter due to the significant judgment made by management in determining the recoverable amount of the Wildbrain Television CGU, including the use of significant assumptions related to the negative revenue growth rates in each of the five years of cash flows and the related after-tax discount rates. This has resulted in a high degree of subjectivity and audit effort in performing procedures to test the most significant assumptions. Professionals with specialized skill and knowledge in the field of valuation also assisted us in performing our procedures. | • Tested the disclosures made in the consolidated financial statements, particularly with regard to the most significant assumptions used by management in the discounted cash flow models related to the WildBrain Television CGU. |

## Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Anne Tauber.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
September 17, 2024

# WildBrain Ltd.

Consolidated Balance Sheets
**As at June 30, 2024 and 2023**

(expressed in thousands of Canadian dollars)

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| **Current assets** | | |
| Cash | **49,715** | 80,348 |
| Amounts receivable and derivative assets (note 6) | **278,301** | 303,378 |
| Prepaid expenses and other | **10,573** | 7,624 |
| Investment in film and television programs (note 7) | **159,584** | 175,692 |
| | **498,173** | 567,042 |
| Long-term amounts receivable (note 6) | **23,198** | 57,711 |
| Acquired and library content (note 8) | **78,882** | 85,470 |
| Property and equipment (note 9) | **26,345** | 34,237 |
| Derivative assets | **75** | 337 |
| Intangible assets (note 10) | **387,139** | 447,754 |
| Goodwill (note 11) | **28,545** | 21,435 |
| Deferred income taxes (note 17) | **10,846** | — |
| | **1,053,203** | 1,213,986 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Bank indebtedness (notes 13 and 27) | **13,800** | 7,000 |
| Accounts payable and accrued liabilities (note 12) | **136,658** | 171,464 |
| Deferred revenue | **57,118** | 75,549 |
| Interim production financing (note 13) | **59,101** | 86,891 |
| Current portion of lease liabilities | **8,569** | 9,132 |
| Current portion of long-term debt (notes 13 and 27) | **142,335** | 3,773 |
| | **417,581** | 353,809 |
| Long-term debt (notes 13 and 27) | **367,400** | 490,205 |
| Long-term lease liabilities | **16,385** | 22,917 |
| Derivative liabilities (note 21) | **137** | 339 |
| Other long-term liabilities | **5,210** | 14,444 |
| Deferred income taxes (note 17) | **—** | 6,949 |
| | **806,713** | 888,663 |
| **Shareholders' Equity** | | |
| (Deficit) equity attributable to shareholders of the Company | **(10,744)** | 76,041 |
| Non-controlling interest (note 18) | **257,234** | 249,282 |
| | **246,490** | 325,323 |
| | **1,053,203** | 1,213,986 |

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

# WildBrain Ltd.
Consolidated Statements of Loss
**For the years ended June 30, 2024 and 2023**

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

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| | $ | $ |
| **Revenues** (note 25) | **461,820** | 532,871 |
| **Expenses** (note 20) | | |
| Direct production costs and expense of film and television produced | **240,710** | 291,341 |
| Amortization of acquired and library content (note 8) | **8,696** | 9,701 |
| Amortization of property and equipment and intangible assets (notes 9 and 10) | **25,007** | 24,556 |
| Write-down of investment in film and television programs, acquired and library content, intangible assets and goodwill (notes 7, 8, 10 and 11) | **90,403** | 41,619 |
| Selling, general and administrative | **102,405** | 111,003 |
| Share-based compensation (note 15) | **3,752** | 8,323 |
| Finance costs, net (note 19) | **55,779** | 50,357 |
| Change in fair value of embedded derivatives | **(339)** | (21,798) |
| Foreign exchange loss | **14,666** | 10,716 |
| Reorganization, development and other expense (note 20) | **15,951** | 17,211 |
| | **557,030** | 543,029 |
| **Loss before income taxes** | **(95,210)** | (10,158) |
| **(Recovery of) provision for income taxes (note 17)** | | |
| Current | **(341)** | 5,564 |
| Deferred | **(14,532)** | 1,817 |
| | **(14,873)** | 7,381 |
| **Net loss for the year** | **(80,337)** | (17,539) |
| Net income attributable to non-controlling interests | **25,633** | 28,014 |
| **Net loss attributable to shareholders of the Company** | **(105,970)** | (45,553) |
| **Basic loss per common share** (note 22) | **(0.51)** | (0.26) |
| **Diluted loss per common share** (note 22) | **(0.51)** | (0.26) |

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

# WildBrain Ltd.
Consolidated Statements of Comprehensive Loss
**For the years ended June 30, 2024 and 2023**

(expressed in thousands of Canadian dollars)

| | June 30, 2024<br>$ | June 30, 2023<br>$ |
|---|---|---|
| **Net loss for the year** | **(80,337)** | (17,539) |
| **Other comprehensive income** | | |
| Items that may be subsequently reclassified to the consolidated statements of loss | | |
| Foreign currency translation adjustment: | | |
| Attributable to non-controlling interests | **8,412** | 6,515 |
| Attributable to shareholders of the Company | **5,737** | 6,724 |
| | **14,149** | 13,239 |
| **Comprehensive loss for the year** | **(66,188)** | (4,300) |

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

# WildBrain Ltd.

Consolidated Statements of Changes in Equity

**For the years ended June 30, 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 | 43,979 | (22,500) | (310,784) | 235,975 | 315,404 |
| Net (loss) income for the year | — | — | — | (45,553) | 28,014 | (17,539) |
| Other comprehensive income for the year | — | — | 6,724 | — | 6,515 | 13,239 |
| Comprehensive income (loss) for the year | — | — | 6,724 | (45,553) | 34,529 | (4,300) |
| Common shares issued, net of issuance costs and payroll taxes remitted | 7,310 | (9,760) | — | — | — | (2,450) |
| Conversion of exchangeable debentures | 29,568 | — | — | — | — | 29,568 |
| Share-based compensation | — | 8,323 | — | — | — | 8,323 |
| Distributions to non-controlling interests | — | — | — | — | (21,222) | (21,222) |
| **Balance - June 30, 2023** | 405,612 | 42,542 | (15,776) | (356,337) | 249,282 | 325,323 |
| **Balance - July 1, 2023** | **405,612** | **42,542** | **(15,776)** | **(356,337)** | **249,282** | **325,323** |
| Net (loss) income for the year | **—** | **—** | **—** | **(105,970)** | **25,633** | **(80,337)** |
| Other comprehensive income for the year | **—** | **—** | **5,737** | **—** | **8,412** | **14,149** |
| Comprehensive income (loss) for the year | **—** | **—** | **5,737** | **(105,970)** | **34,045** | **(66,188)** |
| Common shares issued, net of issuance costs and payroll taxes remitted | **2,536** | **(500)** | **—** | **—** | **—** | **2,036** |
| Common shares issued to settle business acquisition | **7,660** | **—** | **—** | **—** | **—** | **7,660** |
| Share-based compensation | **—** | **3,752** | **—** | **—** | **—** | **3,752** |
| Distributions to non-controlling interests | **—** | **—** | **—** | **—** | **(26,093)** | **(26,093)** |
| **Balance - June 30, 2024** | **415,808** | **45,794** | **(10,039)** | **(462,307)** | **257,234** | **246,490** |

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

# WildBrain Ltd.

Consolidated Statements of Cash Flows

**For the years ended June 30, 2024 and 2023**

(expressed in thousands of Canadian dollars)

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| **Cash provided by (used in)** | **$** | **$** |
| **Operating activities** | | |
| Net loss for the year | **(80,337)** | (17,539) |
| Charges (credits) to reconcile net loss to cash provided by operating activities | | |
| Amortization of property and equipment | **12,196** | 11,694 |
| Amortization of intangible assets | **12,811** | 12,862 |
| Amortization of acquired and library content | **8,696** | 9,701 |
| Accretion expense and amortization of deferred financing fees | **8,921** | 15,083 |
| Unrealized foreign exchange loss | **7,742** | 4,826 |
| Share-based compensation | **3,752** | 8,323 |
| Change in fair value of embedded derivatives | **(339)** | (21,798) |
| Change in fair value of interest rate swap and forward foreign exchange contract | **9,624** | (967) |
| Interest income | **(3,881)** | (2,655) |
| Interest expense | **41,115** | 38,896 |
| Deferred tax (recovery) expense | **(14,532)** | 1,817 |
| Write-down of investment in film and television programs | **22,858** | 6,568 |
| Write-down of acquired and library content | **—** | 1,827 |
| Write-down of intangible assets | **67,545** | — |
| Write-down of goodwill | **—** | 33,224 |
| Net investment in film and television programs (note 24) | **(2,340)** | (12,073) |
| Net change in non-cash balances related to operations (note 24) | **(20,234)** | 4,401 |
| **Cash provided by operating activities** | **73,597** | 94,190 |
| **Financing activities** | | |
| Common shares issued, net of issuance costs and payroll taxes remitted | **2,036** | (2,450) |
| Distributions to non-controlling interests | **(26,093)** | (21,222) |
| Net proceeds from (repayment of) bank indebtedness | **6,800** | (2,087) |
| Repayment of long-term debt | **(3,843)** | (3,879) |
| Payment of debt issue costs | **(6)** | (515) |
| Interest paid on long-term debt and lease liabilities | **(38,946)** | (35,417) |
| Repayment of lease liabilities | **(10,288)** | (10,357) |
| Net (repayment of) proceeds from interim production financing (note 24) | **(27,790)** | 2,656 |
| **Cash used in financing activities** | **(98,130)** | (73,271) |
| **Investing activities** | | |
| Business acquisition, net of cash acquired (note 5) | **(3,531)** | — |
| Acquisition of acquired and library content (note 5) | **—** | (1,841) |
| Acquisition of property and equipment (note 9) | **(649)** | (478) |
| Acquisition of intangible assets (note 10) | **(1,964)** | (6,086) |
| **Cash used in investing activities** | **(6,144)** | (8,405) |
| Effect of foreign exchange rate changes on cash | **44** | (900) |
| **Net change in cash during the year** | **(30,633)** | 11,614 |
| **Cash - Beginning of the year** | **80,348** | 68,734 |
| **Cash - End of the year** | **49,715** | 80,348 |

**Supplemental information** (note 24)

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

(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 consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by International Accounting Standards Board ("IFRS Accounting Standards"), on a going concern basis. The accounting policies applied in these consolidated financial statements were based on IFRS Accounting Standards issued and outstanding as at June 30, 2024.

These consolidated financial statements have been authorized for issuance by the Board of Directors on September 17, 2024.

## 3 Summary of material accounting policies, judgments and estimates

The significant accounting policies used in the preparation of these consolidated financial statements are described below:

### Basis of measurement

The consolidated financial statements have been prepared under a historical cost basis, except for certain financial assets and financial liabilities, including derivative instruments that are measured at fair value.

### Consolidation

The consolidated financial statements include the accounts of the Company and all entities that it controls. The Company utilizes single-purpose entities to manage the costs and funding for its content production projects. WildBrain controls an entity: i) when it has the power to direct the activities of the entity that have the most significant impact on the entity's risks and/or returns; ii) where it is exposed to significant risks and/or returns arising from the entity; and iii) where it is able to use its power to affect the risks and/or returns to which it is exposed. The consolidated financial statements of all subsidiaries are prepared for the same reporting period, using consistent accounting policies. Intercompany accounts, transactions, income and expenses and unrealized gains and losses (excluding unrealized gains and losses from foreign currency translation) resulting from transactions among the consolidated companies have been eliminated upon consolidation.

Non-controlling interest represents the portion of a subsidiary's income and losses and net assets that is not held by the Company.

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

**Cash**

Cash consists of cash held in current operating bank accounts.

**Foreign currency translation**

(i) Functional and presentation currency

The Company operates material subsidiaries in three currency jurisdictions including the Canadian dollar, US dollar, and UK pound sterling. An assessment of the primary and secondary indicators for each subsidiary is performed to determine the functional currency of the subsidiary, then translated to Canadian dollars, the Company's presentation currency. The financial statements of consolidated entities that have a functional currency other than Canadian dollars (foreign operations) are translated into Canadian dollars as follows:

(a) assets and liabilities - at the closing rate as at the date of the consolidated balance sheet; and
(b) income and expenses - at the period-end average exchange rate.

All resulting exchange differences are recognized in other comprehensive income as foreign currency translation adjustments.

ii. Transactions and balances

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation, at year-end exchange rates, of monetary assets and liabilities denominated in currencies other than the functional currency are recognized in the Consolidated Statements of Loss.

**Revenue recognition**

Revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer. Revenue excludes sales taxes and other amounts that are collected on behalf of third parties and is recorded when control of a product or service is transferred to a customer.

For initial broadcast license rights related to proprietary production titles, an assessment is made at the execution of each contract to determine whether: i) the performance obligations are satisfied over time, or ii) the performance obligations are satisfied at a point in time. Performance obligations are satisfied over time during the production of the title when the customer can exert control over the production process and the Company's ability to generate other revenues from the title are limited based on the remaining rights held and the nature of the show. Revenue is recognized using the percentage-of-completion method when performance obligations are satisfied over time. Performance obligations not satisfied over time are satisfied at a point in time, which generally occurs when the production is completed, available to the customer and the customer has the contractual right to broadcast or stream the content. When performance obligations are satisfied at a point in time, revenue is recognized when all of the aforementioned recognition criteria are met.

Revenue from the sale of broadcast license rights to third parties is recognized when the licensed content is available to the customer and the customer has the contractual right to broadcast or stream the content.

Revenue from production services for third parties is recognized using the percentage-of-completion method. Percentage-of-completion recognizes revenues based upon the proportion of direct costs of production to total expected direct costs as the Company considers this approach to be most reflective of progress towards completion and satisfaction of the production services performance obligation.

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

Royalty revenue is accrued for royalty streams when the amount of revenue can be reliably measured based on relevant agreements and statements received from third parties, and the underlying sales activity generating the royalty revenue has occurred. Recovery of royalties from third parties' unauthorized use of the Company's brands and content are recognized in revenue when an agreement is reached, the amount of revenue can be reliably measured and collection is reasonably assured.

Revenue from customers where the transaction price is variable is recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved (variable consideration constraint). The variable consideration contained in the Company’s contracts primarily relates to the activities of the third-parties. Once the variable consideration is known and the related uncertainty is resolved, which is upon receipt of earnings reports from the third-parties, the Company will recognize revenue.

Minimum guarantees received on its merchandising and consumer brand licenses are considered a right-to-access license and are deferred and recognized as revenue over the term of the license period. Minimum guarantees received on licenses that are determined to be a right-to-use license are recognized as revenue when the customer is able to and has the contractual right to use the license. License renewals or extensions are recognized when the licensed content becomes available under the renewal or extension.

Revenue from the management of copyrights, licensing and brands for third parties through representation agreements is recognized when the amount of revenue can be reliably measured and the services have been performed.

Amounts received or advances currently due pursuant to a contractual arrangement, which have not yet met the criteria established to be recognized as revenue, are recorded as deferred revenue.

Revenue is recognized at the transaction price, which is adjusted for the consideration of the time value of money if the timing of payments provides the customer with a significant financing component.

Revenue from paid media and direct ad sales services for third parties are recognized as revenue, when the amount of revenue can be reliably measured and the services have been performed.

**Principal versus agent revenue**

The Company evaluates each arrangement with third parties to determine whether revenue should be reported on a gross or net basis by determining whether the nature of its promise is a performance obligation to provide the specified goods or services itself (principal) or to arrange for those goods or services to be provided by the other party (agent). An assessment of each specified good or service promised to the customer is made separately. Where the Company acts as the principal in an arrangement, revenues are reported on a gross basis and revenues and expenses are classified accordingly in the Consolidated Statements of Loss. Conversely, where the Company acts as the agent in an arrangement, revenues are reported on a net basis and presented net of any related expenses or costs.

The most significant considerations to determine whether the Company acts as principal or agent include: i) whether the Company controls the specified good or service before it is transferred to the customer; ii) whether the Company is primarily responsible for fulfilling the promise to provide the specified good or service and the acceptability of such good or service; iii) whether the entity has inventory risk (or equivalent); and iv) whether the entity has latitude in establishing prices for the specified good or service.

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

**Investment in film and television programs**

Investment in film and television programs represents the balance of costs of film and television programs which have been produced by the Company or for which the Company has invested in distribution rights and the Company's right to participate in certain future cash flows of film and television programs produced and distributed by other unrelated parties.

Costs of investing in and producing film and television programs are capitalized. The costs are measured net of federal and provincial program contributions earned and are charged to income using a declining balance method of amortization. For film and television programs produced by the Company, capitalized costs include all direct production and financing costs incurred during production that are expected to benefit future periods. Financing costs are capitalized to the costs of a film or television program until substantially all of the activities necessary to prepare the film or television program for delivery are complete. Production financing provided by third parties that acquire participation rights is recorded as a reduction of the cost of production.

The rates used for the declining balance method of amortization range from 40% to 100% at the time of initial episodic delivery and at rates ranging from 10% to 30% annually thereafter. The determination of rates is based on the expected economic useful life of the film or television program, and includes factors such as the ability to license rights to broadcasters, programs in development and availability of rights to renew licenses for episodic television programs in subsequent seasons, as well as the availability of secondary market revenue.

Investments in film and television programs are accounted for as inventory and classified within current assets. Certain investment in film and television programs of the Company can be greater than 12 months.

The investment in film and television programs is measured at the lower of cost and net realizable value. Net realizable value is estimated based on future revenues net of expected future costs. A write-down is recorded when expected future costs exceed the estimated net realizable value, on a present value basis.

**Acquired and library content**

Acquired and library content represents the amortized cost of acquired film and television programs. Acquired and library content typically has minimal ongoing costs to maintain the content and is charged to Consolidated Statements of Loss using the declining balance method of amortization.

The rates used for the declining balance method of amortization is 10% annually. The determination of rates is based on the expected economic useful life of the film or television program and includes factors such as the availability of rights to renew licenses for television programs in various territories, as well as the availability of secondary market revenue.

Acquired and library content is accounted for as an intangible asset and classified within long-term assets.

Acquired and library content is tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use, being the present value of the expected future cash flows of the asset. For titles with an indicator of impairment, management calculated the recoverable amounts using the value-in-use model and discounting the forecast cash flows of revenue and contractual participation royalties. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

**Broadcast rights**

Program and film rights for broadcasting are purchased on a fixed cost basis. The asset and liability for fixed cost purchases are recognized at the time the rights are known, amounts are determinable, and available for use. The cost of fixed program and film rights is expensed over the lesser of the availability period and the maximum period that varies depending upon the type of program, generally ranging from 24 to 60 months based on the expected pattern of consumption of the economic benefit.

In the event that the recognition criteria for fixed cost purchases described above are not met and the Company has already paid amounts to secure rights, such amounts are considered as prepaid program and film rights and are included as prepaid expenses on the consolidated balance sheet.

Broadcast rights are tested for impairment on a title-by-title basis if events or changes in circumstances indicate that the carrying amount may exceed its recoverable amount. Any shortfall between the recoverable amount from future cash flows from the distribution rights and the carrying value is written off as an impairment expense on the Consolidated Statements of Loss in the period in which the decline in value becomes evident.

**Accrued participation payables**

Included in accounts payable and accrued liabilities are accrued participation payables. Accrued participation payables reflect the contractual liability due as at the consolidated balance sheet date, calculated as the participation owing on revenue recognized to date less participation payments made to date.

**Debt issue costs**

Debt issue costs related to bank indebtedness are recorded as a deferred charge and amortized, using the straight-line method, over the term of the related bank indebtedness and the expense is included in finance costs in the Consolidated Statements of Loss. Debt issue costs related to long-term debt, with the exception of revolving facilities which are capitalized as an asset, are recorded as a reduction to the carrying amount of long-term debt and amortized using the effective interest method and the expense is included in finance costs.

**Business combinations**

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the fair value of consideration transferred over the fair value of identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in Consolidated Statements of Loss.

**Development costs**

Development costs include costs of acquiring film rights to books, stage plays or original screenplays and costs to adapt such projects. Such costs are capitalized and included in productions in progress upon commencement of production. Advances or contributions received from third parties to assist in development are deducted from these costs. Projects in development are written off as development expenses at the earlier of the date that the project costs are determined not to be recoverable or when projects under development are abandoned, or

three years from the date of the initial recognition of the investment, if there have been no active development milestones or significant development expenditures within the last year.

**Property and equipment**

Property and equipment are carried at historical cost, less accumulated amortization and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the Consolidated Statements of Loss during the period in which they are incurred. Amortization is charged, commencing when the asset is available for use, over the estimated useful life of the asset, using the following annual rates and methods:

| | |
|---|---:|
| Furniture, fixtures and other equipment | 20% declining balance |
| Computer equipment | 30% declining balance |
| Post-production equipment | 30% declining balance |
| Computer software | 2 years straight-line |
| Leasehold improvements | Straight-line over the term of lease |
| Right-of-use assets | Straight-line over the term of lease |

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts and depreciates each part separately. Residual values, method of amortization and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on the sale or disposal of property and equipment are determined by comparing the proceeds with the carrying amount of the asset.

**Right-of-use ("ROU") assets and lease liabilities**

*ROU assets*

The Company recognizes ROU assets at the commencement date of the lease. ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized at the inception of the lease, initial direct costs incurred, and lease payments made at or before the lease commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the contractual lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the contractual lease term.

ROU assets are tested for recoverability when an indicator of impairment exists. Impairment is assessed at the lowest cash-generating-unit level ("CGU"), and is measured by comparing the recoverable amount to its carrying value and recording an impairment where the carrying value exceeds the recoverable amount.

ROU assets are included in property and equipment in the Consolidated Balance Sheet.

*Lease liabilities*

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is

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reasonably certain to be exercised, considering all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company re-assesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise the option to renew, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased for accretion expense and reduced for lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification to the lease or a change in the assessment to purchase the underlying asset.

*Lessor accounting*

Where the Company enters into a lease agreement and a significant portion of risks and rewards of ownership incremental to the underlying asset is retained by the Company as lessor, such leases are classified as operating leases. Payments received under operating leases (net of any incentives received from the lessor) are recorded as income when received or receivable.

Where the Company transfers a significant portion of risks and rewards of ownership incremental to the underlying asset to the lessee, such leases are classified as finance leases. The Company recognizes a receivable at an amount equal to its net investment in the lease.

**Goodwill**

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses and is not subject to amortization. Goodwill and indefinite life intangible assets are tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. Goodwill is allocated to a cash generating unit ("CGU"), or group of CGUs, which is the lowest level within an entity at which the goodwill is monitored for internal management purposes which is not higher than an operating segment. Impairment is tested by comparing the recoverable amount of goodwill and indefinite life intangible assets assigned to a CGU or group of CGUs to its carrying value.

**Intangible assets**

Acquired intangible assets are carried at cost. Amortization is provided on a straight-line basis over the estimated useful life of the assets, using the following annual rates and methods:

| | |
|---|---|
| Broadcaster relationships | 7 to 10 years straight-line |
| Customer relationships | 10 years straight-line |
| Customer representation agreements | 5 years straight-line |
| Brands | 10 to 20 years straight-line or indefinite life |
| Production and distribution rights | 10 to 25 years straight-line |
| Production backlog | 2 to 3 years straight-line |
| Non-compete contracts | 3 years straight-line |
| Trademarks | 5 years straight-line |
| Production and other software | 5 years straight-line |

Intangible assets with indefinite life are not amortized. The assessment of whether the underlying asset continues to have an indefinite life is reviewed annually to determine whether an indefinite life continues to be supportable, and if not, the change in useful life from indefinite to finite is made on a prospective basis.

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**Broadcast licenses**

Broadcast licenses are considered to have an indefinite life based on management's intent and ability to renew the licenses without significant cost and without material modification of the existing terms and conditions of the license. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Broadcast licenses are tested for impairment annually or more frequently if events or circumstances indicate they may be impaired.

Broadcast licenses by themselves do not generate cash flows and therefore, when assessing these assets for impairment, the Company looks to the CGU to which the asset belongs. Broadcast licenses are tested for impairment as part of the WildBrain Television CGU.

Concurrent with the impairment recorded on broadcast licenses as disclosed in Note 12, the Company revised its amortization policy for Broadcast licenses to amortize the remaining balance on a straight-line basis over a period of 5 years, commencing on the quarter ending September, 30, 2024.

**Impairment of non-financial assets**

Property and equipment and definite life intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized are subject to an annual impairment test. For the purposes of measuring recoverable amounts, assets are grouped into CGUs. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use, being the present value of expected future cash flows of the relevant CGU. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

**Government financing and assistance**

The Company has access to several government programs, including tax credits that are designed to assist film and television production and distribution in Canada. The Company records government assistance when the related costs have been incurred, and there is reasonable assurance that the Company will comply with the conditions and they will be received. Amounts received or receivable in respect of production assistance are recorded as a reduction of the production costs of the applicable production. Government assistance with respect to distribution rights is recorded as a reduction of investment in film and television programs. Government assistance towards current expenses is recorded as a reduction of the applicable expense item.

**Income taxes**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the Consolidated Statements of Loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on taxable income for the period, using enacted or substantively enacted tax rates at the end of the reporting period, including adjustments for previous periods. Management periodically reviews tax return positions and establishes provisions, as needed, based on expected payments to tax authorities.

Deferred tax is recognized for temporary differences between the tax basis and carrying amounts of assets and liabilities, and for probable future tax benefits from losses carried forward to future years. It is calculated using

enacted or substantively enacted tax rates at the balance sheet date. Deferred tax liabilities are recognized for all taxable differences, while deferred tax assets are recognized when recovery is probable.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.
The effect of a change in tax rates on deferred tax assets and liabilities is included in Consolidated Statements of Loss in the period that the change is substantively enacted, except to the extent it relates to items previously recognized outside Consolidated Statements of Loss, in which case the rate change impact is recognized in a manner consistent with how the items were originally recognized.

**Share-based compensation**

The Company issues stock options, performance share units ("PSUs") and restricted share units ("RSUs") which are accounted for as equity-settled awards. Upon vesting, these awards are settled by the Company with common shares from treasury. The costs of equity-settled awards are measured using the Black-Scholes valuation model using management's inputs and assumptions. Share-based compensation expense for equity-settled awards are recognized over the vesting period of each award, with a corresponding increase to contributed surplus, based on the vesting period that has elapsed and the Company's best estimate of the number of equity instruments that will ultimately vest. Awards are expensed over the vesting period, and expense incurred on awards that ultimately do not vest is reversed.

The Company also issues deferred share units ("DSUs") to directors and certain eligible employees to defer receipt of a portion of or all of their board fees or other cash bonus amounts. DSUs fully vest upon grant and cannot be redeemed until the recipient is no longer a director or employee of the Company. On the grant date, the Company recognizes a share-based compensation expense for the fair value of the awards with a corresponding increase to contributed surplus.

**Earnings (loss) per share**

Basic earnings (loss) per share (“EPS”) is calculated by dividing the net income (loss) for the year attributable to equity owners of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated by adjusting the weighted average number of common shares outstanding for potentially dilutive instruments. The Company’s potentially dilutive common shares comprise of stock options, RSUs, PSUs, warrants, exchangeable and convertible debentures. The number of shares included with respect to options, RSUs, PSUs, warrants and other similar instruments is computed using the treasury stock method. The dilutive effect of the Company's convertible debentures is determined using the if-converted method.

**Financial instruments**

Financial instruments are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9, Financial Instruments, contains three primary measurement categories for financial assets: measured at fair value through profit and loss ("FVPL"), amortized cost, and fair value through other comprehensive income ("FVOCI").

- Embedded derivatives component of the senior unsecured convertible debentures, foreign currency forwards, and exchangeable debentures are classified as FVPL, and are initially measured at fair value less transaction costs. They are subsequently measured at fair value and net gains/losses are recognized in the Consolidated Statements of Loss.

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- Cash, amounts receivables, long-term amounts receivables, accounts payable and accrued liabilities, interim production financing, long-term debt, senior unsecured convertible and exchangeable debentures and other liabilities are classified as 'amortized cost', and initially measured at fair value. They are subsequently measured at amortized cost, with amounts receivable reassessed using the customer's historical default experience and expected future credit losses under the 'expected credit loss' ("ECL") model.

- There are no financial assets classified as FVOCI.

**Impairment of financial assets**

The Company assesses for indicators of impairment at the end of each reporting period using the ECL impairment model. It uses quantitative and qualitative analysis, based on the Company's historical credit collection data and forward-looking customer credit risk information, to estimate credit loss allowance as at the end of each reporting period.

**Amended accounting standards adopted during the period**

A number of amended standards became applicable for the current reporting period.

*i) Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Accounting Standards Practice Statement*

The amendments to IAS 1 Presentation of financial statements and IFRS Accounting Standards Practice Statement 2 Making Materiality Judgements became effective for annual periods beginning on or after January 1, 2023. These amendments help companies provide useful accounting policy disclosures. The adoption of these amendments did not have a material impact on the Consolidated Financial Statements.

*ii) Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*

The amendments to IAS 12 Income taxes became effective for annual periods beginning on or after January 1, 2023. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments to this standard were adopted retrospectively, but no changes to previously reported figures were required.

*iii) International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)*

The amendments to IAS 12 Income taxes became effective for annual periods beginning on or after January 1, 2023. This introduced a temporary exception to the requirements to recognize and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes and targeted disclosure requirements for affected entities. This exception was applied retrospectively, but no changes to previously reported figures were required.

**Accounting pronouncements issued but not yet effective**

*i) Non-current Liabilities with Covenants – Amendments to IAS 1*

On June 23, 2021, the IASB issued amendments to IAS 1 in response to feedback on the classification of debt with covenants. The amendments clarify that for a liability to be classified as non-current, the right to defer settlement must be present at the reporting date and not contingent on future conditions. Entities must disclose information about these conditions, including the nature and compliance expectations. Additionally, IAS 1 will now require separate presentation of "non-current liabilities subject to conditions in the next 12 months" in the

financial statement. The amendments also specify that a liability cannot be classified as non-current if it could become repayable within 12 months at the discretion of a counterparty or due to uncertain future events. The effective date for these changes is January 1, 2024, with the amendments applied retrospectively and early adoption permitted. The Company has yet to assess the impact of adoption on the Consolidated Financial Statements.

*ii) Presentation and Disclosure in Financial Statements – IFRS Accounting Standards 18*

On April 9, 2024, the IASB issued IFRS Accounting Standards 18, Presentation and Disclosure in Financial Statements, which will replace IAS 1 as the primary standard for financial statement presentation. The standard aims to enhance the comparability of financial performance by introducing new requirements for categorizing and presenting items in the statement of profit or loss, such as mandatory sub-totals like operating profit. It also updates the statement of cash flows and includes provisions for presenting management-defined performance measures with reconciliations to IFRS Accounting Standards compliant figures. Effective from January 1 2027, IFRS Accounting Standards 18 requires restatement of comparative periods and allows earlier adoption. The Company has yet to assess the impact of adoption on the Consolidated Financial Statements.

*iii) Classification and Measurement of Financial Instruments – Amendments to IFRS Accounting Standards 9 and IFRS Accounting Standards 7*

On May 30, 2024, the IASB issued amendments to IFRS Accounting Standards 9 and IFRS Accounting Standards 7 aimed at improving the classification and measurement of financial instruments. The recent amendments simplify financial reporting by allowing earlier recognition of liabilities settled via electronic payments, clarifying the assessment of cash flows for basic lending arrangements, and refining definitions for non-recourse features and linked instruments. The amendments also introduce more detailed disclosure requirements for fair value changes in equity instruments and mandate reporting of terms that could affect cash flow timings or amounts. The amendment will be effective from January 1, 2026 and entities must apply these amendments retrospectively, with earlier adoption permitted. The Company has yet to assess the impact of adoption on the Consolidated Financial Statements.

All other IFRS Accounting Standards and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the Consolidated Financial Statements.

**Significant accounting judgments and estimates**

The preparation of 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.

The following is a summary of judgments, estimates, and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities:

(i) Investment in film and television programs/acquired and library content

The costs of investing in and producing film and television programs are capitalized, net of federal and provincial program contributions earned.

Investment in film assets are amortized using the declining balance method with rates of amortization ranging from 40% to 100% at the time of initial episodic delivery and at rates ranging from 10% to 30% annually thereafter. Management estimates these rates based on the expected economic useful life of the

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film or television program, and includes factors such as the ability to license broadcast rights, programs in development and availability of rights to renew licenses for episodic television programs in subsequent seasons, as well as the availability of secondary market revenue. Estimation uncertainty relates to management's ability to estimate the expected economic useful life of the film or television program.

(ii) Impairment of goodwill, indefinite life intangible assets and non-financial assets

The value-in-use approach and related future cash flows involve the use of assumptions and estimates which involve estimation uncertainty. Management applies significant judgment in selecting certain assumptions to be used in the discounted cash flow models. For further details regarding the significant assumptions and related estimation uncertainty, refer to Note 11.

(iii) Measurement of ECL allowance

Management estimates the ECL allowance for trade accounts receivable based on an assessment of accounts receivable aging, management's collection experience with the customer (history of collections and losses with each customer, the customer’s financial health, the general economic conditions and the impact on the customer’s business sector), and and future expectations of default.

(iv) Revenue recognition of proprietary production

For the Company's proprietary production revenues, each contract is assessed at inception to determine if performance obligations are met over time or at a point in time. Management uses judgment to evaluate factors such as ongoing ability to control the asset, rights retained, and the nature of performance obligations. Contracts, where performance obligations are satisfied over a period of time, are recognized using the percentage of completion method of revenue completion, while contracts where performance obligations are satisfied at a point in time are recognized when all performance obligations are completed, as described above under the Company's policy on revenue recognition.

## 4 Compensation of key management

Key management includes all directors, including both executive and non-executive directors, as well as the President and Chief Executive Officer, and Chief Financial Officer. The compensation earned by key management is as follows:

| | June 30, 2024 $ | June 30, 2023 $ |
|---|---|---|
| Salaries and employee benefits | **2,765** | 4,003 |
| Share-based compensation | **856** | 5,554 |
| Termination and other benefits | **1,125** | 6,352 |
| | **4,746** | 15,909 |

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

## 5 Acquisitions

a) Acquisition of assets

In March 2022, the Company acquired certain brand representation rights with respect to the Peanuts property in various Asia Pacific territories beginning July 2022. The total purchase price was $10,703 of which $3,552 was paid on March 31, 2022, and equal installments of $507 were paid monthly from April 2022 through to December 2022. The remaining $2,588 was paid in the quarter ended March 31, 2023, upon achievement of certain financial performance conditions. The transaction was considered an asset acquisition and the entire purchase price had been allocated to intangible assets - Representation agreements.

In September 2022, the Company acquired the rights, title and interest of a children's entertainment property for an aggregate price of $1,841. These assets were classified as acquired and library content in the consolidated balance sheet.

b) 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 3, Business Combinations, 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, recognized at fair value based on the share price at the date of the transaction (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. A liability of $3,653 to the seller has been recorded based on the estimated value of tax credits on acquisition (estimated cost incurred up until acquisition date over estimated total cost of the properties acquired).

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.

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

| | July 19, 2023 |
|---|---|
| | Purchase price |
| | $ |
| Consideration paid in cash[1] | 5,195 |
| Consideration paid in common shares | 7,660 |
| Consideration for outstanding tax credits receivable[2] | 3,653 |
| **Total Consideration** | **16,508** |

[1] Consideration paid in cash for business acquisition in Consolidated Statements of Cash Flows excludes $1,664 cash acquired.
[2] Consideration for outstanding tax credits receivable has been recorded as a liability for the Company and presented under Accounts payable and accrued liabilities in consolidated balance sheet.

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

During the year ended June 30, 2024, the company recorded the following purchase price allocation for the acquired assets and liabilities:

| | July 19, 2023 | | June 30, 2024 |
|---|---|---|---|
| | Preliminary amounts<br>$ | Adjustments[2]<br>$ | Final amounts<br>$ |
| **Current assets** | | | |
| Cash | 1,662 | 2 | 1,664 |
| Amounts receivable[1] | 14,941 | (2,894) | 12,047 |
| Prepaid expenses and other | 63 | (44) | 19 |
| Investment in film and television programs | 633 | 342 | 975 |
| | 17,299 | (2,594) | 14,705 |
| **Non-current assets** | | | |
| Property and equipment | 402 | — | 402 |
| Intangible assets[3] | 5,000 | 500 | 5,500 |
| Goodwill | 5,609 | 711 | 6,320 |
| | 11,011 | 1,211 | 12,222 |
| **Current liabilities** | | | |
| Accounts payable | (8,040) | (752) | (8,792) |
| Current portion of lease liabilities | (90) | — | (90) |
| | (8,130) | (752) | (8,882) |
| **Non-current liabilities** | | | |
| Deferred tax liability | (1,325) | (212) | (1,537) |
| | (1,325) | (212) | (1,537) |
| **Total net assets acquired** | 18,855 | (2,347) | 16,508 |

[1] Amounts receivable include outstanding tax credits receivable of $3,653.

[2] The purchase price allocation was finalized in the fourth quarter of fiscal 2024 upon the Company's review of opening balances, these adjustments required a true-up of the goodwill balance as the finalization of net working capital balances and the valuation of other intangibles altered the initial purchase price allocation.

[3] Intangible assets comprise of Customer relationships and Brand.

Valuation methodology and key assumptions:

Customer relationships: Valued based on a discounted cash flow approach using a Multi-period Excess Earnings Method. Assumptions include forecast operating results from existing customers at the acquisition date; assumed attrition of existing customers going forward; contributory asset charges for working capital, fixed assets, brand and workforce; and an intangible discount rate based on consideration of the overall IRR and WACC and a weighted average returns analysis.

Brand: Valued based on a discounted cash flow approach using a Relief from Royalty Method. Assumptions include forecast revenue for the acquired business and an intangible discount rate based on consideration of the overall IRR and WACC and a weighted average returns analysis.

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

## 6 Amounts receivable and derivative assets

| | June 30, 2024 $ | June 30, 2023 $ |
|---|---|---|
| Trade receivables | **216,829** | 227,371 |
| Less: ECL allowance on trade receivables | **(7,663)** | (8,935) |
| Trade receivables, net of loss allowance | **209,166** | 218,436 |
| Interest rate swap[1] | **—** | 9,385 |
| Sales tax receivable | **2,492** | 1,113 |
| Federal and provincial film tax credits and other government assistance (note 16) | **66,643** | 74,444 |
| Short-term amounts receivable | **278,301** | 303,378 |
| Long-term amounts receivable[2] | **23,198** | 57,711 |
| Total amounts receivable | **301,499** | 361,089 |

[1] During the fourth quarter of fiscal 2021, the Company entered into a 3-year term interest rate swap that matured on June 28, 2024, which secured US$165,000 of Term Facility from an interest rate of SOFR plus 4.25% to a fixed interest rate of 5.24% (note 21(b)).
[2] Comprised of distribution deals which carry payment terms that exceed one year.

The aging of trade receivables is as follows:

| | June 30, 2024 $ | June 30, 2023 $ |
|---|---|---|
| Less than 60 days | **169,947** | 180,117 |
| Between 60 and 90 days | **7,362** | 6,836 |
| Over 90 days | **39,520** | 40,418 |
| | **216,829** | 227,371 |

The continuity of ECL allowance on trade receivables is as follows:

| | June 30, 2024 $ | June 30, 2023 $ |
|---|---|---|
| **Opening balance** | **8,935** | 10,435 |
| Loss allowance on trade receivables | **1,618** | 658 |
| Write-offs during the year | **(663)** | (2,193) |
| Recoveries of receivables previously provided for | **(2,418)** | (280) |
| Impact of foreign exchange | **191** | 315 |
| **Ending balance** | **7,663** | 8,935 |

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

## 7 Investment in film and television programs

| | June 30, 2024 $ | June 30, 2023 $ |
|---|---|---|
| **Development costs** | **4,434** | 5,971 |
| **Productions in progress** | | |
| Cost, net of government and third party assistance | **38,507** | 47,741 |
| **Productions completed and released** | | |
| Cost, net of government and third party assistance | **902,821** | 831,829 |
| Accumulated amortization expense | **(718,643)** | (668,262) |
| Accumulated write-down of investment in film and television programs | **(83,215)** | (60,357) |
| | **100,963** | 103,210 |
| **Program and film rights - broadcasting**[1] | | |
| Cost | **187,470** | 182,631 |
| Accumulated amortization expense | **(166,053)** | (158,124) |
| Accumulated write-down of program and film rights | **(5,737)** | (5,737) |
| | **15,680** | 18,770 |
| | **159,584** | 175,692 |

[1] All program and film rights - broadcasting relate to WildBrain Television.

The continuity of development costs is as follows:

| | June 30, 2024 $ | June 30, 2023 $ |
|---|---|---|
| Opening development costs | **5,971** | 4,872 |
| Additions[1] | **1,546** | 2,999 |
| Write-down | **(3,083)** | (1,900) |
| Closing development costs | **4,434** | 5,971 |

[1] Includes $975 investment in film and television programs acquired as part of business combination.

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

| | June 30, 2024 $ | June 30, 2023 $ |
|---|---|---|
| Net opening investment in film and television programs | **175,692** | 163,563 |
| Increase in development costs | **(1,537)** | 1,099 |
| Cost of productions (completed and released and productions in progress), net of assistance | **58,323** | 112,832 |
| Expense of investment in film and television programs | **(50,381)** | (100,242) |
| Write-down of investment in film and television programs | **(22,858)** | (6,568) |
| Increase of program and film rights - broadcasting | **4,839** | 7,080 |
| Expense of program and film rights - broadcasting | **(7,929)** | (8,696) |
| Impact of foreign exchange | **3,435** | 6,624 |
| | **159,584** | 175,692 |

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

During the year ended June 30, 2024, interest of $375 (June 30, 2023 - $2,240) was capitalized to investment in film and television programs.

During the year ended June 30, 2024, additions to investment in film and television programs were reduced by $6,980 (June 30, 2023 - $23,981) in respect of production tax credits.

## 8 Acquired and library content

| | June 30, 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 | **(8,696)** | (9,701) |
| Impact of foreign exchange | **2,108** | 2,425 |
| Net closing acquired and library content | **78,882** | 85,470 |

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

## 9 Property and equipment

| | Furniture, fixtures and equipment | Computer, post-production equipment and related software | Leasehold improvements | ROU assets - equipment | ROU assets - premise | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **For the year ended June 30, 2023** | | | | | | |
| Opening net book value | 1,373 | 3,279 | 5,703 | 9,754 | 19,178 | 39,287 |
| Additions | 190 | 190 | 107 | 4,788 | 924 | 6,199 |
| Amortization | (215) | (1,713) | (1,203) | (4,143) | (4,420) | (11,694) |
| Impact of foreign exchange | — | 137 | 70 | — | 238 | 445 |
| | 1,348 | 1,893 | 4,677 | 10,399 | 15,920 | 34,237 |
| **As at June 30, 2023** | | | | | | |
| Cost | 7,469 | 42,551 | 17,665 | 24,065 | 37,592 | 129,342 |
| Accumulated amortization | (6,145) | (41,104) | (13,006) | (13,666) | (22,064) | (95,985) |
| Impact of foreign exchange | 24 | 446 | 18 | — | 392 | 880 |
| Net book value | 1,348 | 1,893 | 4,677 | 10,399 | 15,920 | 34,237 |
| **For the year ended June 30, 2024** | | | | | | |
| Opening net book value | **1,348** | **1,893** | **4,677** | **10,399** | **15,920** | **34,237** |
| Additions | **111** | **335** | **459** | **789** | **2,321** | **4,015** |
| Amortization | **(233)** | **(910)** | **(1,254)** | **(4,276)** | **(5,523)** | **(12,196)** |
| Impact of foreign exchange | **—** | **95** | **23** | **3** | **168** | **289** |
| | **1,226** | **1,413** | **3,905** | **6,915** | **12,886** | **26,345** |
| **As at June 30, 2024** | | | | | | |
| Cost | **7,580** | **42,886** | **18,124** | **24,854** | **39,913** | **133,357** |
| Accumulated amortization | **(6,378)** | **(42,014)** | **(14,260)** | **(17,942)** | **(27,587)** | **(108,181)** |
| Impact of foreign exchange | **24** | **541** | **41** | **3** | **560** | **1,169** |
| Net book value | **1,226** | **1,413** | **3,905** | **6,915** | **12,886** | **26,345** |

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

## 10 Intangible assets

| | Broadcast licenses [1] | Customer relationships and representation agreements | Brands [2] | Production and distribution rights [3] | Software and Other [4] | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **For the year ended June 30, 2023** | | | | | | |
| Opening net book value | 67,800 | 17,321 | 348,290 | 12,190 | 3,346 | 448,947 |
| Additions[5] | — | (1,392) | 359 | 174 | 1,434 | 575 |
| Amortization | — | (6,189) | (2,750) | (2,926) | (997) | (12,862) |
| Impact of foreign exchange | — | 796 | 9,517 | 705 | 76 | 11,094 |
| Net book value | 67,800 | 10,536 | 355,416 | 10,143 | 3,859 | 447,754 |
| **As at June 30, 2023** | | | | | | |
| Cost | 67,800 | 41,031 | 441,591 | 33,088 | 6,546 | 590,056 |
| Accumulated amortization and impairment | — | (30,577) | (86,304) | (23,003) | (2,697) | (142,581) |
| Impact of foreign exchange | — | 82 | 129 | 58 | 10 | 279 |
| Net book value | 67,800 | 10,536 | 355,416 | 10,143 | 3,859 | 447,754 |
| **For the year ended June 30, 2024** | | | | | | |
| Opening net book value | **67,800** | **10,536** | **355,416** | **10,143** | **3,859** | **447,754** |
| Additions | **—** | **4,200** | **1,300** | **163** | **1,801** | **7,464** |
| Amortization | **—** | **(6,234)** | **(2,271)** | **(3,051)** | **(1,255)** | **(12,811)** |
| Impairment | **(67,545)** | **—** | **—** | **—** | **—** | **(67,545)** |
| Impact of foreign exchange | **—** | **153** | **11,836** | **232** | **56** | **12,277** |
| Net book value | **255** | **8,655** | **366,281** | **7,487** | **4,461** | **387,139** |
| **As at June 30, 2024** | | | | | | |
| Cost | **255** | **45,231** | **442,891** | **33,251** | **8,347** | **529,975** |
| Accumulated amortization and impairment | **—** | **(36,811)** | **(88,575)** | **(26,054)** | **(3,952)** | **(155,392)** |
| Impact of foreign exchange | **—** | **235** | **11,965** | **290** | **66** | **12,556** |
| Net book value | **255** | **8,655** | **366,281** | **7,487** | **4,461** | **387,139** |

(1) All broadcast licenses relate to the operations of WildBrain Television.
(2) Included in Brands are $364,212 of indefinite life intangibles (June 30, 2023 - $352,317).
(3) Comprised of rights acquired by the Company to produce and/or distribute television content where the Company does not own the underlying intellectual properties.
(4) Comprised of software, production backlog and non-compete contracts.
(5) During the year ended June 30, 2023, there was a reduction of the original purchase price based on performance of certain representation agreements with respect to the Peanuts property in various Asia Pacific territories by $1,392.

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

## 11 Goodwill

The continuity of goodwill is as follows:

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| | $ | $ |
| Opening balance | **21,435** | 54,033 |
| Additions | **6,320** | — |
| Impairment | **—** | (33,224) |
| Impact of foreign exchange | **790** | 626 |
| Ending balance | **28,545** | 21,435 |

**Impairment testing of goodwill and indefinite life intangible assets**

Goodwill and indefinite life intangible assets, being the broadcast licenses and certain acquired brands, are tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. The Company performs its goodwill and indefinite life intangible assets impairment test annually as at June 30, in accordance with its policy described in note 3. Goodwill and indefinite life intangible assets are tested for impairment at the lowest CGU level. On this basis, management has determined that it has five CGUs: i) the Company's production, distribution, and licensing of film and television programs business, being the Content Business, excluding House of Cool, and Peanuts (the "Content Business"); ii) House of Cool; iii) Peanuts; iv) CPLG, which manages copyrights, licensing and brands for third parties; and v) WildBrain Television. The Content Business and CPLG CGUs do not have any goodwill or indefinite life intangible assets, and therefore have not been tested for impairment.

In assessing goodwill and indefinite life intangible assets for impairment, the Company compares the carrying value of its CGU to its recoverable amount. The recoverable amount is the higher of fair value less costs of disposal and value-in-use. The Company applied the value-in-use approach to determine the recoverable amount of each CGU.

The value-in-use of the Company's Peanuts Business CGU and House of Cool CGU, were determined by discounting three-year cash flow projections prepared from business plans approved by the Board of Directors, extended for two additional years using industry outlook growth rate assumptions for a total forecast period of five years. The projections reflect management's expectations and best estimate of revenue, profit, and capital expenditures, based on past experience and future expectations of operating performance. Cash flows beyond the five-year period were extrapolated using terminal growth rates to determine the terminal value.

As at June 30, 2024, the Company completed its annual impairment tests for goodwill and indefinite life intangible assets, and concluded that there was no impairment for the Peanuts Business CGU, and House of Cool (June 30, 2023- no impairment). The Company has conducted a sensitivity analysis on the key assumptions used to determine the recoverable amount for both Peanuts Business CGU and House of Cool. Management believes that any reasonably possible change in the assumptions on which the estimates of recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the related CGU.

The value-in-use of the Company's WildBrain Television CGU was determined based on discounted five year cash flow models with years one to three being based on the cash flow projections, which included negative revenue growth rates, prepared from business plans approved by the Board of Directors and the remaining two years determined by applying an estimated negative revenue growth rate under multiple scenarios. A multiple scenarios approach was used by management with respect to the two year period, given the uncertainty related to the macroeconomic environment, characterized by challenging conditions in the North American linear television industry which has contracted meaningfully, as well as conditions leading to uncertainty in the timing of completion and terms under negotiation relating to certain current and future contract renewals with the

Company's customers. These conditions have created significant uncertainty related to the Company's revenue growth rates, which could change in the near term and the effect of such changes could be material. The scenarios applied represent management's best estimate of the potential outcomes and the resulting impact to revenue. The application of the scenarios to estimated cash flows did not result in materially different impairment values when the corresponding after-tax discount rates were applied. The after-tax discount rates applied to the cash flow projections were derived from the Company's weighted average cost of capital, adjusted to reflect the corresponding cash flow risk under these scenarios. As a result, the most significant assumptions impacting the recoverable amount are the negative revenue growth rates in each of the five years of cash flows and the related after-tax discount rates. The after-tax discount rates applied under the scenarios ranged from 18% to 25%.

As a result of this assessment, there was an intangible asset impairment charge of $67,545 for WildBrain Television CGU (June 30, 2023 - $33,224 goodwill impairment) as it was determined that the current carrying amount exceeded the recoverable amount.

Management believes that any reasonably possible change in the significant assumptions on which recoverable amount is based could not result in material changes to the impairment recorded by the Company.

## 12 Accounts payable and accrued liabilities

The following table presents the Company's accounts payable and accrued liabilities:

| | June 30, 2024 $ | June 30, 2023 $ |
|---|---|---|
| Accounts payable | **35,638** | 38,925 |
| Accrued liabilities | **97,710** | 129,718 |
| Income tax payable | **3,310** | 2,821 |
| | **136,658** | 171,464 |

## 13 Credit facilities

| | June 30, 2024 $ | June 30, 2023 $ |
|---|---|---|
| Bank indebtedness (note 13a) | **13,800** | 7,000 |
| Interim production financing (note 13b) | **59,101** | 86,891 |
| Term Facility, net of unamortized issue costs of $6,077 (June 30, 2023 - $7,849) (note 13c) | **371,301** | 360,976 |
| Convertible Debentures, net of unamortized issue costs and conversion option of $1,566 (June 30, 2023 - $6,998) (note 13d) | **138,434** | 133,002 |
| Total | **582,636** | 587,869 |
| Amount due within 12 months | **(215,236)** | (97,664) |
| Amount due beyond 12 months | **367,400** | 490,205 |

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

**a) Bank indebtedness**

On October 21, 2022, the Company amended its credit agreement to increase its Revolving Facility from US$30,000 to US$40,000, with an interest rate of SOFR plus 4%, based on the applicable form of borrowing. The Revolving Facility does not carry a financial maintenance covenant, except when amounts are drawn and outstanding. The Revolving Facility matures on the earlier of March 26, 2026 or three months prior to the maturity of the Company's convertible debentures dated September 30, 2024, except where converted. On June 27, 2024, the Company arranged with its current lenders to extend maturity of its existing revolving credit facility to the earlier of July 26, 2024 or two months prior to the earliest maturity of the Company's convertible debentures dated September 30, 2024, except where converted. As at June 30, 2024, $13,800 (June 30, 2023 - $7,000) was drawn on the Revolving Facility.

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 June 30, 2024, the Company's Total Net Leverage Ratio was 4.77x.

Refer to Subsequent event (note 27) for information subsequent to June 30, 2024.

**b) Interim production financing**

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| | $ | $ |
| Interim production credit facilities | **59,101** | 86,891 |

The Company has interim production credit facilities with various lenders, with interest rates ranging from bank prime plus 0.5%–0.75%, SOFR plus 3.25%, or a base rate of 3.75% plus 0.75%. These facilities mature between September 30, 2024, and December 31, 2026, and are secured by production financing, licensing contracts receivable, and film tax credits receivable. As at June 30, 2024, the Canadian dollar bank prime rate was 6.95% (June 30, 2023 - 6.95%).

**c) Term facility**

On March 26, 2021, the Company completed the refinancing of its term facility with a seven-year US$285,000 senior secured term loan facility (the "Term Loan") maturing March 26, 2028. The term facility has no financial maintenance covenant and bears interest at a rate of SOFR plus 4.25%. Commencing on the fiscal quarter ending June 30, 2021, the Term Loan requires quarterly repayment equal to 0.25% of the initial principal amount. As at June 30, 2024, the Company's Term Loan had a principal balance of US$275,738, or $377,440 (June 30, 2023 - US$278,588 or $368,837).

During the fourth quarter of fiscal 2021, the Company entered into an interest rate swap agreement to secure US$165,000 of total term facility from an interest rate of LIBOR plus 4.25% to a fixed interest rate of 5.24% (note 21(b)). The Company amended the benchmark rate from LIBOR to SOFR during the first quarter of fiscal 2023. Changes in the estimated fair value of the interest rate swap are recorded through the Company’s consolidated statement of loss. During the year ended June 30, 2024, the change in the estimated fair value of the interest rate swap resulted in a loss of $9,385 (June 30, 2023 – gain of $540).

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

The Term Loan also requires annual repayments equal to 50% of excess cash flow (the "Excess Cash Flow Payments") (as defined in the Senior Secured Credit Agreement), commencing for the fiscal year-ended June 30, 2022, while the first lien net leverage ratio ("First Lien Leverage Ratio"), as defined in the Senior Secured Credit Agreement, is greater than 3.50 times, reducing to 25% of Excess Cash Flow while First Lien Net Leverage Ratio is at or below 3.50 times and greater than 3.00 times, with the remaining balance due on March 26, 2028. No payments were required under the Excess Cash Flow Payments calculation for the year ended June 30, 2024.

Refer to Subsequent event (note 27) for information subsequent to June 30, 2024.

**d) Senior unsecured convertible debentures ("Convertible Debentures")**

As at June 30, 2024, the Convertible Debentures had a principal balance of $140,000 (June 30, 2023 - $140,000), bearing interest at a fixed annual rate of 5.875% and paid semi-annually on March 31 and September 30 of each year. The Convertible Debentures are convertible into Common Voting Shares or Variable Voting Shares of the Company at a price of $7.729 per share, subject to certain customary adjustments. The Convertible Debentures mature on September 30, 2024 and have been included in the current portion of long-term debt on the consolidated balance sheet.

The Convertible Debentures have a cash conversion option whereby the Company can elect to make a cash payment in lieu of issuing Common Voting Shares or Variable Voting Shares upon exercise of the conversion option feature by the holder of the Convertible Debentures. As a result, the Convertible Debentures were deemed to have no equity component at initial recognition and the estimated fair value of the embedded derivatives is recorded as a financial liability and included with the debt component on the Company's consolidated balance sheet. Changes in the estimated fair value of the embedded derivatives are recorded through the Company's consolidated statement of loss.

During the year ended June 30, 2024, the Company recorded a gain of $339 as a change in fair value of the embedded derivative (June 30, 2023 - a gain of $1,932), and the estimated fair value of the embedded derivative as at June 30, 2024 was $1 (June 30, 2023 - $339).

Refer to Subsequent event (note 27) for information subsequent to June 30, 2024.

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

## 14 Share capital

| | June 30, 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** | | | | |
| 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 | **662,881** | **1,370** | 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 | **206,116,162** | **415,808** | 199,994,229 | 405,612 |
| **Common Voting Shares** | **29,569,453** | | 28,995,711 | |
| **Variable Voting Shares** | **176,546,709** | | 170,998,518 | |
| | **206,116,162** | | 199,994,229 | |

| | Number |
|---|---|
| | # |
| Preferred Variable Voting Shares ("PVVS"), redeemable at the option of the Company at any time at a millionth of a cent per share, no entitlement to dividends, voting | **500,000,000** |
| Common Voting Shares without nominal or par value | **Unlimited** |
| Variable Voting Shares without nominal or par value | **Unlimited** |
| Non-Voting Shares without nominal or par value | **Unlimited** |

The votes attached to the PVVS as a class are automatically adjusted so that they, together with the votes attached to the common shares that are owned by Canadians, equal 55% of the votes attached to all shares in the capital of the Company. The votes attached to the PVVS as a class are, in aggregate, not less than 1% of the votes attached to all shares in the capital of the Company. The PVVS are not listed on any stock exchange.

### Common shares

The common shares of the Company are inclusive of Common Voting Shares, Variable Voting Shares and Non-Voting Shares. As at June 30, 2024, the Company had 29,569,453 Common Voting Shares and 176,546,709 Variable Voting Shares issued and outstanding (June 30, 2023 - 28,995,711 and 170,998,518, respectively).

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

### Warrants

On June 24, 2020, the Company issued 5,000,000 warrants to Fine Capital, to purchase variable voting shares of WildBrain at a price of $1.45 per share, with a maturity date set to expire five years from the date of issuance. The Company recorded the initial recognition entry under contributed surplus.

Refer to Subsequent event (note 27) for information subsequent to June 30, 2024.

## 15 Share-based compensation

### Omnibus equity incentive plan ("Omnibus Plan")

On December 17, 2019, the shareholders of the Company approved the adoption of the Omnibus Plan, a single umbrella plan that provides flexibility to the Company to grant equity-based incentive awards in the form of stock options, restricted share units and performance share units. On December 16, 2021, the shareholders of the Company approved an amended and restated Omnibus Plan which includes deferred share units as an additional form of equity-based incentive awards issuable under the Omnibus Plan and increases the maximum number of equity-awards issuable under the Omnibus Plan from 8.5% of the Company's total issued and outstanding Common and Variable Voting Shares to 10%.As at June 30, 2024, the total amount available for issuance under the Omnibus Plan subject to the 10% maximum was 20,310,747 (June 30, 2023 - at 10% - 19,703,433).

During the year ended June 30, 2024, the Company recognized the following share-based compensation expense (recovery) with a corresponding adjustment to contributed surplus:

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| | **$** | **$** |
| Options | **(534)** | 20 |
| Performance share unit plan ("PSUs") | **(16)** | 1,071 |
| Restricted share unit plan ("RSUs") | **3,093** | 5,916 |
| Deferred share unit plan ("DSUs") | **1,209** | 1,351 |
| Long-term incentives plan ("LTIP") | **—** | (41) |
| Employee stock purchase plan ("ESPP") | **—** | 6 |
| | **3,752** | 8,323 |

**Options**

As at June 30, 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 June 30, 2023** | 3,517,800 | 3.52 |
| **Exercisable at June 30, 2023** | 3,517,800 | 3.52 |
| **Outstanding at June 30, 2023** | **3,517,800** | **3.52** |
| Forfeited | **(600,000)** | **2.57** |
| Expired | **(1,006,800)** | **5.61** |
| **Outstanding at June 30, 2024** | **1,911,000** | **2.71** |
| **Exercisable at June 30, 2024** | **1,911,000** | **2.71** |

The range of exercise prices for options outstanding at June 30, 2024 and 2023, is presented below.

| Range of exercise prices | Number outstanding at June 30, 2024 # | Weighted average remaining contractual life years | Weighted average exercise price $ | Number outstanding at June 30, 2023 # | Weighted average exercise price $ |
|---|---|---|---|---|---|
| $1.50 - $3.49 | **1,391,000** | **1.25** | **1.60** | 2,041,000 | 1.60 |
| $3.50 - $5.49 | **100,000** | **0.25** | **5.47** | 100,000 | 5.47 |
| $5.50 - $7.49 | **420,000** | **0.03** | **5.73** | 1,376,800 | 6.21 |
| Total | **1,911,000** | **0.93** | **2.71** | 3,517,800 | 3.52 |

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

### Performance share unit plan ("PSUs")

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

| | June 30, 2024 PSU # | June 30, 2023 PSU # |
|---|---|---|
| **Outstanding, beginning of year** | **1,850,968** | 2,737,467 |
| Granted | **891,695** | 1,966,468 |
| Forfeited | **(852,500)** | (1,972,800) |
| Exercised | **—** | (880,167) |
| **Outstanding, end of year** | **1,890,163** | 1,850,968 |

### Restricted share unit plan ("RSUs")

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

| | June 30, 2024 RSU # | June 30, 2023 RSU # |
|---|---|---|
| **Outstanding, beginning of year** | **2,483,778** | 4,691,764 |
| Granted | **1,017,991** | 3,988,725 |
| Forfeited | **(479,943)** | (114,699) |
| Exercised | **(794,689)** | (6,082,012) |
| **Outstanding, end of year** | **2,227,137** | 2,483,778 |

### Deferred share unit plan ("DSUs")

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

| | June 30, 2024 DSU # | June 30, 2023 DSU # |
|---|---|---|
| **Outstanding, beginning of year** | **3,245,260** | 2,582,342 |
| Granted | **743,077** | 662,918 |
| Redeemed | **(979,646)** | — |
| **Outstanding, end of year** | **3,008,691** | 3,245,260 |

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

## 16 Government financing and assistance

The continuity of amounts receivable from the Canadian federal government and other government agencies is as follows:

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| | $ | $ |
| Opening balance | **74,444** | 75,659 |
| Additions | **43,002** | 55,443 |
| Collections | **(50,897)** | (56,658) |
| Impact of foreign exchange | **94** | — |
| Closing balance | **66,643** | 74,444 |

Amounts receivable from the Canadian federal government and other government agencies in connection with production financing represented 24% of total amounts receivable at June 30, 2024 (June 30, 2023 - 25%). These amounts receivable are presented as current assets and are part of the normal operating cycle of the Company, which can be greater than 12 months. Certain of these amounts are subject to audit by Canada Revenue Agency.

The Company adjusts amounts receivable from the Canadian federal government and other government agencies including federal and provincial tax credits receivable, quarterly and yearly, for any known differences arising from internal or external audit of these balances. There were no material adjustments for the year ended June 30, 2024.

Additionally, during the year ended June 30, 2024, the Company collected $794 (June 30, 2023 - $1,174) in relation to non-repayable contributions from the Canadian Media Fund license fee program.

## 17 Income taxes

Significant components of the Company's net deferred income tax asset (liability) as at June 30, 2024 and June 30, 2023 are as follows:

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| | $ | $ |
| Broadcast licenses | **(121)** | (18,020) |
| Tangible benefit obligation | **—** | (96) |
| Deferred revenue | **—** | 118 |
| Reserves | **7,206** | 7,206 |
| Foreign tax credits | **14,197** | 9,070 |
| Property and equipment | **(814)** | 449 |
| Share issuance costs, deferred financing fees and financial instruments | **1,116** | 276 |
| Investment in film and television programs and acquired and library content | **(12,120)** | (13,947) |
| Intangible assets | **(9,723)** | (7,636) |
| Foreign currency related balances | **988** | (701) |
| Non-capital losses and other | **10,120** | 16,332 |
| Other | **(3)** | — |
| Net deferred income tax asset (liability) | **10,846** | (6,949) |

The recognition of Canadian, US and UK net operating losses is dependent upon future taxable income and the ability, under Canadian, US and UK tax law, to utilize its net operating losses. Based on the current forecast of Canadian taxable income, it is probable that certain losses may not be utilized. The deferred tax asset not recognized of $49,428 (June 30, 2023 - $42,352), relates primarily to the Canadian non-capital loss carry forwards which begin to expire in the 2033 taxation year. The non-recognition of the deferred tax asset related to the net operating losses does not constrain the Company's ability to utilize it against future income.

Deferred income tax liability has not been recognized for the withholding tax and other taxes that would be payable on unremitted earnings of certain subsidiaries, as such amounts are permanently reinvested. Unremitted earnings totaled $111,372 as at June 30, 2024 (June 30, 2023 - $97,432).

The reconciliation of income taxes computed at the statutory tax rates to income tax (recovery) expense is as follows:

| | June 30, 2024<br>$ | June 30, 2023<br>$ |
|---|---|---|
| Income tax expense based on combined federal and provincial tax rates of 27% (June 30, 2023 - 29%) | **(25,231)** | (2,946) |
| Income taxes (reduced) increased by: | | |
| Impairment | **—** | 9,635 |
| Non-deductible expenses | **2,821** | (1,342) |
| Tax rate differential | **3,412** | (1,304) |
| Non-controlling interest | **(6,792)** | (8,124) |
| Provision to return adjustment | **4,436** | 3,632 |
| Non-capital losses not recognized | **6,138** | 7,430 |
| Other | **343** | 400 |
| (Recovery) expense of income taxes | **(14,873)** | 7,381 |

The Company operates in multiple jurisdictions with differing tax rates. The Company’s effective tax rates are dependent on the jurisdiction to which income relates.

## 18 Non-controlling interest

The Company's non-controlling interest as at June 30, 2024 was $257,234 (June 30, 2023 - $249,282), which primarily relates to its subsidiary, Peanuts Worldwide LLC (DE) ("Peanuts"). The Company is the majority owner of the 80% stake in Peanuts, holding a 51% interest while Sony Music Entertainment (Japan) Inc. holds a 49% interest. The family of Charles M. Schulz holds the remaining 20% interest. The Company has majority voting control with two out of three seats of the Board of Managers of which the voting rights of each Board member are equal to their respective percentage interest. Furthermore, the Company manages the day-to-day operations of Peanuts, and as such at June 30, 2024, the Company controlled Peanuts and therefore consolidates 100% of Peanuts with an adjustment for non-controlling interest.

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

During the year ended June 30, 2024, the Company paid distributions of $26,093 (June 30, 2023 - $21,222). This is reflected in the consolidated statements of cash flows. The following table summarizes the financial information of Peanuts before the elimination of intercompany trading balances and intercompany receivables and payables:

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| | $ | $ |
| Current assets | 138,791 | 133,357 |
| Non-current assets | 391,986 | 379,184 |
| Current liabilities | (54,975) | (44,955) |
| Non-current liabilities | (2,065) | (6,163) |
| Net assets | 473,737 | 461,423 |
| Revenue | 172,486 | 179,290 |
| Total expenses | (131,211) | (136,820) |
| Net income and comprehensive income | 41,275 | 42,470 |

## 19 Finance costs, net

Net finance costs comprise the following:

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| | $ | $ |
| **Finance costs (income)** | | |
| Change in fair value of interest rate swap and forward contract | **9,624** | (967) |
| Interest income | **(3,881)** | (2,655) |
| Interest expense on bank indebtedness | **1,582** | 1,975 |
| Interest on long-term debt | **35,734** | 34,632 |
| Interest on completed and released productions | **3,799** | 2,289 |
| Amortization of deferred financing fees | **2,668** | 3,099 |
| Accretion on convertible debentures, exchangeable debentures, lease liabilities and other | **6,253** | 11,984 |
| | **55,779** | 50,357 |

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

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

## 20 Expenses by nature

The following sets out the expenses by nature:

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| | $ | $ |
| **Direct production costs and expense of film and television produced:** | | |
| Direct production and new media costs | **182,400** | 182,403 |
| Expense of film and television programs | **50,381** | 100,242 |
| Expense of film and broadcast rights for broadcasting | **7,929** | 8,696 |
| | **240,710** | 291,341 |
| **Selling, general and administrative:** | | |
| Office and administrative | **19,264** | 21,134 |
| Investor relations and marketing | **2,473** | 4,573 |
| Professional and regulatory | **10,171** | 10,816 |
| Salaries and employee benefits | **70,497** | 74,480 |
| | **102,405** | 111,003 |
| **Reorganization, development and other expense:** | | |
| Reorganization, development and other expenses[1] | **10,874** | 7,952 |
| Termination and other benefits | **5,077** | 9,259 |
| | **15,951** | 17,211 |
| Amortization of property and equipment and intangible assets | **25,007** | 24,556 |
| Amortization of acquired and library content | **8,696** | 9,701 |
| Write-down of investment in film and television programs, acquired and library content, intangible assets and goodwill (notes 7, 8, 10 and 11) | **90,403** | 41,619 |
| Share-based compensation (note 15) | **3,752** | 8,323 |
| Finance costs, net (note 19) | **55,779** | 50,357 |
| Change in fair value of embedded derivatives | **(339)** | (21,798) |
| Impact of foreign exchange | **14,666** | 10,716 |
| | **557,030** | 543,029 |

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

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| | $ | $ |
| System implementation costs | **4,251** | 2,254 |
| Development write-off | **3,083** | 1,900 |
| Write-down of refinancing costs | **937** | — |
| Relocation costs | **383** | 1,444 |
| Asia-Pacific ("APAC") start up costs | **—** | 896 |
| Other | **2,220** | 1,458 |
| | **10,874** | 7,952 |

## 21 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 below. Management monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial asset or liability fails to meet its contractual obligations, and arises primarily from the Company's cash and credit exposure to customers through its outstanding trade receivables.

The maximum exposure to credit risk for cash and trade receivables (excluding government, film tax credit, and interest rate swap receivables) approximates the amounts recorded on the consolidated balance sheets of $289,742 (June 30, 2023 - $365,430). The Company manages credit risk on cash and cash equivalents by ensuring that the counterparties are banks, governments and government agencies with high credit ratings.

The balance of trade receivables is mainly with Canadian broadcasters and large international distributors. Management manages credit risk by assessing new customers' creditworthiness and regularly reviewing aged accounts receivable. Management also determines the loss allowance for trade receivables by categorizing customers into risk groups and applying provision percentages based on historical loss rates and judgment. The allowance represents approximately 3.5% of current receivables (June 30, 2023 - 3.9%). Long-term receivables are only offered to large international linear and digital broadcasters with a good payment history.

### b) Interest rate risk

The Company's interest rate risk primarily relates to its interim production financing, Revolving Facility, Term Facility, and cash which are subject to interest rate benchmarks that fluctuate such as prime rate, SOFR rate, bankers' acceptance rates and other applicable interest rate benchmarks.

The Company periodically enters into interest rate swaps to manage the cost of interest (note 13c). Management will continue to monitor the interest rate risk closely and take appropriate measures as necessary. Changes in the estimated fair value of the interest rate swap are recorded through the Company's consolidated statement of loss. During the year ended June 30, 2024, the change in the estimated fair value of the interest rate swap resulted in a loss of $9,385 (June 30, 2023 – gain of $540).

An increase of 100 basis points in interest rates during the year ended June 30, 2024 would have decreased pre-tax net income by $5,826 (June 30, 2023 - $5,785).

Refer to Subsequent event (note 27) for information subsequent to June 30, 2024.

### c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity by maintaining sufficient unused capacity within its Revolving Facility, regularly preparing cash flow forecasts, continuously monitoring actual and projected cash flows, and matching the maturity profile of financial assets and liabilities.

Refer to Subsequent event (note 27) for information subsequent to June 30, 2024.

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

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

| | Total<br>$ | Less than 1 year<br>$ | 1 to 3 years<br>$ | 3 to 5 years<br>$ | After 5 years<br>$ |
|---|---|---|---|---|---|
| Bank indebtedness | 13,800 | 13,800 | — | — | — |
| Accounts payable and accrued liabilities | 136,658 | 136,658 | — | — | — |
| Interim production financing | 59,101 | 59,101 | — | — | — |
| Other long-term liabilities | 9,769 | — | 9,769 | — | — |
| Senior unsecured convertible Debentures | 142,073 | 142,073 | — | — | — |
| Term facility | 436,474 | 18,904 | 37,309 | 380,261 | — |
| Finance lease obligations | 21,052 | 9,495 | 8,985 | 2,106 | 466 |
| | 818,927 | 380,031 | 56,063 | 382,367 | 466 |

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

The Company operates a diverse range of business lines, including production studio services, content distribution, consumer products licensing, and representation and television broadcasting. While the operating results may vary from period to period, operating cash flows are generally predictable based on the Company's production and content pipeline, contract renewals, royalty agreements, minimum guarantees and television subscriber fees.

As at June 30, 2024, the Company had an unrestricted cash balance of $49,715 and current amounts receivable of $278,301. Based on the Company's cash balances and available credit facilities, expected collection of trade and other receivables and forecast operating results, management believes it will be able to fulfill its financial obligations as they become due.

### d) Currency risk

The Company has global operations which require holding cash and working capital balances, generating revenue and incurring costs in foreign currencies. These activities result in exposure to fluctuations in foreign currency exchange rates. The Company periodically enters into foreign exchange forward contracts to manage its foreign exchange risk across its portfolio of currencies, which are primarily denominated in Canadian dollars, US dollars ("US$") and British Pound Sterling ("GBP").

A 1% strengthening of Canadian dollars against the foreign currency balances held by the Company at June 30, 2024 would have increased pre-tax net income by $3,583 (June 30, 2023 - decreased pre-tax net income by $2,354).

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

### Fair value of financial instruments

Financial instruments recorded at fair value on the consolidated balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 Valuation based on quoted prices observed in active markets for identical assets and liabilities.

Level 2 Valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest of the hierarchy for which a significant input has been considered in measuring fair value.

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.

### Financial assets and (liabilities) measured at fair value

| | As at | | | |
|---|---|---|---|---|
| | June 30, 2024 | | June 30, 2023 | |
| | Fair value hierarchy | Fair value[1] | Fair value hierarchy | Fair value[1] |
| | | $ | | $ |
| Embedded derivatives[2] | **Level 2** | **(1)** | Level 2 | (339) |
| Foreign currency forwards[3] | **Level 2** | **75** | Level 2 | 154 |
| Foreign currency forwards[3] | **Level 2** | **(137)** | Level 2 | 183 |
| Interest rate swap[4] | **Level 2** | **—** | 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 include convertible debentures, measured using valuation models. This is classified under Accounts payable, accrued and derivative liabilities in the 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 consolidated balance sheet.

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

As at June 30, 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$1,547 to US$2,220** |
| Weighted average rate | **1.2889** |
| **US$ exchange for Canadian dollars** | |
| Less than one year | **US$2,555 to US$3,787** |
| Weighted average rate | **1.3296** |
| **Japanese Yen ("Yen") exchange for US$** | |
| Less than one year | **US$2,188 to US$2,188** |
| Weighted average rate | **154.8417** |

The Company does not apply hedge accounting and the forward contract options are measured at fair value at each reporting date. The estimated fair value of the forward contract options as at June 30, 2024, was an asset of $75 and a liability of $137 (June 30, 2023 - asset of $337), which have been included in derivative assets and derivative liabilities, respectively, in the consolidated balance sheet.

**Financial assets and liabilities not measured at fair value**

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

| | As at | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 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** | **134,400** | **138,434** | 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 year ended June 30, 2024, the Company recorded a gain of $339, as a change in fair value of the embedded derivative (June 30, 2023 - a gain of $1,932), and the estimated fair value of the embedded derivative as at June 30, 2024 was $1 (June 30, 2023 - $339).

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

## 22 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 year.

| | June 30, 2024 $ | June 30, 2023 $ |
|---|---|---|
| Net loss attributable to shareholders of the Company | **(105,970)** | (45,553) |
| Weighted average number of common shares outstanding (in 000's) | **205,943** | 177,423 |
| Basic loss per common share | **(0.51)** | (0.26) |

b) Diluted

During the years ended June 30, 2024 and June 30, 2023, 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.

## 23 Capital disclosures

The Company's objectives when managing capital are to provide an adequate return to shareholders, safeguard its assets, maintain a competitive cost structure and continue as a going concern in order to pursue the development, production, distribution and licensing of its film and television properties and broadcast operations. The balance of the Company's cash is being used to reduce leverage.

The Company's capital structure is summarized in the table below:

| | June 30, 2024 $ | June 30, 2023 $ |
|---|---|---|
| Total bank indebtedness and long-term debt, excluding interim production financing | **523,535** | 500,978 |
| Less: Cash | **(49,715)** | (80,348) |
| Net debt | **473,820** | 420,630 |
| Total shareholders' equity | **246,490** | 325,323 |
| | **720,310** | 745,953 |

To facilitate the management of its capital structure, the Company prepares annual operating budgets that are updated as necessary depending on various factors including industry conditions and operating cash flows. These budgets are regularly reviewed by the Board of Directors.

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

## 24 Consolidated statement of cash flows - supplementary information

### Net change in non-cash balances related to operations

| | June 30, 2024 $ | June 30, 2023 $ |
|---|---|---|
| Decrease (increase) in amounts receivable | **27,500** | (43,261) |
| (Increase) decrease in prepaid expenses and other | **(2,930)** | 959 |
| Decrease in long-term amounts receivable | **34,513** | 27,079 |
| (Decrease) increase in accounts payable and accrued liabilities | **(60,886)** | 2,191 |
| (Decrease) increase in Deferred revenue | **(18,431)** | 17,433 |
| | **(20,234)** | 4,401 |

### Net change in film and television programs

| | June 30, 2024 $ | June 30, 2023 $ |
|---|---|---|
| Net change in development costs[1] | **2,512** | (1,099) |
| Net additions to productions in progress and productions completed and released | **(58,323)** | (112,832) |
| Additions to program and film rights - broadcasting | **(4,839)** | (7,080) |
| Amortization of film and television programs | **50,381** | 100,242 |
| Amortization of program and film rights - broadcasting | **7,929** | 8,696 |
| | **(2,340)** | (12,073) |

[1] Includes $975 investment in film and television programs acquired as part of business combination.

### Net change in interim production financing

| | June 30, 2024 $ | June 30, 2023 $ |
|---|---|---|
| Proceeds from interim production financing | **51,101** | 83,198 |
| Repayment of interim production financing | **(78,891)** | (80,542) |
| | **(27,790)** | 2,656 |

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

### Supplemental cash flow information

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| | $ | $ |
| Taxes paid | **(3,650)** | (3,514) |
| Taxes refunded | **282** | 2,938 |
| | **(3,368)** | (576) |

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

| | Term facility | Senior unsecured convertible debentures | Lease liabilities | Exchangeable debentures | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance - June 30, 2022** | 353,387 | 128,090 | 36,239 | 22,662 | 540,378 |
| Repayments and settlements | (3,849) | — | (10,357) | (29,445) | (43,651) |
| Payment of debt issue costs | (515) | — | — | — | (515) |
| **Total financing cash flow activities** | (4,364) | — | (10,357) | (29,445) | (44,166) |
| Amortization of deferred financing costs | 1,964 | 889 | — | 246 | 3,099 |
| Lease liabilities additions | — | — | 5,721 | — | 5,721 |
| Interest paid on lease liabilities | — | — | (1,976) | — | (1,976) |
| Accretion expense | 21 | 4,023 | 1,976 | 5,984 | 12,004 |
| Impact of foreign exchange | 9,968 | — | 446 | 553 | 10,967 |
| **Total other activities** | 11,953 | 4,912 | 6,167 | 6,783 | 29,815 |
| **Balance - June 30, 2023** | 360,976 | 133,002 | 32,049 | — | 526,027 |

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

| | Term facility | Senior unsecured convertible debentures | Lease liabilities | Total |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| **Balance - June 30, 2023** | **360,976** | **133,002** | **32,049** | **526,027** |
| Repayments | **(3,846)** | **—** | **(10,288)** | **(14,134)** |
| Payment of debt issue costs | **(6)** | **—** | **—** | **(6)** |
| **Total financing cash flow activities** | **(3,852)** | **—** | **(10,288)** | **(14,140)** |
| Amortization of deferred financing costs | **1,778** | **890** | **—** | **2,668** |
| Lease liabilities additions | **—** | **—** | **3,054** | **3,054** |
| Interest paid on lease liabilities | **—** | **—** | **(1,780)** | **(1,780)** |
| Accretion expense | **—** | **4,542** | **1,780** | **6,322** |
| Impact of foreign exchange | **12,399** | **—** | **139** | **12,538** |
| **Total other activities** | **14,177** | **5,432** | **3,193** | **22,802** |
| **Balance - June 30, 2024** | **371,301** | **138,434** | **24,954** | **534,689** |

## 25 Revenues and segmented information

WildBrain operates production entities and offices throughout Canada, the United States, the United Kingdom, Asia and Europe.

The Company has an integrated approach to managing and monetizing its content and intellectual property ("IP"), including production, distribution and consumer-product royalties, representation, and organization structure, as well as the establishment of the Content Investment Group ("CIG").

In evaluating performance, the Chief Operating Decision Maker ("CODM"), defined as the Company's President and CEO, and CFO, rely on recommendations by the CIG to assess and allocate resources. The composition of the CODM group changed in the second quarter of fiscal 2024 with the changing of the Company's CFO.

As a result, in the fourth quarter of fiscal 2024, the Company further refined its view of the reportable segments and made changes to report three reportable segments, being 1) Content and Licensing; 2) Global Licensing and 3) Canadian Television Broadcasting. For the year ended June 30, 2024, the Company has restated the comparative figures for segmented information disclosed in the prior period.

1) Content Creation and Audience Engagement - comprises revenue generated from production of proprietary content and distribution of proprietary titles owned by the Company and its strategic partners, and third-party service work.

2) Global Licensing - comprises royalties from IPs owned by the Company and its strategic partners, and commissions earned from licensing agency business.

3) Canadian Television Broadcasting - comprises revenue from operating the broadcast channels in Canada.

During the year ended June 30, 2024, revenues from no customer (June 30, 2023 - one customer) of the Company’s Content segment represented approximately 10% of total revenues (June 30, 2023 - $78,518 of total revenues).

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

| | | | | Year ended June 30, 2023 |
|---|---|---|---|---|
| | Content and Licensing | Global Licensing | Television | Consolidated |
| | $ | $ | $ | $ |
| **Revenues** | 280,617 | 212,187 | 40,067 | 532,871 |
| Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative | 202,172 | 151,787 | 23,481 | 377,440 |
| **Segment profit** | 78,445 | 60,400 | 16,586 | 155,431 |
| Corporate selling, general and administrative | | | | 33,227 |
| Amortization of property and equipment and intangible assets | | | | 24,556 |
| Amortization of acquired and library content | | | | 9,701 |
| Write-down of investment in film and television programs, acquired and library content, and goodwill | | | | 41,619 |
| Finance costs, net | | | | 50,357 |
| Change in fair value of embedded derivatives | | | | (21,798) |
| Impact of foreign exchange | | | | 10,716 |
| Reorganization, development and other expenses | | | | 17,211 |
| **Loss before income taxes** | | | | (10,158) |

| | | | | Year ended June 30, 2024 |
|---|---|---|---|---|
| | Content and Licensing | Global Licensing | Television | Consolidated |
| | $ | $ | $ | $ |
| **Revenues** | **212,765** | **213,598** | **35,457** | **461,820** |
| Direct production and distribution costs and amortization of film and television produced, share based compensation and selling, general and administrative | **165,423** | **148,175** | **18,717** | **332,315** |
| **Segment profit** | **47,342** | **65,423** | **16,740** | **129,505** |
| Corporate selling, general and administrative | | | | **14,552** |
| Amortization of property and equipment and intangible assets | | | | **25,007** |
| Amortization of acquired and library content | | | | **8,696** |
| Write-down of investment in film and television programs and intangible assets | | | | **90,403** |
| Finance costs, net | | | | **55,779** |
| Change in fair value of embedded derivatives | | | | **(339)** |
| Impact of foreign exchange | | | | **14,666** |
| Reorganization, development and other expenses | | | | **15,951** |
| **Loss before income taxes** | | | | **(95,210)** |

(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:

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| | $ | $ |
| Content creation and audience engagement[1] | **212,765** | 280,617 |
| Global licensing | **213,598** | 212,187 |
| Canadian Television Broadcasting | **35,457** | 40,067 |
| | **461,820** | 532,871 |

[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 has continued to provide legacy WildBrain Spark revenue for comparable results. Legacy WildBrain Spark revenue for the year ended June 30, 2024 was $45,237 (June 30, 2023 - $47,059).

The following table presents the Company's revenues, property and equipment, intangible assets and goodwill recognized from different geographical locations:

| | June 30, 2024 | June 30, 2023 |
|---|---|---|
| | $ | $ |
| **Revenue** | | |
| Canada | **124,011** | 153,001 |
| USA | **186,797** | 219,006 |
| UK | **143,183** | 152,886 |
| Rest of the world | **7,829** | 7,978 |
| | **461,820** | 532,871 |
| **Property and equipment** | | |
| Canada | **19,994** | 25,295 |
| USA | **2,759** | 4,061 |
| Rest of the world | **3,592** | 4,881 |
| | **26,345** | 34,237 |
| **Intangible assets** | | |
| Canada | **7,842** | 72,839 |
| USA | **365,321** | 354,794 |
| Rest of the world | **13,976** | 20,121 |
| | **387,139** | 447,754 |
| **Goodwill** | | |
| Canada | **6,320** | — |
| USA | **22,225** | 21,435 |
| | **28,545** | 21,435 |

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

## 26 Commitments and contingencies

As at June 30, 2024, the Company has entered into various contracts to buy broadcast rights with future commitments totaling $1,573.

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.

## 27 Subsequent event

On July 23, 2024, the Company entered into a new credit agreement for a five-year US$415,000 Senior Secured Credit Facility consisting of a US$375,000 Term Loan Facility and a US$40,000 Revolving Facility, bearing interest of SOFR plus a range of 5.5% to 6% and maturing on July 23, 2029. The new facility has a financial maintenance covenant as outlined below:

| Fiscal Quarter | Total Leverage Ratio[1] |
|---|---|
| Fiscal quarters ending September 30, 2024 and December 31, 2024 | 6.50x |
| Fiscal quarters ending March 31, 2025 and June 30, 2025 | 6.25x |
| Fiscal quarters ending September 30, 2025 through and including June 30, 2026 | 5.75x |
| Fiscal quarters ending September 30, 2026 through and including June 30, 2027 | 5.00x |
| September 30, 2027 through and including June 30, 2028 | 4.50x |
| June 30, 2028 and thereafter | 4.00x |

[1] As defined in the new facility

Commencing on the quarter ending September, 30, 2024, the new Term Loan Facility requires quarterly repayment equal to 0.25% of the initial principal amount. This credit facility also requires annual repayments equal to 100% Excess Cash Flow (the "Excess Cash Flow Payments") (as defined in the Credit Agreement), commencing for the fiscal year ended June 30, 2025 , while total leverage is greater than 3.50x, reducing to 50% if total leverage ratio is less than 3.50x but in excess of 3.00x and 25% if total leverage ratio is equal to or less than 3.00x.

The new Revolving Facility may be drawn down in USD or by way of USD Base Rate or SOFR rate (the “Drawdown Rate”). Interest rate is floating ranging from Drawdown Rate + 5.5% to 6.0%, driven by the leverage ratio.

Proceeds from the new credit agreement were used to fully repay the following:

| | June 30, 2024 $ |
|---|---|
| Bank indebtedness (note 13a) | **13,800** |
| Term Facility, net of unamortized issue costs of $6,077 (June 30, 2023 - $7,849) (note 13c) | **371,301** |
| Total | **385,101** |

Additionally, proceeds from the new credit agreement, along with working capital and $7,250 from Fine Capital's exercise of warrants for 5,000,000 Variable Voting Shares at $1.45 per share, have been deposited in escrow.