

# **WildBrain Ltd.**

Unaudited Interim Condensed Consolidated  
Financial Statements  
**December 31, 2022**  
(expressed in thousands of Canadian dollars)

February 7, 2023

## **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 December 31, 2022 and June 30, 2022

(expressed in thousands of Canadian dollars)

	December 31, 2022	June 30, 2022
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash	84,347	59,899
Restricted cash	6,931	8,835
Amounts receivable (note 5)	300,858	249,660
Prepaid expenses and other	7,256	8,583
Investment in film and television programs (note 6)	171,809	163,563
	<b>571,201</b>	490,540
Long-term amounts receivable (note 5)	67,919	84,790
Acquired and library content (note 7)	93,219	92,732
Property and equipment	37,503	39,287
Derivative assets (note 8)	11,880	8,845
Intangible assets	461,232	448,947
Goodwill	55,196	54,033
	<b>1,298,150</b>	1,219,174
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank indebtedness (note 10)	21,221	9,087
Accounts payable, accrued and derivative liabilities (note 9)	196,264	180,956
Deferred revenue	63,169	58,116
Interim production financing (note 10)	94,314	84,235
Current portion of lease liabilities	10,097	10,183
Current portion of long-term debt (note 10)	30,724	26,335
	<b>415,789</b>	368,912
Long-term debt (note 10)	496,987	477,804
Long-term lease liabilities	24,642	26,056
Derivative liabilities (note 16)	4,534	2,360
Other long-term liabilities	18,184	20,878
Deferred income taxes	856	7,761
	<b>960,992</b>	903,771
<b>Shareholders' Equity</b>		
Equity attributable to shareholders of the Company	75,595	79,428
Non-controlling interest	261,563	235,975
	<b>337,158</b>	315,403
	<b>1,298,150</b>	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 (Loss) Income For the three and six month periods ended December 31, 2022 and 2021

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

	Three months ended		Six months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
<b>Revenues</b> (note 20)	<b>140,480</b>	153,164	<b>267,132</b>	265,760
<b>Expenses</b> (note 15)				
Direct production costs and expense of film and television produced	79,208	89,527	150,583	150,580
Amortization of acquired and library content (note 7)	2,410	2,553	4,759	5,115
Amortization of property and equipment and intangible assets	6,034	5,626	12,308	12,896
Reversal of right-of-use asset impairment	—	—	—	(719)
Selling, general and administrative	26,538	25,621	52,266	48,643
Share-based compensation (note 12)	4,373	2,133	5,700	4,166
Finance costs, net (note 14)	12,822	10,106	21,625	20,095
Change in fair value of embedded derivatives	17,752	3,274	11,718	8,835
Foreign exchange (gain) loss	(8,794)	(1,412)	3,662	11,610
Reorganization, development and other expense (note 15)	2,722	1,733	4,290	891
	<b>143,065</b>	139,161	<b>266,911</b>	262,112
<b>(Loss) Income before taxes</b>	<b>(2,585)</b>	14,003	<b>221</b>	3,648
<b>Provision for (Recovery of) income taxes</b> (note 13)				
Current	3,830	(408)	4,443	277
Deferred	(3,302)	468	(4,847)	2,783
	<b>528</b>	60	<b>(404)</b>	3,060
<b>Net (loss) income for the period</b>	<b>(3,113)</b>	13,943	<b>625</b>	588
Net income attributable to non-controlling interests	9,839	9,342	21,149	17,383
<b>Net (loss) income attributable to shareholders of the Company</b>	<b>(12,952)</b>	4,601	<b>(20,524)</b>	(16,795)
<b>Basic (loss) earnings per common share</b> (note 17)	<b>(0.07)</b>	0.03	<b>(0.12)</b>	(0.10)
<b>Diluted (loss) earnings per common share</b> (note 17)	<b>(0.07)</b>	0.03	<b>(0.12)</b>	(0.10)

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

## WildBrain Ltd.

### Unaudited Interim Condensed Consolidated Statements of Comprehensive (Loss) Income For the three and six month periods ended December 31, 2022 and 2021

(expressed in thousands of Canadian dollars)

	Three months ended		Six months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
<b>Net (loss) income for the period</b>	<b>(3,113)</b>	13,943	<b>625</b>	588
<b>Other comprehensive (loss) income</b>				
Items that may be subsequently reclassified to the consolidated statements of (loss) income				
Foreign currency translation adjustment	<b>(833)</b>	(5,830)	<b>22,470</b>	6,986
<b>Comprehensive (loss) income for the period</b>	<b>(3,946)</b>	8,113	<b>23,095</b>	7,574

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 six month periods ended December 31, 2022 and 2021

(expressed in thousands of Canadian dollars)

	Common shares	Contributed surplus	Accumulated other comprehensive loss	Deficit	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$
<b>Balance - July 1, 2021</b>	367,359	39,044	(21,391)	(316,424)	234,325	302,913
Net (loss) income for the period	—	—	—	(16,795)	17,383	588
Other comprehensive income for the period	—	—	1,485	—	5,501	6,986
Comprehensive income (loss) for the period	—	—	1,485	(16,795)	22,884	7,574
Common shares issued, net of issuance costs and deferred taxes	865	(532)	—	—	—	333
Shares withheld related to net share settlement	—	(1,158)	—	—	—	(1,158)
Common shares purchased held in trust	119	(120)	—	—	—	(1)
Share-based compensation	—	4,166	—	—	—	4,166
Distributions to non-controlling interests	—	—	—	—	(16,154)	(16,154)
<b>Balance - December 31, 2021</b>	<b>368,343</b>	<b>41,400</b>	<b>(19,906)</b>	<b>(333,219)</b>	<b>241,055</b>	<b>297,673</b>
<b>Balance - July 1, 2022</b>	<b>368,734</b>	<b>43,978</b>	<b>(22,500)</b>	<b>(310,784)</b>	<b>235,975</b>	<b>315,403</b>
Net (loss) income for the period	—	—	—	(20,524)	21,149	625
Other comprehensive income for the period	—	—	10,012	—	12,458	22,470
Comprehensive income (loss) for the period	—	—	10,012	(20,524)	33,607	23,095
Common shares issued, net of issuance costs and deferred taxes	3,118	(2,799)	—	—	—	319
Shares withheld related to net share settlement	—	750	—	—	—	750
Common shares issued to settle share based compensation	—	(90)	—	—	—	(90)
Share-based compensation	—	5,700	—	—	—	5,700
Distributions to non-controlling interests	—	—	—	—	(8,019)	(8,019)
<b>Balance - December 31, 2022</b>	<b>371,852</b>	<b>47,539</b>	<b>(12,488)</b>	<b>(331,308)</b>	<b>261,563</b>	<b>337,158</b>

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 six month periods ended December 31, 2022 and 2021

(expressed in thousands of Canadian dollars)

	December 31, 2022	December 31, 2021
<b>Cash provided by (used in)</b>	<b>\$</b>	<b>\$</b>
<b>Operating activities</b>		
Net income for the period	625	588
Charges (credits) not involving cash		
Amortization of property and equipment	5,579	7,574
Amortization of intangible assets	6,729	5,322
Amortization of acquired and library content	4,759	5,115
Accretion expense and amortization of deferred financing fees	7,254	6,308
Unrealized foreign exchange loss	16,376	4,800
Share-based compensation	5,700	4,166
Change in fair value of embedded derivatives	11,718	8,835
Change in fair value of interest rate swap and forward contract	(3,122)	(775)
Interest income	(1,229)	(382)
Interest expense	18,722	14,944
Deferred tax (recovery) expense	(4,847)	2,783
Reversal of right-of-use asset impairment (note 15)	—	(719)
Net investment in film and television programs (note 19)	(4,532)	(1,603)
Net change in non-cash balances related to operations (note 19)	(23,944)	(57,047)
<b>Cash provided by (used in) operating activities</b>	<b>39,788</b>	<b>(91)</b>
<b>Financing activities</b>		
Common shares issued, net of issuance costs	319	333
Payroll taxes remitted on net share settlement	750	(1,158)
Common shares purchased held in trust, net	(90)	(1)
Distributions to non-controlling interests	(8,019)	(16,154)
Proceeds from bank indebtedness	12,134	—
Repayment of long-term debt	(1,942)	(1,811)
Payment of debt issue costs	(482)	—
Interest paid on long-term debt	(19,481)	(15,207)
Realized foreign exchange on long term debt repayment	53	(44)
Repayment of obligations under finance leases	(4,881)	(5,081)
Proceeds from interim production financing, net (note 19)	10,079	15,846
<b>Cash used in financing activities</b>	<b>(11,560)</b>	<b>(23,277)</b>
<b>Investing activities</b>		
Acquisition of acquired and library content (note 4)	(1,841)	—
Acquisition of property and equipment	(447)	(2,233)
Acquisition of intangible assets	(3,572)	(1,578)
<b>Cash used in investing activities</b>	<b>(5,860)</b>	<b>(3,811)</b>
Effect of foreign exchange rate changes on cash	176	766
<b>Net change in cash and restricted cash during the period</b>	<b>22,544</b>	<b>(26,413)</b>
<b>Cash and restricted cash - Beginning of the period</b>	<b>68,734</b>	<b>92,057</b>
<b>Cash and restricted cash - End of the period</b>	<b>91,278</b>	<b>65,644</b>

### 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 December 31, 2022 and 2021

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

### 1 Nature of business

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

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

### 2 Basis of preparation

These 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 February 7, 2023.

### 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 was 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 December 31, 2022 and 2021

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

### 5 Amounts receivable

	December 31, 2022	June 30, 2022
	\$	\$
Trade receivables	229,566	182,476
Less: ECL allowance on trade receivables	(10,655)	(10,435)
Trade receivables, net of loss allowance	218,911	172,041
Sales tax receivable	2,008	1,199
Federal and provincial film tax credits and other government assistance	79,939	76,420
Short-term amounts receivable	300,858	249,660
Long-term amounts receivable	67,919	84,790
Total amounts receivable	368,777	334,450

The aging of trade receivables is as follows:

	December 31, 2022	June 30, 2022
	\$	\$
Less than 60 days	191,586	146,690
Between 60 and 90 days	4,072	4,470
Over 90 days	33,908	31,316
	229,566	182,476

A continuity of ECL allowance on trade receivables as follows:

	December 31, 2022	June 30, 2022
	\$	\$
<b>Opening balance</b>	10,435	8,236
Loss allowance on trade receivables	2,213	3,790
Write-offs during the year	(2,167)	(1,224)
Recoveries of receivables previously provided for	(166)	(117)
Foreign exchange	340	(250)
<b>Ending balance</b>	10,655	10,435

# WildBrain Ltd.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 2022 and 2021

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

### 6 Investment in film and television programs

	December 31, 2022	June 30, 2022
	\$	\$
<b>Development costs</b>	<b>5,390</b>	4,872
<b>Productions in progress</b>		
Cost, net of government and third party assistance	<b>54,447</b>	44,506
<b>Productions completed and released</b>		
Cost, net of government and third party assistance	<b>761,709</b>	715,608
Accumulated expense	<b>(616,204)</b>	(568,020)
Accumulated write-down of investment in film and television programs	<b>(53,789)</b>	(53,789)
	<b>91,716</b>	93,799
<b>Program and film rights - broadcasting<sup>(1)</sup></b>		
Cost	<b>179,851</b>	175,551
Accumulated expense	<b>(153,858)</b>	(149,428)
Accumulated write-down of program and film rights	<b>(5,737)</b>	(5,737)
	<b>20,256</b>	20,386
	<b>171,809</b>	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:

	December 31, 2022	June 30, 2022
	\$	\$
Net opening investment in film and television programs	<b>163,563</b>	147,783
Increase in development costs	<b>518</b>	203
Cost of productions (completed and released and productions in progress), net of assistance	<b>52,328</b>	71,115
Expense of investment in film and television programs	<b>(48,184)</b>	(50,457)
Write-down of investment in film and television programs	<b>—</b>	(1,208)
Increase of program and film rights - broadcasting	<b>4,300</b>	12,166
Expense of program and film rights - broadcasting	<b>(4,430)</b>	(8,830)
Foreign exchange	<b>3,714</b>	(7,209)
	<b>171,809</b>	163,563

During the three and six-month period ended December 31, 2022, interest of \$355 and \$1,870 respectively (December 31, 2021 - \$307 and \$570 respectively) was capitalized to investment in film and television programs.

During the three and six-month period ended December 31, 2022, the Company recorded \$nil write-down of investments in film (December 31, 2021 - \$1,208).

## WildBrain Ltd.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 2022 and 2021

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

#### 7 Acquired and library content

	December 31, 2022	June 30, 2022
	\$	\$
Net opening acquired and library content	92,732	100,653
Additions (note 4)	1,841	1,000
Amortization	(4,759)	(10,241)
Foreign exchange	3,405	1,320
Net closing acquired and library content	<u>93,219</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)).

	December 31, 2022	June 30, 2022
	\$	\$
Interest rate swap	11,880	8,845
	<u>11,880</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:

	December 31, 2022	June 30, 2022
	\$	\$
Accounts payable and accrued liabilities	166,566	161,849
Derivative liabilities (note 16)	29,698	19,107
	<u>196,264</u>	<u>180,956</u>

# WildBrain Ltd.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 2022 and 2021

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

### 10 Credit facilities

	December 31, 2022	June 30, 2022
	\$	\$
Bank indebtedness	21,221	9,087
Interim production financing	94,314	84,235
Term Facility, net of unamortized issue costs of \$8,914 (June 30, 2022 - \$9,260)	370,363	353,387
Exchangeable debenture, net of unamortized issue costs and conversion option of \$1,812 (June 30, 2022 - \$1,173)	26,864	22,662
Convertible Debentures, net of unamortized issue costs and conversion option of \$9,516 (June 30, 2022 - \$11,911)	130,484	128,090
Total	<u>643,246</u>	597,461
Amount due within 12 months	(146,259)	(119,657)
Amount due beyond 12 months	<u>496,987</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 December 31, 2022, \$21,221 (December 31, 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 December 31, 2022, the Company's Total Net Leverage Ratio was 4.25x.

# WildBrain Ltd.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 2022 and 2021

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

### c) Interim production financing

	December 31, 2022	June 30, 2022
	\$	\$
Interim production credit facilities	<u>94,314</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 December 31, 2022, the Company held two additional interim production credit facilities with similar terms in the amount of \$1,000 that are undrawn (June 30, 2022 - \$4,100). As at December 31, 2022, the Canadian dollar bank prime rate was 6.45% (June 30, 2022 - 3.70%).

### 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 December 31, 2022, the Company's Term Loan had a principal balance of US\$280,013, or \$379,236 (December 31, 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 (loss) income. During the six-month period ended December 31, 2022, the change in the estimated fair value of the interest rate swap resulted in a gain of \$2,683 (December 31, 2021 - gain of \$1,380).

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 June 30, 2022.

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

As at December 31, 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.

# WildBrain Ltd.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 2022 and 2021

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(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 (loss) income.

During the three and six-month period ended December 31, 2022, the Company recorded an expense of \$2,770 and \$2,262 respectively, as a change in fair value of the embedded derivative (December 31, 2021 - an expense of \$82 and \$340 respectively), and the estimated fair value of the embedded derivative as at December 31, 2022 was \$4,534 (December 31, 2021 - \$2,272).

### **f) Exchangeable debentures**

As at December 31, 2022, the Company's Exchangeable Debentures had a principal balance of US\$18,497 or \$25,053 (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 and six-month period ended December 31, 2022, the Company recorded an expense of \$14,982 and \$9,456 respectively, as a change in fair value of the embedded derivative (December 31, 2021 - an expense of \$3,192 and \$8,495 respectively), and the estimated fair value of the embedded derivative as at December 31, 2022 was \$29,698 (December 31, 2021 - \$19,107).

# WildBrain Ltd.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 2022 and 2021

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

### 11 Share capital

	December 31, 2022		June 30, 2022	
	Number #	Amount \$	Number #	Amount \$
<b>Preferred variable voting shares</b>				
Opening balance	500,000,000	—	500,000,000	—
Ending balance	500,000,000	—	500,000,000	—
<b>Common shares</b>				
Opening balance	173,108,668	368,734	171,855,961	367,359
Shares sold held in trust, net	—	—	138,190	142
Options exercised	148,500	403	325,000	498
Employee share purchase plan	18,542	45	36,087	108
RSU settled	2,671,048	2,670	753,430	627
Ending balance	175,946,758	371,852	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 December 31, 2022, the Company had 27,157,642 Common Voting Shares and 148,789,116 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 December 31, 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 December 31, 2022, the total amount available for issuance under the Omnibus Plan subject to the 10% maximum was 17,326,636 (December 31, 2021 - at 10% - 17,343,066).

#### Options

As at December 31, 2022 and 2021, the Company had the following stock options outstanding:

	Number of options #	Weighted average exercise price per stock option \$
<b>Outstanding at June 30, 2021</b>	4,993,800	3.86
Forfeited	(100,000)	1.91
Expired	(260,000)	5.92
Exercised	(262,500)	1.51
<b>Outstanding at December 31, 2021</b>	<b>4,371,300</b>	<b>3.93</b>
<b>Exercisable at December 31, 2021</b>	<b>3,711,425</b>	<b>4.33</b>
<b>Outstanding at June 30, 2022</b>	<b>4,308,800</b>	<b>3.96</b>
Expired	(442,500)	7.94
Exercised	(148,500)	1.89
<b>Outstanding at December 31, 2022</b>	<b>3,717,800</b>	<b>3.57</b>
<b>Exercisable at December 31, 2022</b>	<b>3,711,425</b>	<b>4.33</b>

During the three and six-month period ended December 31, 2022, the Company recognized a share-based compensation expense of \$4 and \$43 for the vesting of options, net of forfeitures (December 31, 2021 - income of \$15 and expense of \$76 respectively), with a corresponding adjustment to contributed surplus.



# WildBrain Ltd.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 2022 and 2021

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

The range of exercise prices for options outstanding at December 31, 2022 and 2021, is presented below.

Range of exercise prices	Number outstanding at December 31, 2022 #	Weighted average remaining contractual life years	Weighted average exercise price \$	Number outstanding at December 31, 2021 #	Weighted average exercise price \$
\$1.50 - \$3.49	2,141,000	4.32	1.63	2,377,000	1.65
\$3.50 - \$5.49	100,000	3.25	5.47	100,000	5.47
\$5.50 - \$7.49	1,476,800	2.61	6.26	1,501,800	6.27
\$7.50 - \$9.49	—	—	—	392,500	8.38
Total	3,717,800	3.62	3.57	4,371,300	3.93

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

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

	Six months ended	
	December 31, 2022 PSU #	December 31, 2021 PSU #
Outstanding, beginning of period	2,737,467	2,775,000
Granted	1,815,500	—
Forfeited	—	(50,000)
Outstanding, end of period	4,552,967	2,725,000

During the three and six-month period ended December 31, 2022, the Company recognized share-based compensation expense of \$211 and \$283 respectively, (December 31, 2021 - expense of \$32 and \$194 respectively) with a corresponding adjustment to contributed surplus.

# WildBrain Ltd.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 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.

	Six months ended	
	December 31, 2022	December 31, 2021
	RSU	RSU
	#	#
<b>Outstanding, beginning of period</b>	<b>4,691,764</b>	3,311,548
Granted	<b>3,426,096</b>	2,456,603
Forfeited	<b>(61,650)</b>	(118,314)
Exercised	<b>(2,697,798)</b>	(667,343)
<b>Outstanding, end of period</b>	<b>5,358,412</b>	4,982,494

During the three and six-month period ended December 31, 2022, the Company recognized share-based compensation expense of \$3,090 and \$4,150 respectively (December 31, 2021 - \$1,949 and \$5,456 respectively) 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.

	Six months ended	
	December 31, 2022	December 31, 2021
	DSU	DSU
	#	#
<b>Outstanding, beginning of period</b>	<b>2,582,342</b>	2,111,008
Granted	<b>603,109</b>	395,326
<b>Outstanding, end of period</b>	<b>3,185,451</b>	2,506,334

During the three and six-month period ended December 31, 2022, the Company recognized share-based compensation expense of \$1,106 and \$1,211 respectively, (December 31, 2021 - \$120 and \$1,462 respectively) with a corresponding adjustment to contributed surplus, and included \$130 for services rendered but DSUs not yet granted.

# WildBrain Ltd.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 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 and six-month period ended December 31, 2022, the Company recognized share-based compensation expense of \$1 and \$6 respectively (December 31, 2021 - \$42 and \$84 respectively) with a corresponding adjustment to contributed surplus.

### Employee stock purchase plan

During the three and six-month period ended December 31, 2022, the Company recognized share-based compensation expense of \$4 and \$7 respectively (December 31, 2021 - \$5 and \$16 respectively) with a corresponding adjustment to contributed surplus. During the quarter, the Company cancelled the Employee stock purchase plan and no further contributions and purchases will occur after December 31, 2022. Costs related to plan fees will be incurred until the plan account is closed in May 2023.

## 13 Income taxes

For the three and six-month period ended December 31, 2022, the Company recorded income tax expense of \$528 and recovery of \$404 respectively (December 31, 2021 - expense of \$60 and \$3,060 respectively). The income tax (recovery) expense in each period reflects the mix of taxing jurisdictions in which pre-tax income and losses were recognized. The income attributable to non-controlling interests is taxed outside the Company. Further items impacting the effective tax rate include the different statutory tax rates in the taxing jurisdictions, non-deductible items, the utilization of certain unrecognized tax losses and the continued nonrecognition of certain deferred tax assets in Canada.

## 14 Finance costs, net

Net finance costs comprise the following:

	Three months ended		Six months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
<b>Finance costs</b>				
Change in fair value of interest rate swap and forward contract	(103)	(1,415)	(3,122)	(775)
Interest expense (income)	74	724	(1,229)	(382)
Interest expense on bank indebtedness	1,008	49	1,322	145
Interest on long-term debt	7,450	7,251	16,153	14,315
Interest on completed and released productions	616	313	1,247	484
Amortization of deferred financing fees	775	687	1,437	1,339
Accretion on convertible debentures, exchangeable debentures, lease liabilities and other	3,002	2,497	5,817	4,969
	<b>12,822</b>	<b>10,106</b>	<b>21,625</b>	<b>20,095</b>

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

# WildBrain Ltd.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 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		Six months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
Direct production and new media costs	47,282	71,916	97,969	119,218
Expense of film and television programs	29,737	14,663	48,184	26,141
Expense of film and broadcast rights for broadcasting	2,189	2,948	4,430	5,221
Amortization of property and equipment and intangible assets	6,034	5,626	12,308	12,896
Amortization of acquired and library content	2,410	2,553	4,759	5,115
Reversal of right-of-use asset impairment	—	—	—	(719)
Office and administrative	5,464	6,239	10,347	10,610
Investor relations and marketing	817	959	2,059	1,614
Professional and regulatory	3,388	2,930	5,870	4,881
Reorganization, development and other expenses (income), excluding employee benefits	2,044	1,294	2,505	(1,117)
Finance costs, net	12,822	10,106	21,625	20,095
Change in fair value of embedded derivatives	17,752	3,274	11,718	8,835
Foreign exchange (gain) loss	(8,794)	(1,412)	3,662	11,610
	<b>121,145</b>	<b>121,096</b>	<b>225,436</b>	<b>224,400</b>
<b>Employee benefits expense:</b>				
Salaries and employee benefits	16,869	15,493	33,990	31,538
Share-based compensation (note 12)	4,373	2,133	5,700	4,166
Termination and other benefits	678	439	1,785	2,008
	<b>21,920</b>	<b>18,065</b>	<b>41,475</b>	<b>37,712</b>
	<b>143,065</b>	<b>139,161</b>	<b>266,911</b>	<b>262,112</b>

During the three-month period ended December 31, 2022 and 2021, included in reorganization, development and other expenses (income) are other costs of \$1,810 (\$922 development write-off, \$647 system implementation costs, and \$241 other), relocation costs of \$234 excluding termination and other benefits of \$678 (December 31, 2021 - \$956 (net of \$1,000 from the gain on sale of certain marketable securities), \$53 in legal fees, and relocation costs of \$285).

During the six-month period ended December 31, 2022 and 2021, included in reorganization, development and other expenses (income) are other costs of \$2,014 (\$922 development write-off, \$647 system implementation costs, and \$445 other), relocation costs of \$491 excluding termination and other benefits of \$1,785 (December 31, 2021 - included in reorganization, development and other expenses (income) are recovery of \$4,040 in legal fees related to the litigation settlement with former employees (among others), other costs of \$1,703 (net of \$1,000 from the gain on sale of certain marketable securities), and relocation costs of \$1,220 (including net lease termination costs of \$599 and \$335 of moving costs).

# WildBrain Ltd.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 2022 and 2021

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

During the three and six-month period ended December 31, 2022, there was a write-down of \$nil for investment in film and television programs and acquired and library content (December 31, 2021 - reversal of right-of-use asset impairment of \$719).

### 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 \$388,763 (December 31, 2021 - \$317,039). 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 4.6% 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 December 31, 2022 would have decreased pre-tax net income by \$6,314 (December 31, 2021 - \$5,755).

#### 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 December 31, 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:

	<b>Total</b>	<b>Less than</b>	<b>1 to 3</b>	<b>3 to 5</b>	<b>After 5</b>
	<b>\$</b>	<b>1 year</b>	<b>years</b>	<b>years</b>	<b>years</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Bank indebtedness	21,221	21,221	—	—	—
Accounts payable and accrued liabilities	166,566	166,566	—	—	—
Interim production financing	94,314	94,314	—	—	—
Other long-term liabilities	19,516	—	19,516	—	—
Senior unsecured convertible Debtentures	154,377	8,225	146,152	—	—
Exchangeable debtentures	25,953	25,953	—	—	—
Term facility	462,626	20,881	39,340	38,684	363,721
Finance lease obligations	32,951	11,460	15,980	3,648	1,863
	<b>977,524</b>	<b>348,620</b>	<b>220,988</b>	<b>42,332</b>	<b>365,584</b>

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 December 31, 2022, the Company had an unrestricted cash balance of \$84,347 and current amounts receivable of \$300,858. 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.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 2022 and 2021

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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			
	December 31, 2022		June 30, 2022	
	Fair value hierarchy	Fair value <sup>(1)</sup>	Fair value hierarchy	Fair value <sup>(1)</sup>
		\$		\$
Embedded derivatives <sup>(2)</sup>	Level 2	(34,232)	Level 2	(21,379)
Foreign currency forwards <sup>(3)</sup>	Level 2	352	Level 2	(87)
Interest rate swap <sup>(4)</sup>	Level 2	11,528	Level 2	8,845

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

<sup>(2)</sup> Includes embedded derivatives for Convertible Debentures and exchangeable debentures, measured using valuation models.

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

<sup>(4)</sup> 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 December 31, 2022, the Company held forward contract options with the following notional value and average contractual exchange rates:

#### US dollars exchange for CAD

Less than one year	US\$9,889 to \$15,328
Weighted average rate	1.3273

#### Chinese Yuan ("RMB") exchange for CAD

Less than one year	US\$1,077 to \$1,120
Weighted average rate	5.2000

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 December 31, 2022, was an asset of \$352 (June 30, 2022 - liability of \$87), which has been included in derivative liabilities in the unaudited interim condensed consolidated balance sheet.

# WildBrain Ltd.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 2022 and 2021

(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					
	December 31, 2022			June 30, 2022		
	Fair value hierarchy	Fair value liability	Carrying value	Fair value hierarchy	Fair value liability	Carrying value
		\$	\$		\$	\$
Convertible Debentures <sup>(1)</sup>	Level 1	136,500	130,484	Level 1	135,800	128,090

<sup>(1)</sup> 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		Six months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
Net (loss) income attributable to shareholders of the Company	(12,952)	4,601	(20,524)	(16,795)
Weighted average number of common shares outstanding (in 000's)	173,847	171,969	173,564	171,969
Basic (loss) earnings per common share	(0.07)	0.03	(0.12)	(0.10)



# WildBrain Ltd.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 2022 and 2021

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

### b) Diluted

During the three and six-month periods ended December 31, 2022, the diluted weighted average number of common shares outstanding was the same as the basic weighted average number of common shares outstanding, as the Company had a net loss and all potential dilutive instruments were anti-dilutive (December 31, 2021 - the weighted average number of potentially dilutive instruments was 7,174,621 and 7,182,390 respectively).

	Three months ended		Six months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
Net (loss) income attributable to shareholders of the Company	(12,952)	4,601	(20,524)	(16,795)
Adjusted net (loss) earnings (loss) attributable to shareholders of the Company	(12,952)	4,601	(20,524)	(16,795)
Weighted average number of common shares (in 000's)	173,847	171,969	173,564	171,969
Weighted average number of diluted shares outstanding (in 000's)	173,847	171,969	173,564	171,969
Diluted (loss) earnings per common share	(0.07)	0.03	(0.12)	(0.1)

## 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:

	December 31, 2022	June 30, 2022
	\$	\$
Total bank indebtedness and long-term debt, excluding interim production financing	548,932	513,226
Less: Cash and restricted cash	(91,278)	(68,734)
Net debt	457,654	444,492
Total shareholders' equity	337,158	315,403
	<b>794,812</b>	<b>759,895</b>

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

# WildBrain Ltd.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 2022 and 2021

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

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

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

	December 31, 2022	December 31, 2021
	\$	\$
Amounts receivable	(50,709)	(58,165)
Prepaid expenses and other	1,327	1,213
Long-term amounts receivable	16,871	(15,583)
Accounts payable and accrued liabilities	3,514	22,943
Deferred revenue	5,053	(7,455)
	<u>(23,944)</u>	<u>(57,047)</u>

#### Net change in film and television programs

	December 31, 2022	December 31, 2021
	\$	\$
Development	(518)	(217)
Productions in progress	(9,941)	3,888
Productions completed and released	(42,387)	(30,497)
Film and television programs	48,184	26,141
Program and film rights - broadcasting	(4,300)	(6,138)
Film and broadcast rights - broadcasting	4,430	5,221
	<u>(4,532)</u>	<u>(1,602)</u>

#### Net change in interim production financing

	December 31, 2022	December 31, 2021
	\$	\$
Proceeds from interim production financing	45,179	38,912
Repayment of interim production financing	(35,100)	(23,066)
	<u>10,079</u>	<u>15,846</u>

#### Supplemental cash flow information

	December 31, 2022	December 31, 2021
	\$	\$
Taxes paid	(874)	(478)
Taxes refunded	2,099	7
	<u>1,225</u>	<u>(471)</u>

# WildBrain Ltd.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 2022 and 2021

(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
	\$	\$	\$	\$	\$
<b>Balance - June 30, 2021</b>	341,477	123,753	43,835	17,164	526,229
Repayments	(1,811)	—	(5,081)	—	(6,892)
<b>Total financing cash flow activities</b>	<b>(1,811)</b>	<b>—</b>	<b>(5,081)</b>	<b>—</b>	<b>(6,892)</b>
Amortization of deferred financing costs	776	445	—	118	1,339
Lease liabilities disposal/additions (net)	—	—	(973)	—	(973)
Interest portion paid on lease liabilities	—	—	(1,130)	—	(1,130)
Accretion expense	4	1,722	1,130	2,117	4,973
Foreign exchange	8,071	—	53	405	8,529
<b>Total other activities</b>	<b>8,851</b>	<b>2,167</b>	<b>(920)</b>	<b>2,640</b>	<b>12,738</b>
<b>Balance - December 31, 2021</b>	<b>348,517</b>	<b>125,920</b>	<b>37,834</b>	<b>19,804</b>	<b>532,075</b>
	Term facility	Senior unsecured convertible debentures	Lease liabilities	Exchangeable debentures	Total
	\$	\$	\$	\$	\$
<b>Balance - June 30, 2022</b>	353,387	128,089	36,239	22,662	540,377
Repayments	(1,942)	—	(4,881)	—	(6,823)
<b>Total financing cash flow activities</b>	<b>(2,424)</b>	<b>—</b>	<b>(4,881)</b>	<b>—</b>	<b>(7,305)</b>
Amortization of deferred financing costs	866	445	—	126	1,437
Lease liabilities additions	—	—	2,934	—	2,934
Interest paid on lease liabilities	—	—	(997)	—	(997)
Accretion expense	12	1,950	997	2,870	5,829
Foreign exchange	18,523	—	447	1,206	20,176
<b>Total other activities</b>	<b>19,401</b>	<b>2,395</b>	<b>3,381</b>	<b>4,202</b>	<b>29,379</b>
<b>Balance - December 31, 2022</b>	<b>370,364</b>	<b>130,484</b>	<b>34,739</b>	<b>26,864</b>	<b>562,451</b>

# WildBrain Ltd.

## Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 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 December 31, 2021		
	Content	Television	Consolidated
	\$	\$	\$
<b>Revenues</b>	141,714	11,450	153,164
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	106,015	5,141	111,156
<b>Segment profit</b>	<b>35,699</b>	<b>6,309</b>	<b>42,008</b>
Corporate selling, general and administrative			6,125
Amortization of property and equipment and intangible assets			5,626
Amortization of acquired and library content			2,553
Finance costs, net			10,106
Change in fair value of embedded derivatives			3,274
Foreign exchange (gain)			(1,412)
Reorganization, development and other expenses			1,733
<b>Income before income taxes</b>			<b>14,003</b>

	Three months ended December 31, 2022		
	Content	Television	Consolidated
	\$	\$	\$
<b>Revenues</b>	129,477	11,003	140,480
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	96,862	5,272	102,134
<b>Segment profit</b>	<b>32,615</b>	<b>5,731</b>	<b>38,346</b>
Corporate selling, general and administrative			7,985
Amortization of property and equipment and intangible assets			6,034
Amortization of acquired and library content			2,410
Finance costs, net			12,822
Change in fair value of embedded derivatives			17,752
Foreign exchange (gain)			(8,794)
Reorganization, development and other expenses			2,722
<b>Income before income taxes</b>			<b>(2,585)</b>

**WildBrain Ltd.****Notes to the Unaudited Interim Condensed Consolidated Financial Statements  
For the periods ended December 31, 2022 and 2021**

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

	<b>Six months ended December 31, 2021</b>		
	<b>Content</b>	<b>Television</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenues</b>	243,159	22,601	265,760
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	180,423	10,175	190,598
<b>Segment profit</b>	<b>62,736</b>	<b>12,426</b>	75,162
Corporate selling, general and administrative			12,791
Amortization of property and equipment and intangible assets			12,896
Amortization of acquired and library content			5,115
Write-down of investment in film and television programs and acquired and library content			(719)
Finance costs, net			20,095
Change in fair value of embedded derivatives			8,835
Foreign exchange (gain)			11,610
Reorganization, development and other expenses			891
<b>Income before income taxes</b>			<b>3,648</b>

	<b>Six months ended December 31, 2022</b>		
	<b>Content</b>	<b>Television</b>	<b>Consolidated</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenues</b>	<b>245,956</b>	<b>21,176</b>	<b>267,132</b>
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	<b>182,898</b>	<b>10,603</b>	<b>193,501</b>
<b>Segment profit</b>	<b>63,058</b>	<b>10,573</b>	<b>73,631</b>
Corporate selling, general and administrative			<b>15,048</b>
Amortization of property and equipment and intangible assets			<b>12,308</b>
Amortization of acquired and library content			<b>4,759</b>
Finance costs, net			<b>21,625</b>
Change in fair value of embedded derivatives			<b>11,718</b>
Foreign exchange loss			<b>3,662</b>
Reorganization, development and other expenses			<b>4,290</b>
<b>Income before income taxes</b>			<b>221</b>

## WildBrain Ltd.

### Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the periods ended December 31, 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:

	Three months ended		Six months ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	\$	\$	\$	\$
<b>Content</b>				
Content production and distribution	<b>56,050</b>	61,254	<b>108,811</b>	98,822
WildBrain Spark	<b>16,046</b>	18,002	<b>27,663</b>	33,408
Consumer Products	<b>57,381</b>	62,458	<b>109,482</b>	110,929
	<b>129,477</b>	141,714	<b>245,956</b>	243,159
<b>Television</b>				
Canadian Television Broadcasting	<b>11,003</b>	11,450	<b>21,176</b>	22,601
	<b>140,480</b>	153,164	<b>267,132</b>	265,760

## 21 Commitments and contingencies

As at December 31, 2022, the Company has entered into various contracts to buy broadcast rights with future commitments totaling \$4,527.

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.