

# **WildBrain Ltd.**

Interim Condensed Consolidated Financial Statements  
(unaudited)

**September 30, 2024**

(expressed in thousands of Canadian dollars)

November 7, 2024

## **Management's Responsibility for Financial Reporting**

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

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

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

(signed) "*Josh Scherba*"  
President and Chief Executive Officer  
Toronto, Ontario

(signed) "*Nicholas Gawne*"  
Chief Financial Officer  
Toronto, Ontario

# WildBrain Ltd.

## Interim Condensed Consolidated Balance Sheets (unaudited) As at September 30, 2024 and June 30, 2024

(expressed in thousands of Canadian dollars)

	September 30, 2024	June 30, 2024
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	51,436	49,715
Amounts receivable (note 5)	263,037	278,301
Prepaid expenses and other	11,264	10,573
Investment in film and television programs (note 6)	160,661	159,584
	<u>486,398</u>	498,173
Long-term amounts receivable (note 5)	16,982	23,198
Acquired and library content (note 7)	76,681	78,882
Property and equipment	24,776	26,345
Derivative assets	—	75
Intangible assets	380,083	387,139
Goodwill	28,213	28,545
Deferred income taxes (note 12)	14,112	10,846
	<u>1,027,245</u>	1,053,203
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness (note 9)	28,348	13,800
Accounts payable and accrued liabilities (note 8)	144,332	136,658
Deferred revenue	38,945	57,118
Interim production financing (note 9)	49,971	59,101
Current portion of lease liabilities	9,716	8,569
Current portion of long-term debt (note 9)	5,062	142,335
	<u>276,374</u>	417,581
Long-term debt (note 9)	482,628	367,400
Long-term lease liabilities	13,691	16,385
Derivative liabilities (note 15)	235	137
Other long-term liabilities	3,989	5,210
	<u>776,917</u>	806,713
<b>Shareholders' Equity</b>		
Deficit attributable to shareholders of the Company	(10,923)	(10,744)
Non-controlling interest	261,251	257,234
	<u>250,328</u>	246,490
	<u>1,027,245</u>	1,053,203

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

# WildBrain Ltd.

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

For the three month periods ended September 30, 2024 and 2023

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

	September 30, 2024	September 30, 2023
	\$	\$
<b>Revenues</b> (note 19)	<u>111,026</u>	105,506
<b>Expenses</b> (note 14)		
Direct production costs and expense of film and television produced	58,289	53,713
Amortization of acquired and library content (note 7)	1,976	2,158
Amortization of property and equipment and intangible assets	5,518	6,265
Selling, general and administrative	27,361	24,589
Share-based compensation (note 11)	1,997	1,557
Finance costs, net (note 13)	24,510	13,727
Change in fair value of embedded derivatives	(1)	(262)
Foreign exchange (gain) loss	(10,371)	6,125
Reorganization, development and other expense (note 14)	<u>2,226</u>	4,992
	<u>111,505</u>	112,864
<b>Loss before income taxes</b>	<u>(479)</u>	(7,358)
<b>(Recovery of) provision for income taxes</b> (note 12)		
Current	271	(1,143)
Deferred	<u>(2,445)</u>	1,484
	<u>(2,174)</u>	341
<b>Net income (loss) for the period</b>	<u>1,695</u>	(7,699)
Net income attributable to non-controlling interests	<u>12,315</u>	7,816
<b>Net loss attributable to shareholders of the Company</b>	<u>(10,620)</u>	(15,515)
<b>Basic loss per common share</b> (note 16)	<u>(0.05)</u>	(0.08)
<b>Diluted loss per common share</b> (note 16)	<u>(0.05)</u>	(0.08)

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

# WildBrain Ltd.

## Interim Condensed Consolidated Statements of Comprehensive (Loss) Income (unaudited) For the three month periods ended September 30, 2024 and 2023

(expressed in thousands of Canadian dollars)

	September 30, 2024	September 30, 2023
	\$	\$
<b>Net income (loss) for the period</b>	<b>1,695</b>	<b>(7,699)</b>
<b>Other comprehensive (loss) income</b>		
Items that may be subsequently reclassified to the consolidated statements of income (loss)		
Foreign currency translation adjustment:		
Attributable to non-controlling interests	<b>(3,651)</b>	5,336
Attributable to shareholders of the Company	<b>1,836</b>	5,178
	<b>(1,815)</b>	10,514
<b>Comprehensive (loss) income for the period</b>	<b>(120)</b>	<b>2,815</b>

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

# WildBrain Ltd.

## Interim Condensed Consolidated Statements of Changes in Equity (unaudited) For the three month periods ended September 30, 2024 and 2023

(expressed in thousands of Canadian dollars)

	Common shares	Contributed surplus	Accumulated other comprehensive loss	Deficit	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$
<b>Balance - July 1, 2023</b>	405,612	42,542	(15,776)	(356,337)	249,282	325,323
Net (loss) income for the period	—	—	—	(15,515)	7,816	(7,699)
Other comprehensive income for the period	—	—	5,178	—	5,336	10,514
Comprehensive income (loss) for the period	—	—	5,178	(15,515)	13,152	2,815
Common shares issued, net of issuance costs and payroll taxes remitted	641	(1,277)	—	—	—	(636)
Common shares issued to settle business acquisition	7,660	—	—	—	—	7,660
Share-based compensation	—	1,557	—	—	—	1,557
Distributions to non-controlling interests	—	—	—	—	(4,629)	(4,629)
<b>Balance - September 30, 2023</b>	<b>413,913</b>	<b>42,822</b>	<b>(10,598)</b>	<b>(371,852)</b>	<b>257,805</b>	<b>332,090</b>
<b>Balance - July 1, 2024</b>	<b>415,808</b>	<b>45,794</b>	<b>(10,039)</b>	<b>(462,307)</b>	<b>257,234</b>	<b>246,490</b>
Net (loss) income for the period	—	—	—	(10,620)	12,315	1,695
Other comprehensive income (loss) for the period	—	—	1,836	—	(3,651)	(1,815)
Comprehensive income (loss) for the period	—	—	1,836	(10,620)	8,664	(120)
Common shares issued, net of issuance costs and payroll taxes remitted	1,254	(1,896)	—	—	—	(642)
Common shares issued to settle warrant exercise	6,250	1,000	—	—	—	7,250
Share-based compensation	—	1,997	—	—	—	1,997
Distributions to non-controlling interests	—	—	—	—	(4,647)	(4,647)
<b>Balance - September 30, 2024</b>	<b>423,312</b>	<b>46,895</b>	<b>(8,203)</b>	<b>(472,927)</b>	<b>261,251</b>	<b>250,328</b>

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

# WildBrain Ltd.

## Interim Condensed Consolidated Statements of Cash Flows (unaudited) For the three month periods ended September 30, 2024 and 2023

(expressed in thousands of Canadian dollars)

	September 30, 2024	September 30, 2023
<b>Cash provided by (used in)</b>	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net income (loss) for the period	1,695	(7,699)
Charges (credits) to reconcile net income (loss) to cash provided by operating activities		
Amortization of property and equipment	2,630	3,106
Amortization of intangible assets	2,888	3,159
Amortization of acquired and library content	1,976	2,158
Accretion expense and amortization of deferred financing fees	2,559	2,137
Unrealized foreign exchange (gain) loss	(8,672)	11,349
Share-based compensation	1,997	1,557
Write-down of unamortized issue costs	6,313	—
Change in fair value of embedded derivatives	(1)	(262)
Change in fair value of interest rate swap and forward foreign exchange contract	176	2,561
Interest income	(2,160)	(1,100)
Interest expense	17,622	10,129
Deferred tax (recovery) expense	(2,445)	1,484
Net investment in film and television programs (note 18)	5,315	(8,882)
Net change in non-cash balances related to operations (note 18)	(4,077)	(22,660)
<b>Cash provided by (used in) operating activities</b>	<b>25,816</b>	<b>(2,963)</b>
<b>Financing activities</b>		
Common shares issued, net of issuance costs and payroll taxes remitted	6,608	(636)
Distributions to non-controlling interests	(4,647)	(4,629)
Proceeds from bank indebtedness (note 9b)	28,348	—
Net (repayment of) proceeds from bank indebtedness (note 9a)	(13,800)	5,000
Proceeds from long-term debt (note 9d)	504,947	—
Repayment of long-term debt (notes 9c and 9e)	(512,218)	(951)
Payment of debt issue costs	(16,548)	—
Interest paid on long-term debt and lease liabilities	(4,845)	(10,270)
Repayment of lease liabilities	(2,431)	(2,454)
Net repayment of interim production financing (note 18)	(9,130)	(5,089)
<b>Cash used in financing activities</b>	<b>(23,716)</b>	<b>(19,029)</b>
<b>Investing activities</b>		
Business acquisition, net of cash acquired (note 4)	—	(3,533)
Acquisition of acquired and library content	(92)	—
Acquisition of property and equipment	(85)	(126)
Acquisition of intangible assets	(288)	(408)
<b>Cash used in investing activities</b>	<b>(465)</b>	<b>(4,067)</b>
Effect of foreign exchange rate changes on cash	86	(122)
<b>Net change in cash during the period</b>	<b>1,721</b>	<b>(26,181)</b>
<b>Cash - Beginning of the period</b>	<b>49,715</b>	<b>80,348</b>
<b>Cash - End of the period</b>	<b>51,436</b>	<b>54,167</b>

### Supplemental information (note 18)

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

# WildBrain Ltd.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2024 and 2023

---

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

### 1 Nature of business

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

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

### 2 Basis of preparation

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

These interim condensed consolidated financial statements have been authorized for issuance by the Board of Directors on November 7, 2024.

### 3 Summary of material accounting policies, judgments and estimation uncertainty

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

#### **New Accounting Standards**

The following amendment to standards and interpretations became effective for the annual periods beginning on or after January 1, 2024.

##### *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 application of this amendment had no significant impact on the Company's interim condensed consolidated financial statements.



# WildBrain Ltd.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2024 and 2023

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

### 4 Acquisitions

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.

### 5 Amounts receivable

	September 30, 2024	June 30, 2024
	\$	\$
Trade receivables	204,424	216,829
Less: ECL allowance on trade receivables	(6,391)	(7,663)
Trade receivables, net of loss allowance	198,033	209,166
Sales tax receivable	2,934	2,492
Federal and provincial film tax credits	62,070	66,643
Short-term amounts receivable	263,037	278,301
Long-term amounts receivable <sup>(1)</sup>	16,982	23,198
Total amounts receivable	280,019	301,499

<sup>(1)</sup> Comprised of distribution deals which carry payment terms that exceed one year.

### 6 Investment in film and television programs

	Development	In Production	Delivered	Program and film rights - broadcasting <sup>(1)</sup>	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
<b>June 30, 2024</b>	4,434	38,507	819,606	181,733	1,044,280
Additions	1,160	1,568	4,589	1,154	8,471
Reclassifications <sup>(2)</sup>	(976)	(23,555)	24,531	—	—
Impact of foreign exchange	7	(477)	6,863	—	6,393
<b>September 30, 2024</b>	4,625	16,043	855,589	182,887	1,059,144
<b>Accumulated amortization</b>					
<b>June 30, 2024</b>			718,643	166,053	884,696
Amortization			11,854	1,859	13,713
Impact of foreign exchange			74	—	74
<b>September 30, 2024</b>			730,571	167,912	898,483
<b>Net book value</b>					
<b>June 30, 2024</b>	4,434	38,507	100,963	15,680	159,584
<b>September 30, 2024</b>	4,625	16,043	125,018	14,975	160,661

<sup>(1)</sup> All Program and film rights - broadcasting relate to Canadian Television Broadcasting segment.

<sup>(2)</sup> Reclassifications represent content that has progressed from one classification to another (such as from Development to In Production)

## WildBrain Ltd.

### Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2024 and 2023

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

During the three-month period ended September 30, 2024, interest of \$nil (September 30, 2023 - \$2,559) was capitalized to investment in film and television programs.

During the three-month period ended September 30, 2024, additions to investment in film and television programs were reduced by \$1,390 (June 30, 2024 - \$6,980) in respect of production tax credits.

#### 7 Acquired and library content

	Acquired and library content \$
<b>Cost</b>	
<b>June 30, 2024</b>	<b>189,676</b>
Additions	92
Impact of foreign exchange	(317)
<b>September 30, 2024</b>	<b>189,451</b>
<b>Accumulated amortization</b>	
<b>June 30, 2024</b>	<b>110,794</b>
Amortization	1,967
Impact of foreign exchange	9
<b>September 30, 2024</b>	<b>112,770</b>
<b>Net book value</b>	
<b>June 30, 2024</b>	<b>78,882</b>
<b>September 30, 2024</b>	<b>76,681</b>

#### 8 Accounts payable and accrued liabilities

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

	September 30, 2024 \$	June 30, 2024 \$
Accounts payable	30,415	35,638
Accrued liabilities	111,073	97,710
Income tax payable	2,844	3,310
	<b>144,332</b>	<b>136,658</b>

# WildBrain Ltd.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2024 and 2023

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

### 9 Credit facilities

On July 23, 2024, the Company entered into a new five year US\$415,000 credit agreement (the "Senior Secured Credit Facility") consisting of a US\$375,000 Term Loan Facility (the "Term Loan Facility") and a US\$40,000 Revolving Facility (the "Revolving Facility"). The Senior Secured Credit Facility may be drawn in USD, with the option of a Secured Overnight Financing Rate ("SOFR") plus 5.5% to 6.0% or a Base Rate (the "Base Rate") plus 4.5% to 5.0%. The Base Rate is calculated as the highest of (a) the Federal Funds Rate plus 0.5%, (b) the Prime Rate in effect and (c) SOFR for a one-month tenor in effect + 1%. The Revolving Credit Facility bears interest at the selected interest rate + 4.5% to 6.0%, depending on the type of rate chosen and the leverage ratio at the time of the draw. The Senior Secured Credit Facility matures on July 23, 2029, and fully replaced the Company's indebtedness under its previous Secured Credit Facility (the "Prior Credit Facility"), which consisted of a term loan facility (the "Prior Term Loan Facility") and a revolving facility (the "Prior Revolving Facility").

	September 30, 2024	June 30, 2024
	\$	\$
Prior Revolving Facility (note 9a)	—	13,800
Revolving Facility (note 9b)	28,348	—
Prior Term Loan Facility, net of unamortized issue costs of \$nil (June 30, 2024 - \$6,077) (note 9c)	—	371,301
Term Loan Facility, net of unamortized issue costs of \$17,257 (June 30, 2024 - \$nil) (note 9d)	487,690	—
Convertible Debentures, net of unamortized issue costs and conversion option of \$nil (June 30, 2024 - \$1,566) (note 9e)	—	138,434
Interim production financing <sup>(1)</sup>	49,971	59,101
Total	566,009	582,636
Amount due within 12 months	(83,381)	(215,236)
Amount due beyond 12 months	482,628	367,400

<sup>(1)</sup> Assignment and direction of specific production financing, licensing contracts receivable and film tax credits receivable have been pledged as security. As at September 30, 2024, the Canadian dollar bank prime rate was 6.45% (June 30, 2024 - 6.95%).

The Senior Secured Credit Facility has a financial maintenance covenant as outlined below:

Fiscal Quarter	Total Leverage Ratio <sup>(1)</sup>
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

<sup>(1)</sup> As defined in the Senior Secured Credit Facility

The termination of the Prior Credit Facility and the entering into the Senior Secured Credit Facility was accounted for as an extinguishment of the Prior Credit Facility. As a result, during the three-month period ended September 30, 2024, unamortized issue costs of \$6,077 and professional and legal fees of \$236 were recorded as write-down of issue costs within Finance Costs. Issue costs, professional and legal fees of \$17,898 were capitalized in relation to the Senior Secured Credit Facility and will be amortized over the term of the Senior Secured Credit Facility using the effective interest method.

# WildBrain Ltd.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2024 and 2023

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

### a) Prior Revolving Facility

The Prior Revolving Facility bore interest of SOFR plus 4% based on the applicable form of borrowing and did not carry a financial maintenance covenant, except when amounts were drawn and outstanding. The Revolving Facility had a maturity date of 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 the Prior 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.

Amounts owed under the Prior Revolving Facility were recorded in Bank Indebtedness and were classified as current liabilities. Upon payment in full of the outstanding balance on July 23, 2024, the Prior Revolving Facility arrangement was extinguished.

### b) Revolving Facility

During the three-month period ended September 30, 2024, the Revolving Facility bore interest of 11.12%.

Amounts owed under the Revolving Facility are recorded in Bank Indebtedness and are classified as current liabilities. As at September 30, 2024, US\$21,000 or \$28,348 (June 30, 2024 - US\$nil or \$nil) was drawn on the Revolving Facility.

### c) Prior Term Loan Facility

The Prior Term Loan Facility bore interest of SOFR + 4.25% and had a maturity date of March 26, 2028. The Prior Term Loan Facility had no financial maintenance covenants, except when amounts were drawn and outstanding, and required quarterly repayment equal to 0.25% of the initial principal amount.

Upon payment in full of the outstanding balance on July 23, 2024, the Prior Term Loan Facility arrangement was extinguished.

### d) Term Loan Facility

Commencing on the quarter ending September 30, 2024, the Term Loan Facility requires quarterly repayment equal to 0.25% of the initial principal amount and annual repayments of Excess Cash Flow (as defined in the Senior Secured Credit Facility documents), commencing for the fiscal year ended June 30, 2025, as outlined below:

Total Leverage Ratio <sup>(1)</sup>	Excess Cash Flow % Payable
Greater than 3.50x	100%
Greater than 3.00x and less than 3.50x	50%
Less than 3.00x	25%

<sup>(1)</sup> As defined in the Senior Secured Credit Facility

During the three-month period ended September 30, 2024, the Term Loan Facility bore interest of 11.28%.

The Company is required to comply with a leverage covenant of 6.50x. As at September 30, 2024, the Company's Total Net Leverage Ratio was 5.13x and in compliance with the leverage covenant requirement.

As at September 30, 2024, the Company's Term Loan had a principal balance of US\$374,063, or \$504,947 (June 30, 2024 - US\$nil or \$nil).

Refer to Management of financial risks and financial instruments (note 15) for information related to principal and fixed rate interest payments as at September 30, 2024.

### e) Senior unsecured convertible debentures ("Convertible Debentures")

During the first quarter of fiscal 2025, the Company fully repaid the principal balance of \$140,000 for the Convertible Debentures, bearing interest at a fixed annual rate of 5.875% payable semi-annually on March 31 and September 30 of each year.

# WildBrain Ltd.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2024 and 2023

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

The Convertible Debentures had a cash conversion option whereby the Company could 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 was recorded as a financial liability and included with the debt component on the Company's interim condensed consolidated balance sheet (unaudited). Changes in the estimated fair value of the embedded derivatives were recorded through the Company's interim condensed consolidated statement of income (loss) (unaudited).

During the three-month period ended September 30, 2024, the Company recorded a gain of \$1 as a change in fair value of the embedded derivative (September 30, 2023 - a gain of \$262), and the estimated fair value of the embedded derivative as at September 30, 2024 was \$nil (June 30, 2024 - \$1).

### 10 Share capital

	September 30, 2024		June 30, 2024	
	Number #	Amount \$	Number #	Amount \$
<b>Preferred variable voting shares</b>				
Opening balance	500,000,000	—	500,000,000	—
Ending balance	500,000,000	—	500,000,000	—
<b>Common shares<sup>(1)</sup></b>				
Opening balance	206,116,162	415,808	199,994,229	405,612
RSU settled	—	1,254	662,881	1,370
DSU settled	—	—	979,646	1,166
Shares for warrant exercise	5,000,000	6,250	—	—
Shares for business acquisition	—	—	4,479,406	7,660
Ending balance	211,116,162	423,312	206,116,162	415,808
<b>Common Voting Shares</b>	28,139,575		29,569,453	
<b>Variable Voting Shares</b>	182,976,587		176,546,709	
	211,116,162		206,116,162	

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

On July 23, 2024, the Company issued 5,000,000 Variable Voting Shares for exercise of warrants held by Fine Capital. The Company recorded the transaction at fair value based on the share price at the date of the transaction with a corresponding adjustment to contributed surplus in the interim condensed consolidated balance sheets.

# WildBrain Ltd.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2024 and 2023

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

### 11 Share-based compensation

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

As at September 30, 2024, the total amount available for issuance under the Omnibus Plan subject to the 10% maximum was 20,724,943 (September 30, 2023 - at 10% - 20,232,296).

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

	September 30, 2024	September 30, 2023
	\$	\$
Performance share unit plan ("PSUs")	219	(392)
Restricted share unit plan ("RSUs")	624	955
Deferred share unit plan ("DSUs")	1,154	994
	<u>1,997</u>	<u>1,557</u>

#### Options

As at September 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, 2023	3,517,800	3.52
Outstanding at September 30, 2023	<u>3,517,800</u>	<u>3.52</u>
Exercisable at September 30, 2023	<u>3,517,800</u>	<u>3.52</u>
Outstanding at June 30, 2024	1,911,000	2.71
Expired	(487,500)	5.23
Outstanding at September 30, 2024	<u>1,423,500</u>	<u>1.85</u>
Exercisable at September 30, 2024	<u>1,423,500</u>	<u>1.85</u>

# WildBrain Ltd.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2024 and 2023

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

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

Range of exercise prices	Number outstanding at September 30, 2024 #	Weighted average remaining contractual life years	Weighted average exercise price \$	Number outstanding at September 30, 2023 #	Weighted average exercise price \$
\$1.50 - \$3.49	1,323,500	1.00	1.57	2,041,000	1.60
\$3.50 - \$5.49	100,000	—	5.47	100,000	5.47
\$5.50 - \$7.49	—	—	—	1,376,800	6.21
Total	1,423,500	0.93	1.85	3,517,800	3.52

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

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

	Three months ended	
	September 30, 2024	September 30, 2023
	PSUs #	PSUs #
Outstanding, beginning of period	1,890,163	1,850,968
Granted	717,345	696,695
Outstanding, end of period	2,607,508	2,547,663

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

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

	Three months ended	
	September 30, 2024	September 30, 2023
	RSUs #	RSUs #
Outstanding, beginning of period	2,227,137	2,483,778
Granted	915,526	784,097
Forfeited	—	(75,128)
Exercised	(999,549)	(1,680)
Outstanding, end of period	2,143,114	3,191,067

# WildBrain Ltd.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2024 and 2023

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

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

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

	Three months ended	
	September 30, 2024	September 30, 2023
	DSUs	DSUs
	#	#
<b>Outstanding, beginning of period</b>	<b>3,008,691</b>	3,245,260
Granted	<b>858,046</b>	567,472
Redeemed	—	(688,346)
<b>Outstanding, end of period</b>	<b>3,866,737</b>	3,124,386

### 12 Income taxes

For the three-month period ended September 30, 2024, the Company recorded income tax recovery rate of 453.9% (September 30, 2023 - income tax expense rate of 4.6%). The income tax (recovery) expense in each period reflects the mix of taxing jurisdictions in which pre-tax income and losses were recognized. The income attributable to non-controlling interests is taxed outside the Company. Further items impacting the effective tax rate include the different statutory tax rates in the taxing jurisdictions, non-deductible items, the utilization of certain unrecognized tax losses and the continued nonrecognition of certain deferred tax assets in Canada.

### 13 Finance costs, net

Net finance costs comprise the following:

	Three months ended	
	September 30, 2024	September 30, 2023
	\$	\$
<b>Finance costs (income)</b>		
Change in fair value of interest rate swap and forward contract	<b>176</b>	2,561
Interest income	<b>(2,160)</b>	(1,100)
Interest expense on bank indebtedness	<b>744</b>	407
Interest on long-term debt	<b>16,009</b>	9,000
Interest on completed and released productions	<b>869</b>	722
Amortization of deferred financing fees	<b>641</b>	606
Write-down of unamortized issue costs	<b>6,313</b>	—
Accretion on convertible debentures, exchangeable debentures, lease liabilities and other	<b>1,918</b>	1,531
	<b>24,510</b>	13,727

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



# WildBrain Ltd.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2024 and 2023

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

### 14 Expenses by nature

The following sets out the expenses by nature:

	Three months ended	
	September 30, 2024	September 30, 2023
	\$	\$
<b>Direct production costs and expense of film and television produced:</b>		
Direct production and new media costs	44,502	40,952
Expense of film and television programs	11,928	10,726
Expense of film and broadcast rights for broadcasting	1,859	2,035
	<u>58,289</u>	<u>53,713</u>
<b>Selling, general and administrative:</b>		
Office and administrative	5,728	3,008
Investor relations and marketing	214	665
Professional and regulatory	2,507	2,003
Salaries and employee benefits	18,912	18,913
	<u>27,361</u>	<u>24,589</u>
<b>Reorganization, development and other expense:</b>		
Reorganization, development and other expenses <sup>(1)</sup>	947	2,820
Termination and other benefits	1,279	2,172
	<u>2,226</u>	<u>4,992</u>
Amortization of property and equipment and intangible assets	5,518	6,265
Amortization of acquired and library content	1,976	2,158
Share-based compensation (note 11)	1,997	1,557
Finance costs, net (note 13)	24,510	13,727
Change in fair value of embedded derivatives	(1)	(262)
Impact of foreign exchange	(10,371)	6,125
	<u>111,505</u>	<u>112,864</u>

<sup>(1)</sup> The following sets out the expenses included in reorganization, development and other expenses:

	Three months ended	
	September 30, 2024	September 30, 2023
	\$	\$
System implementation costs	244	1,735
Development write-off	—	576
Write-down of refinancing costs	590	—
Other	113	509
	<u>947</u>	<u>2,820</u>

# WildBrain Ltd.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2024 and 2023

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

### 15 Management of financial risks and financial instruments

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

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

	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
	\$	\$	\$	\$	\$
Bank indebtedness	28,348	28,348	—	—	—
Accounts payable and accrued liabilities	144,332	144,332	—	—	—
Interim production financing	49,971	49,971	—	—	—
Other long-term liabilities	9,863	—	9,863	—	—
Term facility	719,241	61,821	121,928	535,492	—
Finance lease obligations	30,980	11,284	16,033	2,498	1,165
	<b>982,735</b>	<b>295,756</b>	<b>147,824</b>	<b>537,990</b>	<b>1,165</b>

Contractual payments in the table above include fixed and variable interest obligations at current rates and are not discounted.

#### Fair value of financial instruments

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

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

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

	As at			
	September 30, 2024		June 30, 2024	
	Fair value hierarchy	Fair value <sup>(1)</sup>	Fair value hierarchy	Fair value <sup>(1)</sup>
		\$		\$
Foreign currency forwards <sup>(2)</sup>	Level 2	—	Level 2	75
Foreign currency forwards <sup>(2)</sup>	Level 2	(235)	Level 2	(137)

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

<sup>(2)</sup> The fair value of foreign currency contracts is determined using prevailing exchange rates. These are classified as Derivative assets and Derivative liabilities, respectively, in the interim condensed consolidated balance sheet.

# WildBrain Ltd.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2024 and 2023

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

As at September 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\$1,577 to US\$2,366
Weighted average rate	1.3144

### US\$ exchange for Canadian dollars

Less than one year	US\$3,619 to US\$5,049
Weighted average rate	1.3296

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

Less than one year	US\$2,184 to US\$2,184
Weighted average rate	154.8917

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

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

	As at					
	September 30, 2024			June 30, 2024		
	Fair value hierarchy	Fair value liability	Carrying value	Fair value hierarchy	Fair value liability	Carrying value
		\$	\$		\$	\$
Convertible Debentures <sup>(1)</sup>	Level 1	—	—	Level 1	134,400	138,434

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

## 16 Earnings or loss per common share

### a) Basic

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

	September 30, 2024	September 30, 2023
	\$	\$
Net loss attributable to shareholders of the Company	(10,620)	(15,515)
Weighted average number of common shares outstanding (in 000's)	210,194	204,323
Basic loss per common share	(0.05)	(0.08)

# WildBrain Ltd.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2024 and 2023

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

### b) Diluted

During the three-month periods ended September 30, 2024 and September 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.

## 17 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:

	September 30, 2024	June 30, 2024
	\$	\$
Total bank indebtedness and long-term debt, excluding interim production financing	516,038	523,535
Less: Cash	(51,436)	(49,715)
Net debt	464,602	473,820
Total shareholders' equity	250,328	246,490
	<b>714,930</b>	<b>720,310</b>

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.

## 18 Interim Condensed Consolidated statement of cash flows - supplementary information

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

	September 30, 2024	September 30, 2023
	\$	\$
Decrease in amounts receivable	15,876	15,854
Increase in prepaid expenses and other	(691)	(1,720)
Decrease in long-term amounts receivable	6,216	3,276
Decrease in accounts payable and accrued liabilities	(7,305)	(19,647)
Decrease in deferred revenue	(18,173)	(20,423)
	<b>(4,077)</b>	<b>(22,660)</b>

# WildBrain Ltd.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2024 and 2023

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

### Net change in film and television programs

	September 30, 2024	September 30, 2023
	\$	\$
Net change in development costs	(191)	589
Net additions to productions in progress and productions completed and released	(7,127)	(20,477)
Additions to program and film rights - broadcasting	(1,154)	(1,755)
Amortization of film and television programs	11,928	10,726
Amortization of program and film rights - broadcasting	1,859	2,035
	<u>5,315</u>	<u>(8,882)</u>

### Net change in interim production financing

	September 30, 2024	September 30, 2023
	\$	\$
Proceeds from interim production financing	9,675	22,258
Repayment of interim production financing	(18,805)	(27,347)
	<u>(9,130)</u>	<u>(5,089)</u>

### Supplemental cash flow information

	September 30, 2024	September 30, 2023
	\$	\$
Taxes paid	(231)	(436)
Taxes refunded	1	332
	<u>(230)</u>	<u>(104)</u>

# WildBrain Ltd.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2024 and 2023

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

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

	Term facility	Senior unsecured convertible debentures	Lease liabilities	Total
	\$	\$	\$	\$
<b>Balance - June 30, 2023</b>	360,976	133,002	32,049	526,027
Repayments and settlements	(963)	—	(2,453)	(3,416)
<b>Total financing cash flow activities</b>	(963)	—	(2,453)	(3,416)
Amortization of deferred financing costs	383	222	—	605
Lease liabilities additions	—	—	715	715
Interest paid on lease liabilities	—	—	(446)	(446)
Accretion expense	—	1,085	446	1,531
Impact of foreign exchange	7,864	—	1	7,865
<b>Total other activities</b>	8,247	1,307	716	10,270
<b>Balance - September 30, 2023</b>	368,260	134,309	30,312	532,881
	Term facility	Senior unsecured convertible debentures	Lease liabilities	Total
	\$	\$	\$	\$
<b>Balance - June 30, 2024</b>	371,301	138,434	24,954	534,689
Proceeds (repayments) (note 9d)	504,947	—	(2,431)	502,516
Repayments (notes 9c and 9e)	(372,218)	(140,000)	—	(512,218)
Payment of debt issue costs	(17,898)	—	—	(17,898)
<b>Total financing cash flow activities</b>	114,831	(140,000)	(2,431)	(27,600)
Amortization of deferred financing costs	641	240	—	881
Lease liabilities additions	—	—	849	849
Interest paid on lease liabilities	—	—	(371)	(371)
Accretion expense	—	1,327	371	1,698
Impact of foreign exchange	(5,396)	(1)	35	(5,362)
Write-down of unamortized issue costs	6,313	—	—	6,313
<b>Total other activities</b>	1,558	1,566	884	4,008
<b>Balance - September 30, 2024</b>	487,690	—	23,407	511,097

# WildBrain Ltd.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2024 and 2023

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

### 19 Revenues and segmented information

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

	Three months ended September 30, 2023			
	Content Creation and Audience Engagement	Global Licensing	Canadian Television Broadcasting	Consolidated
	\$	\$	\$	\$
<b>Revenues</b>	47,249	49,456	8,801	105,506
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	38,485	32,406	4,876	75,767
<b>Segment profit</b>	8,764	17,050	3,925	29,739
Corporate selling, general and administrative				4,092
Amortization of property and equipment and intangible assets				6,265
Amortization of acquired and library content				2,158
Finance costs, net				13,727
Change in fair value of embedded derivatives				(262)
Impact of foreign exchange				6,125
Reorganization, development and other expenses				4,992
<b>Loss before income taxes</b>				<b>(7,358)</b>

	Three months ended September 30, 2024			
	Content Creation and Audience Engagement	Global Licensing	Canadian Television Broadcasting	Consolidated
	\$	\$	\$	\$
<b>Revenues</b>	40,834	62,923	7,269	111,026
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	37,433	39,782	4,346	81,561
<b>Segment profit</b>	3,401	23,141	2,923	29,465
Corporate selling, general and administrative				6,086
Amortization of property and equipment and intangible assets				5,518
Amortization of acquired and library content				1,976
Finance costs, net				24,510
Change in fair value of embedded derivatives				(1)
Impact of foreign exchange				(10,371)
Reorganization, development and other expenses				2,226
<b>Loss before income taxes</b>				<b>(479)</b>

# WildBrain Ltd.

## Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2024 and 2023

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

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

	Three months ended	
	September 30, 2024	September 30, 2023
	\$	\$
<b>Timing of revenue recognition</b>		
<b>At a point in time<sup>(1)</sup></b>		
Content Creation and Audience Engagement	9,201	6,943
	<u>9,201</u>	<u>6,943</u>
<b>Over time</b>		
Content Creation and Audience Engagement	31,633	40,306
Global licensing	62,923	49,456
Canadian Television Broadcasting	7,269	8,801
	<u>111,026</u>	<u>105,506</u>

<sup>(1)</sup> All revenues recognized at a point in time relate to Audience Engagement.

## 20 Commitments and contingencies

As at September 30, 2024, the Company has entered into various contracts to buy broadcast rights with future commitments totaling \$1,187.

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.