WildBrain Ltd.

Unaudited Interim Condensed Consolidated Financial Statements
September 30, 2020
(expressed in thousands of Canadian dollars)

November 10, 2020

Management's Responsibility for Financial Reporting

The accompanying unaudited 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 unaudited interim condensed consolidated financial statements. The Board carries out this responsibility through its Audit Committee. The Audit Committee reviews the Company's unaudited 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 the Company's management and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the unaudited interim condensed consolidated financial statements to the Board for approval.

The unaudited 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 unaudited 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 unaudited interim condensed consolidated financial statements, management must make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

(signed) *"Eric Ellenbogen"*
Chief Executive Officer
New York, New York

(signed) *"Aaron Ames"*
Chief Financial Officer
Toronto, Ontario

WildBrain Ltd.
Unaudited Interim Condensed Consolidated Balance Sheet
As at September 30, 2020 and June 30, 2020

(expressed in thousands of Canadian dollars)

	September 30, 2020	June 30, 2020
	$	$
Assets		
Current assets		
Cash	58,742	67,889
Restricted cash	15,707	16,637
Amounts receivable (note 4)	200,733	200,217
Prepaid expenses and other	7,547	8,779
Investment in film and television programs (note 5)	142,785	140,548
	425,514	434,070
Long-term amounts receivable (note 4)	19,697	21,035
Acquired and library content (note 6)	105,258	109,076
Property and equipment	53,434	54,245
Intangible assets	463,238	472,531
Goodwill	54,833	55,344
	1,121,974	1,146,301
Liabilities		
Current liabilities		
Bank indebtedness (note 7)	5,000	10,000
Accounts payable and accrued liabilities	101,714	98,927
Deferred revenue	43,155	48,371
Interim production financing (note 7)	60,923	66,688
Current portion of lease liabilities	9,455	9,274
	220,247	233,260
Long-term debt (notes 7)	495,650	502,006
Long-term lease liabilities	40,352	41,552
Derivative liabilities (note 12)	10,334	7,089
Other long-term liabilities	2,588	2,647
Deferred income taxes	17,206	18,261
	786,377	804,815
Shareholders' Equity		
Equity attributable to shareholders of the Company	78,816	81,351
Non-controlling interest	256,781	260,135
	335,597	341,486
	1,121,974	1,146,301

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

WildBrain Ltd.

Unaudited Interim Condensed Consolidated Statement of Income (Loss)

For the three month periods ended September 30, 2020 and 2019

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

	September 30, 2020 $	September 30, 2019 $
Revenues (note 16)	95,455	112,257
Expenses (note 11)		
Direct production costs and expense of film and television produced	52,204	62,889
Amortization of acquired and library content (note 6)	2,710	2,975
Amortization of property and equipment and intangible assets	5,605	5,667
Selling, general and administrative	18,075	21,005
Share-based compensation (note 9)	2,598	985
Finance costs, net (note 10)	9,757	11,725
Change in fair value of embedded derivatives	3,669	1,200
Foreign exchange (gain) loss	(5,144)	5,257
Reorganization, development and other	2,688	7,784
	92,162	119,487
Income (loss) before income taxes	3,293	(7,230)
Provision for (recovery of) income taxes (note 8)		
Current	590	25
Deferred	(351)	49
	239	74
Net income (loss) for the period	3,054	(7,304)
Net income attributable to non-controlling interests	6,361	8,710
Net loss attributable to shareholders of the Company	(3,307)	(16,014)
Basic loss per common share (note 13)	(0.02)	(0.12)
Diluted loss per common share (note 13)	(0.02)	(0.12)

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

WildBrain Ltd.
Unaudited Interim Condensed Consolidated Statement of Comprehensive Income (Loss)
For the three month periods ended September 30, 2020 and 2019

(expressed in thousands of Canadian dollars)

	September 30, 2020 $	September 30, 2019 $
Net income (loss) for the period	3,054	(7,304)
Other comprehensive (loss) income		
Items that may be subsequently reclassified to the statement of income (loss)		
Foreign currency translation adjustment	(7,056)	3,170
Comprehensive loss for the period	(4,002)	(4,134)

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

WildBrain Ltd.

Unaudited Interim Condensed Consolidated Statement of Changes in Equity

For the three month periods ended September 30, 2020 and 2019

(expressed in thousands of Canadian dollars)

	Common shares $	Contributed surplus $	Accumulated other comprehensive income (loss) $	Deficit $	Non-controlling interest $	Total $
Balance - July 1, 2019	307,158	29,238	(19,982)	(73,381)	256,945	499,978
Net (loss) income for the period	—	—	—	(16,014)	8,710	(7,304)
Other comprehensive income for the period	—	—	170	—	3,000	3,170
Comprehensive income (loss) for the period	—	—	170	(16,014)	11,710	(4,134)
Common shares issued	261	(261)	—	—	—	—
Share-based compensation (note 9)	—	869	—	—	—	869
Distributions to non-controlling interests	—	—	—	—	(5,896)	(5,896)
Balance - September 30, 2019	307,419	29,846	(19,812)	(89,395)	262,759	490,817
Balance - July 1, 2020	366,235	36,543	(12,080)	(309,347)	260,135	341,486
Net income (loss) for the period	—	—	—	(3,307)	6,361	3,054
Other comprehensive loss for the period	—	—	(1,561)	—	(5,495)	(7,056)
Comprehensive income (loss) for the period	—	—	(1,561)	(3,307)	866	(4,002)
Common shares issued	18	(3)	—	—	—	15
Common shares purchased (note 9)	(230)	(50)	—	—	—	(280)
Share-based compensation (note 9)	—	2,598	—	—	—	2,598
Distributions to non-controlling interests	—	—	—	—	(4,220)	(4,220)
Balance - September 30, 2020	366,023	39,088	(13,641)	(312,654)	256,781	335,597

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

WildBrain Ltd.

Unaudited Interim Condensed Consolidated Statement of Cash Flows

For the three month periods ended September 30, 2020 and 2019

(expressed in thousands of Canadian dollars)

Cash provided by (used in)	September 30, 2020 $	September 30, 2019 $
Operating activities		
Net income (loss) for the period	3,054	(7,304)
Charges (credits) not involving cash		
Amortization of property and equipment	3,016	3,165
Amortization of intangible assets	2,589	2,502
Amortization of acquired and library content	2,710	2,975
Accretion expense and amortization of deferred financing fees	2,576	2,150
Unrealized foreign exchange (gain) loss	(7,647)	5,723
Share-based compensation	2,598	869
Write-down of term facility unamortized issue costs	—	200
Change in fair value of embedded derivatives	3,669	1,200
Interest income	(345)	(290)
Interest expense	7,526	9,665
Deferred tax (recovery) expense	(351)	49
Net investment in film and television programs (note 15)	(760)	(2,044)
Net change in non-cash balances related to operations (note 15)	937	11,077
Cash provided by operating activities (note 3)	19,572	29,937
Financing activities		
Common shares issued	15	—
Common shares purchased	(280)	—
Distributions to non-controlling interests	(4,220)	—
Repayment of bank indebtedness	(5,000)	—
Repayment of long-term debt	—	(7,591)
Interest paid	(9,937)	(11,234)
Repayment of obligations under finance leases	(2,305)	(2,888)
Repayment of interim production financing, net (note 15)	(5,765)	(8,159)
Cash used in financing activities (note 3)	(27,492)	(29,872)
Investing activities		
Acquisition of property and equipment	(1,035)	(299)
Acquisition of intangible assets	(451)	(163)
Cash used in investing activities	(1,486)	(462)
Effect of foreign exchange rate changes on cash	(671)	45
Net change in cash and restricted cash during the period	(10,077)	(352)
Cash and restricted cash - Beginning of the period	84,526	39,999
Cash and restricted cash - End of the period	74,449	39,647

Supplemental information (note 15)

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

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

1 Nature of business

WildBrain Ltd., formerly known as DHX Media 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' and were previously traded on the NASDAQ Global Trading Market ("NASDAQ") under the symbol 'DHXM'.

On December 24, 2019, the Company voluntarily delisted its common shares from NASDAQ and ceased trading on the U.S. stock exchange. Following the NASDAQ delisting, the Company filed the forms required to voluntarily deregister its shares in the U.S. and terminate its public reporting obligations with the Securities Exchange Commission.

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 5657 Spring Garden Road, Unit 505, Halifax, Nova Scotia, B3J 3R4.

2 Basis of preparation

These unaudited interim condensed consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, applicable to the preparation of International Accounting Standard ("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 unaudited interim condensed consolidated financial statements do not include all the disclosures included in the Company's audited annual consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements.

These unaudited interim condensed consolidated financial statements have been authorized for issuance by the Board of Directors on November 10, 2020.

3 Summary of significant accounting policies, judgments and estimation uncertainty

These unaudited interim condensed consolidated financial statements have been prepared using the same policies and methods as the annual consolidated financial statements of the Company for the year ended June 30, 2020, other than the change in accounting policy described below.

Significant accounting judgments and estimation uncertainty

The preparation of unaudited interim condensed consolidated financial statements under IFRS 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.

During the third quarter of fiscal 2020, the outbreak of the coronavirus pandemic, identified as "COVID-19" and declared a global pandemic by the World Health Organization on March 11, 2020, resulted in federal and provincial governments enacting emergency measures to combat the spread of the virus. In response, many countries have required entities to limit or suspend business operations and implement travel restrictions and quarantine measures. These measures have disrupted the operating activities of many entities and have led to

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

significant volatility in the global markets. These conditions continued to exist as at September 30, 2020. This has resulted in significant economic uncertainty, and the potential impact on the Company's future financial results is difficult to reliably measure. The Company has implemented monitoring procedures to actively manage the developing impacts from COVID-19, including but not limited to, the potential future effects on its assets, cash flow and liquidity, the impacts to the Company's operations and the value of assets and liabilities reported in these unaudited interim condensed consolidated financial statements. Additional information on the Company's credit, liquidity, and currency risks and the management of such risks can be found in note 12.

Standards issued but not yet effective

There are no new standards issued but not yet effective as at July 1, 2020 that have a material impact to the Company's unaudited interim condensed consolidated financial statements.

Change in accounting policy

In the first quarter of fiscal 2021, the Company changed its accounting policy for the presentation of cash interest paid in the unaudited interim condensed consolidated statement of cash flows. Specifically, cash interest paid that was previously included in operating cash flows has been reclassified to financing cash flows, as permitted by IAS 7, *Statement of cash flows*. Cash interest paid relates primarily to interest paid on the Company's long-term debt, bank indebtedness and lease liabilities, which were drawn on in prior periods to fund asset acquisitions including acquired and library content assets and right-of-use assets. Management believes this change will more appropriately reflect the Company's financing activities during the period. The following reconciles each line item in the consolidated statement of cash flows affected by this change in the comparative interim period:

	September 30, 2019
Cash provided by operating activities, as previously reported	18,703
Add back:	
Interest paid	11,234
Cash provided by operating activities	29,937
Cash used in financing activities, as previously reported	(18,638)
Less:	
Interest paid	(11,234)
Cash used in financing activities	(29,872)

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

4 Amounts receivable

	September 30, 2020 $	June 30, 2020 $
Trade receivables	138,731	134,266
Less: Loss allowance on trade receivables	(8,613)	(7,720)
Trade receivables, net of loss allowance	130,118	126,546
Sales tax receivable	1,006	433
Federal and provincial film tax credits and other government assistance	69,609	73,238
Short-term amounts receivable	200,733	200,217
Long-term amounts receivable	19,697	21,035
Total amounts receivable	220,430	221,252

The aging of trade receivables is as follows:

	September 30, 2020 $	June 30, 2020 $
Less than 60 days	112,320	103,841
Between 60 and 90 days	3,458	7,594
Over 90 days	22,953	22,831
	138,731	134,266

A continuity of loss allowance on trade receivables as follows:

	September 30, 2020 $	June 30, 2020 $
Opening balance	7,720	9,354
Loss allowance on trade receivables	905	3,254
Receivables written off in the year	(135)	(5,067)
Foreign exchange	123	179
Ending balance	8,613	7,720

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

5 Investment in film and television programs

	September 30, 2020 $	June 30, 2020 $
Development costs	2,997	2,761
Productions in progress		
Cost, net of government and third-party assistance	10,237	10,279
Productions completed and released		
Cost, net of government and third-party assistance	629,215	611,815
Accumulated expense	(475,987)	(462,176)
Accumulated write-down of investment in film and television programs	(45,128)	(45,128)
	108,100	104,511
Program and film rights - broadcasting		
Cost	160,455	158,951
Accumulated expense	(133,267)	(130,217)
Accumulated write-down of program and film rights	(5,737)	(5,737)
	21,451	22,997
	142,785	140,548

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

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

	September 30, 2020 $	June 30, 2020 $
Net opening investment in film and television programs	140,548	148,561
Increase in development costs	236	1,202
Cost of productions (completed and released and productions in progress), net of assistance	15,881	44,969
Expense of investment in film and television programs	(13,811)	(44,970)
Write-down of investment in film and television programs	—	(7,833)
Increase of program and film rights - broadcasting	1,504	10,663
Expense of program and film rights - broadcasting	(3,050)	(13,096)
Write-down of program and film rights - broadcasting	—	(118)
Foreign exchange	1,477	1,170
	142,785	140,548

During the three-month period ended September 30, 2020, interest of $319 (September 30, 2019 - $36) was capitalized to investment in film and television programs.

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

6 Acquired and library content

	September 30, 2020 $	June 30, 2020 $
Net opening acquired and library content	109,076	118,247
Write-down of acquired and library content	—	(193)
Amortization	(2,710)	(12,082)
Foreign exchange	(1,108)	3,104
	105,258	109,076

7 Credit facilities

	September 30, 2020 $	June 30, 2020 $
Bank indebtedness	5,000	10,000
Interim production financing	60,923	66,688
Term Facility, net of unamortized issue costs of $4,201 (June 30, 2020 - $4,520)	364,609	372,280
Convertible debentures, net of unamortized issue costs and conversion option of $19,302 (June 30, 2020 - $20,269)	120,698	119,731
Exchangeable debentures, net of unamortized issue costs and conversion option of $5,943 (June 30, 2020 - $6,642)	10,343	9,995
Total	561,573	578,694
Amount due within 12 months	(65,923)	(76,688)
Amount due beyond 12 months	495,650	502,006

a) Bank indebtedness ("Revolving Facility")

The Company's Revolving Facility has a maximum available balance of US$30,000 ($40,017) and matures on June 30, 2022. The Revolving Facility may be drawn down by way of either $USD base rate, $CAD prime rate, $CAD bankers' acceptance or $USD and £GBP LIBOR advances (the "Drawdown Rate") and bears interest at floating rates ranging from the Drawdown Rate + 2.50% to the Drawdown Rate + 3.75%.

During the three-month period ended September 30, 2020, the Company paid down $5,000 on the revolver. As at September 30, 2020, $5,000 (June 30, 2020 - $10,000) was drawn on the Revolving Facility.

b) Interim production financing

	September 30, 2020 $	June 30, 2020 $
Interim production credit facilities	60,923	67,550

The Company has interim production credit facilities with various financial institutions and other entities, bearing interest at bank prime plus 0.5% - 1.0%, LIBOR plus 2.50% or base rate of 5.75% plus 0.5%. Assignment and direction of specific production financing, licensing contracts receivable and film tax credits receivable have been pledged as security. As at September 30, 2020, the Canadian dollar bank prime rate was 2.45% (June 30, 2020 - 2.45%).

c) Term facility

As at September 30, 2020, the Company's Term Facility had a principal balance of US$276,491, or $368,810 (June 30, 2020 - US$276,491, or $376,800), bearing interest at floating rates and will mature December 29, 2023.

As at September 30, 2020, the Company was in compliance with all its debt covenants with a Total Net Leverage Ratio of 5.70x.

The Term Facility also requires 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, 2018, while the First Lien Net 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 (as defined in the Senior Secured Credit Agreement) is at or below 3.50 times and greater than 3.00 times, with the remaining balance due on December 29, 2023. The Excess Cash Flow Payments calculation is an annual requirement performed at the end of each fiscal year and no payment was required based on the June 30, 2020 calculation.

The LIBOR rate is scheduled to be discontinued at the end of calendar year 2021. The Company is currently in discussions with its creditors to assess the impact of the change. It is expected that the alternative interest rate will be established giving due consideration to the then prevailing market convention for determining interest rates for syndicated loans denominated in US dollars.

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

As at September 30, 2020, the Convertible Debentures had a principal balance of $140,000 (June 30, 2020 - $140,000), bearing interest at an 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.

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 unaudited interim condensed consolidated balance sheet. Changes in the estimated fair value of the embedded derivatives are recorded through the Company's unaudited interim condensed consolidated statement of income (loss). As at September 30, 2020, the estimated fair value of the embedded derivatives was $2,239 (June 30, 2020 - $1,980).

e) Exchangeable debentures

As at September 30, 2020, the Company's exchangeable debentures had a principal balance of US$12,208, or $16,286 (June 30, 2020 - US$12,208, or $16,637) bearing interest at an annual rate of 7.5% payable at maturity and are exchangeable for Variable Voting Shares of the Company at a conversion price of US$1.072855 per share. The exchangeable debentures mature on June 24, 2023 and are non-recourse to the Company.

The exchangeable debentures were issued by a newly-formed single purpose subsidiary of the Company, which is excluded from the security granted to the lenders under the Company's Senior Secured Credit Agreement. As a result, it is also excluded from the calculation of the net leverage ratio covenant. Proceeds from the exchangeable debentures are not for working capital but are earmarked for investments in growth initiatives to drive the Company's content and brand strategy, and therefore have been classified as restricted cash in the unaudited interim condensed consolidated balance sheet.

During the three-month period ended September 30, 2020, a change in fair value of the embedded derivative of $3,410 was recorded (September 30, 2019 - $nil), and the estimated fair value of the embedded derivative as at September 30, 2020 was $7,987 (June 30, 2020 - $4,670).

8 Income taxes

For the three-month period ended September 30, 2020, income tax expense was $239 (September 30, 2019 - $74). The income tax 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 and the continued derecognition of certain deferred tax assets in Canada.

9 Share capital and contributed surplus

Common shares

The common shares of the Company are inclusive of Common Voting Shares, Variable Voting Shares and Non-Voting Shares. As at September 30, 2020, the Company had 33,515,572 Common Voting Shares and 137,243,121 Variable Voting Shares issued and outstanding (June 30, 2020 - 27,887,163 and 143,044,611 respectively).

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. The Omnibus Plan provides the aggregate maximum number of equity-awards issuable not to exceed 8.5% of the Company's total issued and outstanding Common and Variable Voting Shares. As at September 30, 2020, the total amount reserved for issuance under the Omnibus Plan was 14,541,788 (June 30, 2020 - 14,540,580).

Options

During the three-month periods ended September 30, 2020 and 2019, the Company recognized a share-based compensation expense of $196 for the vesting of options (September 30, 2019 - $937), with a corresponding adjustment to contributed surplus. There were no options granted in the current period.

Performance share unit plan

During the three-month period ended September 30, 2020, the Company recognized share-based compensation expense on the current year awards of $32 (September 30, 2019 - recovery of $74) with a corresponding adjustment to contributed surplus.

Restricted share unit plan ("RSUs")

During the three-month period ended September 30, 2020, the Company granted 404,552 RSUs, which vest in six months, and recognized share-based compensation expense of $1,114 (September 30, 2019 - $nil) with a corresponding adjustment to contributed surplus.

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

Deferred share unit plan ("DSUs")

During the three-month period ended September 30, 2020, the Company granted 836,407 DSUs and recognized share-based compensation expense of $1,198 (September 30, 2019 - $nil) with a corresponding adjustment to contributed surplus, and included $150 for services rendered but DSUs not yet granted.

Long term incentives plan ("LTIP")

During the three-month period ended September 30, 2020, the Company recognized share-based compensation expense of $55 (September 30, 2019 - $114) with a corresponding adjustment to contributed surplus. During the quarter, $50 LTIP units were settled in the quarter by common share purchases in the open market.

Employee stock purchase plan

During the three-month period ended September 30, 2020, the Company recognized share-based compensation expense of $3 (September 30, 2019 - $8) with a corresponding adjustment to contributed surplus.

10 Finance costs, net

Net finance costs comprised of the following:

	September 30, 2020	September 30, 2019
	$	$
Finance costs		
Interest income	(345)	(290)
Interest expense on bank indebtedness	125	—
Interest on long-term debt	7,156	9,026
Interest on completed and released productions	245	639
Amortization of deferred financing fees	597	888
Write-down of term facility unamortized issue costs	—	200
Accretion on Convertible Debentures, exchangeable debentures, lease liabilities and other	1,979	1,262
	9,757	11,725

Interest income is comprised 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)

11 Expenses by nature and employee benefit expense

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

	September 30, 2020	September 30, 2019
	$	$
Direct production and new media costs	35,343	49,397
Expense of film and television programs	13,811	9,838
Expense of film and broadcast rights for broadcasting	3,050	3,654
Amortization of property and equipment and intangible assets	5,605	5,667
Amortization of acquired and library content	2,710	2,975
Office and administrative	5,088	4,200
Investor relations and marketing	562	1,117
Professional and regulatory	1,644	2,108
Reorganization, development and other, excluding employee benefits	1,605	2,367
Finance costs, net	9,757	11,725
Change in fair value of embedded derivatives	3,669	1,200
Foreign exchange (gain) loss	(5,144)	5,257
	77,700	99,505
Employee benefits expense:		
Salaries and employee benefits	10,781	13,580
Share-based compensation (note 9)	2,598	985
Termination and other benefits	1,083	5,417
	14,462	19,982
	92,162	119,487

Included in reorganization, development and other costs were legal fees associated with a dispute with former employees of $759, systems upgrade and process enhancement initiatives of $183, and other costs of $663 (September 30, 2019 - legal fees associated with a dispute with former employees of $644, rebranding costs of $938, and other fees of $785)

Included in salaries and employee benefits expenses were various government wage subsidies of $1,179 (September 30, 2019 - $nil).

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

12 Management of financial risks and financial instruments

The financial risks arising from the Company's operations include credit risk, interest rate risk, liquidity risk, currency risk 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 manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

During the three-month period ended September 30, 2020, the outbreak of the COVID-19 pandemic continued to cause significant disruption to businesses globally and market volatility, resulting in an economic slowdown.

a) Credit risk

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

The maximum exposure to credit risk for cash (including restricted cash) and trade receivables approximates the amounts recorded on the unaudited interim condensed consolidated balance sheet of $232,877 (June 30, 2020 - $239,827). The Company manages credit risk on cash and cash equivalents by ensuring that the counter-parties are banks, governments and government agencies with high credit ratings.

The balance of trade amounts receivable is mainly with Canadian broadcasters and large international distribution companies. Management manages credit risk by performing a credit assessment on new customers and regularly reviewing aged accounts receivable. To determine the loss allowance for trade receivables, management assessed the lifetime expected credit losses of customers by categorizing these customers into different risk profile groups and applying provision percentages based on historical loss rates and management's experience and judgment. The loss allowance for trade receivables represents approximately 6.2% of current trade receivables, which management believes is adequate. Further, long-term receivable arrangements are only granted to large international linear and digital broadcasting companies with good payment history.

COVID-19 has increased the credit risk in the Company's trade receivables. To manage this risk, the Company has increased its collection efforts with customers, risk-adjusted certain customers when determining a loss allowance, and in some limited cases provided customers with payment plans on past due amounts. Certain customers of the consumer-products segment, in particular Peanuts, are licensees who have been impacted by the closure of retailers during the pandemic and the Company is closely monitoring these receivables. Given that the majority of the Company's customers are large Canadian and international broadcasters, or large international distribution companies, there has not been evidence of significant deterioration in the credit quality of our customers and trade receivables to date.

The Company is unable to predict or anticipate the full extent or duration of impact due to COVID-19 at this time. Based on collections subsequent to the current quarter, and discussions with customers, the Company believes that the loss provision is adequate as at September 30, 2020.

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

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, LIBOR rate, bankers acceptance rates and other applicable interest rate benchmarks.

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 regularly preparing cash flow forecasts and continuously monitoring actual and projected cash flows and matching the maturity profile of financial assets and liabilities.
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	5,000	5,000	—	—	—
Accounts payable and accrued liabilities	101,714	101,714	—	—	—
Interim production financing	60,923	60,923	—	—	—
Other long-term liabilities	2,588	—	2,588	—	—
Convertible Debentures	172,900	8,225	16,450	148,225	—
Exchangeable debentures	20,615	—	20,615	—	—
Term facility	419,741	15,674	31,349	372,718	—
Finance lease obligations	57,340	11,643	19,714	14,458	11,525
	840,821	203,179	90,716	535,401	11,525

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, linear and digital content distribution, consumer products licensing, consumer products representation and television broadcasting. While the operating results may experience variability from period to period, the operating cash flows are generally predictable based on the Company's production and content pipeline, contract renewals, royalty agreements, associated minimum guarantees and television subscriber fees.

As at September 30, 2020, the Company had cash balances of $58,742 and amounts receivable of $220,430. Based on the Company's cash balances and available credit facilities, expected collection of trade and other receivables and forecasted 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 and GBP.

(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 unaudited interim condensed consolidated balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The 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			
	September 30, 2020		June 30, 2020	
	Fair value hierarchy	Fair value(1)	Fair value hierarchy	Fair value(1)
		$		$
Embedded derivatives(2)	Level 2	(10,226)	Level 2	(6,650)
Foreign currency forwards(3)	Level 2	(108)	Level 2	(439)

(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) Includes embedded derivatives for Convertible Debentures and exchangeable debenture, measured using valuation models.

(3) The fair value of foreign currency contracts is determined using prevailing exchange rates.

As at September 30, 2020, the Company held forward contract options with the following notional value and average contractual exchange rates:

US dollars exchange for GBP	
Less than one year	US $3,957 to $4,907
Weighted average rate	1.3086

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 as at September 30, 2020 was a liability of $108 (June 30, 2020 - $439), which has been included in derivative liabilities in the unaudited interim condensed consolidated balance sheet.

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

Financial assets and liabilities not measured at fair value

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

	As at					
	September 30, 2020			June 30, 2020		
	Fair value hierarchy	Fair value liability	Carrying value	Fair value hierarchy	Fair value liability	Carrying value
		$	$		$	$
Convertible Debentures[1]	Level 1	100,800	120,699	Level 1	98,000	119,731

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

13 Earnings or loss per common share

a) Basic

Basic earnings or loss per 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, 2020	September 30, 2019
	$	$
Net loss attributable to shareholders of the Company	(3,307)	(16,014)
Weighted average number of common shares outstanding (in 000's)	170,776	134,992
Basic loss per share	(0.02)	(0.12)

b) Diluted

For the three-month periods ended September 30, 2020 and 2019, the diluted weighted average number of common shares outstanding is the same as the basic weighted average number of common shares outstanding, as the Company had a net loss and the exercise of any potentially dilutive instruments would be anti-dilutive.

	September 30, 2020	September 30, 2019
	$	$
Net loss attributable to shareholders of the Company	(3,307)	(16,014)
Weighted average number of common shares (in 000's)	170,776	134,992
Dilutive effect of share-based compensation (in 000's)	—	—
Weighted average number of diluted shares outstanding	170,776	134,992
Diluted loss per share	(0.02)	(0.12)

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

14 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 maximize ongoing development and reduce leverage.

The Company's capital as at September 30, 2020 and June 30, 2020 is summarized in the table below:

	September 30, 2020	June 30, 2020
	$	$
Total bank indebtedness and long-term debt, excluding interim production financing	500,650	512,006
Less: Cash and restricted cash	(74,449)	(84,526)
Net debt	426,201	427,480
Total shareholders' equity	335,597	341,486
	761,798	768,966

To facilitate the management of its capital structure, the Company prepares annual expenditure 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)

15 Consolidated statement of cash flows - supplementary information

Net change in non-cash balances related to operations

	September 30, 2020 $	September 30, 2019 $
(Increase) decrease in amounts receivable	(327)	2,061
Decrease (increase) in prepaid expenses and other	1,232	(1,313)
Decrease (increase) in long-term amounts receivable	1,338	(3,046)
Increase in accounts payable and accrued liabilities	4,710	14,426
Decrease in deferred revenue	(5,216)	(994)
Tangible benefit obligation payments	(800)	(57)
	937	11,077

	September 30, 2020 $	September 30, 2019 $
Taxes paid	1,060	—
Taxes refunded	(2,075)	—
Proceeds from interim production financing	13,472	3,170
Repayment of interim production financing	(19,237)	(11,329)

Net change in film and television programs

	September 30, 2020 $	September 30, 2019 $
Increase in development	(236)	(129)
Decrease in productions in progress	42	4,561
Increase in productions completed and released	(15,923)	(15,669)
Expense of film and television programs	13,811	9,838
Increase in program and film rights - broadcasting	(1,504)	(4,299)
Expense of film and broadcast rights - broadcasting	3,050	3,654
	(760)	(2,044)

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

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

	Term facility $	Senior unsecured convertible debentures $	Lease liabilities $	Exchangeable debentures $	Total $
Balance - June 30, 2020	372,280	119,731	50,826	9,995	552,832
Repayment	—	—	(2,305)	—	(2,305)
Total financing cash flow activities	—	—	(2,305)	—	(2,305)
Amortization of deferred financing costs	321	223	—	53	597
Lease liabilities additions	—	—	1,197	—	1,197
Interest paid on lease liabilities	—	—	(681)	—	(681)
Accretion expense	—	744	681	554	1,979
Foreign exchange	(7,992)	—	89	(259)	(8,162)
Total other activities	(7,671)	967	1,286	348	(5,070)
Balance - September 30, 2020	364,609	120,698	49,807	10,343	545,457

	Term facility $	Senior unsecured convertible debentures $	Lease liabilities $	Total $
Balance - June 30, 2019	407,031	116,095	6,187	529,313
Repayments	(7,591)	—	(2,888)	(10,479)
Total financing cash flow activities	(7,591)	—	(2,888)	(10,479)
Initial recognition of lease liabilities due to adoption of IFRS 16	—	—	34,167	34,167
Amortization of deferred financing costs	663	225	—	888
Write-down of term facility unamortized issue costs	200	—	—	200
Lease liabilities additions	—	—	643	643
Interest paid on lease liabilities	—	—	(555)	(555)
Accretion expense	—	650	555	1,205
Foreign exchange	4,900	—	—	4,900
Total other activities	5,763	875	34,810	41,448
Balance - September 30, 2019	405,203	116,970	38,109	560,282

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

16 Revenues and segmented information

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

In the first quarter of fiscal 2021, as a result of changes in the current market environment for content and the Company's integrated approach to managing and monetizing its content and intellectual property ("IP"), and certain changes in the Company's organization structure, including the establishment of a Content Investment Group (the "CIG"), the Company reassessed its operating segments and determined it would be appropriate to revise the number of reportable operating segments to two, being 1) Content; and 2) Canadian Television Broadcasting. The Content operating segment includes all operating activities which relate to the monetization of IP including production, distribution and consumer-product royalties and representation. In evaluating performance, the Chief Operating Decision Maker, defined as the Company's CEO, CFO and President, rely on recommendations by the CIG to assess and allocate resources. The change in segment presentation has been applied retrospectively to the comparative period.

	Three-months ended September 30, 2020		
	Content	**Television**	**Consolidated**
	$	**$**	**$**
Revenues	84,052	11,403	95,455
Direct production costs and expense of film and television produced and selling, general and administrative	62,114	5,916	68,030
Segment profit	21,938	5,487	27,425
Corporate selling, general and administrative			4,847
Amortization of property and equipment and intangible assets			5,605
Amortization of acquired and library content			2,710
Finance costs, net			9,757
Foreign exchange gain			(5,144)
Change in fair value of embedded derivatives			3,669
Reorganization, development and other			2,688
Income before income taxes			3,293

	Three-months ended September 30, 2019		
	Content	**Television**	**Consolidated**
	$	**$**	**$**
Revenues	100,177	12,080	112,257
Direct production costs and expense of film and television produced, and selling, general and administrative	72,115	6,860	78,975
Segment profit	28,561	5,220	33,282
Corporate selling, general and administrative			5,904
Amortization of property and equipment and intangible assets			5,667
Amortization of acquired and library content			2,975
Finance costs, net			11,725
Foreign exchange loss			5,257
Change in fair value of embedded derivatives			1,200
Reorganization, development and other			7,784
Loss before income taxes			(7,230)

(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:

	September 30, 2020	September 30, 2019
	$	$
Content		
Content Production and Distribution	36,340	35,056
WildBrain Spark	8,882	22,142
Consumer Products	38,830	42,979
	84,052	100,177
Television		
Canadian Television Broadcasting	11,403	12,080
	95,455	112,257

17 Subsequent events

Subsequent to quarter-end, the Company entered into a multi-year licensing agreement with Apple TV+ for the current Peanuts library of classic specials and expanded the content partnership with Apple in a multi-year, worldwide agreement for a new slate of Peanuts originals and specials.

18 Reclassification of comparatives

In the unaudited interim condensed consolidated statements of income (loss), the Company reclassified certain amounts to conform with the current period presentation. These reclassifications had no effect on the reported results of operations. Specifically, share-based compensation was previously included in selling, general and administrative. In the current period reporting, share-based compensation has been separately presented to provide improved transparency. For the three-month period ended September 30, 2019, $985 has been reclassified from selling, general and administrative to share-based compensation.