

Management's Discussion and Analysis of

NETWORK MEDIA GROUP INC.

For the nine month period ended August 31, 2024 and 2023

N E T W O R K

www.networkentertainment.ca

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion & Analysis (“MD&A”) prepared as of October 30, 2024, should be read in conjunction with Network Media Group Inc.’s (the “Company” or “Network”) unaudited condensed interim consolidated financial statements as of August 31, 2024 and its audited consolidated financial statements and accompanying notes for the years ended November 30, 2023 and 2022. The Company reports its financial results in accordance with International Financial Reporting Standards (“IFRS”) in Canadian dollars.

Network is a public company incorporated under the *Business Corporations Act* (British Columbia) whose common shares are traded on the TSX Venture Exchange (“TSXV”) (symbol “NTE.V”) and on the OTCQB Venture Market (symbol “NETWF”). Additional information relating to the Company can be found on SEDAR at <http://www.sedarplus.ca>.

Forward-looking Statements

To the extent any statements made in this MD&A contain information that is not historical, these statements constitute “forward-looking information” under applicable Canadian securities laws and are based on expectations, estimates and projections. These statements are necessarily based upon management’s perceptions, beliefs, assumptions and expectations of historical trends, current conditions and expected future developments, as well as a number of specific factors and assumptions that, while considered reasonable by management of the Company as of the date of such statements, are inherently subject to significant business, economic and competitive uncertainties and contingencies that could result in the forward-looking information ultimately, perhaps materially, being incorrect. Words such as “expects”, “anticipates”, “intends”, “plans”, “estimates”, “believes”, “may”, and variations of such words and similar expressions, are intended to identify such forward-looking information.

All forward-looking information in this MD&A involves known and unknown risks, uncertainties and other factors that are beyond the control of the Company and may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Such risk factors include, but are not limited to: the Company’s ability to attract foreign and domestic broadcasters and distributors for its programs, whose purchase/licensing patterns and own consumer markets may change, having a material impact on the Company’s revenues and future business opportunities; audience acceptance of the Company’s programs; the Company’s ability to recoup production costs; the availability of tax credits; conditions in the entertainment industry generally; sales cycles, consumer demand and the timing of third party broadcaster and distributor licensing decisions; failure by third party broadcasters and distributors to honour the terms of contracts/licenses entered into with the Company, or comply with the payment terms contained in those contracts/licenses; the timing of when the proceeds of broadcaster and distributor licenses meet the Company’s revenue recognition criteria; disruption of the timing for delivery of the Company’s products to its broadcasters and distributors for reasons including, but not limited to, production schedule changes, availability of production crew, travel disruption and personal schedules of key talent, all of which can prolong delivery times and delay the timing of release of the Company’s products to the public and ultimately delay receipt of licensing and broadcasting fees; fluctuations in currency exchange rates; changes in accounting standards; changes in technology and capital expenditure requirements; acquisitions that Network may undertake in the future; and changes in laws or regulations applicable to the Company’s business, or the interpretation or application of those laws and regulations. These risk factors are not intended to represent a complete list of the factors that could affect the Company and the reader is cautioned to consider these and other factors, uncertainties, and potential events carefully and not to put undue reliance on forward-looking information. There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could vary or differ materially from those anticipated in such information.

Forward-looking information is provided for the purpose of giving readers more insight into the Company’s future financial and operational results, based on management’s expectations. Readers are cautioned that the information may not be appropriate for other purposes. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, or to explain any

material difference between subsequent actual events and such forward-looking information, except to the extent required by applicable law. Material assumptions within the forward-looking information are in the section **Revenue Recognition and Forward-Looking Statements**.

Readers are also directed to review the “**Risks and Uncertainties**” section of this MD&A below.

Overview and Summary of Results

Network’s primary business entails developing, producing, distributing, and exploiting its film and television properties, as well as providing production services to third parties.

During the nine month period ended August 31, 2024, the Company continued production on six feature length documentaries and a 4-part series documentary. The Company also started pre-production on another feature length documentary.

For the three and nine month period ended August 31, 2024, the Company realized the following:

- Revenues of:
 - \$3.0M (2023 – \$2.6M) for the three month period ended, and;
 - \$8.0M (2023 – \$5.7M) for the nine month period ended.
- Net and comprehensive income (loss) of:
 - Loss of \$0.8M (2023 – Income of \$0.8M) for the three month period ended, and;
 - Loss of \$2.1M (2023 – Loss of \$0.6M) for the nine month period ended.
- Adjusted EBITDA of:
 - Loss of \$0.6M (2023 – income of \$1.1M) for the three month period ended, and;
 - Loss of \$1.3M (2023 – income of \$0.3M) for the nine month period ended.
- Earnings (loss) per share of:
 - Loss per share of \$0.04 (2023 – Earnings per share of \$0.05) for the three month period ended, and;
 - Loss per share of \$0.12 (2023 – Loss per share of \$0.03) for the nine month period ended.
- Adjusted EBITDA per share of:
 - Loss per share of \$0.03 (2023 – Earnings per share of \$0.06) for the three month period ended, and;
 - Loss per share of \$0.07 (2023 – Earnings per share of \$0.02) for the nine month period ended.
- Backlog of \$10.7M

Operations & Outlook

Network builds its production slate in two primary forms: documentary films and docu-series. The Company works closely with broadcasters, distributors, and exhibitors to maximize the distribution and financial return of its productions. Produced for theatrical, television, online, and home entertainment distribution and exhibition, these productions are the foundation of Network's brand and statement of quality to the marketplace.

During the current quarter, the Company continued production on six feature length documentaries and a 4-part series documentary, and started pre-production on another feature length documentary.

Over the last couple years, Network invested in its Non-Fungible Token (“NFT”) division. Network NFT Studios was created as an extension of the core business to develop partnerships with top creators from film, music, art, fashion, and sports. The market for NFT’s has not reemerged to the extent that the Company had anticipated and as such, it is currently re-evaluating its go-forward strategy for this initiative.

Financing

During the nine month period ended August 31, 2024, the Company's operations were financed primarily by cash generated from operating activities and bank advances.

The Company finances its individual productions by way of advances from funding partners (broadcasters, distributors, and streaming services), as well as by securing interim loans. During the period, the Company received \$0.4M (2023 – \$0.8M) and repaid \$1.0M (2023 – \$2.6M) of interim loans which are secured by future contracted funding from broadcasters and distributors, as well as government labour tax credits receivable. In addition, operating activities generated \$2.4M (2023 – \$3.0M) of cash.

Revenue Recognition

The Company follows a revenue recognition policy that is standard to the film industry (Note 3 of the audited consolidated financial statements for the years ended November 30, 2023 and 2022). Under this policy the Company does not recognize revenues for a film or episode where the copyright is owned by the Company (referred to as proprietary productions) until all of the following events have occurred:

1. A buyer has signed an agreement to purchase the property;
2. The property is in finished and final form;
3. Network has shipped the property to the buyer as required under the purchase agreement;
4. The price agreed between the buyer and Network can be determined as a final amount;
5. It is reasonable for Network to conclude it will receive the amount that the buyer has agreed to pay; and
6. The later of the license term commencing and satisfaction of the delivery conditions of the purchase agreement between Network and the buyer.

The expenses and revenues attributable to any specific property are deferred until all of the above factors are satisfied.

If the production is a “work-for-hire” scenario where the Company does not own the copyright (referred to as service work), then the Company records the revenue where performance obligations are satisfied over time are recognized based upon the proportion of costs incurred in the current year to total expected costs. In this scenario, the revenue is calculated based upon the proportion of costs incurred up to the current period to the property's total cost. When it is expected that total costs will exceed revenue the expected loss is recognized immediately in profit or loss.

The Company has certain properties currently in production which have been sold to buyers under binding purchase agreements. Deferred revenue totaling approximately \$3.8M as at August 31, 2024 (November 30, 2023 – \$2.3M), represents funding advances received on these properties.

Summary Consolidated Financial Information

The summary consolidated financial information set out below has been prepared in accordance with IFRS and is derived from the Company's unaudited condensed interim consolidated financial statements and accompanying notes for the nine month period ended August 31, 2024, and can be found at <http://www.sedarplus.ca>.

	As at August 31, 2024	As at November 30, 2023
Consolidated Summary of Financial Position		
Cash	\$ 3,035,435	\$ 2,275,164
Current assets	4,441,886	7,400,173
Investment in film and television properties	10,766,752	11,710,187
Total assets	18,171,206	19,827,948
Current liabilities	9,170,472	8,839,112
Total liabilities	9,643,616	9,265,135
Shareholders' equity	8,527,590	10,562,813
Working capital deficit	\$ (4,728,586)	\$ (1,438,939)

Consolidated Statements of Net and Comprehensive Income (Loss)

Expressed in Canadian dollars (Unaudited)

	Three month period ended		Nine month period ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Total revenue	\$ 2,836,100	\$ 2,638,225	\$ 7,971,885	\$ 5,732,555
Production costs	2,717,064	666,429	7,269,612	2,068,699
Amortization of investment in film and television properties	380,826	498,975	1,151,387	2,429,239
Amortization of property, equipment and right of use assets	106,270	84,890	336,643	253,882
General and administrative	263,408	306,868	693,336	834,795
Impairment of investment in film and television properties	27,753	50,000	55,649	56,302
Selling and distribution	15,049	65,652	97,722	153,633
Share-based payments	28,459	79,758	94,920	253,355
Foreign exchange loss (gain)	(45,925)	(5,578)	116,353	149,084
	3,492,904	1,746,994	9,815,622	6,198,989
Income (loss) before other items	(656,804)	891,231	(1,843,737)	(466,434)
Other income	38,914	-	24,296	(28,021)
Loss on lease modification	-	-	7,779	-
Financing expense, net	(26,066)	68,913	150,018	146,507
Write-off of intangible asset	100,000	-	100,000	-
Income (loss) before income taxes	(769,652)	822,318	(2,125,830)	(584,920)
Income tax expense (recovery)	(253)	16,617	4,313	16,617
Net and comprehensive income (loss) for the period	\$ (769,399)	\$ 805,701	\$ (2,130,143)	\$ (601,537)
Earnings (loss) per share				
- basic	\$ (0.04)	\$ 0.05	\$ (0.12)	\$ (0.03)
- diluted	\$ (0.04)	\$ 0.05	\$ (0.12)	\$ (0.03)
Weighted average number of shares outstanding				
- basic	17,824,707	17,824,707	17,824,707	17,824,707
- diluted	17,824,707	17,824,707	17,824,707	17,824,707
Adjusted EBITDA	\$ (579,161)	\$ 1,100,301	\$ (1,272,247)	\$ 274,210
Adjusted EBITDA per share	\$ (0.03)	\$ 0.06	\$ (0.07)	\$ 0.02

Non-IFRS Measures

In addition to results reported in accordance with IFRS, the Company reports using certain non-IFRS financial measures as supplemental indicators of the Company's financial and operating performance. These non-IFRS financial measures include EBITDA, Adjusted EBITDA and backlog. The Company believes these supplemental financial measures reflect the Company's on-going business in a manner that assist the reader's meaningful period-to-period comparisons and analysis of trends in its business.

"Adjusted EBITDA" is calculated based on EBITDA (known as earnings/loss before interest, taxes, depreciation and amortization) plus share-based compensation expense, finance costs (income), foreign exchange gain (loss) and losses and other items of an unusual nature that do not reflect ongoing operations.

EBITDA and Adjusted EBITDA are commonly reported and widely used by investors and lenders as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. EBITDA and Adjusted EBITDA are not an earnings measure recognized by IFRS and therefore do not have a standardized meaning

prescribed by IFRS. Therefore, EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Below is a table detailing the adjustments to earnings made by the Company to calculate Adjusted EBITDA:

	Three month period ended		Nine month period ended	
	August 31, 2024	August 31, 2023	August 31, 2024	August 31, 2023
Income (loss) for the period	\$ (769,399)	\$ 805,701	\$ (2,130,143)	\$ (601,537)
<u>Adjustments</u>				
Amortization of property, equipment and right of use assets	106,270	84,890	336,643	253,882
Impairment of investment in film and television properties	27,753	50,000	55,649	56,302
Financing expense, net	(26,066)	68,913	150,018	146,507
Share-based compensation	28,459	79,758	94,920	253,355
Foreign exchange loss	(45,925)	(5,578)	116,353	149,084
Write-off of intangible asset	100,000	-	100,000	-
Income tax expense (recovery)	(253)	16,617	4,313	16,617
Adjusted EBITDA	\$ (579,161)	\$ 1,100,301	\$ (1,272,247)	\$ 274,210

The Company uses the non-IFRS measure "backlog", which is defined as the undiscounted value of signed agreements for production services for work has not yet been performed, but which the Company expects to recognize revenue in future periods. The extent of eventual revenue recognized in future periods may be materially higher or lower than this amount, depending upon assumptions and expectations that include, but are not limited to the following: the terms of the contracts will not be altered; delivery of the Company's products will occur as scheduled; the purchasing party will make payment as and when due under the contract, and will comply with all payment terms; the US-Canadian currency exchange rates remain stable (assumed to be 1.35 USD-CDN for the purposes of the estimates made herein); no unforeseen event interrupts business in the ordinary course; and the purchasing party will pay, or has paid, Network on a pro-rata to percent completed for a film or episode that is in progress. Should conditions change, the revenue estimates may not be met and actual results may differ, perhaps materially.

The performance (or period to period earnings comparisons) of entertainment companies like Network can often be challenging for readers. As such, the Company feels it is necessary to provide some additional information so that a meaningful assessment of the Company's potential future financial performance and earnings is possible.

Contracts and funding for a film or television property are secured well in advance of commencement of production of the property. Practically speaking, the only significant element of uncertainty is the specific accounting period in which revenue earned by the Company can be recognized due to the requirements of its revenue recognition policy as described above. Often delivery schedules are changed in mid-production and at the discretion of the broadcaster which can often delay the recognition of the property's associated revenue. Readers should be cautioned that such adjustments can be material in nature given that the Company is not able to record any revenue until the property is delivered.

Below is an estimate of the ultimate gross revenue and the expected period of recognition for these properties included in backlog:

Contracted Future Production Revenues	\$ Millions
Deferred revenue as at August 31, 2024	\$ 3.8
Contracted future revenue	6.9
Total expected revenue - contracted	<u>\$ 10.7</u>
Revenues expected within 6 months	\$ 5.9
Revenues expected within 7 to 12 months	\$ 3.8
Revenues beyond 12 months	\$ 1.0

As stated above, under IFRS the Company is not able to recognize revenue until all of the above-mentioned conditions have been met. As at October 30, 2024, Network has contracts for \$10.7M that have yet to be recorded as revenue but are expected to be received and recognized as revenue within the periods noted above.

Summary Consolidated Financial

Overall Financial Position – Third Quarter Fiscal 2024

Net and comprehensive income decreased by \$1.6M to a loss of \$0.8M for the three month period ended August 31, 2024, from an income of \$0.8M in 2023.

Total assets decreased by \$1.6M during the period due primarily to receipt of accounts receivables and tax credits receivables.

The \$0.4M increase in total liabilities was mainly due to increase in deferred revenue offset by repayment of production financing.

A more detailed analysis of the other components of profits and loss is provided below under the title *Results of Operations – Quarter ended August 31, 2024 compared to the quarter ended August 31, 2023*.

Results of Operations

Three month period ended August 31, 2024 compared to the three month period ended August 31, 2023

The following discussion describes the significant changes in the consolidated results from operations:

Revenue

Revenue increased by \$197,875 from \$2,638,225 in 2023 to \$2,836,100 in 2024.

The detailed breakdown of revenues is as follows:

- Production revenue was \$Nil in 2024 as compared to \$6,951 in 2023. Although three proprietary projects were being worked on during the period, none were delivered.
- Contract production services revenue was \$2,820,076 in 2024 as compared to \$780,863 in 2023 and was due to a larger volume of service projects being worked on during the quarter.
- Distribution revenue was \$16,024 in 2024 as compared to \$1,850,411 in 2023. Prior year revenue relates to the relicensing of a slate of library films in the U.S.

	Three month period ended	
	August 31, 2024	August 31, 2023
Production revenue	\$ -	\$ 6,951
Contract production services revenue	2,820,076	780,863
Distribution revenue	16,024	1,850,411
	<u>\$ 2,836,100</u>	<u>\$ 2,638,225</u>

Additional information about future revenue of the Company can be found at the section **Revenue Recognition**.

Production costs

Production costs were \$2,717,064 in 2024 as compared to \$666,429 in 2023 and is associated directly to the amount of service work project in production during the period. Gross margins for the period for the Company’s service are \$103,012 or 3.6% (2023 - \$114,434 or 14.6%). The lower gross margins are due to the fact the service projects that were being work on in Q3 were in the final stages of complete which entail work that requires third party services and traditionally has low corporate margins (archival and quality assurance).

Amortization of film and television properties

Amortization of film and television properties decreased by \$118,149 from \$498,975 in 2023 to \$380,826 in 2024. Please refer to the accounting policies in Note 3 of the audited consolidated financial statements for the year ended November 30, 2023 for information on how the amortization of the properties is calculated. Amortization decreased for the three month period ended August 31, 2024 primarily because there were no proprietary projects delivered during the period, although, per the Company’s accounting policies, it did record amortization on its film library without any corresponding Production revenues, adding an additional non-cash expense to its net loss. For clarity, the Company does not add back the film library amortization as part of its Adjusted EBITDA calculation noted above.

Amortization of property, equipment and right of use assets

Amortization of property, equipment and right of use assets increased by \$21,380 to \$106,270 in 2024 as compared to \$84,890 in 2023. The increase is due to the acquisition of equipment, leasehold improvements and an office lease entered into during the current period.

General and administrative expenses

General and administrative expenses decreased by \$43,460 from \$306,868 in 2023 to \$263,408 in 2024. The decrease is primarily due to the reduction of salaries and wages during the quarter.

A detailed breakdown of the expenses is as follows:

	Three month period ended	
	August 31, 2024	August 31, 2023
Insurance	\$ 12,973	\$ 10,371
Interest and bank charges	21,529	49,182
Office and general	46,742	31,376
Professional fees	26,318	41,484
Salaries and wages	108,467	149,343
Technology and licenses	400	5,578
Telecommunications	920	3,255
Transfer agent and filing fees	13,578	9,594
Travel	32,481	6,685
	\$ 263,408	\$ 306,868

Impairment of investment in film and television properties

Network recorded impairment of film and television properties of \$27,753 in 2024 compared to \$50,000 in 2023 as a result of its assessment of the future viability of its various completed projects in its library as well as its projects in development.

Share-based compensation

Share-based compensation decreased by \$51,299 from \$79,758 in 2023 to \$28,459 in 2024. The decrease is due to the cancellation of options previously issued as calculated using the Black-Scholes model, which resulted in a decrease in the number of options that vested during the six month period.

Foreign exchange gain

Foreign exchange gain increased by \$40,347 to \$45,925 in 2024 as compared to \$5,578 in 2023. The change is due to the fluctuation of the Canadian dollar against the US dollar throughout the fiscal period.

Financing expense, net

Total net financing expense decreased by \$94,979 from \$68,913 in 2023 to \$26,066 recovery in 2024. This decrease was due to the repayment of interim production loans on completed projects and a reclassification of previously recorded interest expenses in the current quarter.

Income (loss) for the period

Net and comprehensive loss for the three month period ended August 31, 2024 was \$769,399 (\$0.04 per share) as compared to an income of \$805,701 (\$0.05 per share) in 2023.

Nine month period ended August 31, 2024 compared to the nine month period ended August 31, 2023

The following discussion describes the significant changes in the consolidated results from operations:

Revenue

Revenue increased by \$2,239,330 from \$5,732,555 in 2023 to \$7,971,885 in 2024.

The detailed breakdown of revenues is as follows:

- Production revenue was \$Nil in 2024 as compared to \$1,122,801 in 2023. Although three proprietary projects were being worked on during the period, none were delivered.
- Contract production services revenue was \$7,833,852 in 2024 as compared to \$2,357,607 in 2023. The increase in revenues is due to a larger volume of service projects being worked on during the period.
- Distribution revenue was \$138,033 as compared to \$2,252,147 in 2023. Prior year revenue relates to the relicensing of a slate of library films in the U.S.

	Nine month period ended	
	August 31, 2024	August 31, 2023
Production revenue	\$ -	\$ 1,122,801
Contract production services revenue	7,833,852	2,357,607
Distribution revenue	138,033	2,252,147
	<u>\$ 7,971,885</u>	<u>\$ 5,732,555</u>

Additional information about future revenue of the Company can be found at the section ***Revenue Recognition***

Production costs

Production costs were \$7,269,612 in 2024 as compared to \$2,068,699 in 2023 is associated directly to the amount of service work project in production during the period. Gross margins for the period for the Company's service are \$564,240 or 7.2% (2023 - \$288,908 or 12.3%). The lower gross margins are due to the fact the service projects that were being work on in fiscal 2024 had lower than traditional margins within its budget. The Company strategically bid the projects lower to establish the relationship with the client as well, one of the projects was one where the Company had a backend participation interest in its future sales. In this instance, the Company took lower fees to be able to retain a larger investment in the ultimate third part sale of the property which is expected to materialize in fiscal 2025.

Amortization of film and television properties

Amortization of film and television properties decreased by \$1,277,852 from \$2,429,239 in 2023 to \$1,151,387 in 2024. Please refer to the accounting policies in Note 3 of the audited consolidated financial statements for the year ended November 30, 2023 for information on how the amortization of the properties is calculated. Amortization decreased for the nine month period ended August 31, 2024 primarily because there were no proprietary projects delivered during the period, although, per the Company's accounting policies, it did record amortization on its film library without any corresponding Production revenues, adding an additional non-cash expense to its net loss. For clarity, the Company does not add back the film library amortization as part of its Adjusted EBITDA calculation noted above.

Amortization of property, equipment and right of use assets

Amortization of property, equipment and right of use assets increased by \$82,761 to \$336,643 in 2024 as compared to \$253,882 in 2023. The increase is due to the acquisition of equipment, leasehold improvements and an office lease entered into during the current period.

General and administrative expenses

General and administrative expenses decreased by \$141,459 from \$834,795 in 2023 to \$693,336 in 2024. The decrease in expenses is primarily due to the decrease in salaries and wages.

A detailed breakdown of the expenses is as follows:

	Nine month period ended	
	August 31, 2024	August 31, 2023
Insurance	\$ 29,987	\$ 27,803
Interest and bank charges	63,851	89,298
Office and general	137,066	100,731
Professional fees	100,535	104,833
Salaries and wages	274,862	423,448
Technology and licenses	3,909	20,552
Telecommunications	6,967	10,925
Transfer agent and filing fees	35,583	40,535
Travel	40,576	16,670
	<u>\$ 693,336</u>	<u>\$ 834,795</u>

Impairment of investment in film and television properties

Network recorded impairment of development properties of \$56,302 in 2023 compared to of \$55,649 in 2024 as a result of its assessment of the future viability of its various completed projects in its library as well as its projects in development.

Selling and distribution expenses

Selling and distribution expenses increased by \$55,911 from \$153,633 in 2023 to \$97,722 in 2024 which is primarily due to costs related to the re-licensing of a slate of library films in the US.

Share-based compensation

Share-based compensation decreased \$158,435 from \$253,355 in 2023 to \$94,920 in 2024. The decrease is due to the cancellation of options previously issued as calculated using the Black-Scholes model, which resulted in a decrease in the number of options that vested during the nine month period.

Foreign exchange loss

Foreign exchange loss decreased by \$32,731 to \$116,353 in 2024 as opposed to \$149,084 in 2023. The change is due to the fluctuation of the Canadian dollar against the US dollar throughout the fiscal period.

Financing expense, net

Total net financing expense increased \$3,511 from \$146,507 in 2023 to \$150,018 in 2024. This increase was due to the costs of the interim production loans on completed projects as well as the interest on the promissory note received in the previous year.

Loss for the period

Net and comprehensive loss for the nine month period ended August 31, 2024 was \$2,130,143 (\$0.12 per share) as compared to a loss of \$601,537 (\$0.03 per share) in 2023.

Summary of Quarterly Results

The following table contains a summary of certain unaudited information for each of the eight most recent financial quarters. All periods presented have been prepared in accordance with IFRS.

000's of dollars, except per share figures	Quarter ended							
	Q3 2024	Q2 2024	Q1 2023	Q4 2023	Q3 2023	Q2 2023	Q1 2022	Q4 2022
Total revenue	\$ 2,836	\$ 3,007	\$ 2,129	\$ 1,394	\$ 2,639	\$ 1,266	\$ 1,828	\$ 1,994
Net and comprehensive income (loss)	\$ (769)	\$ (755)	\$ (606)	\$ 281	\$ 806	\$ (666)	\$ (741)	\$ 181
Earnings (loss) per share - basic and diluted	\$ (0.04)	\$ (0.04)	\$ (0.04)	\$ 0.02	\$ 0.05	\$ (0.04)	\$ (0.04)	\$ 0.00

The quarterly information is unaudited, but reflects all adjustments of a normal, recurring nature, which are, in our opinion, necessary to present a fair statement of the results of operations for the periods presented. Quarter-to-quarter comparisons in the financial results are not necessarily meaningful and should not be relied upon as an indication of future performance due to how revenue is recognized in the entertainment industry (see **Seasonality** below).

Liquidity and Capital Resources

Network's liquidity needs are met through a variety of sources. Network generates cash from operations, by borrowing against earned and expected tax credits, through operating lines of credit and through stock issuances. The primary uses of cash are operating expenses, capital expenditures, interest and principal payments on current debt, and investment in its properties.

Overall, the Company's cash position increased by approximately \$2.0M as at August 31, 2024. Cash provided by operating activities in the nine month period ended August 31, 2024, was \$2.4M, compared to \$3.0M in 2023.

Financing activities for the nine month period ended August 31, 2024 resulted in cash used of \$1.8M. During the nine month period, the Company received interim financing of \$0.4M (2023 – \$0.8M) and repaid \$1.0M (2023 – \$2.6M) of interim financing primarily through the receipt of film tax credits during the period. The cycle of incurring interim financing and repayments thereof is common in the entertainment industry. Chartered banks and third parties regularly lend companies such as Network the funding to produce and complete its production through the financing of future contracted payments and tax credits. Upon receipt of these funds, the interim financing is paid down and any excess funds go into working capital.

Cash provided by investing activities in the nine month period ended August 31, 2024 was \$0.1M, compared to requiring cash of \$1.1M in the prior period. The Company used the cash primarily for its continued development and production of its film and television properties.

Liquidity

The Company manages its capital structure in accordance with financial conditions and timing of various payments from production financings, third party broadcasters and distributors and from government tax credit programs. In order to maintain its capital structure, the Company may elect to issue or repay short-term debt, issue shares or undertake any other activities as deemed appropriate.

As at August 31, 2024, Network had a working capital deficit of \$4.7M compared to \$2.7M as at November 30, 2023. Readers are cautioned to be aware that deferred revenue is recorded by the Company as a current liability, whereas this funding is invested in film and television properties which is a long-term asset, thus creating an inherent working capital deficiency. If readers were to adjust the deficiency for the deferred revenue, the Company's working capital would be as follows:

	August 31, 2024	November 30, 2023
Current assets	\$ 4,441,886	\$ 6,299,594
Current liabilities	(9,170,472)	(9,024,103)
Working capital deficit	\$ (4,728,586)	\$ (2,724,509)
Deferred revenue adjustment	3,835,941	575,782
Adjusted working capital deficit	\$ (892,645)	\$ (2,148,727)

Network believes that between cash flow generated through operations, the Company's ability to negotiate short-term debt instruments, stock issuances and interim financing of its proprietary properties, it will generate sufficient liquidity to meet cash requirements for the next twelve months.

Capital Management

The Company's objectives when managing capital are to safeguard its assets, maintain a competitive cost structure, continue as a going concern in order to pursue the development of its film and television properties, and provide a return to its shareholders in the form of capital appreciation. The Company defines capital as the aggregate of its shareholders' equity. Capital as at August 31, 2024 was \$8.5M (November 30, 2023 – \$10.5M).

In order to facilitate management of capital, the Company continues to prepare annual expenditure budgets that are updated as necessary and dependent on various factors, including successful deployment of capital and industry conditions. The annual and updated budgets are approved by the Board of Directors.

The Company believes that through operations and production financing of its proprietary properties, it will generate sufficient liquidity to meet cash requirements for the next twelve months.

There were no changes in the Company's approach to capital management during the nine month period ended August 31, 2024. The Company is not subject to externally imposed capital requirements.

Related party transactions

The Company has transacted business in the normal course of operations with related parties and entities over which the related parties' exercise control. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Key management personnel consist of the Board of Directors and the named Officers of the Company, who have authority and responsibility for planning, directing and controlling the activities of the Company. During the nine month period ended August 31, 2024, the Company:

- paid or accrued wages to key management personnel in the following manner:
 - Recorded as general and administrative expenses – \$36,000 (2023 – \$22,500);
 - Recorded as investment in film and television properties – \$409,255 (2023 – \$244,669);
 - Recorded as production costs – \$311,176 (2023 – \$237,981);
 - These costs were paid to the following related parties:
 - \$223,500 (2023 – \$214,000) as salaries and wages to the CEO;
 - \$168,750 (2023 – \$168,750) as salaries and wages to the COO, and;
 - \$138,965 (2023 – \$121,700) as salaries and wages to a company controlled by the CFO.
- recorded share-based compensation of \$42,678 (2023 – \$37,938) on options that vested during the period, as follows:
 - \$6,549 (2023 – \$8,638) to two Directors;
 - \$3,729 (2023 – \$7,323) to the current Chairman of the Board of Directors;
 - \$15,052 (2023 – \$9,986) to the CEO;
 - \$12,602 (2023 – \$8,356) to the COO;
 - \$4,736 (2023 – \$3,600) to the CFO, and;
 - \$10 (2023 – \$35) to another related party.

Recorded in accounts payable and accrued liabilities at August 31, 2024 are the following amounts:

- a) \$13,650 (November 30, 2023 – \$16,926) owed to a company controlled by an Officer of the Company. Amounts due to the related party are unsecured, non-interest bearing and due on demand;
- b) pursuant to an amendment to a Promissory Note agreement, an executive producer fee of \$84,500 (November 30, 2023 - \$Nil) of which \$69,875 was recorded in production costs in profit and loss and 14,625 in investment in film and television properties, and
- c) pursuant to Executive Producer Agreements (the "EP Agreements") entered into on June 7, 2023, as amended effective as of April 30, 2024:

- \$65,000 (November 30, 2023 - \$31,342) in yearly fees, as amended to an executive producer fee, of which \$31,342 was recorded in production costs in profit and loss during the year ended November 30, 2023 and \$33,658 has been recorded as investment in film and television properties during the nine month period ended August 31, 2024. The first instalment is payable on achieving particular production milestones of certain projects for which production has not yet commenced, and
- \$55,000 (November 30, 2023 - \$20,000) in executive producer fees which has been recorded as investment in film and television properties. The amounts were payable on achieving particular production milestones for productions that have commenced and were due by June 7, 2024. Of such amount, \$30,000 has been subsequently paid.

Promissory note

On April 25, 2023, as last amended effective as of April 30, 2024, the Company entered into a Promissory Note agreement with certain Directors of the Company for a loan (the “Loan”) of up to \$650,000. The Loan bears interest of 12% per annum and is secured by a general security interest over the assets and undertakings of the Company. Additionally, the Directors of the Company have agreed to a postponement and assignment of claim in favour of the line of credit lender (Note 11 of the unaudited condensed interim consolidated financial statements as of August 31, 2024).

As consideration for an amendment to the Loan, the Directors would receive a fee of \$32,500, which was due on or before April 30, 2024. As at November 30, 2023, the fee was recorded in promissory note and as a financing expense in profit or loss and was paid during the nine month period ended August 31, 2024.

The Loan was due on April 30, 2024 and if not repaid by such date, the Directors would receive a further \$65,000 as a penalty fee, as amended to an executive producer fee, and the Loan would bear interest at a rate of 15% per annum. At August 31, 2024, the Loan has not been repaid and the executive producer fee has been recorded in in production costs in profit and loss (Note 13(b) of the unaudited condensed interim consolidated financial statements as of August 31, 2024).

Pursuant to an amendment, the Company and the Directors of the Company agreed upon an extension to October 31, 2024 at an interest rate of 12% per annum, with an option to mutually renew the term for an additional 6 months. As consideration, the Directors would receive an executive producer fee of \$19,500, in lieu of the incremental interest for every 12 month period the Promissory Note is outstanding. As at August 31, 2024, a total of \$4,875 has been recorded in production costs in profit and loss and \$14,625 in investment in film and television properties (Note 13(b) of the unaudited condensed interim consolidated financial statements as of August 31, 2024).

As at August 31, 2024 and November 30, 2023, the Company has drawn upon the total Loan of \$650,000 and recorded \$58,767 (August 31, 2023 – \$20,631) in interest expense (Note 17b of the unaudited condensed interim consolidated financial statements as of August 31, 2024) of which \$13,249 (November 30, 2023 – \$13,036) was accrued for and subsequently paid.

Capital Expenditures

The Company monitors its property and equipment on a continual basis and replenishes on an as needed basis. The Company does not anticipate any significant expenditures on property and equipment in the upcoming year.

Share Issuances

During the nine month period ended August 31, 2024, the Company did not issue any common shares.

Options

Pursuant to the Company's equity-settled stock option plan, as last amended on October 11, 2022, the Board of Directors may, from time to time, authorize the granting of options to Directors, employees and consultants of the Company to a maximum of 20% of the outstanding shares of the Company which is limited to a maximum of 3,400,000 options as approved by the shareholders of the Company. Options granted under the plan have contractual option terms not exceeding 10 years and vesting periods as determined by the Company's Board of Directors.

The Company uses the Black-Scholes option-pricing model to determine the estimated fair value at the grant date of the options issued. In all the calculations the annual dividend yield was assumed to be \$Nil, and expected volatility was based on historical volatility of the Company's share price. All other weighted-average assumptions are summarized below:

Grant Date	Options Granted	Exercise Price	Share Price	Annual Volatility Rate	Risk Free Interest Rate	Fair Value at Grant Date	Expected Life
2023	140,000	\$ 0.50	\$ 0.25	96%	3.51%	\$ 0.05	5.0

For the nine month period ended August 31, 2024, the Company recognized share-based payments expense in relation to vested stock options of \$94,920 (2023 – \$253,355), which is included in profit or loss.

Seasonality

Results of operations for any period are dependent on the number and timing of film and television properties delivered, which cannot be predicted with certainty. Consequently, the Company's results from operations may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily correlated with revenue recognition. During the initial license of broadcast rights by the Company, the Company is reliant on the broadcaster's budget and financing cycles as well as delivery schedules. If the license period gets delayed and commences at a later date than originally predicted, the periods in which revenues are recorded may be affected. Readers of the Financial Statements and this MD&A are therefore cautioned about extrapolating the results for quarterly or annual periods in the financial years ended November 30, 2023 and 2022, into quarterly or annual expectations in future years.

Financial Instruments

The fair values of the Company's financial instruments approximate the carrying values, due to their short terms to maturity or attached market rates of interest. The Company has no financial instruments measured at FVTPL.

The fair values of the Company's financial instruments approximate the carrying values, due to their short terms to maturity or attached market rates of interest.

The Company classifies the fair value of these transactions according to a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

Risks arising from financial instruments

The Company is exposed to various risks related to its financial instruments as follows:

(i) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Company's net income and the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. Market risk is comprised of foreign exchange risk, interest rate risk and other price risk. The Company is not exposed to material other price risk. The Company's exposure to market risk is as follows:

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has not entered into foreign exchange purchase contracts to manage its foreign exchange risk, because, in management's view, the cost of setting up the contracts is in excess of the risks associated with a sudden change in the exchange rates. Management continually monitors the exchange rates and will enter into risk prevention measures when warranted.

A five percent fluctuation in the U.S. dollar rate impacting U.S. dollar revenues during the nine month period ended August 31, 2024 would result in a \$124,943 (2023 – \$222,444) impact to profit or loss.

The Company is also exposed to currency risk on its cash, accounts receivable and accounts payable balances that are denominated in U.S. dollars, being, respectively, \$2,492,308 (November 30, 2023 – \$2,267,315), \$109,701 (November 30, 2023 – \$1,119,405) and \$1,530,058 (November 30, 2023 – \$722,056).

A five percent fluctuation in the U.S. dollar closing rate at August 31, 2024 would result in a net change to profit or loss of \$53,597 (2023 – \$40,191).

The Company's exposure to and management of foreign exchange risk, has not changed materially from that of the prior year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises on interest-bearing financial instruments recognized in the consolidated statement of financial position such as line of credit, interim financing, debt payable and promissory note.

If the market interest rates had changed 100 basis points, the Company's cost of capital would have fluctuated by \$59,090 (2023 – \$64,845).

The Company's exposure to and management of interest rate risk has not changed materially from that of the prior year.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is subject to credit risk with respect to cash and accounts receivable. The Company's maximum exposure to credit risk at the end of the reporting period is the carrying value of these assets. Substantially all of the Company's customers are in the entertainment industry and are subject to normal industry credit risks. Credit risk is managed through a credit approval process and monitoring procedures.

All cash balances are held at a major Canadian banking institution.

As of August 31, 2024, there are \$39,900 (November 30, 2023 – \$363,396) of accounts receivable due over 61 days, but not considered impaired. Refer to Note 3 of the unaudited condensed interim consolidated financial statements as of August 31, 2024 for a breakdown.

The Company's exposure to and management of credit risk has not changed materially from that of the prior year.

(iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's liquidity needs can be met through a variety of sources. The Company generates cash from operations, by borrowing against earned tax credits through interim financing, and by issuances of common shares. The Company manages liquidity risk by continuously monitoring actual and forecast cash flows.

The Company will require additional capital in order to meet the payment expectations related to its debts. Accounts payable and accrued liabilities are due on standard commercial terms.

The Company's exposure to and management of liquidity risk has not changed materially from that of the prior year.

Off-Balance Sheet Arrangements

There are no off-balance sheet obligations that are not disclosed in the financial statements.

Outstanding Shares

As at October 30, 2024, the Company has 17,824,707 common shares issued and outstanding, and 2,696,333 stock options outstanding.

Other

Additional information and other publicly filed documents relating to Network are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR"), which can be accessed at <http://www.sedarplus.ca>.