

Management's Discussion and Analysis of

NETWORK MEDIA GROUP INC.

For the year ended November 30, 2023

N E T W O R K

www.networkentertainment.ca

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following Management’s Discussion and Analysis (“MD&A”) prepared as of April 1, 2024, should be read in conjunction with Network Media Group Inc.’s (the “Company” or “Network”) 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* of the Province of British Columbia whose common shares are traded on the TSX Venture Exchange (“TSXV”) (symbol “NTE.V”) and on the OTCQB Venture Market (symbol “NTEWF”). Additional information relating to the Company can be found on SEDAR+ at 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 year ended November 30, 2023, the Company delivered 11 episodes of the *Legends of Hockey* series and was in production on six other feature length documentaries. In addition, the Company commenced pre-production on a new 4-part series documentary.

For the year ended November 30, 2023, the Company realized the following:

- Revenues of \$7.1M (2022 – \$12.4M)
- Net and comprehensive loss of \$0.3M (2022 – income of \$0.6M):
- Loss per share of \$0.02 (2022 – earnings per share of \$0.03)
- Adjusted EBITDA income of \$0.2M (2022 – income of \$1.8M)
- Adjusted EBITDA earnings per share of \$0.01 (2022 – \$0.10)
- Backlog of \$22.7M (2022 – \$6.3M)

For the three months ended November 30, 2023, the Company realized the following:

- Revenues of \$1.4M (2022 –\$2.0M)
- Net and comprehensive income of \$0.3M (2022 – income of \$0.3M):
- Earnings per share of \$0.02 (2022 – \$0.01)
- Adjusted EBITDA loss of \$0.1M (2022 – income \$0.3M)
- Adjusted EBITDA loss per share of \$0.01 (2022 – adjusted EBITDA per share of \$0.01)

A summary of the significant events and operational highlights for Network’s year ended November 30, 2023 include the following:

- Successfully re-licensed a slate of library films in the US;
- Winner of the 2023 Leo Award for Best Documentary Series for *Women Who Rock*; and
- Announced 5 to 1 Share Consolidation, effective on September 21, 2023.

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 year, the Company completed delivery of the final 6 episodes of the 11 episode television series *Legend of Hockey: Greatness Calling 2000-2020*, was in production on six other feature length documentaries and commenced pre-production on another 4-part series documentary.

Network continues to develop its Non-Fungible Token (“NFT”) division. Network NFT Studios is an extension of the core business and creates partnerships with top creators from film, music, art, fashion, and sports to create leading edge Web 3.0 experiences and limited-edition collections. Consumers gain a deeper connection to their favorite artists, icons, and personalities and unlock exclusive access, benefits and content beyond mainstream productions and social media.

The Network NFT Studios' teams have been actively iterating and executing with a number of IP holders, talent and potential partnerships as evidenced by the Company's partnership with the Hockey Hall of Fame ("HHOF").

The Company is developing Legends of Hockey: Greatness Calling 2000-2020, a fan-focused NFT program that will encourage peer-to-peer collaboration and incentives to purchase HHOF digital collectibles, unlocking new rewards, experiences and benefits in the process. This initiative will inspire hockey fans and NFT collectors alike to buy, collect and trade digital collectibles, and to gain exclusive access to a holistic and vibrant community to celebrate the history of hockey and the greatest players of all time.

In December 2022, Network announced a partnership with ethos, a white-label platform that makes digital collectibles easy to purchase and helps brands securely and authentically utilize NFTs. The platform provides token-gated content and e-commerce functionality to further enhance the Legends campaign and will open the door to future collaborations across Network's slate of IP.

Financing

During the year ended November 30, 2023, the Company's operations were financed primarily by cash generated from operating activities, production financing, a promissory note 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 production loans. During the year, the Company received \$0.8M (2022 – \$3.2M) of production loans which are secured by future contracted funding from broadcasters and distributors, as well as government labour tax credits receivable. The Company also received \$0.7M (2022 - \$Nil) promissory note which is secured by a general security interest over the assets and undertakings of the Company. In addition, operating activities generated \$4.9M (2022 – \$5.3M) of cash.

History and Business of the Company

Network was founded in 1999 as a television and film production company. Network's principal business is the development, financing, production, marketing and distribution of factual/non-scripted television series, documentaries, biographies, docudramas, theatrical documentary films, online programming and specialty sports and entertainment productions. Network is focused on developing and producing high quality, high profile content for the North American and international markets.

Network's documentaries and docu-series showcase the lives of the world's most inspiring cultural icons and their enduring legacies. Network's films have featured a compelling line up of icons from the worlds of Music, Movies, Comedy, Sports, Politics and Business. Network's premium brand of programming features A-list casts along with highly cinematic, richly crafted storytelling. Network productions are consistently embraced by both popular and critical acclaim, garnering awards, high ratings and media coverage.

Network has a collaborative, interdisciplinary team of producers, directors, cinematographers, editors, writers, and designers who are committed to producing stories that strike a chord with audiences around the world. Network works with global broadcasters and streaming platforms, including *ABC, AHC, AMC, Apple TV+, Discovery, ESPN, ESPN Classic, CBC, CMT, CTV, HBO Canada, History Channel, National Geographic, Paramount Network, Peacock, EPIX, Spike, Sundance, TMN, TSN, and YouTube.*

Network's work has been recognized by the *Academy Awards, Tribeca Film Festival, the Los Angeles Film Festival, Washington D.C. Silver Docs, Seattle International Film Festival, Hawaii International Film Festival, Houston International Film Festival*, and in Canada by the *Gemini's and Leo's, Vancouver International Film Festival, Banff Television Festival, the International Film and Television Festival of New York*, by *Realscreen* with awards for *I Am MLK Jr.*, the grand prize in the *San Antonio Film Festival* for *I Am Patrick Swayze* and most recently by *Breck Film Fest* for *I Am Burt Reynolds*.

Network's feature documentaries and specials budgets vary depending on the amount of archival/licensed footage included, music rights and any rights fees paid to subjects and or key participants. Once financed, films are typically produced and released within 18 months, depending on the subject, cast availability and release strategy. Delivery timelines can be delayed and are subject to broadcaster air date changes, talent availability and decisions to add additional shoot days and content.

Network's release strategy often includes a limited theatrical release in key markets supported by a strategic public relations campaign that leads into the US world television premiere. Our public relations campaigns are coordinated with the steamer's/broadcaster's marketing efforts and typically include magazine covers (*People*, *Rolling Stone*) along with interviews on the morning show circuit. Network maximizes the attention drawn to the title with a release to on-line transactional platforms such as *iTunes*, *Amazon* and Blu-ray distribution shortly thereafter. Network's business model is de-risked by the fact it pre-sells its films with commitments from U.S., international and Canadian buyers/partners, minimizing the amount of investment required from the Company, if any. This investment typically comes by way of deferring its overhead or producer fees which are recouped through subsequent sales into the international markets. Network also maximizes the BC and Canadian film tax credit incentives to assist in funding its production budgets.

Distribution and Revenue Model

Network's revenue is generated from a variety of sources. The main sources are: (1) licensing to television networks, OTT media services (streamers), distributors, and syndicators which provide a buyout, license fee or minimum guarantee against future sales/royalties; (2) ancillary distribution including DVD/digital distribution, plus online/Video on Demand ("VOD") sales; and (3) third party service work.

(1) Television/Streaming Licensing

US Licensing agreements for commercial television and streaming stipulate a broadcaster's/streamer's rights to telecast/release the property over a prescribed period of time in a specific territory for a negotiated license fee. License fees vary widely from thousands to millions of dollars depending on whether the broadcaster is a conventional network, cable TV operator, or streaming service, and what territory it broadcasts/releases in. The industry is currently undergoing a massive transformation with the introduction of new streaming services by many of the industry's biggest and most influential companies, including *Disney*, *Apple*, *NBC Universal*, *Paramount/CBS*, *HBO*, *Amazon*, *YouTube*, and *Epix*, among others, which will increase the number of potential buyers for Network properties. Other considerations that determine the license fees paid include: the television or film productions market recognition (brand equity), attached brands (talent or organization), and the overall creative. US initial licensing fees are a foundational part of the funding of the production of the television or film property the Company is creating.

(2) Distribution

Network also finances its proprietary productions through minimum guarantees from domestic and international distributors. Once these minimum guarantees have been reached, Network participates in all future revenues received from the distributor. The distributors typically earn a fee plus expenses equaling 25-30% of the sale with the residual going to Network. Similar to the initial television licensing agreements, the minimum guarantees Network receives are typically included in the financing structure of the production of the property.

Network strives to retain digital and online rights to its properties, which it can then distribute directly and thereby maximize revenues. Because Network's properties typically feature high profile and well-known subjects, they are particularly popular in digital and online mediums due to their market recognition. Digital and online distribution provides additional sales primarily through the following mediums:

- Digital download, all forms of VOD, including SVOD, TVOD, and AVOD, and mobile distribution are additional revenue platforms for Network's properties
- DVD/Blu-ray sales

(3) Third party service work

Network not only produces its own proprietary content, but will also work with other major studios/broadcasters to produce properties that are ultimately owned by third parties. Network will work on a concept and pitch these studios/broadcasters the concept for a television or film property. Often, these studios/broadcasters will want to own

the concept or idea outright. In such a situation, the contracting party will typically fund 100% of the property's budget and hire Network to produce the property. Network will earn producing fees, a potential premium fee, overhead allocations, and also typically will have a limited participation on future revenues with these properties, which also helps to create partnerships, immediate cash flow and profits for the Company.

NFT Revenue Model

NFTs are a digital collectible which can include art, music, video, sports highlights, collectibles, virtual avatars and video game skins, as well as a suite of accompanying hard goods and experiences.

Capitalizing on Network's film and television expertise and its experience with many of the world's most iconic individuals and brands, there is an opportunity for the Company to develop content for this new and emerging distribution platform which has captured the attention of the world's foremost film and television studios, A-list talent, venture capitalists, and content creators.

The NFT marketplace presents a tremendous opportunity for those with the knowledge and skillset required to capitalize on it. Embracing this new platform and aligning Network's NFT initiatives with top talent and IP owners is a natural fit for the Company with its long track record of successful collaborations with A-list talent, families and estates of global icons, as well as recognized and prolific creators and leaders in music, comedy, film, business, fashion, sports and pop cultural institutions, Network is perfectly primed to seize such an opportunity. Network's core strengths and proven long-term results in creative ideation, execution, and distribution of premium filmed content positions it well to become a leader in NFTs. Further, the Company's rich experience and success across a broad spectrum of projects allows it to confidently embrace, and pivot as required, in an NFT marketplace that is growing and transforming at a furious pace.

Network's NFT content initiative, *Network NFT Studios*, began the R&D process throughout 2022, continues in engaging with both creative and technology leads and executives to assist in developing the Company's NFT division into 2023. Together with Network's senior management, this team has set the path for the successful monetization of the Company's NFT offerings, which will be unique, highly desirable, and consistent with the profile, authenticity, and quality of Network's past and current productions.

Network's partnership with the Hockey Hall of Fame (<https://legends.ethosnft.com/countdown>) is a significant milestone in bringing this vision to reality. With Network's content creation and market reputation, Network NFT Studios will launch its first NFT in the upcoming year with a solid foundation of the capabilities required for success in the NFT industry space, including, most importantly, creative ideation, A-list talent and partner relationships, dynamic and original execution, and production infrastructure.

In addition to fully exploring all aspects of the creation, production, and sale of NFTs and experiences, Network will explore platform and marketplace relationships that deliver content synergy and targeted distribution for optimum monetization of Network NFT offerings and bring innovative new concepts to the rapidly growing world of digital collectibles, in strategic alignment with the Company's distinct NFT Revenue Model, encompassing opportunities in both IP licensing and IP partnership/agency.

Revenue Recognition and Forward-Looking Statements

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 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, based upon the proportion of costs incurred in the current year to total expected costs. When it is expected that total costs will exceed revenue the expected loss is recognized immediately in profit or loss.

Forward-looking revenue

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 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.

The Company has certain properties currently in production which have been sold to buyers under binding purchase agreements. Deferred revenue totaling approximately \$2.3M as at November 30, 2023 (2022 – \$0.6M), represents funding advances received on these properties. Below is an estimate of the ultimate gross revenue and the expected period of recognition for these properties:

Contracted Future Production Revenues	\$ Millions
Deferred revenue as at August 31, 2023	\$ 2.3
Contracted future revenue	20.4
Total expected revenue - contracted	<u>\$ 22.7</u>
Revenues expected within 6 months	\$ 11.6
Revenues expected within 7 to 12 months	\$ 6.5
Revenues beyond 12 months	\$ 4.5

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 April 1, 2024, Network has contracts for \$22.7M (2022 – \$6.3M) that have yet to be recorded as revenue, but are expected to be received and recognized as revenue within the periods noted above.

The above statements regarding the Company’s anticipated, or contracted for, future revenue constitutes “forward-looking information” under applicable Canadian securities laws – readers are directed to refer to the Forward-Looking Statement disclosures at the beginning of this MD&A. The above calculations are based on expectations, estimates and projections as of the date of this MD&A and are necessarily based upon assumptions and expectations regarding future production revenues and partial revenues generated from properties under contract. Estimates of future revenues are based on the terms of contracts entered into. Such assumptions and expectations 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 above revenue estimates may not be met and actual results may differ, perhaps materially.

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 audited consolidated financial statements and accompanying notes for the years ended November 30, 2023, 2022 and 2021 and can be found at www.sedarplus.ca.

	As at November 30, 2023	As at November 30, 2022	As at November 30, 2021
Consolidated Summary of Financial Position			
Cash	\$ 2,275,164	\$ 708,287	\$ 2,788,730
Current assets	7,400,173	6,299,594	4,747,336
Investment in film and television properties	11,710,187	11,714,410	11,021,091
Total assets	19,827,948	20,558,530	18,536,296
Current liabilities	8,839,112	9,024,103	7,753,064
Total liabilities	9,265,135	9,975,419	9,081,379
Shareholders' equity	10,562,813	10,583,111	9,454,917
Working capital deficit	\$ (1,438,939)	\$ (2,724,509)	\$ (3,005,728)

Consolidated Statements of Net and Comprehensive Income (Loss)

Expressed in Canadian dollars

	Year ended November 30, 2023	Year ended November 30, 2022	Year ended November 30, 2021
Total revenue	\$ 7,127,055	\$ 12,433,913	\$ 3,534,288
Production costs	2,875,428	1,998,660	1,823,800
Amortization of investment in film and television properties	2,624,348	7,016,264	2,756,235
Amortization of property, equipment and right of use assets	338,744	377,068	529,481
General and administrative	1,069,903	1,540,340	1,063,756
Impairment of investment in film and television properties	52,199	87,167	359,993
Selling and distribution	416,047	137,439	13,215
Share-based payments	300,639	530,815	490,717
Foreign exchange loss	181,880	110,692	(8,346)
Reversal of accounts payable	(604,473)	(54,613)	(753,670)
	7,254,715	11,743,832	6,275,181
Income (loss) before other items	(127,660)	690,081	(2,740,893)
Other income	(28,021)	(44,232)	(263,236)
Financing expense, net	176,130	132,329	101,271
Income (loss) before income taxes	(275,769)	601,984	(2,578,928)
Income tax expense	45,168	4,605	(82,600)
Net and comprehensive income (loss) for the year	\$ (320,937)	\$ 597,379	\$ (2,496,328)
Earnings (loss) per share			
- basic	\$ (0.02)	\$ 0.03	\$ (0.16)
- diluted	\$ (0.02)	\$ 0.03	\$ (0.16)
Weighted average number of shares outstanding			
- basic	17,824,707	17,824,707	15,131,782
- diluted	17,824,707	17,824,707	15,131,782
Adjusted EBITDA	\$ 169,350	\$ 1,785,442	\$ (1,859,482)
Adjusted EBITDA per share	\$ 0.01	\$ 0.10	\$ (0.12)

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 and Adjusted EBITDA. 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) less share-based payments, financing expense (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:

	Year ended November 30, 2023	Year ended November 30, 2022	Year ended November 30, 2021
Income (loss) for the period	\$ (320,937)	\$ 597,379	\$ (2,496,328)
<u>Adjustments</u>			
Amortization of property, equipment and right of use assets	338,744	377,068	529,481
Impairment of investment in film and television properties	52,199	87,167	359,993
Financing expense, net	176,130	132,329	101,271
Share-based compensation	300,639	530,815	490,717
Foreign exchange loss (gain)	181,880	110,692	(8,346)
Reversal of accounts payable	(604,473)	(54,613)	(753,670)
Adjusted EBITDA	\$ 169,350	\$ 1,785,442	\$ (1,859,482)

Overall Financial Position – Fiscal 2023

Net and comprehensive income decreased by \$918,316 to a loss of \$320,937 for the year ended November 30, 2023, as compared to an income of \$597,379 in 2022.

The \$0.7M decrease in total assets was mainly due to the receipt of tax credits receivable and offset by an influx of cash.

The \$0.7M decrease in total liabilities was mainly due to the decrease of payables and repayment of production financing, offset by an increase in deferred revenues from the projects in progress.

A more detailed analysis of the other components of earnings from operations is provided below under the title *Results of Operations – Fiscal 2023 Compared to Fiscal 2022* and *Results of Operations – Fourth Quarter of Fiscal 2023*.

Results of Operations – Fiscal 2023 Compared to Fiscal 2022

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

Revenue

Revenue decreased by \$5,306,858 from \$12,433,913 in 2022 to \$7,127,055 in 2023.

The detailed breakdown of revenues is as follows:

- Production revenue was \$1,525,541 in 2023 as compared to \$10,170,272 in 2022. The decrease is due to the large amount of proprietary productions the Company completed in the prior year.
- Contract production services revenue was \$3,032,353 in 2023 as compared to \$1,963,501 in 2022. The increase in revenues is due to a larger volume of service projects being worked on in the current year.
- Distribution revenue was \$2,569,161 in 2023 as compared to \$300,140 in 2022 and was due to the re-licensing of the I Am slate of library films to the CW Network in the current year.

	Year Ended	
	November 30, 2023	November 30, 2022
Production revenue	\$ 1,525,541	\$ 10,170,272
Contract production services revenue	3,032,353	1,963,501
Distribution revenue	2,569,161	300,140
	<u>\$ 7,127,055</u>	<u>\$ 12,433,913</u>

Additional information about future revenue of the Company can be found at the section *Revenue Recognition and Forward-Looking Statements*.

Production costs

Production costs were \$2,875,428 in fiscal 2023 as compared to \$1,998,660 in fiscal 2022, an increase of \$876,768 over last year. The current year's costs were associated directly to the amount of service work projects in production during the year.

Amortization of investment in film and television properties

Amortization of investment in film and television properties decreased by \$4,391,916 from \$7,016,264 in fiscal 2022 to \$2,624,348 in fiscal 2023. Please refer to the accounting policies in Note 3 of the audited consolidated financial statements for the years ended November 30, 2023 and 2022 for information on how the amortization of the properties is calculated.

Amortization of property, equipment and right of use assets

Amortization of property, equipment and right of use assets decreased by \$38,324 to \$338,744 in fiscal 2023 as compared to \$377,068 in fiscal 2022. The decrease is due to the derecognition of several equipment leases that had expired in the prior year.

General and administrative expenses

General and administrative expenses decreased by \$470,437 from \$1,540,340 in fiscal 2022 to \$1,069,903 in fiscal 2023. The decrease in expenses is primarily due to the decrease in salaries and wages as well as travel during the year. A detailed breakdown of the expenses is as follows:

	Year Ended	
	November 30, 2023	November 30, 2022
Insurance	\$ 40,660	\$ 35,386
Interest and bank charges	92,563	68,206
Office and general	108,616	190,465
Professional fees	152,192	151,083
Salaries and wages	507,609	854,189
Technology and licenses	74,980	52,201
Telecommunications	12,738	8,703
Transfer agent and filing fees	53,278	84,495
Travel	27,267	95,612
	<u>\$ 1,069,903</u>	<u>\$ 1,540,340</u>

Impairment of investment in film and television properties

At each reporting period, management reviews the development costs on a project-by-project basis for the following:

- viability of the project going into production which is based on the amount of interest received from potential broadcasters and co-production partners
- length of time the project has been on the books,
- the amount of effort applied to the project in the current year
- rates each project as to the likelihood of production based on the above parameters

If after reviewing the above, it is determined that the likelihood of the project going into production is low or very doubtful, then the project is written off. If, in management's opinion, the project still has a strong likelihood of going into production or development/research efforts have pushed the project in a different direction but the costs incurred are expected to be recovered, it will continue to hold the projects costs on the books.

Properties completed and released are assessed at each reporting period for indicators of impairment and, if present, the property is tested for impairment when circumstances indicated that the recoverable amount of a property may be less than its carrying value.

Network recorded impairment of investment in film and television properties of \$52,199 in fiscal 2023 compared to \$87,167 in fiscal 2022, a decrease of \$34,968.

The impairment in fiscal 2023 was the result of management's decision to cease further development of certain properties which resulted in the write-off of the property's carrying amounts.

Selling and distribution expenses

Selling and distribution expenses increased to \$416,047 in fiscal 2023 as compared to \$137,439 in fiscal 2022 which is primarily due to costs related associated with the editing and re-licensing of stock footage in relation to the sale of the I Am library to the CW Network.

Share-based payments

Share-based payments decreased by \$230,176 from \$530,815 in fiscal 2022 to \$300,639 in fiscal 2023. The decrease is due to fewer options vesting during the year and the cancellation of options previously issued, which resulted in a decrease in the number of options that vested during the year.

Foreign exchange loss

Foreign exchange loss increased by \$71,188 to \$181,880 in fiscal 2023 as opposed to \$110,692 in fiscal 2022. The change is due to the fluctuation of the Canadian dollar against the US dollar throughout the fiscal year.

Financing expense, net

Total net financing expense increased by \$43,801 from \$132,329 in fiscal 2022 to \$176,130 in fiscal 2023. This increase was due to the costs of the interim loans on completed projects, the interest on the EDC loan received in prior years and interest on the promissory note received in the fiscal year.

Income (Loss) /Adjusted EBITDA for the year

Loss for the year ended November 30, 2023 was \$320,937 (\$0.02 per share) as compared to income of \$597,379 (\$0.03 per share) for the year ended November 30, 2022.

In each period, a number of expenses were attributed to non-cash items such as share-based payments, amortization and impairments, which provided Adjusted EBITDA of \$0.2M (\$0.01 per share) in 2023 and adjusted EBITDA of \$1.8M (\$0.10 per share) in 2022. (See “Non-IFRS Measures”)

Results of Operations – Fourth Quarter of Fiscal 2023

The following discussion describes the significant changes in the results from operations for the three-month period ended November 30, 2023 (Q4), compared to the same period in 2022.

Revenue

Revenue decreased by \$599,987 from \$1,994,487 in Q4 2022 to \$1,394,500 in Q4 2023.

The detailed breakdown of revenues is as follows:

	Three month period ended	
	November 30, 2023	November 30, 2022
Production revenue	\$ 402,740	\$ 1,348,911
Contract production services revenue	674,746	564,253
Distribution revenue	317,014	81,323
	<u>\$ 1,394,500</u>	<u>\$ 1,994,487</u>

Production revenue decreased by \$946,171 from \$1,348,911 in Q4 2022 to \$402,740 in Q4 2023. Contract production service revenues were \$674,746 in Q4 2023 as compared to \$564,253 in Q4 2022. The variances were due to the different mix of proprietary projects versus service work project in the studio during the periods.

The Company re-licensed a slate of library films in the U.S., resulting in the increase in distribution revenue of \$235,691 from \$81,323 in Q4 2022 as compared to \$317,014 in Q4 2023.

Production costs

Production costs were \$806,729 in Q4 2023 as compared to \$199,770 in Q4 2022, an increase of \$606,959, in relation to the amount of service work projects in production during the period.

Amortization of investment in film and television properties

Amortization of investment in film and television properties decreased by \$1,100,736 from \$1,295,845 in Q4 2022 to \$195,109 in Q4 2023. Please refer to the accounting policies in Note 3 of the audited consolidated financial statements for the years ended November 30, 2023 and 2022 for information on how the amortization of the properties is calculated.

Amortization of property, equipment and right of use assets

Amortization of property, equipment and right of use assets marginally decreased by \$3,897 to \$84,862 in Q4 2023 as compared to \$88,759 in Q4 2022.

General and administrative expenses

General and administrative expenses increased by \$63,202 from \$171,906 in Q4 2022 to \$235,108 in Q4 2023 which was primarily due to the increase in subscriptions and licences.

Impairment of investment in film and television properties

Network recorded impairment of investment in film and television properties of \$971 in Q4 2022 as a result of its assessment of the future viability of its various completed and projects in development. The change remained relatively consistent in Q4 2023.

Selling and distribution expenses

Selling and distribution expenses were \$262,414 in Q4 2023 compared to \$99,806 in Q4 2022. The increase was associated with the editing and re-licensing of stock footage in relation to the sale of the I Am library to the CW Network.

Share-based payments

Share-based payments decreased by \$11,386 from \$58,670 in Q4 2022 to \$47,284 in Q4 2023. The decrease is due to options vesting during the quarter and cancellation of options during the quarter.

Foreign exchange loss

Foreign exchange loss decreased by \$40,506 to \$32,796 in Q4 2023 as opposed to \$73,302 in Q4 2022. The change is due to the fluctuation of the Canadian dollar against the US dollar throughout the quarter.

Financing expense, net

Total net financing expense is \$53,848 in Q4 2022 to \$29,623 in Q4 2023, a decrease of \$24,225.

Income for the quarter

Net and comprehensive income for the three months ended November 30, 2023 was \$280,600 (earnings of \$0.01 per share) as compared to a loss of \$261,490 (\$0.01 per share) in Q4 2022.

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							
	Q4 2023	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022
Total revenue	\$ 1,394	\$ 2,639	\$ 1,266	\$ 1,828	\$ 1,994	\$ 9,477	\$ 534	\$ 429
Net and comprehensive income (loss)	\$ 281	\$ 806	\$ (666)	\$ (741)	\$ 261	\$ 2,309	\$ (1,120)	\$ (853)
Earnings (loss) per share - basic and diluted	\$ 0.02	\$ 0.05	\$ (0.04)	\$ (0.04)	\$ 0.00	\$ 0.13	\$ (0.06)	\$ (0.06)

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 debt and share issuances. The primary uses of cash are operating expenses, capital expenditures, interest and principal payments on current debt, and investment in its film and television properties.

Overall, the Company's cash position increased by \$1.6M between November 30, 2023 and November 30, 2022. Cash provided by operating activities in the year ended November 30, 2023, was \$4.9M, compared to \$5.3M in the prior year.

Financing activities for the year ended November 30, 2023 resulted in cash used of \$2.0M compared to cash provided of \$1.7M in fiscal 2022. During the year, the Company received production financing of \$0.8M (2022 – \$3.2M) and repaid \$2.8M (2022 – \$0.9M) of production financing. The cycle of incurring production financing and repayments thereof is common in the entertainment industry. Chartered banks 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 the tax credits, the production financing is repaid and any excess funds go into working capital.

Cash used in investing activities in the year ended November 30, 2023 was \$1.4M, compared to \$9.0M in the prior year. 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 November 30, 2023, Network had a working capital deficit of \$1.4M compared to \$2.7M as at November 30, 2022. 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:

	November 30, 2023	November 30, 2022
Current assets	\$ 7,400,173	\$ 6,299,594
Current liabilities	<u>(8,839,112)</u>	<u>(9,024,103)</u>
Working capital deficit	\$ (1,438,939)	\$ (2,724,509)
Deferred revenue adjustment	<u>2,307,770</u>	<u>575,782</u>
Adjusted working capital deficit	<u>\$ 868,831</u>	<u>\$ (2,148,727)</u>

Network believes that, through cash flow generated from operations, the Company's ability to negotiate short-term debt instruments, share issuances and interim production financing of its proprietary properties, it will generate sufficient liquidity to meet cash requirements for the next 12 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 for year ended November 30, 2023, was \$10,562,813 (2022 – \$10,583,111).

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.

There were no changes in the Company's approach to capital management during the year ended November 30, 2023. The Company is subject to externally imposed capital requirements (Note 22 of the audited consolidated financial statements for the years ended November 30, 2023 and 2022).

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 year ended November 30, 2023, the Company:

- paid or accrued wages to key management personnel in the following manner:
 - Recorded as general and administrative expenses – \$30,000 (2022 – \$27,500);
 - Recorded as investment in film and television properties – \$266,670 (2022 – \$491,689);
 - Recorded as production costs – \$369,873 (2022 – \$148,281)
 - These costs were paid to the following related parties:
 - \$280,000 (2022 – \$277,500) as salaries and wages to the CEO;
 - \$225,000 (2022 – \$225,000) as salaries and wages to the COO;
 - \$157,543 (2022 – \$162,150) as salaries and wages to the CFO and to a company controlled by the CFO; and
 - \$4,000 (2022 – \$2,820) as salaries and wages to a related party.
- recorded share-based payments of \$131,322 (2022 – \$223,775) on options that vested during the year, as follows:
 - \$19,923 (2022 – \$59,719) to two Directors;
 - \$16,572 (2022 – \$50,298) to the current Chairman of the Board of Directors;
 - \$43,351 (2022 – \$46,888) to the CEO;
 - \$36,274 (2022 – \$39,011) to the COO;
 - \$14,933 (2022 – \$26,933) to the CFO; and
 - \$269 (2022 – \$926) to another related party.
- Nil (2022 – 3,330,000) stock options under the Company's stock option plan, as follows:
 - Nil (2022 – 590,000) options granted to three current Directors and one former Director;
 - Nil (2022 – 200,000) options granted to the current Chairman of the Board of Directors;
 - Nil (2022 – 1,250,000) options granted to the CEO;
 - Nil (2022 – 1,047,500) options granted to the COO; and
 - Nil (2022 – 242,500) options granted to the CFO.

At November 30, 2023, the Company owed \$16,926 (2022 – \$13,650) to a company controlled by an Officer of the Company. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

On April 25, 2023, as amended on November 21, 2023, 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 is due on April 30, 2024, bears interest of 12% interest per annum and is secured by a general security interest over the assets and undertakings of the Company. The Directors of the Company have agreed to a postponement and assignment of claim in favour of the line of credit lender (Note 12 of the audited consolidated financial statements for the years ended November 30, 2023 and 2022).

As at November 30, 2023 the Company has drawn upon the total Loan of \$650,000 and recorded \$72,577 in interest expense of which \$13,036 was accrued for and subsequently paid. As consideration for the amendment to the Loan, the Directors will receive a fee of \$32,500, which is due on or before April 30, 2024. As at November 30, 2023, the fee has been recorded in promissory note and as a financing expense in profit or loss and was paid subsequent to year end. If the Loan is not repaid by April 30, 2024, the Directors will receive a further \$65,000 as a penalty fee.

On June 7, 2023, the Company entered into Executive Producer Agreements (the “EP Agreements”) with two Directors of the Company for the provision of services. As consideration, each of the Directors will receive a yearly fee of \$32,500 and an executive producer fee of \$37,500, which is payable on achieving particular production milestones. Recorded in accounts payable and accrued liabilities at November 30, 2023 is a total of \$31,342 of the yearly fee and \$20,000 in executive producer fees, which have been recorded as production costs in profit or loss. All such amounts are due by June 7, 2024 and the EP Agreements are renewable upon mutual option of the parties.

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

The Company did not issue any common shares during the years ended November 30, 2023 and 2022.

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. All other weighted-average assumptions are summarized below:

Grant Date	Options Granted	Exercise Price	Share Price	Annual Volatility Rate	Risk Free Interest Rate	Expected Life
2022	1,077,333	\$ 0.56	\$ 0.47	93%	2.65%	4.8
2023	140,000	\$ 0.50	\$ 0.25	96%	3.51%	5.0

For the year ended November 30, 2023, the Company recognized share-based payments in relation to the above listed options of \$300,639 (2022 – \$530,815), 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 year ended November 30, 2023, 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 is exposed to various risks related to its financial instruments as follows:

Risks arising from financial instruments

(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. The Company is not exposed to material other price risk than market risk, 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 currency 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 year ended November 30, 2023 would result in a \$290,355 (2022 – \$559,323) 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, \$2,267,315 (2022 – \$470,234), \$1,119,405 (2022 – \$928,993) and \$722,056 (2022 – 428,704).

A five percent fluctuation in the U.S. dollar closing rate at November 30, 2023 would result in a net change to profit or loss of \$133,233 (2022 – \$48,527).

The Company's exposure to and management of currency 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 production financing and debt payable.

If the market interest rates had changed 100 basis points, the Company's cost of capital would have fluctuated by \$71,945 (2022 – \$47,558).

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, and there are no expected credit losses.

All cash balances are held at a major Canadian banking institution. As of November 30, 2023, there are \$393,217 (2022 – \$363,396) of accounts receivable due over 61 days, but not considered impaired. Refer to Note 4 of the audited consolidated financial statements for the years ended November 30, 2023 and 2022 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 production 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 April 1, 2024, the Company had 17,824,707 common shares issued and outstanding and has 2,706,333 stock options outstanding.

Risks and Uncertainties

The following are the specific and general risks that could affect the Company that each reader should carefully consider. Additional risks and uncertainties not presently known to the Company or that the Company does not currently anticipate will be material, may impair the Company's business operations and its operating results and as a result could materially impact its business, results of operations, prospects, and financial condition. The risks and uncertainties below are not listed in order of importance, nor are they inclusive of all of the risks and uncertainties the Company may be subject to.

Risks Related to the Nature of the Entertainment Industry

The entertainment industry involves a substantial degree of risk. Acceptance of entertainment programming represents a response not only to the production's artistic components, but also the quality and acceptance of other competing programs released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally and other intangible factors, all of which could change rapidly or without notice and cannot be predicted with certainty. There is a risk that some or all of the Company's programming will not be purchased or accepted by the public generally, resulting in a portion of costs not being recouped or anticipated profits not being realized. There can be no assurance

that revenue from existing or future programming will replace loss of revenue associated with the cancellation or unsuccessful commercialization of any particular production.

Risks Related to Television and Film Industries

Because the performance of television and film programs in ancillary markets, such as home video and pay and free television, is often directly related to reviews from critics and/or television ratings, poor reviews from critics or television ratings may negatively affect future revenue. The Company's results of operations will depend, in part, on the experience and judgment of its management to select and develop new investment and production opportunities. The Company cannot make assurances that the Company's films and television programs will obtain favourable reviews or ratings that its films will perform well in ancillary markets or that broadcasters will license the rights to broadcast any of the Company's film and television programs in development or renew licenses to broadcast film and television programs in the Company's library. The failure to achieve any of the foregoing could have a material adverse effect on the Company's business, results of operations or financial condition.

Licensed distributors' decisions regarding the timing of release and promotional support of the Company's films, television programs and related products are important in determining the success of these films, programs, and related products. The Company does not control the timing and manner in which our licensed distributors distribute our films, television programs, or related products. Any decision by those distributors not to distribute or promote one of the Company's films, television programs, or related products or to promote competitors' films, programs, or related products to a greater extent than they promote the Company's, could have a material adverse effect on the Company's business, results of operations, or financial condition.

Risks Related to Doing Business Internationally

The Company distributes films and television productions outside Canada through third party licensees and derives revenues from these sources. As a result, the Company's business is subject to certain risks inherent in international business, many of which are beyond its control. These risks include: changes in local regulatory requirements, including restrictions on content; changes in the laws and policies affecting trade, investment and taxes (including laws and policies relating to the repatriation of funds and to withholding taxes); differing degrees of protection for intellectual property; instability of foreign economies and governments; cultural barriers; wars and acts of terrorism; and the spread of COVID-19 or other widespread health hazard.

Loss of Canadian Status

The Company could lose its ability to exploit Canadian government tax credits and incentives described above if it ceases to be "Canadian" as defined under the Investment Canada Act. In particular, the Company would not qualify as a Canadian if Canadian nationals cease to beneficially own shares of the Company having more than 50% of the combined voting power of its outstanding shares. In Canada and under international treaties, under applicable regulations, a program will qualify as a Canadian-content production if, among other things: (i) it is produced by Canadians with the involvement of Canadians in principal functions; and (ii) a substantial portion of the budget is spent on Canadian elements. As well, substantially all of the Company's programs are contractually required by broadcasters to be certified as "Canadian". In the event a production does not qualify for certification as Canadian, the Company would be in default under any government incentive and broadcast licenses for that production. In the event of such default, the broadcaster could refuse acceptance of the Company's productions.

Competition

Substantially all of the Company's revenues are derived from the production and distribution of television and film programs. The business of producing and distributing television and film programs is highly competitive. The Company faces intense competition with other producers and distributors, both in the cable television market, but now also from on-line broadcasters like Netflix, Apple, Disney+ and Amazon, many of whom are substantially larger and have greater financial, technical, and marketing resources than the Company. The Company competes with other television and film production companies for ideas and storylines created by third parties as well as for actors, directors, and other personnel required for a production. The Company may not be successful in any of these efforts which may adversely affect business, results of operations, or financial condition.

The Company intends to increase its penetration of the prime-time television network market. The Company competes for time slots with a variety of companies which produce televised programming. The number of network prime-time slots remains limited (a “slot” being a broadcast time period for a program), even though the total number of outlets for television programming has increased over the last decade. Competition created by the emergence of new broadcasters has generally caused the market shares of the major networks to decrease. Even so, the license fees paid by the major networks remain the most lucrative. As a result, there continues to be intense competition for the time slots offered by those networks. There can be no assurance that the Company will be able to increase its penetration of the prime-time network market or obtain favourable stats, the failure to do so may have a negative impact on the Company’s business.

Limited Ability to Exploit Filmed and Television Content Library

The Company depends on a limited number of titles for the majority of the revenues generated by its film and television content library. In addition, many of the titles in its library are not presently distributed and generate substantially no revenue. If the Company cannot acquire new products and rights to popular titles through production, distribution agreements, acquisitions, mergers, joint ventures, or other strategic alliances, it could have a material adverse effect on its business, results of operations or financial condition.

Protecting and Defending Against Intellectual Property Claims

The Company’s ability to compete depends, in part, upon successful protection of its intellectual property. Furthermore, the Company’s revenues are dependent on the unrestricted ownership of its rights to television and film productions. Any successful claims to the ownership of these intangible assets could hinder the Company’s ability to exploit these rights. The Company does not have the financial resources to protect its rights to the same extent as its competitors. The Company attempts to protect proprietary and intellectual property rights to its productions through available copyright and trademark laws in a number of jurisdictions and licensing and distribution arrangements with reputable international companies in specific territories and media for limited durations. Despite these precautions, existing copyright and trademark laws afford only limited practical protection in certain countries in which the Company may distribute its products and in other jurisdictions no assurance can be given that challenges will not be made to the Company’s copyright and trade-marks. In addition, technological advances and conversion of motion pictures into digital format have made it easier to create, transmit, and share unauthorized copies of motion pictures, DVDs, and television shows. Users may be able to download and distribute unauthorized or “pirated” copies of copyrighted material over the Internet. As long as pirated content is available to download digitally, some consumers may choose to digitally download material illegally. As a result, it may be possible for unauthorized third parties to copy and distribute the Company’s productions or certain portions or applications of its intended productions, which could have a material adverse effect on its business, results of operations, or financial condition.

Litigation may also be necessary in the future to enforce the Company’s intellectual property rights, to protect its trade secrets, or to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Any such litigation could result in substantial costs and the diversion of resources and could have a material adverse effect on the Company’s business, results of operations, or financial condition. The Company cannot provide assurances that infringement or invalidity claims will not materially adversely affect its business, results of operations, or financial condition. Regardless of the validity or the success of the assertion of these claims, the Company could incur significant costs and diversion of resources in enforcing its intellectual property rights or in defending against such claims, which could have a material adverse effect on the Company’s business, results of operations, or financial condition.

Fluctuating Results of Operations

Results of operations for any period are significantly dependent on the number and timing of television programs and films delivered or made available to various media. Consequently, the Company’s results of 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 closely correlated with revenue recognition. Although traditions are changing, due in part to increased competition from new channels, industry

practice is that broadcasters make most of their annual programming commitments between February and June in order that new programs can be ready for telecast at the start of the broadcast season in September, or as mid-season replacements in January. Because of this annual production cycle, the Company's revenues are not earned on an even basis throughout the year. Results from operations fluctuate materially from quarter to quarter and the results for any one quarter are not necessarily indicative of results for future quarters.

Raising Additional Capital – Going Concern Risk

The Company is likely to require capital in the future, to meet additional working capital requirements or capital expenditures or to take advantage of investment or acquisition opportunities. Accordingly, it may need to raise additional capital in the future. The Company's ability to obtain additional financing will be subject to a number of factors including market conditions and its operating performance. These factors may make the timing, amount, terms and conditions of additional financing unattractive or unavailable for the Company. If the Company raises additional funds by issuing equity securities, the relative equity ownership of its existing investors could be diluted or new investors could obtain terms more favourable than previous investors. If the Company raises additional funds through debt financing it could incur significant borrowing costs. If the Company is unable to raise additional funds when needed, or on terms acceptable to the Company, its ability to operate as a going concern and grow its business could be impeded.

Concentration Risk

Revenue may originate from disproportionately few productions and broadcasters. The value of the Common Shares may be substantially adversely affected should the Company lose the revenue generated by any such production or broadcaster.

Reliance on Key Personnel

The Company is substantially dependent upon the services of certain key personnel, particularly Derik Murray the CEO and an Executive Producer. The loss of the services of any one or more of such individuals could have a material adverse effect on the business, results of operations or financial condition of the Company.

Market Share Price Fluctuation

The market price of the Company's Common Shares may be subject to significant fluctuation in response to numerous factors, including variations in its annual or quarterly financial results or those of its competitors, changes by financial research analysts in their recommendations or estimates of the Company's earnings, conditions in the economy in general or in the broadcasting, film or television sectors in particular, unfavourable publicity or changes in applicable laws and regulations, exercise of the Company's outstanding options and/or warrants, or other factors. Moreover, from time to time, the stock markets on which the Company's Common Shares will be listed may experience significant price and volume volatility that may affect the market price of the Company's Common Shares for reasons unrelated to its economic performance. No prediction can be made as to the effect, if any, that future sales of Common Shares or the availability of Common Shares for future sale (including Common Shares issuable upon the exercise of stock options) will have on the market price of the Common Shares prevailing from time to time. Sales of substantial numbers of Common Shares, or the perception that such sales could occur, could adversely affect the prevailing price of the Company's Common Shares.

Risks Associated with Acquisitions and Joint Ventures

The Company has made or entered into, and will continue to pursue, various acquisitions, business combinations, and joint ventures intended to complement or expand its business. Any indebtedness incurred or assumed in any such transaction may or may not increase the Company's leverage relative to its earnings before interest, provisions for income taxes, amortization, non-controlling interests, gain on dilution of investment in subsidiary and discounted operation, or EBITDA, or relative to its equity capitalization, and any equity issued may or may not be at prices dilutive to its then existing shareholders. The Company may encounter difficulties in integrating acquired assets with its operations. Furthermore, the Company may not realize the benefits it anticipated when it entered into these transactions. In addition, the negotiation of potential acquisitions, business combinations or joint ventures as well as

the integration of an acquired business could require the Company to incur significant costs and cause diversion of Management's time and resources. Future acquisitions could also result in impairment of goodwill and other intangibles, development write-offs and other acquisition-related expenses.

The Company continues to pursue opportunities to expand its distribution capacity, production capacity, and product libraries. There can be no assurance that appropriate acquisitions or expansion opportunities will be identified or available; that the Company will have or be able to obtain sufficient financing or acceptable terms to fund any such acquisition or expansion; that any such acquisition or expansion will be consummated, or, if consummated, the timing thereof; or that any such acquisition or expansion can be successfully integrated into or with the Company's existing operations and business strategy and ultimately prove beneficial to the Company.

Potential for Budget Overruns and Other Production Risks

A production's costs may exceed its budget. Unforeseen events such as labour disputes, death or disability of a star performer, changes related to technology, special effects or other aspects of production, shortage of necessary equipment, damage to film negatives, master tapes and recordings, or adverse weather conditions, or other unforeseen events may cause cost overruns and delay or frustrate completion of a production. Although the Company has historically completed its productions within budget, there can be no assurance that it will continue to do so. The Company currently maintains insurance policies and when necessary, completion bonds, covering certain of these risks. There can be no assurance that any overrun resulting from any occurrence will be adequately covered or that such insurance and completion bonds will continue to be available or, if available, on terms acceptable to the Company. The Company has never made a material claim on its insurance or called on a completion bond. In the event of budget overruns, the Company may have to seek additional financing from outside sources in order to complete production of a television program. No assurance can be given as to the availability of such financing or, if available, on terms acceptable to the Company. In addition, in the event of substantial budget overruns, there can be no assurance that such costs will be recouped, which could have a significant impact on the Company's results of operations or financial condition.

Management Estimates in Revenues and Earnings

The Company makes numerous estimates as to its revenues and matching production and direct distribution expenses on a property-by-property basis. As a result of this accounting policy, earnings can widely fluctuate if Management has not accurately forecast the revenue potential of a production.

Financial Risks Resulting from the Company's Capital Requirements

The production, acquisition and distribution of films and television programs requires a significant amount of capital. The Company cannot provide assurance that it will be able to continue to successfully implement financing arrangements or that it will not be subject to substantial financial risks relating to the production, acquisition, completion, and release of future films and television programs. If the Company increases (through internal growth or acquisition) its production slate or its production budgets, it may be required to increase overhead, make larger up-front payments to talent, and consequently bear greater financial risks. The occurrence of any of the foregoing could have a material adverse effect on the Company's business, results of operations, or financial condition.

Government Incentive Programs

In addition to license fees from domestic and foreign broadcasters and financial contributions from co-producers, the Company finances a significant portion of its production budgets from federal and provincial governmental agencies and incentive programs, including the Canadian Television and Cable Production Fund, the provincial film equity investment programs, federal tax credits, and provincial tax credits. The tax credits are considered part of the Company's equity in any production for which they are used as financing. There can be no assurance that individual incentive programs available to the Company will not be reduced, amended, or eliminated or that the Company or any production will qualify for them, any of which may have an adverse effect on the Company's business, results of operations, or financial condition.

Changes in Regulatory Environment

At the present time, the film industry is subject to a regulatory environment. The Company's operations may be affected in varying degrees by future changes in the regulatory environment. Any change in the regulatory environment could have a material adverse effect on the Company's revenues and earnings.

Litigation

Governmental, legal, or arbitration proceedings may be brought or threatened against the Company in the future. Regardless of their merit, any such claims could be time consuming and expensive to evaluate and defend, divert Management's attention and focus away from the business, and subject the Company to potentially significant liabilities.

Exchange Rates

The returns to the Company from foreign exploitations of its properties are customarily paid in USD, and, as such, may be affected by fluctuations in the exchange rate of the USD. Currency exchange rates are determined by market factors beyond the control of the Company and may vary substantially during the course of a production period. In addition, the ability of the Company to repatriate to Canadian funds arising in connection with foreign exploitation of its properties may also be adversely affected by currency and exchange control regulations imposed by the country in which the production is exploited. At present, the Company is not aware of any existing currency or exchange control regulations in any country in which the Company currently contemplates exploiting its properties which would have an adverse effect on the Company's ability to repatriate such funds. Where appropriate, the Company will hedge its foreign exchange risk through the use of derivatives.

Any of these factors could have a material adverse effect on the Company's business, results of operations or financial condition.

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 www.sedarplus.ca.