

WildBrain Ltd.

Unaudited Interim Condensed Consolidated
Financial Statements
September 30, 2022
(expressed in thousands of Canadian dollars)

November 9, 2022

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 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 Sheets

As at September 30, 2022 and June 30, 2022

(expressed in thousands of Canadian dollars)

	September 30, 2022	June 30, 2022
	\$	\$
Assets		
Current assets		
Cash	62,075	59,899
Restricted cash	8,764	8,835
Amounts receivable (note 5)	299,003	249,660
Prepaid expenses and other	7,636	8,583
Investment in film and television programs (note 6)	165,982	163,563
	543,460	490,540
Long-term amounts receivable (note 5)	95,827	84,790
Acquired and library content (note 7)	95,520	92,732
Property and equipment	38,039	39,287
Derivative assets (note 8)	11,864	8,845
Intangible assets	466,614	448,947
Goodwill	55,484	54,033
	1,306,808	1,219,174
Liabilities		
Current liabilities		
Bank indebtedness (note 10)	21,392	9,087
Accounts payable, accrued and derivative liabilities (note 9)	168,288	180,956
Deferred revenue	70,387	58,116
Interim production financing (note 10)	112,527	84,235
Current portion of lease liabilities	10,208	10,183
Current portion of long-term debt (note 10)	29,510	26,335
	412,312	368,912
Long-term debt (note 10)	501,258	477,804
Long-term lease liabilities	24,935	26,056
Derivative liabilities (note 16)	1,764	2,360
Other long-term liabilities	19,742	20,878
Deferred income taxes	5,431	7,761
	965,442	903,771
Shareholders' Equity		
Equity attributable to shareholders of the Company	80,863	79,428
Non-controlling interest	260,503	235,975
	341,366	315,403
	1,306,808	1,219,174

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

WildBrain Ltd.

Unaudited Interim Condensed Consolidated Statements of Income (Loss)

For the three month periods ended September 30, 2022 and 2021

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

	Three months ended	
	September 30, 2022	September 30, 2021
	\$	\$
Revenues (note 20)	<u>126,652</u>	<u>112,596</u>
Expenses (note 15)		
Direct production costs and expense of film and television produced	71,375	61,053
Amortization of acquired and library content (note 7)	2,349	2,562
Amortization of property and equipment and intangible assets	6,274	7,270
Reversal of right-of-use asset impairment	—	(719)
Selling, general and administrative	25,728	23,022
Share-based compensation (note 12)	1,327	2,033
Finance costs, net (note 14)	8,803	9,989
Change in fair value of embedded derivatives	(6,034)	5,561
Foreign exchange loss	12,456	13,022
Reorganization, development and other expense (income) (note 15)	1,568	(842)
	<u>123,846</u>	<u>122,951</u>
Income (loss) before taxes	<u>2,806</u>	<u>(10,355)</u>
(Recovery of) provision for income taxes (note 13)		
Current	613	685
Deferred	(1,545)	2,315
	<u>(932)</u>	<u>3,000</u>
Net income (loss) for the period	<u>3,738</u>	<u>(13,355)</u>
Net income attributable to non-controlling interests	<u>11,310</u>	<u>8,041</u>
Net loss attributable to shareholders of the Company	<u>(7,572)</u>	<u>(21,396)</u>
Basic loss per common share (note 17)	<u>(0.04)</u>	<u>(0.12)</u>
Diluted loss per common share (note 17)	<u>(0.06)</u>	<u>(0.12)</u>

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

WildBrain Ltd.

Unaudited Interim Condensed Consolidated Statements of Comprehensive Income (Loss) For the three month periods ended September 30, 2022 and 2021

(expressed in thousands of Canadian dollars)

	Three months ended	
	September 30, 2022	September 30, 2021
	\$	\$
Net income (loss) for the period	3,738	(13,355)
Other comprehensive income		
Items that may be subsequently reclassified to the consolidated statements of income (loss)		
Foreign currency translation adjustment	<u>23,303</u>	<u>12,585</u>
Comprehensive income (loss) for the period	<u>27,041</u>	<u>(770)</u>

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

WildBrain Ltd.**Unaudited Interim Condensed Consolidated Statements of Changes in Equity
For the three month periods ended September 30, 2022 and 2021**

(expressed in thousands of Canadian dollars)

	Common shares	Contributed surplus	Accumulated other comprehensive loss	Deficit	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$
Balance - July 1, 2021	367,359	39,044	(21,391)	(316,424)	234,325	302,913
Net (loss) income for the period	—	—	—	(21,396)	8,041	(13,355)
Other comprehensive income for the period	—	—	5,930	—	6,655	12,585
Comprehensive income (loss) for the period	—	—	5,930	(21,396)	14,696	(770)
Common shares issued, net of issuance costs and deferred taxes	27	(4)	—	—	—	23
Common shares purchased held in trust	119	(50)	—	—	—	69
Share-based compensation	—	2,033	—	—	—	2,033
Distributions to non-controlling interests	—	—	—	—	(4,799)	(4,799)
Balance - September 30, 2021	367,505	41,023	(15,461)	(337,820)	244,222	299,469
Balance - July 1, 2022	368,734	43,978	(22,500)	(310,784)	235,975	315,403
Net (loss) income for the period	—	—	—	(7,572)	11,310	3,738
Other comprehensive income for the period	—	—	7,707	—	15,596	23,303
Comprehensive income (loss) for the period	—	—	7,707	(7,572)	26,906	27,041
Common shares issued, net of issuance costs and deferred taxes	21	(3)	—	—	—	18
Common shares issued to settle share based compensation	—	(45)	—	—	—	(45)
Share-based compensation	—	1,327	—	—	—	1,327
Distributions to non-controlling interests	—	—	—	—	(2,378)	(2,378)
Balance - September 30, 2022	368,755	45,257	(14,793)	(318,356)	260,503	341,366

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

WildBrain Ltd.

Unaudited Interim Condensed Consolidated Statements of Cash Flows For the three month periods ended September 30, 2022 and 2021

(expressed in thousands of Canadian dollars)

	September 30, 2022	September 30, 2021
Cash provided by (used in)	\$	\$
Operating activities		
Net income (loss) for the period	3,738	(13,355)
Charges (credits) not involving cash		
Amortization of property and equipment	2,709	4,606
Amortization of intangible assets	3,565	2,664
Amortization of acquired and library content	2,349	2,562
Accretion expense and amortization of deferred financing fees	3,477	3,124
Unrealized foreign exchange loss	24,322	11,722
Share-based compensation	1,327	2,033
Change in fair value of embedded derivatives	(6,034)	5,561
Change in fair value of interest rate swap	(3,019)	(5)
Interest income	(1,303)	(461)
Interest expense	9,648	7,331
Deferred tax (recovery) expense	(1,545)	2,315
Reversal of right-of-use asset impairment (note 15)	—	(719)
Net investment in film and television programs (note 19)	(5,255)	(1,002)
Net change in non-cash balances related to operations (note 19)	(57,303)	(37,726)
Cash used in operating activities	(23,324)	(11,350)
Financing activities		
Common shares issued, net of issuance costs	18	23
Common shares purchased held in trust, net	(45)	69
Distributions to non-controlling interests	(2,378)	(4,799)
Proceeds from bank indebtedness	12,305	—
Repayment of long-term debt	(977)	(908)
Interest paid on long-term debt	(9,090)	(9,585)
Realized foreign exchange on long term debt repayment	(58)	(21)
Repayment of obligations under finance leases	(2,331)	(2,519)
Proceeds from interim production financing, net (note 19)	28,292	8,348
Cash provided by (used in) financing activities	25,736	(9,392)
Investing activities		
Acquisition of property and equipment	(240)	(1,020)
Acquisition of intangible assets	(1,696)	(555)
Cash used in investing activities	(1,936)	(1,575)
Effect of foreign exchange rate changes on cash	1,629	833
Net change in cash and restricted cash during the period	2,105	(21,484)
Cash and restricted cash - Beginning of the period	68,734	92,057
Cash and restricted cash - End of the period	70,839	70,573

Supplemental information (note 19)

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

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

(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 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 the 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 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 9, 2022.

3 Summary of significant accounting policies, 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.

4 Acquisition of assets

In March 2022, the Company acquired certain brand representation rights with respect to the Peanuts property in various Asia Pacific territories beginning July 2022. The total purchase price was \$11,250 of which \$3,280 was paid on March 31, 2022, and equal installments of \$469 to be paid monthly from April 2022 through to December 2022. The remaining \$3,749 will be paid over the period through March 31, 2023, subject to achieving certain financial performance conditions. The transaction is considered an asset acquisition and the entire purchase price has been allocated to intangible assets - brand representation rights.

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

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

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

5 Amounts receivable

	September 30, 2022	June 30, 2022
	\$	\$
Trade receivables	212,755	182,476
Less: ECL allowance on trade receivables	(9,928)	(10,435)
Trade receivables, net of loss allowance	202,827	172,041
Sales tax receivable	2,560	1,199
Federal and provincial film tax credits and other government assistance	93,616	76,420
Short-term amounts receivable	299,003	249,660
Long-term amounts receivable	95,827	84,790
Total amounts receivable	394,830	334,450

The aging of trade receivables is as follows:

	September 30, 2022	June 30, 2022
	\$	\$
Less than 60 days	179,335	146,690
Between 60 and 90 days	3,050	4,470
Over 90 days	30,370	31,316
	212,755	182,476

A continuity of ECL allowance on trade receivables as follows:

	September 30, 2022	June 30, 2022
	\$	\$
Opening balance	10,435	8,236
Loss allowance on trade receivables	1,110	3,790
Write-offs during the year	(1,561)	(1,224)
Recoveries of receivables previously provided for	(154)	(117)
Foreign exchange	98	(250)
Ending balance	9,928	10,435

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

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

6 Investment in film and television programs

	September 30, 2022	June 30, 2022
	\$	\$
Development costs	6,840	4,872
Productions in progress		
Cost, net of government and third party assistance	24,191	44,506
Productions completed and released		
Cost, net of government and third party assistance	752,923	715,608
Accumulated expense	(586,468)	(568,020)
Accumulated write-down of investment in film and television programs	(53,789)	(53,789)
	112,666	93,799
Program and film rights - broadcasting⁽¹⁾		
Cost	179,690	175,551
Accumulated expense	(151,668)	(149,428)
Accumulated write-down of program and film rights	(5,737)	(5,737)
	22,285	20,386
	165,982	163,563

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

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

	September 30, 2022	June 30, 2022
	\$	\$
Net opening investment in film and television programs	163,563	147,783
Increase in development costs	1,968	203
Cost of productions (completed and released and productions in progress), net of assistance	19,835	71,115
Expense of investment in film and television programs	(18,448)	(50,457)
Write-down of investment in film and television programs	—	(1,208)
Increase of program and film rights - broadcasting	4,140	12,166
Expense of program and film rights - broadcasting	(2,240)	(8,830)
Foreign exchange	(2,836)	(7,209)
	165,982	163,563

During the three-month period ended September 30, 2022, interest of \$1,515 (September 30, 2021 - \$263) was capitalized to investment in film and television programs.

During the three-month period ended September 30, 2022, the Company recorded \$nil write-down of investments in film (September 30, 2021 - \$1,208).

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

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

7 Acquired and library content

	September 30, 2022	June 30, 2022
	\$	\$
Net opening acquired and library content	92,732	100,653
Additions (note 4)	1,841	1,000
Amortization	(2,349)	(10,241)
Foreign exchange	3,296	1,320
Net closing acquired and library content	<u>95,520</u>	<u>92,732</u>

8 Derivative Assets

During the fourth quarter of fiscal 2021, the Company entered into a 3-year term interest rate swap maturing on June 28, 2024, which secures US\$165,000 of Term Facility from an interest rate of SOFR plus 4.25% to a fixed interest rate of 5.24% (note 16(b)).

	September 30, 2022	June 30, 2022
	\$	\$
Interest rate swap	11,864	8,845
	<u>11,864</u>	<u>8,845</u>

9 Accounts payable, accrued and derivative liabilities

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

	September 30, 2022	June 30, 2022
	\$	\$
Accounts payable and accrued liabilities	153,763	161,849
Derivative liabilities (note 16)	14,525	19,107
	<u>168,288</u>	<u>180,956</u>

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

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

10 Credit facilities

	September 30, 2022	June 30, 2022
	\$	\$
Bank indebtedness	21,392	9,087
Interim production financing	112,527	84,235
Term Facility, net of unamortized issue costs of \$8,840 (June 30, 2022 - \$9,260)	375,893	353,387
Exchangeable debenture, net of unamortized issue costs and conversion option of \$248 (June 30, 2022 - \$1,173)	25,604	22,662
Convertible Debentures, net of unamortized issue costs and conversion option of \$10,729 (June 30, 2022 - \$11,911)	129,271	128,090
Total	<u>664,687</u>	597,461
Amount due within 12 months	(163,429)	(119,657)
Amount due beyond 12 months	<u>501,258</u>	477,804

a) LIBOR transitioned to secured overnight financing rate ("SOFR")

LIBOR was discontinued at the end of calendar year 2021. As part of the refinancing of the Term facility and Bank Indebtedness ("Revolving Facility") in March 2021, alternative replacement rates for LIBOR were included in the agreement based on the secured overnight financing rate ("SOFR"), which is a benchmark interest rate for dollar denominated loans. On October 21, 2022, the Company amended its credit agreement (the "Credit Agreement") to increase its Revolving Facility from US\$30,000 to US\$40,000, with an interest rate of SOFR plus 4%, based on the applicable form of borrowing. The new SOFR benchmark rate replaces the discontinued LIBOR rate for the Revolving Facility.

The Company's interim production credit facilities with various financial institutions and other entities, bearing interest based on LIBOR will be replaced with SOFR.

b) Bank indebtedness

On March 26, 2021, the Company entered into a five-year, US\$30,000 Revolving Facility with an interest rate of prime. The Revolving Facility does not carry a financial maintenance covenant, except when amounts are drawn and outstanding. The new Revolving Facility matures on the earlier of March 26, 2026 or three months prior to the maturity of the Company's convertible debentures dated September 30, 2024, except where converted. On October 21, 2022, the Company amended its credit agreement to increase its Revolving Facility from US\$30,000 to US\$40,000, with an interest rate of SOFR plus 4%, based on the applicable form of borrowing. As at September 30, 2022, \$21,392 (September 30, 2021 - \$9,087) was drawn on the Revolving Facility.

Under the Revolving Facility, when amounts are drawn and outstanding at the end of any fiscal quarter, the Company is required to comply with a leverage covenant of 6.75x, declining to 6.25x for the quarter ending September 30, 2023 and thereafter. As at September 30, 2022, the Company's Total Net Leverage Ratio was 4.20x.

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

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

c) Interim production financing

	September 30, 2022	June 30, 2022
	\$	\$
Interim production credit facilities	<u>112,527</u>	<u>84,235</u>

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, 2022, the Company held two additional interim production credit facilities with similar terms in the amount of \$1,684 that are undrawn (June 30, 2022 - \$4,100). As at September 30, 2022, the Canadian dollar bank prime rate was 3.70% (September 30, 2021 - 2.45%).

d) Term facility

On March 26, 2021, the Company completed the refinancing of its term facility with a seven-year US\$285,000 senior secured term loan facility (the "Term Loan") maturing March 26, 2028. The term facility has no financial maintenance covenant and bears interest at a rate of SOFR plus 4.25%. Commencing on the fiscal quarter ending June 30, 2021, the Term Loan requires quarterly repayment equal to 0.25% of the initial principal amount. As at September 30, 2022, the Company's Term Loan had a principal balance of US\$280,725, or \$384,777 (September 30, 2021 - US\$283,575 or \$361,303).

During the fourth quarter of fiscal 2021, the Company entered into an interest rate swap agreement to secure US\$165,000 of total term facility from an interest rate of LIBOR plus 4.25% to a fixed interest rate of 5.24% (note 16(b)). The Company amended the benchmark rate from LIBOR to SOFR during the first quarter of fiscal 2023. Changes in the estimated fair value of the interest rate swap are recorded through the Company's unaudited interim condensed consolidated statement of income (loss). During the three-month period ended September 30, 2022, the change in the estimated fair value of the interest rate swap resulted in a gain of \$3,019 (September 30, 2021 – gain of \$5).

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

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

As at September 30, 2022, the Convertible Debentures had a principal balance of \$140,000 (June 30, 2022 - \$140,000), bearing interest at a fixed annual rate of 5.875% and paid semi-annually on March 31 and September 30 of each year. The Convertible Debentures are convertible into Common Voting Shares or Variable Voting Shares of the Company at a price of \$7.729 per share, subject to certain customary adjustments. The Convertible Debentures mature on September 30, 2024.

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

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

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).

During the three-month period ended September 30, 2022, the Company recorded a gain of \$508, as a change in fair value of the embedded derivative (September 30, 2021 - an expense of \$258), and the estimated fair value of the embedded derivative as at September 30, 2022 was \$1,764 (September 30, 2021 - \$2,272).

f) Exchangeable debentures

As at September 30, 2022, the Company's Exchangeable Debentures had a principal balance of US\$18,497 or \$25,357 (June 30, 2022 - US\$18,497 or \$23,835) 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 to certain funds managed by Fine Capital Partners, L.P., a related party of 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, where applicable. Proceeds from the Exchangeable Debentures 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.

On March 4, 2021, the Company issued the remaining US\$6,289, or \$7,795 on the Exchangeable Debenture. The conversion option represents an embedded derivative with a fixed USD conversion price for Variable Voting Shares of the Company, which are denominated in Canadian dollars. As a result, both the first and second tranche of the Exchangeable Debentures were deemed to have no equity component at initial recognition and the estimated fair value of the embedded derivatives was recorded as a derivative liability.

During the three-month period ended September 30, 2022, the Company recorded a gain of \$5,526, as a change in fair value of the embedded derivative (September 30, 2021 - an expense of \$5,303), and the estimated fair value of the embedded derivative as at September 30, 2022 was \$14,525 (September 30, 2021 - \$19,107).

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

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

11 Share capital

	September 30, 2022		June 30, 2022	
	Number #	Amount \$	Number #	Amount \$
Preferred variable voting shares				
Opening balance	500,000,000	—	500,000,000	—
Ending balance	500,000,000	—	500,000,000	—
Common shares				
Opening balance	173,108,668	368,734	171,855,961	367,359
Shares sold (purchased) held in trust, net	—	—	138,190	142
Options exercised	—	—	325,000	498
Employee share purchase plan	8,267	21	36,087	108
RSU settled	—	—	753,430	627
Ending balance	173,116,935	368,755	173,108,668	368,734

Preferred Variable Voting Shares ("PVVS")

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

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

Common shares

The common shares of the Company are inclusive of Common Voting Shares, Variable Voting Shares and Non-Voting Shares. As at September 30, 2022, the Company had 29,866,804 Common Voting Shares and 143,250,131 Variable Voting Shares issued and outstanding (June 30, 2022 - 31,668,243 and 141,440,425, respectively).

Share trust

The Company established an employee share trust to purchase and hold common shares of the Company to satisfy certain employee and director share-based compensation awards, including restricted share units and deferred share units.

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

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

12 Share-based compensation

Omnibus equity incentive plan ("Omnibus Plan")

On December 17, 2019, the shareholders of the Company approved the adoption of the Omnibus Plan, a single umbrella plan that provides flexibility to the Company to grant equity-based incentive awards in the form of stock options, restricted share units and performance share units. On December 16, 2021, the shareholders of the Company approved an amended and restated Omnibus Plan which includes deferred share units as an additional form of equity-based incentive awards issuable under the Omnibus Plan and increases the maximum number of equity-awards issuable under the Omnibus Plan from 8.5% of the Company's total issued and outstanding Common and Variable Voting Shares to 10%. As at September 30, 2022, the total amount available for issuance under the Omnibus Plan subject to the 10% maximum was 17,099,693 (September 30, 2021 - at 10% - 17,103,138).

Options

As at September 30, 2022 and 2021, the Company had the following stock options outstanding:

	Number of options #	Weighted average exercise price per stock option \$
Outstanding at June 30, 2021	4,993,800	3.86
Forfeited	(25,000)	1.51
Expired	(25,000)	8.40
Outstanding at September 30, 2021	4,943,800	3.86
Exercisable at September 30, 2021	3,531,550	4.62
Outstanding at June 30, 2022	4,308,800	3.96
Expired	(367,500)	8.40
Outstanding at September 30, 2022	3,941,300	3.55
Exercisable at September 30, 2022	3,711,425	4.33

During the three-month period ended September 30, 2022, the Company recognized a share-based compensation expense of \$39 for the vesting of options, net of forfeitures (September 30, 2021 - expense of \$76), with a corresponding adjustment to contributed surplus.

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(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, 2022 and 2021, is presented below.

Range of exercise prices	Number outstanding at September 30, 2022 #	Weighted average remaining contractual life years	Weighted average exercise price \$	Number outstanding at September 30, 2021 #	Weighted average exercise price \$
\$1.50 - \$3.49	2,314,500	4.34	1.65	2,789,500	1.66
\$3.50 - \$5.49	100,000	3.25	5.47	100,000	5.47
\$5.50 - \$7.49	1,501,800	2.60	6.27	1,586,800	6.28
\$7.50 - \$9.49	25,000	1.38	8.03	467,500	8.38
Total	3,941,300	3.63	3.55	4,943,800	3.86

Performance share unit plan ("PSUs")

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

	Three months ended	
	September 30, 2022 PSU #	September 30, 2021 PSU #
Outstanding, beginning of period	2,737,467	2,775,000
Forfeited	—	(50,000)
Outstanding, end of period	2,737,467	2,725,000

During the three-month period ended September 30, 2022, the Company recognized share-based compensation expense of \$73, (September 30, 2021 - expense of \$194) with a corresponding adjustment to contributed surplus.

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

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

Restricted share unit plan ("RSUs")

The RSUs are a long-term employee retention program issued to certain eligible employees as part of the Omnibus Plan, which are settled through treasury and generally cliff-vest in 3 years.

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

	Three months ended	
	September 30, 2022	September 30, 2021
	RSU	RSU
	#	#
Outstanding, beginning of period	4,691,764	3,311,548
Granted	—	2,456,603
Forfeited	(35,623)	(70,000)
Expired	—	(29,042)
Outstanding, end of period	4,656,141	5,669,109

During the three-month period ended September 30, 2022, the Company recognized share-based compensation expense of \$1,059 (September 30, 2021 - \$5,456) with a corresponding adjustment to contributed surplus.

Deferred share unit plan ("DSUs")

DSUs are an incentive program for Board members of the Company, where Board members may elect to receive director fees in the form of cash or DSUs. The DSUs are settled in shares purchased in the open market and cannot be issued from treasury. The DSUs vest immediately upon grant, but they cannot be exercised until the Board member departs the Company.

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

	Three months ended	
	September 30, 2022	September 30, 2021
	DSU	DSU
	#	#
Outstanding, beginning of period	2,582,342	2,111,008
Granted	42,721	368,917
Outstanding, end of period	2,625,063	2,479,925

During the three-month period ended September 30, 2022, the Company recognized share-based compensation expense of \$148, (September 30, 2021 - \$1,462) with a corresponding adjustment to contributed surplus, and included \$130 for services rendered but DSUs not yet granted.

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

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

Long-term incentives plan ("LTIP")

The LTIP is a long-term employee retention program whereby common shares of the Company are issued to certain eligible employees. These common shares are purchased in the open market and cannot be issued from treasury.

During the three-month period ended September 30, 2022, the Company recognized share-based compensation expense of \$5 respectively, (September 30, 2021 - \$84) with a corresponding adjustment to contributed surplus.

Employee stock purchase plan

During the three-month period ended September 30, 2022, the Company recognized share-based compensation expense of \$3, (September 30, 2021 - \$16) with a corresponding adjustment to contributed surplus.

13 Income taxes

For the three-month period ended September 30, 2022, the Company recorded income tax expense of \$(932) (September 30, 2021 - expense of \$3,000). The income tax (income) 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.

14 Finance costs, net

Net finance costs comprise the following:

	Three months ended	
	September 30, 2022	September 30, 2021
	\$	\$
Finance costs		
Change in fair value of interest rate swap	(3,019)	(5)
Interest income	(1,303)	(461)
Interest expense on bank indebtedness	314	96
Interest on long-term debt	8,703	7,064
Interest on completed and released productions	631	171
Amortization of deferred financing fees	662	652
Accretion on convertible debentures, exchangeable debentures, lease liabilities and other	2,815	2,472
	8,803	9,989

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

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

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

15 Expenses by nature and employee benefit expense

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

	Three months ended	
	September 30, 2022	September 30, 2021
	\$	\$
Direct production and new media costs	50,687	47,302
Expense of film and television programs	18,448	11,478
Expense of film and broadcast rights for broadcasting	2,240	2,273
Amortization of property and equipment and intangible assets	6,274	7,270
Amortization of acquired and library content	2,349	2,562
Reversal of right-of-use asset impairment	—	(719)
Office and administrative	4,883	4,371
Investor relations and marketing	1,242	655
Professional and regulatory	2,482	1,951
Reorganization, development and other expenses (income), excluding employee benefits	461	(2,411)
Finance costs, net	8,803	9,989
Change in fair value of embedded derivatives	(6,034)	5,561
Foreign exchange loss	12,456	13,022
	104,291	103,304
Employee benefits expense:		
Salaries and employee benefits	17,121	16,045
Share-based compensation (note 12)	1,327	2,033
Termination and other benefits	1,107	1,569
	19,555	19,647
	123,846	122,951

During the three-month period ended September 30, 2022, included in reorganization, development and other expenses (income) are other costs of \$204 and relocation costs of \$257 excluding termination and other benefits of \$1,107 (September 30, 2021 - included in reorganization, development and other expenses (income) were corporate rebranding charges of \$128, recovery of \$4,093 in legal fees related to the litigation settlement with former employees (among others), relocation costs of \$934 (includes net lease termination costs of \$599 and \$335 of moving costs), and other costs of \$620).

During the three-month period ended September 30, 2022, there was a write-down of \$nil for investment in film and television programs and acquired and library content (September 30, 2021 - reversal of right-of-use asset impairment of \$719).

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

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

16 Management of financial risks and financial instruments

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

a) Credit risk

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial asset or liability fails to meet its contractual obligations, and arises primarily from the Company's cash (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 (excluding government and film tax credit receivables) approximates the amounts recorded on the unaudited interim condensed consolidated balance sheets of \$379,421 (September 30, 2021 - \$273,492). The Company manages credit risk on cash and cash equivalents by ensuring that the counterparties are banks, governments and government agencies with high credit ratings.

The balance of trade 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 estimated credit loss 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 4.7% 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.

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, SOFR rate, bankers' acceptance rates and other applicable interest rate benchmarks.

During the fourth quarter of fiscal 2021, the Company entered into a 3-year term interest rate swap maturing on June 28, 2024, which secures US\$165,000 of Term Facility from an interest rate of LIBOR plus 4.25% to a fixed interest rate of 5.24%. Management will continue to monitor the interest rate risk closely and take appropriate measures as necessary.

An increase of 100 basis points in interest rates during the year ended September 30, 2022 would have decreased pre-tax net income by \$6,528 (September 30, 2021 - \$5,681).

c) Liquidity risk

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

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

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

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

	Total	Less than	1 to 3	3 to 5	After 5
	\$	1 year	years	years	years
	\$	\$	\$	\$	\$
Bank indebtedness	21,392	21,392	—	—	—
Accounts payable and accrued liabilities	153,763	153,763	—	—	—
Interim production financing	112,527	112,527	—	—	—
Other long-term liabilities	21,196	—	21,196	—	—
Senior unsecured convertible Debentures	156,450	8,225	148,225	—	—
Exchangeable debentures	26,745	26,745	—	—	—
Term facility	472,314	20,197	39,897	39,233	372,987
Finance lease obligations	33,731	11,585	15,713	4,346	2,087
	998,118	354,434	225,031	43,579	375,074

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

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

As at September 30, 2022, the Company had an unrestricted cash balance of \$62,075 and current amounts receivable of \$299,003. Based on the Company's cash balances and available credit facilities, expected collection of trade and other receivables and forecast operating results, management believes it will be able to fulfill its financial obligations as they become due.

d) Currency risk

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

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 fair value hierarchy has the following levels:

- Level 1 Valuation based on quoted prices observed in active markets for identical assets and liabilities.
- Level 2 Valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Valuation techniques with significant unobservable market inputs.

WildBrain Ltd.

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

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, 2022		June 30, 2022	
	Fair value hierarchy	Fair value ⁽¹⁾	Fair value hierarchy	Fair value ⁽¹⁾
		\$		\$
Embedded derivatives ⁽²⁾	Level 2	(16,289)	Level 2	(21,379)
Foreign currency forwards ⁽³⁾	Level 2	—	Level 2	(87)
Interest rate swap ⁽⁴⁾	Level 2	11,864	Level 2	8,845

⁽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 debentures, measured using valuation models.

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

⁽⁴⁾ Includes a 3-year term interest rate swap agreement, maturing on June 28, 2024, entered to secure US\$165,000 of total Term Facility at an interest rate of 5.24%. The fair value is determined using the prevailing interest rates.

As at September 30, 2022, 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\$804 to \$1,201
Weighted average rate	1.3345

US dollars exchange for CAD

Less than one year	US\$7,815 to \$11,400
Weighted average rate	1.2767

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, 2022, was an asset of \$nil (June 30, 2022 - liability of \$87), which has been included in derivative liabilities in the unaudited interim condensed consolidated balance sheet.

WildBrain Ltd.

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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, 2022			June 30, 2022		
	Fair value hierarchy	Fair value liability	Carrying value	Fair value hierarchy	Fair value liability	Carrying value
		\$	\$		\$	\$
Convertible Debentures ⁽¹⁾	Level 1	136,500	129,271	Level 1	135,800	128,090

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

17 Earnings or loss per common share

a) Basic

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

	Three months ended	
	September 30, 2022	September 30, 2021
	\$	\$
Net loss attributable to shareholders of the Company	(7,572)	(21,396)
Weighted average number of common shares outstanding (in 000's)	173,113	171,969
Basic loss per common share	<u>(0.04)</u>	<u>(0.12)</u>

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b) Diluted

During the three-month period ended September 30, 2022, the weighted average number of potentially dilutive instruments was 17,241,239 (September 30, 2021 - 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 the exercise of any potentially dilutive instruments would be anti-dilutive).

	Three months ended	
	September 30, 2022	September 30, 2021
	\$	\$
Net loss attributable to shareholders of the Company	<u>(7,572)</u>	(21,396)
Dilutive effect of exchangeable debentures	<u>(3,039)</u>	—
Adjusted net loss attributable to shareholders of the Company	<u>(10,611)</u>	(21,396)
Weighted average number of common shares (in 000's)	173,113	171,969
Dilutive effect of exchangeable debentures (in 000's)	<u>17,241</u>	—
Weighted average number of diluted shares outstanding (in 000's)	<u>190,354</u>	171,969
Diluted loss per common share	<u>(0.06)</u>	(0.12)

18 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 structure is summarized in the table below:

	September 30, 2022	June 30, 2022
	\$	\$
Total bank indebtedness and long-term debt, excluding interim production financing	552,160	513,226
Less: Cash and restricted cash	<u>(70,839)</u>	(68,734)
Net debt	481,321	444,492
Total shareholders' equity	<u>341,366</u>	315,403
	<u>822,687</u>	759,895

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.

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

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19 Unaudited Interim Condensed Consolidated statement of cash flows - supplementary information

Net change in non-cash balances related to operations

	September 30, 2022	September 30, 2021
	\$	\$
Amounts receivable	(48,338)	(20,621)
Prepaid expenses and other	947	(412)
Long-term amounts receivable	(11,037)	(1,540)
Accounts payable and accrued liabilities	(11,146)	(8,768)
Deferred revenue	12,271	(3,414)
Tangible benefit obligation payments	—	(2,971)
	<u>(57,303)</u>	<u>(37,726)</u>

Net change in film and television programs

	September 30, 2022	September 30, 2021
	\$	\$
Development	(1,968)	1,207
Productions in progress	20,315	5,612
Productions completed and released	(40,150)	(19,580)
Film and television programs	18,448	11,478
Program and film rights - broadcasting	(4,140)	(1,992)
Film and broadcast rights - broadcasting	2,240	2,273
	<u>(5,255)</u>	<u>(1,002)</u>

Net change in interim production financing

	September 30, 2022	September 30, 2021
	\$	\$
Proceeds from interim production financing	36,956	19,822
Repayment of interim production financing	(8,664)	(11,474)
	<u>28,292</u>	<u>8,348</u>

Supplemental cash flow information

	September 30, 2022	September 30, 2021
	\$	\$
Taxes paid	(175)	273
Taxes refunded	88	—
	<u>(87)</u>	<u>273</u>

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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, 2021	341,477	123,753	43,835	17,164	526,229
Repayments	(908)	—	(2,519)	—	(3,427)
Total financing cash flow activities	(908)	—	(2,519)	—	(3,427)
Amortization of deferred financing costs	371	222	—	59	652
Lease liabilities additions	—	—	(2,820)	—	(2,820)
Interest portion paid on lease liabilities	—	—	(601)	—	(601)
Accretion (income) expense	(25)	846	601	1,025	2,447
Foreign exchange	9,888	—	141	492	10,521
Total other activities	10,234	1,068	(2,679)	1,576	10,199
Balance - September 30, 2021	350,803	124,821	38,637	18,740	533,001

	Term facility	Senior unsecured convertible debentures	Lease liabilities	Exchangeable debentures	Total
	\$	\$	\$	\$	\$
Balance - June 30, 2022	353,387	128,089	36,239	22,662	540,377
Repayments	(977)	—	(2,331)	—	(3,308)
Total financing cash flow activities	(977)	—	(2,331)	—	(3,308)
Amortization of deferred financing costs	376	222	—	64	662
Lease liabilities additions	—	—	1,114	—	1,114
Interest paid on lease liabilities	—	—	(492)	—	(492)
Accretion (income) expense	(58)	960	492	1,363	2,757
Foreign exchange	23,165	—	121	1,515	24,801
Total other activities	23,483	1,182	1,235	2,942	28,842
Balance - September 30, 2022	375,893	129,271	35,143	25,604	565,911

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

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

20 Revenues and segmented information

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

	Three months ended September 30, 2021		
	Content	Television	Consolidated
	\$	\$	\$
Revenues	101,445	11,151	112,596
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	74,408	5,034	79,442
Segment profit	27,037	6,117	33,154
Corporate selling, general and administrative			6,666
Amortization of property and equipment and intangible assets			7,270
Amortization of acquired and library content			2,562
Reversal of right-of-use asset impairment			(719)
Finance costs, net			9,989
Change in fair value of embedded derivatives			5,561
Foreign exchange loss			13,022
Reorganization, development and other income			(842)
Loss before income taxes			(10,355)

	Three months ended September 30, 2022		
	Content	Television	Consolidated
	\$	\$	\$
Revenues	116,479	10,173	126,652
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	86,036	5,331	91,367
Segment profit	30,443	4,842	35,285
Corporate selling, general and administrative			7,063
Amortization of property and equipment and intangible assets			6,274
Amortization of acquired and library content			2,349
Finance costs, net			8,803
Change in fair value of embedded derivatives			(6,034)
Foreign exchange loss			12,456
Reorganization, development and other expenses			1,568
Income before income taxes			2,806

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Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended September 30, 2022 and 2021

(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, 2022	September 30, 2021
	\$	\$
Content		
Content production and distribution	52,761	37,568
WildBrain Spark	11,617	15,406
Consumer Products	52,101	48,471
	<u>116,479</u>	<u>101,445</u>
Television		
Canadian Television Broadcasting	10,173	11,151
	<u>126,652</u>	<u>112,596</u>

21 Commitments and contingencies

As at September 30, 2022, the Company has entered into various contracts to buy broadcast rights with future commitments totaling \$3,481.

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.

22 Subsequent events

On October 21, 2022, the Company amended its credit agreement to increase its Revolving Facility from US\$30,000 to US\$40,000, with an interest rate of SOFR plus 4%, based on the applicable form of borrowing. The new SOFR benchmark rate replaces the discontinued LIBOR rate. The Revolving Facility matures on the earlier of March 2026 or three months prior to the maturity of the Company's convertible debentures, except where converted. The Company will use the Revolving Facility for general corporate and working capital purposes.