

WildBrain Ltd.

Interim Condensed Consolidated Financial Statements
(unaudited)

September 30, 2023

(expressed in thousands of Canadian dollars)

November 7, 2023

Management's Responsibility for Financial Reporting

The accompanying interim condensed consolidated financial statements (unaudited) of WildBrain Ltd. (the "Company") are the responsibility of management and have been approved by the Board of Directors (the "Board"). The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the interim condensed consolidated financial statements (unaudited). The Board carries out this responsibility through its Audit Committee. The Audit Committee reviews the Company's interim condensed consolidated financial statements (unaudited) and recommends their approval by the Board.

The Audit Committee is appointed by the Board and all of its members are independent directors. It meets with Company's management and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the interim condensed consolidated financial statements (unaudited) to the Board for approval.

The interim condensed consolidated financial statements (unaudited) have been prepared by management in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board. When alternative methods of accounting exist, management has chosen those it deems most appropriate in the circumstances. The interim condensed consolidated financial statements (unaudited) include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the interim condensed consolidated financial statements (unaudited), management must make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

(signed) *"Josh Scherba"*

President and Chief Executive Officer
Toronto, Ontario

(signed) *"Aaron Ames"*

Chief Financial Officer
Toronto, Ontario

WildBrain Ltd.

Interim Condensed Consolidated Balance Sheets (unaudited)

As at September 30, 2023 and June 30, 2023

(expressed in thousands of Canadian dollars)

	September 30, 2023	June 30, 2023
	\$	\$
Assets		
Current assets		
Cash	54,167	80,348
Amounts receivable and derivative assets (note 5)	300,723	303,378
Prepaid expenses and other	9,407	7,624
Investment in film and television programs (note 6)	183,691	175,692
	547,988	567,042
Long-term amounts receivable (note 5)	54,435	57,711
Acquired and library content (note 7)	84,328	85,470
Property and equipment	32,300	34,237
Derivative assets	118	337
Intangible assets (note 4)	457,133	447,754
Goodwill (note 4)	27,539	21,435
	1,203,841	1,213,986
Liabilities		
Current liabilities		
Bank indebtedness (note 9)	12,000	7,000
Accounts payable, accrued and derivative liabilities (note 8)	171,222	171,464
Deferred revenue	55,126	75,549
Interim production financing (note 9)	81,802	86,891
Current portion of lease liabilities	8,827	9,132
Current portion of long-term debt (note 9)	138,162	3,773
	467,139	353,809
Long-term debt (note 9)	364,407	490,205
Long-term lease liabilities	21,485	22,917
Derivative liabilities (note 15)	158	339
Other long-term liabilities	10,844	14,444
Deferred income taxes (note 12)	7,718	6,949
	871,751	888,663
Shareholders' Equity		
Equity attributable to shareholders of the Company	74,285	76,041
Non-controlling interest	257,805	249,282
	332,090	325,323
	1,203,841	1,213,986

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

WildBrain Ltd.

Interim Condensed Consolidated Statements of (Loss) Income (unaudited)

For the three month periods ended September 30, 2023 and 2022

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

	Three months ended	
	September 30, 2023	September 30, 2022
	\$	\$
Revenues (note 19)	<u>105,506</u>	<u>126,652</u>
Expenses (note 14)		
Direct production costs and expense of film and television produced	53,713	71,375
Amortization of acquired and library content (note 7)	2,158	2,349
Amortization of property and equipment and intangible assets	6,265	6,274
Selling, general and administrative	24,589	25,728
Share-based compensation (note 11)	1,557	1,327
Finance costs, net (note 13)	13,727	8,803
Change in fair value of embedded derivatives	(262)	(6,034)
Foreign exchange loss	6,125	12,456
Reorganization, development and other expense (note 14)	4,992	1,568
	<u>112,864</u>	<u>123,846</u>
(Loss) Income before taxes	<u>(7,358)</u>	<u>2,806</u>
Provision for (recovery of) income taxes (note 12)		
Current	(1,143)	613
Deferred	1,484	(1,545)
	<u>341</u>	<u>(932)</u>
Net (loss) income for the period	<u>(7,699)</u>	<u>3,738</u>
Net income attributable to non-controlling interests	<u>7,816</u>	<u>11,310</u>
Net loss attributable to shareholders of the Company	<u>(15,515)</u>	<u>(7,572)</u>
Basic loss per common share (note 16)	<u>(0.08)</u>	<u>(0.04)</u>
Diluted loss per common share (note 16)	<u>(0.08)</u>	<u>(0.06)</u>

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

WildBrain Ltd.

Interim Condensed Consolidated Statements of Comprehensive Income (unaudited) For the three month periods ended September 30, 2023 and 2022

(expressed in thousands of Canadian dollars)

	Three months ended	
	September 30, 2023	September 30, 2022
	\$	\$
Net (loss) income for the period	(7,699)	3,738
Other comprehensive income		
Items that may be subsequently reclassified to the consolidated statements of (loss) income		
Foreign currency translation adjustment		
Attributable to non-controlling interests	5,336	15,596
Attributable to shareholders of the Company	5,178	7,707
	10,514	23,303
Comprehensive income for the period	2,815	27,041

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

WildBrain Ltd.**Interim Condensed Consolidated Statements of Changes in Equity (unaudited)
For the three month periods ended September 30, 2023 and 2022**

(expressed in thousands of Canadian dollars)

	Common shares	Contributed surplus	Accumulated other comprehensive loss	Deficit	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$
Balance - July 1, 2022	368,734	43,978	(22,500)	(310,784)	235,975	315,403
Net (loss) income for the period	—	—	—	(7,572)	11,310	3,738
Other comprehensive income for the period	—	—	7,707	—	15,596	23,303
Comprehensive income (loss) for the period	—	—	7,707	(7,572)	26,906	27,041
Common shares issued, net of issuance costs and deferred taxes	21	(48)	—	—	—	(27)
Share-based compensation	—	1,327	—	—	—	1,327
Distributions to non-controlling interests	—	—	—	—	(2,378)	(2,378)
Balance - September 30, 2022	368,755	45,257	(14,793)	(318,356)	260,503	341,366
Balance - July 1, 2023	405,612	42,542	(15,776)	(356,337)	249,282	325,323
Net (loss) income for the period	—	—	—	(15,515)	7,816	(7,699)
Other comprehensive income for the period	—	—	5,178	—	5,336	10,514
Comprehensive income (loss) for the period	—	—	5,178	(15,515)	13,152	2,815
Common shares issued, net of issuance costs and payroll taxes remitted	641	(1,277)	—	—	—	(636)
Common shares issued to settle business acquisition	7,660	—	—	—	—	7,660
Share-based compensation	—	1,557	—	—	—	1,557
Distributions to non-controlling interests	—	—	—	—	(4,629)	(4,629)
Balance - September 30, 2023	413,913	42,822	(10,598)	(371,852)	257,805	332,090

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

WildBrain Ltd.

Interim Condensed Consolidated Statements of Cash Flows (unaudited) For the three month periods ended September 30, 2023 and 2022

(expressed in thousands of Canadian dollars)

	September 30, 2023	September 30, 2022
Cash provided by (used in)	\$	\$
Operating activities		
Net (loss) income for the period	(7,699)	3,738
Charges (credits) not involving cash		
Amortization of property and equipment	3,106	2,709
Amortization of intangible assets	3,159	3,565
Amortization of acquired and library content	2,158	2,349
Accretion expense and amortization of deferred financing fees	2,137	3,477
Unrealized foreign exchange loss	11,349	24,322
Share-based compensation	1,557	1,327
Change in fair value of embedded derivatives	(262)	(6,034)
Change in fair value of interest rate swap and forward contract	2,561	(3,019)
Interest income	(1,100)	(1,303)
Interest expense	10,129	9,648
Deferred tax expense (recovery)	1,484	(1,545)
Net investment in film and television programs (note 18)	(8,882)	(5,255)
Net change in non-cash balances related to operations (note 18)	(22,660)	(57,303)
Cash used in operating activities	(2,963)	(23,324)
Financing activities		
Common shares issued, net of issuance costs and payroll taxes remitted	(636)	(27)
Distributions to non-controlling interests	(4,629)	(2,378)
Proceeds from bank indebtedness	5,000	12,305
Repayment of long-term debt	(963)	(977)
Interest paid on long-term debt and lease liabilities	(10,270)	(9,090)
Realized foreign exchange on long term debt repayment	12	(58)
Repayment of lease liabilities	(2,454)	(2,331)
(Repayment of) proceeds from interim production financing, net (note 18)	(5,089)	28,292
Cash (used in) provided by financing activities	(19,029)	25,736
Investing activities		
Business acquisition, net of cash acquired (note 4)	(3,533)	—
Acquisition of property and equipment	(126)	(240)
Acquisition of intangible assets	(408)	(1,696)
Cash used in investing activities	(4,067)	(1,936)
Effect of foreign exchange rate changes on cash	(122)	1,629
Net change in cash during the period	(26,181)	2,105
Cash - Beginning of the period	80,348	68,734
Cash - End of the period	54,167	70,839

Supplemental information (note 18)

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

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

1 Nature of business

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

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

2 Basis of preparation

These interim condensed consolidated financial statements (unaudited) were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"), applicable to the preparation of the International Accounting Standards ("IAS") 34, Interim Financial Reporting, and follow the same accounting policies as those used in the Company's most recent audited annual consolidated financial statements. These interim condensed consolidated financial statements (unaudited) do not include all the disclosures included in the Company's audited annual consolidated financial statements. Accordingly, these interim condensed consolidated financial statements (unaudited) should be read in conjunction with the audited annual consolidated financial statements.

These interim condensed consolidated financial statements (unaudited) have been authorized for issuance by the Board of Directors on November 7, 2023.

3 Summary of material accounting policies, judgments and estimation uncertainty

The preparation of interim condensed consolidated financial statements (unaudited) under IFRS requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgments are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable. Actual results may differ materially from these estimates.

New Accounting Standards

The following amendments to standards and interpretations became effective for the annual periods beginning on or after January 1, 2023. The application of these amendments and interpretations had no significant impact on the Company's interim condensed consolidated financial statements (unaudited).

i) Disclosure of Accounting Policies (Amendments to IAS 1)

The amendments to IAS 1 require an entity to disclose its material accounting policies instead of its significant accounting policies. The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements.

ii) Definition of Accounting Estimates (Amendments to IAS 8)

The amendments to IAS 8 provide guidance to assist entities in distinguishing between accounting policies and accounting estimates. The amendments replace the definition of a change in accounting estimates with the definition of accounting estimates. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify that a change in

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

accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

iii) Deferred Tax on Assets and Liabilities Arising from Lease and Decommissioning Obligation Transactions (Amendments to IAS 12)

The amendments to IAS 12 provide clarifications in accounting for deferred tax on certain transactions such as leases and decommissioning obligations. The amendments clarify that the initial recognition exemption does not apply to transactions such as leases and decommissioning obligations. As a result, entities may need to recognize both a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of leases and decommissioning obligations.

4 Business Combination

a) Acquisition of business

On July 19, 2023, the Company acquired 100% of the outstanding shares of House of Cool ("HOC"), a privately held pre-production company. In accordance with IFRS 3, the substance of this acquisition constituted a business combination as the group of assets acquired, along with the processes and outputs, were determined to have met the definition of a business under the standard. Accordingly, the assets acquired, have been recorded at their respective estimated fair values as of the acquisition date.

The Company financed the transaction through the issuance of 4,479,406 WildBrain Ltd. shares (the "Share Consideration") and \$5,195 in cash (subject to a customary working capital adjustment). Additionally, the Company is required to repay the seller for certain tax credits relating to in process productions as at the date of acquisition and completed productions which have yet to receive their final tax credit. \$6,000 has been recorded as a liability to the seller based on the estimated value of tax credits on acquisition.

Recognized goodwill is attributable to HOC's assembled workforce combined with its considerable expertise, product development knowledge and skills, and synergies by integrating its operations with the Company's existing production processes. No portion of goodwill is deductible for tax purposes.

Due to the timing of the acquisition and the ongoing collection of data necessary to value the acquired assets and liabilities, the identifiable assets acquired and liabilities assumed have been determined provisionally and the purchase price allocation has not yet been finalized. This includes working capital balances and acquired customer lists and brand name. Changes in the assumptions used in the valuation of these assets may affect the fair value resulting in a reallocation of purchase price to or from the amount recognized for goodwill. Any changes in these amounts will also result in a change in the relevant deferred tax liabilities recognized on the intangibles. The Company expects to finalize its purchase price allocation by the third quarter of fiscal 2024. Further to this, the Company has estimated the amount of tax credits to be paid to the seller for in process productions as at the date of acquisition and completed productions which have yet to receive their final tax credit. This amount is subject to change upon final determination of eligible expenses and tax credits as at the date of acquisition.

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

The preliminary fair value of consideration transferred for the acquisition of HOC consists of the following:

	<u>July 19, 2023</u>
	Purchase price
	\$
Consideration paid in cash	5,195
Consideration paid in common shares	7,660
Consideration for outstanding tax credits receivable	6,000
Total Consideration	<u>18,855</u>

During the three-month period ended September 30, 2023, the company recorded the following preliminary purchase price allocation for the acquired assets and liabilities:

	<u>July 19, 2023</u>
	Preliminary amounts
	\$
Current assets	
Cash	1,662
Amounts receivable ⁽¹⁾	14,941
Prepaid expenses and other	63
Investment in film and television programs	633
	<u>17,299</u>
Non-current assets	
Property and equipment	402
Intangible assets	5,000
Goodwill	5,609
	<u>11,011</u>
Current liabilities	
Accounts payable	(8,040)
Current portion of lease liabilities	(90)
	<u>(8,130)</u>
Non-current liabilities	
Deferred tax liability	(1,325)
	<u>(1,325)</u>
Total net assets acquired	<u>18,855</u>

⁽¹⁾ Amounts receivable include outstanding tax credits receivable of \$6,000.

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

5 Amounts receivable and derivative assets

	September 30, 2023	June 30, 2023
	\$	\$
Trade receivables	222,037	227,371
Less: ECL allowance on trade receivables	(6,739)	(8,935)
Trade receivables, net of loss allowance	215,298	218,436
Interest rate swap ⁽¹⁾	7,440	9,385
Sales tax receivable	1,676	1,113
Federal and provincial film tax credits and other government assistance	76,309	74,444
Short-term amounts receivable	300,723	303,378
Long-term amounts receivable	54,435	57,711
Total amounts receivable	355,158	361,089

⁽¹⁾ During the fourth quarter of fiscal 2021, the Company entered into a 3-year term interest rate swap maturing on June 28, 2024, which secures US\$165,000 of Term Facility from an interest rate of SOFR plus 4.25% to a fixed interest rate of 5.24% (note 15(b)).

The aging of trade receivables is as follows:

	September 30, 2023	June 30, 2023
	\$	\$
Less than 60 days	191,524	180,117
Between 60 and 90 days	2,034	6,836
Over 90 days	28,479	40,418
	222,037	227,371

A continuity of ECL allowance on trade receivables as follows:

	September 30, 2023	June 30, 2023
	\$	\$
Opening balance	8,935	10,435
Loss allowance on trade receivables	192	658
Write-offs during the year, net of recoveries	(2,362)	(2,473)
Foreign exchange	(26)	315
Ending balance	6,739	8,935

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

6 Investment in film and television programs

	September 30, 2023 \$	June 30, 2023 \$
Development costs	6,016	5,971
Productions in progress		
Cost, net of government and third party assistance	40,045	47,741
Productions completed and released		
Cost, net of government and third party assistance	858,485	831,829
Accumulated expense	(678,988)	(668,262)
Accumulated write-down of investment in film and television programs	(60,357)	(60,357)
	119,140	103,210
Program and film rights - broadcasting⁽¹⁾		
Cost	184,386	182,631
Accumulated expense	(160,159)	(158,124)
Accumulated write-down of program and film rights	(5,737)	(5,737)
	18,490	18,770
	183,691	175,692

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

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

	September 30, 2023 \$	June 30, 2023 \$
Net opening investment in film and television programs	175,692	163,563
Increase in development costs	45	1,099
Cost of productions (completed and released and productions in progress), net of assistance	20,477	112,832
Expense of investment in film and television programs	(10,726)	(100,242)
Write-down of investment in film and television programs	—	(6,568)
Increase of program and film rights - broadcasting	1,755	7,080
Expense of program and film rights - broadcasting	(2,035)	(8,696)
Foreign exchange	(1,517)	6,624
	183,691	175,692

During the three-month period ended September 30, 2023, interest of \$2,559 (September 30, 2022 - \$1,515) was capitalized to investment in film and television programs.

During the three-month period ended September 30, 2023, additions to investment in film and television programs were reduced by \$3,000 (September 30, 2022 - \$21,000) in respect of production tax credits.

During the three-month period ended September 30, 2023, the Company recorded \$nil write-down of investments in film and television programs (June 30, 2023 - \$6,568).

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

7 Acquired and library content

	September 30, 2023	June 30, 2023
	\$	\$
Net opening acquired and library content	85,470	92,732
Additions	—	1,841
Write-down of acquired and library content	—	(1,827)
Amortization	(2,158)	(9,701)
Foreign exchange	1,016	2,425
Net closing acquired and library content	<u>84,328</u>	<u>85,470</u>

8 Accounts payable, accrued and derivative liabilities

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

	September 30, 2023	June 30, 2023
	\$	\$
Accounts payable and accrued liabilities	171,144	161,849
Derivative liabilities (note 15)	78	—
	<u>171,222</u>	<u>161,849</u>

9 Credit facilities

	September 30, 2023	June 30, 2023
	\$	\$
Bank indebtedness (note 9b)	12,000	7,000
Interim production financing (note 9c)	81,802	86,891
Term Facility, net of unamortized issue costs of \$7,465 (June 30, 2023 - \$7,849) (note 9d)	368,260	360,976
Convertible Debentures, net of unamortized issue costs and conversion option of \$5,691 (June 30, 2023 - \$6,998) (note 9e)	134,309	133,002
Total	<u>596,371</u>	<u>587,869</u>
Amount due within 12 months	(231,964)	(97,664)
Amount due beyond 12 months	<u>364,407</u>	<u>490,205</u>

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

LIBOR was discontinued at the end of calendar year 2021. As part of the refinancing of the Term facility and Bank Indebtedness ("Revolving Facility") in March 2021, alternative replacement rates for LIBOR were included in the agreement based on the secured overnight financing rate ("SOFR"), which is a benchmark interest rate for dollar denominated loans. The new SOFR benchmark rate replaces the discontinued LIBOR rate for the Revolving Facility.

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

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Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

b) Bank indebtedness

On October 21, 2022, the Company amended its credit agreement to increase its Revolving Facility from US\$30,000 to US\$40,000, with an interest rate of SOFR plus 4%, based on the applicable form of borrowing. The Revolving Facility does not carry a financial maintenance covenant, except when amounts are drawn and outstanding. The Revolving Facility matures on the earlier of March 26, 2026 or three months prior to the maturity of the Company's convertible debentures dated September 30, 2024, except where converted. As at September 30, 2023, \$12,000 (September 30, 2022 - \$7,000) was drawn on the Revolving Facility.

Under the Revolving Facility, when amounts are drawn and outstanding at the end of any fiscal quarter, the Company is required to comply with a leverage covenant of 6.25x. As at September 30, 2023, the Company's Total Net Leverage Ratio was 4.61x.

c) Interim production financing

	September 30, 2023	June 30, 2023
	\$	\$
Interim production credit facilities	<u>81,802</u>	<u>86,891</u>

The Company has interim production credit facilities with various financial institutions and other entities, bearing interest at bank prime plus 0.50% - 0.75%, SOFR plus 3.25% or base rate of 3.75% plus 0.75%. Assignment and direction of specific production financing, licensing contracts receivable and film tax credits receivable have been pledged as security. As at September 30, 2023, the Canadian dollar bank prime rate was 6.95% (June 30, 2023 - 3.70%).

d) Term facility

On March 26, 2021, the Company completed the refinancing of its term facility with a seven-year US\$285,000 senior secured term loan facility (the "Term Loan") maturing March 26, 2028. The term facility has no financial maintenance covenant and bears interest at a rate of SOFR plus 4.25%. Commencing on the fiscal quarter ending June 30, 2021, the Term Loan requires quarterly repayment equal to 0.25% of the initial principal amount. As at September 30, 2023, the Company's Term Loan had a principal balance of US\$277,875, or \$375,725 (September 30, 2022 - US\$280,725 or \$384,777).

During the fourth quarter of fiscal 2021, the Company entered into an interest rate swap agreement to secure US\$165,000 of total term facility from an interest rate of LIBOR plus 4.25% to a fixed interest rate of 5.24% (note 15(b)). The Company amended the benchmark rate from LIBOR to SOFR during the first quarter of fiscal 2023. Changes in the estimated fair value of the interest rate swap are recorded through the Company's interim condensed consolidated statement of (loss) income (unaudited). During the three-month period ended September 30, 2023, the change in the estimated fair value of the interest rate swap resulted in a loss of \$1,945 (September 30, 2022 - gain of \$540).

The Term Loan also requires annual repayments equal to 50% of excess cash flow (the "Excess Cash Flow Payments") (as defined in the Senior Secured Credit Agreement), commencing for the fiscal year-ended June 30, 2022, while the first lien net leverage ratio ("First Lien Leverage Ratio"), as defined in the Senior Secured Credit Agreement, is greater than 3.50 times, reducing to 25% of Excess Cash Flow while First Lien Net Leverage Ratio is at or below 3.50 times and greater than 3.00 times, with the remaining balance due on March 26, 2028. No payments were required under the Excess Cash Flow Payments calculation for the year ended June 30, 2023.

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Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

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

As at September 30, 2023, the Convertible Debentures had a principal balance of \$140,000 (June 30, 2023 - \$140,000), bearing interest at a fixed annual rate of 5.875% and paid semi-annually on March 31 and September 30 of each year. The Convertible Debentures are convertible into Common Voting Shares or Variable Voting Shares of the Company at a price of \$7.729 per share, subject to certain customary adjustments. The Convertible Debentures mature on September 30, 2024 and have been included in the current portion of long-term debt on the interim condensed consolidated balance sheet (unaudited).

The Convertible Debentures have a cash conversion option whereby the Company can elect to make a cash payment in lieu of issuing Common Voting Shares or Variable Voting Shares upon exercise of the conversion option feature by the holder of the Convertible Debentures. As a result, the Convertible Debentures were deemed to have no equity component at initial recognition and the estimated fair value of the embedded derivatives is recorded as a financial liability and included with the debt component on the Company's interim condensed consolidated balance sheet (unaudited). Changes in the estimated fair value of the embedded derivatives are recorded through the Company's interim condensed consolidated statement of (loss) income (unaudited).

During the three-month period ended September 30, 2023, the Company recorded a gain of \$262, as a change in fair value of the embedded derivative (September 30, 2022 - a gain of \$508), and the estimated fair value of the embedded derivative as at September 30, 2023 was \$78 (June 30, 2023 - \$340).

f) Exchangeable debentures

On June 24, 2023, at the maturity date, the Company settled US\$18,497 or \$23,835 in outstanding Exchangeable Debentures. The Company exercised its right to satisfy its obligation to pay all of the outstanding principal and accrued and unpaid interest in respect of the Exchangeable Debentures to Fine Capital Partners, L.P., a related party of the Company, by delivering 19,977,277 variable voting shares, from Treasury, in lieu of cash.

During the three-month period ended September 30, 2023, no change in fair value was recorded for the embedded derivative (September 30, 2022 - a gain of \$5,526).

10 Share capital

	September 30, 2023		June 30, 2023	
	Number	Amount	Number	Amount
	#	\$	#	\$
Preferred variable voting shares				
Opening balance	500,000,000	—	500,000,000	—
Ending balance	500,000,000	—	500,000,000	—
Common shares				
Opening balance	173,108,668	368,734	171,855,961	367,359
Shares sold held in trust, net	—	—	138,190	142
Options exercised	—	—	325,000	498
Employee share purchase plan	—	—	36,087	108
RSU settled	204,506	—	753,430	627
DSU settled	688,346	641	—	—
Shares for business acquisition	4,479,406	7,660	—	—
Ending balance	205,366,487	377,035	173,108,668	368,734

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

Preferred Variable Voting Shares ("PVVS")

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

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

Common shares

The common shares of the Company are inclusive of Common Voting Shares, Variable Voting Shares and Non-Voting Shares. As at September 30, 2023, the Company had 25,182,987 Common Voting Shares and 180,183,500 Variable Voting Shares issued and outstanding (June 30, 2023 - 28,995,711 and 170,998,518, respectively).

Share trust

The Company established a share trust to purchase and hold common shares of the Company to satisfy certain employee and director share-based compensation awards, including restricted share units and deferred share units. During the fourth quarter of fiscal 2023, all the director share units in the employee share trust were sold and part of the Trust was closed. Only the employee share units are held in the trust as at September 30, 2023.

11 Share-based compensation

Omnibus equity incentive plan ("Omnibus Plan")

On December 17, 2019, the shareholders of the Company approved the adoption of the Omnibus Plan, a single umbrella plan that provides flexibility to the Company to grant equity-based incentive awards in the form of stock options, restricted share units and performance share units. On December 16, 2021, the shareholders of the Company approved an amended and restated Omnibus Plan which includes deferred share units as an additional form of equity-based incentive awards issuable under the Omnibus Plan and increases the maximum number of equity-awards issuable under the Omnibus Plan from 8.5% of the Company's total issued and outstanding Common and Variable Voting Shares to 10%. As at September 30, 2023, the total amount available for issuance under the Omnibus Plan subject to the 10% maximum was 20,232,296 (September 30, 2022 - at 10% - 14,619,215).

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Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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Options

As at September 30, 2023 and 2022, the Company had the following stock options outstanding:

	Number of options #	Weighted average exercise price per stock option \$
Outstanding at June 30, 2022	4,308,800	3.96
Forfeited	(367,500)	8.40
Outstanding at September 30, 2022	<u>3,941,300</u>	<u>3.55</u>
Exercisable at September 30, 2022	<u>3,711,425</u>	<u>4.33</u>
Outstanding at June 30, 2023	<u>3,517,800</u>	<u>3.52</u>
Outstanding at September 30, 2023	<u>3,517,800</u>	<u>3.52</u>
Exercisable at September 30, 2023	<u>3,517,800</u>	<u>3.52</u>

During the three-month period ended September 30, 2023, the Company recognized share-based compensation expense of \$nil, for the vesting of options, net of forfeitures (September 30, 2022 - expense \$39), with a corresponding adjustment to contributed surplus.

The range of exercise prices for options outstanding at September 30, 2023 and 2022, is presented below.

Range of exercise prices	Number outstanding at September 30, 2023 #	Weighted average remaining contractual life years	Weighted average exercise price \$	Number outstanding at September 30, 2022 #	Weighted average exercise price \$
\$1.50 - \$3.49	2,041,000	2.31	1.60	2,314,500	1.65
\$3.50 - \$5.49	100,000	1.25	5.47	100,000	5.47
\$5.50 - \$7.49	1,376,800	0.68	6.21	1,501,800	6.27
\$7.50 - \$9.49	—	—	—	25,000	8.03
Total	<u>3,517,800</u>	<u>1.64</u>	<u>3.52</u>	<u>3,941,300</u>	<u>3.55</u>

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Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

Performance share unit plan ("PSUs")

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

	Three months ended	
	September 30, 2023	September 30, 2022
	PSU #	PSU #
Outstanding, beginning of period	1,850,968	2,737,467
Granted	696,695	—
Outstanding, end of period	2,547,663	2,737,467

During the three-month period ended September 30, 2023, the Company recognized share-based compensation income of \$392 (September 30, 2022 - expense of \$73) with a corresponding adjustment to contributed surplus.

Restricted share unit plan ("RSUs")

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

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

	Three months ended	
	September 30, 2023	September 30, 2022
	RSU #	RSU #
Outstanding, beginning of period	2,483,778	4,691,764
Granted	784,097	—
Forfeited	(75,128)	(35,623)
Exercised	(1,680)	—
Outstanding, end of period	3,191,067	4,656,141

During the three-month period ended September 30, 2023, the Company recognized share-based compensation expense of \$955 (September 30, 2022 - expense of \$1,059) with a corresponding adjustment to contributed surplus.

Deferred share unit plan ("DSUs")

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

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Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

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

	Three months ended	
	September 30, 2023	September 30, 2022
	DSU	DSU
	#	#
Outstanding, beginning of period	3,245,260	2,582,342
Granted	567,472	42,721
Redeemed	(688,346)	—
Outstanding, end of period	3,124,386	2,625,063

During the three-month period ended September 30, 2023, the Company recognized share-based compensation expense of \$994 (September 30, 2022 - expense of \$105) with a corresponding adjustment to contributed surplus, and included \$130 for services rendered but DSUs not yet granted.

Long-term incentives plan ("LTIP")

The LTIP is a long-term employee retention program whereby common shares of the Company are issued to certain eligible employees. These common shares are purchased in the open market and cannot be issued from treasury. During the three-month period ended September 30, 2023, the Company recognized share-based compensation income of \$nil (September 30, 2022 - expense of \$5) with a corresponding adjustment to contributed surplus.

Employee stock purchase plan

During the three-month period ended September 30, 2023, the Company recognized share-based compensation expense of \$nil (September 30, 2022 - expense of \$3) with a corresponding adjustment to contributed surplus. During the second quarter of fiscal 2023, the Company cancelled the Employee stock purchase plan and no further contributions and purchases occurred after December 31, 2022.

12 Income taxes

For the three-month period ended September 30, 2023, the Company recorded income tax expense of \$341 (September 30, 2022 - recovery of \$932). The income tax (recovery) expense in each period reflects the mix of taxing jurisdictions in which pre-tax income and losses were recognized. The income attributable to non-controlling interests is taxed outside the Company. Further items impacting the effective tax rate include the different statutory tax rates in the taxing jurisdictions, non-deductible items, the utilization of certain unrecognized tax losses and the continued nonrecognition of certain deferred tax assets in Canada.

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Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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13 Finance costs, net

Net finance costs comprise the following:

	Three months ended	
	September 30, 2023	September 30, 2022
	\$	\$
Finance costs		
Change in fair value of interest rate swap and forward contract	2,561	(3,019)
Interest income	(1,100)	(1,303)
Interest expense on bank indebtedness	407	314
Interest on long-term debt	9,000	8,703
Interest on completed and released productions	722	631
Amortization of deferred financing fees	606	662
Accretion on convertible debentures, exchangeable debentures, lease liabilities and other	1,531	2,815
	13,727	8,803

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

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

14 Expenses by nature and employee benefit expense

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

	Three months ended	
	September 30, 2023	September 30, 2022
	\$	\$
Direct production and new media costs	40,952	50,687
Expense of film and television programs	10,726	18,448
Expense of film and broadcast rights for broadcasting	2,035	2,240
Amortization of property and equipment and intangible assets	6,265	6,274
Amortization of acquired and library content	2,158	2,349
Office and administrative	3,008	4,883
Investor relations and marketing	665	1,242
Professional and regulatory	2,003	2,482
Reorganization, development and other expenses, excluding employee benefits	2,820	461
Finance costs, net	13,727	8,803
Change in fair value of embedded derivatives	(262)	(6,034)
Foreign exchange	6,125	12,456
	<u>90,222</u>	<u>104,291</u>
Employee benefits expense:		
Salaries and employee benefits	18,913	17,121
Share-based compensation (note 11)	1,557	1,327
Termination and other benefits	2,172	1,107
	<u>22,642</u>	<u>19,555</u>
	<u>112,864</u>	<u>123,846</u>

The following sets out the expenses included in reorganization, development and other expenses:

	Three months ended	
	September 30, 2023	September 30, 2022
	\$	\$
System implementation costs	1,735	—
Development write-off	576	—
Relocation costs	—	257
Other	509	204
	<u>2,820</u>	<u>461</u>

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Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

15 Management of financial risks and financial instruments

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

a) Credit risk

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

The maximum exposure to credit risk for cash and trade receivables (excluding government, film tax credit, and interest rate swap receivables) approximates the amounts recorded on the interim condensed consolidated balance sheets (unaudited) of \$330,639 (June 30, 2023 - \$365,430). The Company manages credit risk on cash and cash equivalents by ensuring that the counterparties are banks, governments and government agencies with high credit ratings.

The balance of trade amounts receivable is mainly with Canadian broadcasters and large international distribution companies. Management manages credit risk by performing a credit assessment on new customers and regularly reviewing aged accounts receivable. To determine the loss allowance for trade receivables, management assessed the lifetime estimated credit loss of customers by categorizing these customers into different risk profile groups and applying provision percentages based on historical loss rates and management's experience and judgment. The loss allowance for trade receivables represents approximately 3.0% (June 30, 2023 - 3.9%) of current trade receivables, which management believes is adequate. Further, long-term receivable arrangements are only granted to large international linear and digital broadcasting companies with good payment history.

b) Interest rate risk

The Company's interest rate risk primarily relates to its interim production financing, Revolving Facility, Term Facility, and cash which are subject to interest rate benchmarks that fluctuate such as prime rate, SOFR rate, bankers' acceptance rates and other applicable interest rate benchmarks.

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

An increase of 100 basis points in interest rates during the year ended September 30, 2023 would have decreased pre-tax net income by \$5,889 (September 30, 2022 - \$6,528).

c) Liquidity risk

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

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

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

	Total	Less than	1 to 3	3 to 5	After 5
	\$	1 year	years	years	years
		\$	\$	\$	\$
Bank indebtedness	12,000	12,000	—	—	—
Accounts payable and accrued liabilities	171,144	171,144	—	—	—
Interim production financing	81,802	81,802	—	—	—
Other long-term liabilities	11,530	—	11,530	—	—
Senior unsecured convertible Debentures	148,225	148,225	—	—	—
Term facility	449,803	19,758	39,025	391,020	—
Finance lease obligations	26,705	9,981	12,875	2,684	1,165
	901,209	442,910	63,430	393,704	1,165

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

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

As at September 30, 2023, the Company had an unrestricted cash balance of \$54,167 and current amounts receivable of \$300,723. Based on the Company's cash balances and available credit facilities, expected collection of trade and other receivables and forecast operating results, management believes it will be able to fulfill its financial obligations as they become due.

d) Currency risk

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

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Fair value of financial instruments

Financial instruments recorded at fair value on the interim condensed consolidated balance sheet (unaudited) are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

A financial instrument is classified to the lowest of the hierarchy for which a significant input has been considered in measuring fair value.

Fair value estimates are made at a specific point in time based on relevant market information. These are estimates and involve uncertainties, and matters of significant judgment and cannot be determined with precision. Changes in assumptions and estimates could significantly affect fair values.

Financial assets and (liabilities) measured at fair value

	As at			
	September 30, 2023		June 30, 2023	
	Fair value hierarchy	Fair value ⁽¹⁾	Fair value hierarchy	Fair value ⁽¹⁾
		\$		\$
Embedded derivatives ⁽²⁾	Level 2	(78)	Level 2	(340)
Foreign currency forwards ⁽³⁾	Level 2	118	Level 2	154
Foreign currency forwards ⁽³⁾	Level 2	(158)	Level 2	183
Interest rate swap ⁽⁴⁾	Level 2	7,440	Level 2	9,385

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

⁽²⁾ Embedded derivatives at September 30, 2023 include convertible debentures (September 30, 2022 - convertible debentures and exchangeable debentures), measured using valuation models. This is classified under Accounts payable, accrued and derivative liabilities in the interim condensed consolidated balance sheet (unaudited) as the maturity date is within the next 12 months.

⁽³⁾ The fair value of foreign currency contracts is determined using prevailing exchange rates. These are classified as Derivative assets and Derivative liabilities, respectively, in the interim condensed consolidated balance sheet (unaudited).

⁽⁴⁾ Includes a 3-year term interest rate swap agreement, maturing on June 28, 2024, entered to secure US\$165,000 of total Term Facility at an interest rate of 5.24%. The fair value is determined using the prevailing interest rates. This is classified under Amounts receivable and derivative assets in the interim condensed consolidated balance sheet (unaudited) as the maturity date is within the next 12 months.

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As at September 30, 2023, the Company held forward contract options with the following notional value and average contractual exchange rates:

US\$ exchange for GBP

Less than one year	US\$1,533 to US\$2,296
Weighted average rate	1.2758

US\$ exchange for Canadian dollars

Less than one year	US\$6,109 to US\$9,163
Weighted average rate	1.3533

Chinese Yuan ("RMB") exchange for Canadian dollars

Less than one year	\$269 to \$280
Weighted average rate	5.2000

Japanese Yen ("Yen") exchange for US\$

Less than one year	US\$1,819 to US\$2,504
Weighted average rate	141.7333

The Company does not apply hedge accounting and the forward contract options are measured at fair value at each reporting date. The estimated fair value as at September 30, 2023, was an asset of \$118 and a liability of \$158 (June 30, 2023 - asset of \$337), which have been included in derivative assets and derivative liabilities, respectively, in the interim condensed consolidated balance sheet (unaudited).

Financial assets and liabilities not measured at fair value

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

	As at					
	September 30, 2023			June 30, 2023		
	Fair value hierarchy	Fair value liability	Carrying value	Fair value hierarchy	Fair value liability	Carrying value
		\$	\$		\$	\$
Convertible Debentures ⁽¹⁾	Level 1	129,500	134,309	Level 1	132,286	133,002

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

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Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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16 Earnings or loss per common share

a) Basic

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

	Three months ended	
	September 30, 2023	September 30, 2022
	\$	\$
Net loss attributable to shareholders of the Company	(15,515)	(7,572)
Weighted average number of common shares outstanding (in 000's)	<u>204,323</u>	<u>173,113</u>
Basic loss per common share	<u>(0.08)</u>	<u>(0.04)</u>

b) Diluted

During the three-month period ended September 30, 2023, the diluted weighted average number of common shares outstanding was the same as the basic weighted average number of common shares outstanding, as the Company had a net loss and the exercise of any potentially dilutive instruments would be anti-dilutive (September 30, 2022 - the weighted average number of potentially dilutive instruments was 17,241,239).

	Three months ended	
	September 30, 2023	September 30, 2022
	\$	\$
Net loss attributable to shareholders of the Company	(15,515)	(7,572)
Dilutive effect of exchangeable debentures	<u>—</u>	<u>(3,039)</u>
Adjusted net loss attributable to shareholders of the Company	<u>(15,515)</u>	<u>(10,611)</u>
Weighted average number of common shares (in 000's)	<u>204,323</u>	<u>173,113</u>
Dilutive effect of exchangeable debentures (in 000's)	<u>—</u>	<u>17,241</u>
Weighted average number of diluted shares outstanding (in 000's)	<u>204,323</u>	<u>190,354</u>
Diluted loss per common share	<u>(0.08)</u>	<u>(0.06)</u>

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Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

17 Capital disclosures

The Company's objectives when managing capital are to provide an adequate return to shareholders, safeguard its assets, maintain a competitive cost structure and continue as a going concern in order to pursue the development, production, distribution and licensing of its film and television properties and broadcast operations. The balance of the Company's cash is being used to maximize ongoing development and reduce leverage.

The Company's capital structure is summarized in the table below:

	September 30, 2023	June 30, 2023
	\$	\$
Total bank indebtedness and long-term debt, excluding interim production financing	514,569	513,226
Less: Cash and restricted cash	(54,167)	(68,734)
Net debt	460,402	444,492
Total shareholders' equity	332,090	315,403
	792,492	759,895

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

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18 Interim Condensed Consolidated statement of cash flows (unaudited) - supplementary information

Net change in non-cash balances related to operations

	September 30, 2023	September 30, 2022
	\$	\$
Amounts receivable	15,854	(48,338)
Prepaid expenses and other	(1,720)	947
Long-term amounts receivable	3,276	(11,037)
Accounts payable and accrued liabilities	(19,647)	(11,146)
Deferred revenue	(20,423)	12,271
	<u>(22,660)</u>	<u>(57,303)</u>

Net change in film and television programs

	September 30, 2023	September 30, 2022
	\$	\$
Development	(45)	(1,968)
Productions in progress	7,696	20,315
Productions completed and released	(28,173)	(40,150)
Film and television programs	10,726	18,448
Program and film rights - broadcasting	(1,755)	(4,140)
Film and broadcast rights - broadcasting	2,035	2,240
	<u>(9,516)</u>	<u>(5,255)</u>

Net change in interim production financing

	September 30, 2023	September 30, 2022
	\$	\$
Proceeds from interim production financing	22,258	36,956
Repayment of interim production financing	(27,347)	(8,664)
	<u>(5,089)</u>	<u>28,292</u>

Supplemental cash flow information

	September 30, 2023	September 30, 2022
	\$	\$
Taxes paid	(436)	(175)
Taxes refunded	332	88
	<u>(104)</u>	<u>(87)</u>

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Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

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

	Term facility	Senior unsecured convertible debentures	Lease liabilities	Total
	\$	\$	\$	\$
Balance - June 30, 2023	360,976	133,002	32,049	526,027
Repayments and settlements	(963)	—	(2,453)	(3,416)
Payment of debt issue costs	—	—	—	—
Total financing cash flow activities	(963)	—	(2,453)	(3,416)
Amortization of deferred financing costs	383	222	—	605
Lease liabilities additions	—	—	715	715
Interest paid on lease liabilities	—	—	(446)	(446)
Accretion expense	—	1,085	446	1,531
Foreign exchange	7,864	—	1	7,865
Total other activities	8,247	1,307	716	10,270
Balance - September 30, 2023	368,260	134,309	30,312	532,881

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

19 Revenues and segmented information

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

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

	Three months ended September 30, 2023		
	Content	Television	Consolidated
	\$	\$	\$
Revenues	96,705	8,801	105,506
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	70,891	4,876	75,767
Segment profit	25,814	3,925	29,739
Corporate selling, general and administrative			4,092
Amortization of property and equipment and intangible assets			6,265
Amortization of acquired and library content			2,158
Finance costs, net			13,727
Change in fair value of embedded derivatives			(262)
Foreign exchange loss			6,125
Reorganization, development and other expenses			4,992
Loss before income taxes			(7,358)

WildBrain Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the periods ended September 30, 2023 and 2022

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

The following table presents the Company's disaggregated revenues recognized from contracts with customers:

	Three months ended	
	September 30, 2023	September 30, 2022
	\$	\$
Content		
Content creation and audience engagement ⁽¹⁾	47,249	64,378
Global licensing	49,456	52,101
	<u>96,705</u>	<u>116,479</u>
Television		
Canadian Television Broadcasting	8,801	10,173
	<u>105,506</u>	<u>126,652</u>

⁽¹⁾ During the first quarter of fiscal 2024, the Company integrated WildBrain Spark into Content creation and audience engagement to better align the nature of this revenue with other similar revenue streams within the same category. For the transition period of fiscal 2024, the Company will provide legacy WildBrain Spark revenue for comparable results. Legacy WildBrain Spark revenue for the three-month period ended September 30, 2023 was \$11,142 (September 30, 2022 - \$11,617).

20 Commitments and contingencies

As at September 30, 2023, the Company has entered into various contracts to buy broadcast rights with future commitments totaling \$3,057.

The Company is, from time-to-time, involved in various claims, legal proceedings and complaints arising in the normal course of business and as such, provisions have been recorded where appropriate. Management does not believe that the final determination of these claims will have a material adverse effect on the financial position or results of operations of the Company.