

WildBrain Ltd.

Unaudited Interim Condensed Consolidated
Financial Statements

March 31, 2022

(expressed in thousands of Canadian dollars)

May 5, 2022

Management's Responsibility for Financial Reporting

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

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

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

(signed) *"Eric Ellenbogen"*
Chief Executive Officer
New York, New York

(signed) *"Aaron Ames"*
Chief Financial Officer
Toronto, Ontario

WildBrain Ltd.

Unaudited Interim Condensed Consolidated Balance Sheets As at March 31, 2022 and June 30, 2021

(expressed in thousands of Canadian dollars)

	March 31, 2022	June 30, 2021
	\$	\$
Assets		
Current assets		
Cash	60,560	78,431
Restricted cash	11,259	13,626
Amounts receivable (note 5)	239,274	195,240
Prepaid expenses and other	6,677	6,184
Investment in film and television programs (note 6)	150,302	147,783
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Long-term amounts receivable (note 5)	82,723	51,997
Acquired and library content (note 7)	93,017	100,653
Property and equipment	40,751	47,229
Intangible assets (note 4)	442,106	433,595
Goodwill	53,344	53,164
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	1,180,013	1,127,902
Liabilities		
Current liabilities		
Bank indebtedness (note 8)	4,499	—
Accounts payable and accrued liabilities	148,565	130,299
Deferred revenue	54,448	42,004
Interim production financing (note 8)	70,151	65,403
Current portion of lease liabilities	10,310	9,428
Current portion of long-term debt (note 8)	3,561	3,532
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Long-term debt (note 8)	291,534	250,666
Long-term lease liabilities	486,989	478,862
Derivative liabilities (note 14)	26,962	34,407
Other long-term liabilities	34,136	34,158
Deferred income taxes	23,077	16,568
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	11,954	10,328
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	874,652	824,989
Shareholders' Equity		
Equity attributable to shareholders of the Company	71,772	68,588
Non-controlling interest	233,589	234,325
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	305,361	302,913
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	1,180,013	1,127,902

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

WildBrain Ltd.

Unaudited Interim Condensed Consolidated Statements of Income (Loss)

For the three and nine month periods ended March 31, 2022 and 2021

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

	Three months ended		Nine months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
	\$	\$	\$	\$
Revenues (note 18)	129,458	102,198	395,218	339,922
Other income from litigation settlement	—	—	—	4,372
Expenses (note 13)				
Direct production costs and expense of film and television produced	65,776	58,264	216,356	190,973
Amortization of acquired and library content (note 7)	2,562	2,851	7,677	8,311
Amortization of property and equipment and intangible assets	5,848	6,002	18,744	17,191
Write-down of investment in film and television programs and acquired and library content (notes 6 and 7)	—	346	—	6,695
Reversal of right-of-use asset impairment	—	—	(719)	—
Selling, general and administrative	27,768	18,969	76,411	58,090
Share-based compensation (note 10)	1,725	786	5,891	4,359
Finance costs, net (note 12)	2,489	12,958	22,584	32,196
Change in fair value of embedded derivatives	(2,300)	23,501	6,535	32,799
Foreign exchange (gain) loss	(6,237)	(97)	5,373	(19,543)
Reorganization, development and other expense (note 13)	1,428	1,926	2,319	6,257
	99,059	125,506	361,171	337,328
Income (loss) before taxes	30,399	(23,308)	34,047	6,966
(Recovery of) provision for income taxes (note 11)				
Current	(193)	(66)	84	2,486
Deferred	147	(1,003)	2,930	(3,192)
	(46)	(1,069)	3,014	(706)
Net income (loss) for the period	30,445	(22,239)	31,033	7,672
Net income attributable to non-controlling interests	9,150	4,285	26,533	26,159
Net income (loss) attributable to shareholders of the Company	21,295	(26,524)	4,500	(18,487)
Basic income (loss) per common share (note 15)	0.12	(0.15)	0.03	(0.11)
Diluted income (loss) per common share (note 15)	0.11	(0.15)	0.03	(0.11)

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

WildBrain Ltd.Unaudited Interim Condensed Consolidated Statements of Comprehensive Income (Loss)
For the three and nine month periods ended March 31, 2022 and 2021

(expressed in thousands of Canadian dollars)

	Three months ended		Nine months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
	\$	\$	\$	\$
Net income (loss) for the period	30,445	(22,239)	31,033	7,672
Other comprehensive (loss) income				
Items that may be subsequently reclassified to the consolidated statements of income (loss)				
Foreign currency translation adjustment	(11,193)	(5,182)	(4,207)	(27,650)
Comprehensive income (loss) for the period	19,252	(27,421)	26,826	(19,978)

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

WildBrain Ltd.

Unaudited Interim Condensed Consolidated Statements of Changes in Equity For the nine month periods ended March 31, 2022 and 2021

(expressed in thousands of Canadian dollars)

	Common shares	Contributed surplus	Accumulated other comprehensive loss	Deficit	Non-controlling interest	Total
	\$	\$	\$	\$	\$	\$
Balance - July 1, 2020	366,235	36,543	(12,080)	(309,347)	260,135	341,486
Net income (loss) for the period	—	—	—	(18,487)	26,159	7,672
Other comprehensive loss for the period	—	—	(6,745)	—	(20,905)	(27,650)
Comprehensive (loss) income for the period	—	—	(6,745)	(18,487)	5,254	(19,978)
Common shares issued, net of issuance costs and deferred taxes	1,818	(1,678)	—	—	—	140
Shares withheld related to net share settlement	—	(405)	—	—	—	(405)
Common shares purchased held in trust	(788)	(98)	—	—	—	(886)
Share-based compensation	—	4,359	—	—	—	4,359
Distributions to non-controlling interests	—	—	—	—	(26,113)	(26,113)
Balance - March 31, 2021	367,265	38,721	(18,825)	(327,834)	239,276	298,603
Balance - July 1, 2021	367,359	39,044	(21,391)	(316,424)	234,325	302,913
Net income (loss) for the period	—	—	—	4,500	26,533	31,033
Other comprehensive income (loss) for the period	—	—	(6,099)	—	1,892	(4,207)
Comprehensive income (loss) for the period	—	—	(6,099)	4,500	28,425	26,826
Common shares issued, net of issuance costs	1,097	(744)	—	—	—	353
Shares withheld related to net share settlement	—	(1,422)	—	—	—	(1,422)
Common shares sold held in trust, net	119	(157)	—	—	—	(38)
Share-based compensation	—	5,890	—	—	—	5,890
Distributions to non-controlling interests	—	—	—	—	(29,160)	(29,160)
Balance - March 31, 2022	368,575	42,611	(27,490)	(311,924)	233,590	305,362

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

WildBrain Ltd.

Unaudited Interim Condensed Consolidated Statements of Cash Flows For the nine month periods ended March 31, 2022 and 2021

(expressed in thousands of Canadian dollars)

	March 31, 2022	March 31, 2021
Cash provided by (used in)	\$	\$
Operating activities		
Net income for the period	31,033	7,672
Charges (credits) not involving cash		
Amortization of property and equipment	10,739	9,234
Amortization of intangible assets	8,005	7,957
Amortization of acquired and library content	7,677	8,311
Accretion expense and amortization of deferred financing fees	9,479	7,955
Unrealized foreign exchange loss (gain)	53	(25,482)
Share-based compensation	5,890	4,359
Change in fair value of embedded derivatives	6,535	32,799
Change in fair value of interest rate swap	(6,954)	—
Interest income	(1,865)	(1,522)
Interest expense	21,924	22,267
Deferred tax expense (recovery)	2,930	(3,192)
Write-down of investment in film and television programs	—	6,316
Write-down of acquired and library content	—	379
Reversal of right-of-use asset impairment (note 13)	(719)	—
Net investment in film and television programs (note 17)	(5,717)	(9,916)
Net change in non-cash balances related to operations (note 17)	(49,440)	12,359
Cash provided by operating activities	39,570	82,992
Financing activities		
Common shares issued, net of withholding taxes	353	140
Shares withheld related to net share settlement	(1,422)	(405)
Common share purchased held in trust, net	(38)	(886)
Distributions to non-controlling interests	(29,160)	(26,113)
Proceeds from (repayment of) bank indebtedness	4,499	(10,000)
(Repayment of) proceeds from long-term debt	(2,701)	18,662
Interest paid on long-term debt	(20,381)	(24,235)
Realized foreign exchange on long term debt repayment	(114)	—
Repayment of obligations under finance leases	(7,326)	(7,026)
Proceeds from (repayment of) interim production financing, net (note 17)	4,748	(8,005)
Cash used in financing activities	(51,542)	(69,219)
Investing activities		
Acquisition of acquired and library content	—	(8,918)
Acquisition of property and equipment	(2,683)	(2,076)
Acquisition of intangible assets	(5,706)	(2,686)
Cash used in investing activities	(8,389)	(13,680)
Effect of foreign exchange rate changes on cash	123	(2,407)
Net change in cash and restricted cash during the period	(20,238)	(2,314)
Cash and restricted cash - Beginning of the period	92,057	84,526
Cash and restricted cash - End of the period	71,819	82,212

Supplemental information (note 17)

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

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 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 5657 Spring Garden Road, Unit 505, Halifax, Nova Scotia, B3J 3R4.

2 Basis of preparation

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

These unaudited interim condensed consolidated financial statements have been authorized for issuance by the Board of Directors on May 5, 2022.

3 Summary of significant accounting policies, judgments and estimation uncertainty

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

During the third quarter of fiscal 2020, the outbreak of the coronavirus pandemic, identified as "COVID-19" and declared a global pandemic by the World Health Organization on March 11, 2020, resulted in federal and provincial governments enacting emergency measures to combat the spread of the virus. In response, many countries have required entities to limit or suspend business operations and implement travel restrictions and quarantine measures. These measures have disrupted the operating activities of many entities and have led to significant volatility in the global markets. These conditions continued to exist as at March 31, 2022. This has resulted in significant economic uncertainty, and the potential impact on the Company's future financial results is difficult to reliably measure. The Company has implemented monitoring procedures to actively manage the developing impacts from COVID-19, including but not limited to, the potential future effects on its assets, cash flow and liquidity, the impact on the Company's operations and the value of assets and liabilities reported in these unaudited interim condensed consolidated financial statements. Additional information on the Company's credit, liquidity, and currency risks and the management of such risks can be found in note 14.

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

4 Acquisition of assets

In March 2022, we acquired certain brand representation rights in specified territories beginning July 2022. The total purchase price was \$11,250 of which \$3,280 was paid on March 31, 2022, and equal installments of \$469 will be paid monthly from April 2022 through to December 2022. The remaining \$3,749 will be paid over the period through March 31, 2023, subject to achieving certain financial performance conditions.

The transaction is considered an asset acquisition and the entire purchase price has been allocated to intangible assets - brand representation rights.

5 Amounts receivable

	March 31, 2022	June 30, 2021
	\$	\$
Trade receivables	183,775	129,614
Less: ECL allowance on trade receivables	(9,568)	(8,236)
Trade receivables, net of loss allowance	<u>174,207</u>	<u>121,378</u>
Sales tax receivable	1,742	986
Federal and provincial film tax credits and other government assistance	63,325	72,876
Short-term amounts receivable	<u>239,274</u>	<u>195,240</u>
Long-term amounts receivable	82,723	51,997
Total amounts receivable	<u>321,997</u>	<u>247,237</u>

The aging of trade receivables is as follows:

	March 31, 2022	June 30, 2021
	\$	\$
Less than 60 days	152,832	106,388
Between 60 and 90 days	12,607	2,550
Over 90 days	<u>18,336</u>	<u>20,676</u>
	<u>183,775</u>	<u>129,614</u>

A continuity of ECL allowance on trade receivables as follows:

	March 31, 2022	June 30, 2021
	\$	\$
Opening balance	8,236	7,720
Loss allowance on trade receivables	2,875	4,310
Receivables written off in the year	(1,268)	(3,342)
Recoveries of receivables previously provided for	(139)	(543)
Foreign exchange	(136)	91
Ending balance	<u>9,568</u>	<u>8,236</u>

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

6 Investment in film and television programs

	March 31, 2022	June 30, 2021
	\$	\$
Development costs	6,698	4,669
Productions in progress		
Cost, net of government and third party assistance	28,088	33,135
Productions completed and released		
Cost, net of government and third party assistance	702,230	663,073
Accumulated expense	(553,606)	(517,563)
Accumulated write-down of investment in film and television programs	(52,581)	(52,581)
	96,043	92,929
Program and film rights - broadcasting		
Cost	172,444	163,385
Accumulated expense	(147,234)	(140,598)
Accumulated write-down of program and film rights	(5,737)	(5,737)
	19,473	17,050
	150,302	147,783

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

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

	March 31, 2022	June 30, 2021
	\$	\$
Net opening investment in film and television programs	147,783	140,548
Increase in development costs	2,029	1,908
Cost of productions (completed and released and productions in progress), net of assistance	37,307	73,165
Expense of investment in film and television programs	(36,043)	(55,387)
Write-down of investment in film and television programs	—	(7,453)
Increase of program and film rights - broadcasting	9,059	4,434
Expense of program and film rights - broadcasting	(6,636)	(10,381)
Foreign exchange	(3,197)	949
	150,302	147,783

During the three and nine-month periods ended March 31, 2022, interest of \$246 and \$817 (March 31, 2021 - \$155 and \$581 respectively) was capitalized to investment in film and television programs.

During the three and nine-month periods ended March 31, 2022, the Company recorded \$nil, write-down of certain investments in film (March 31, 2021 - \$346 and \$6,316 respectively). The comparative period write-downs are related to weaker than expected revenue performance and management's outlook for certain titles in the Company's library.

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

7 Acquired and library content

	March 31, 2022	June 30, 2021
	\$	\$
Net opening acquired and library content	100,653	109,076
Additions	—	8,918
Write-down of acquired and library content	—	(379)
Amortization	(7,677)	(11,100)
Foreign exchange	41	(5,862)
Net closing acquired and library content	<u>93,017</u>	<u>100,653</u>

8 Credit facilities

	March 31, 2022	June 30, 2021
	\$	\$
Bank indebtedness	4,499	—
Interim production financing	70,151	65,403
Term Facility, net of unamortized issue costs of \$9,685 (June 30, 2021 - \$10,889)	342,857	341,477
Exchangeable debenture, net of unamortized issue costs and conversion option of \$2,358 (June 30, 2021 - \$5,762)	20,756	17,164
Convertible Debentures, net of unamortized issue costs and conversion option of \$13,063 (June 30, 2021 - \$16,248)	126,937	123,753
Total	<u>565,200</u>	<u>547,797</u>
Amount due within 12 months	(78,211)	(68,935)
Amount due beyond 12 months	<u>486,989</u>	<u>478,862</u>

a) Bank indebtedness ("Revolving Facility")

On March 26, 2021, the Company entered into a five-year, US\$30,000 Revolving Facility with an interest rate of LIBOR plus 4.00%. The Revolving Facility does not carry a financial maintenance covenant, except when amounts are drawn and outstanding. The new Revolving Facility matures on the earlier of March 26, 2026 or three months prior to the maturity of the Company's convertible debentures dated September 30, 2024, except where converted. As at March 31, 2022, \$4,499 (June 30, 2021 - \$nil) was drawn on the Revolving Facility.

Under our Revolver, when amounts are drawn and outstanding at the end any fiscal quarter, we are required to comply with a leverage covenant of 6.75x, declining to 6.25x for the quarter ending September 30, 2023 and thereafter. As at March 31, 2022, our Total Net Leverage Ratio was 4.32x. We expect to be in the mid-4x level, at the end of our Fiscal 2022.

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

b) Interim production financing

	March 31, 2022	June 30, 2021
	\$	\$
Interim production credit facilities	70,151	65,403

The Company has interim production credit facilities with various financial institutions and other entities, bearing interest at bank prime plus 0.5% - 1.0%, LIBOR plus 2.50% or base rate of 5.75% plus 0.5%. Assignment and direction of specific production financing, licensing contracts receivable and film tax credits receivable have been pledged as security. As at March 31, 2022, the Canadian dollar bank prime rate was 2.45% (June 30, 2021 - 2.45%).

c) 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 LIBOR 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 March 31, 2022, the Company's Term Loan had a principal balance of US\$282,150, or \$352,562 (June 30, 2021 - US\$284,288, or \$352,347)

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 13(b)). Changes in the estimate fair value of the interest rate swap are recorded through the Company's unaudited interim condensed consolidated statement of income (loss). During the three and nine-month periods ended March 31, 2022, the estimated fair value of the interest rate swap was a gain of \$6,954 for both periods (March 31, 2021 - \$nil for both periods).

The Term Loan also requires repayments equal to 50% of excess cash flow (the "Excess Cash Flow Payments") (as defined in the Senior Secured Credit Agreement), commencing for the fiscal year-ended June 30, 2022, while the first lien net leverage ratio ("First Lien Leverage Ratio"), as defined in the Senior Secured Credit Agreement, is greater than 3.50 times, reducing to 25% of Excess Cash Flow while First Lien Net Leverage Ratio is at or below 3.50 times and greater than 3.00 times, with the remaining balance due on March 26, 2028. No payments were required under the Excess Cash Flow Payments calculation for the year ended June 30, 2021.

d) 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 Loan and Revolving Facility, alternative replacement rates for LIBOR were included in the agreement based on the SOFR, which is a benchmark interest rate for dollar denominated loans that took effect on January 1, 2022. The Company's interim production credit facilities with various financial institutions and other entities, bearing interest based on LIBOR will be replaced with SOFR.

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

As at March 31, 2022, the Convertible Debentures had a principal balance of \$140,000 (June 30, 2021 - \$140,000), bearing interest at a fixed annual rate of 5.875% and paid semi-annually on March 31 and September 30 of each year. The Convertible Debentures are convertible into Common Voting Shares or Variable Voting Shares of the Company at a price of \$7.729 per share, subject to certain customary adjustments. The Convertible Debentures mature on September 30, 2024.

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

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

During the three and nine-month periods ended March 31, 2022, the Company recorded a gain of \$1,353 and \$1,013 respectively, as change in fair value of the embedded derivative (March 31, 2021 - an expense of \$5,075 and \$6,663 respectively), and the estimated fair value of the embedded derivative as at March 31, 2022 was \$5,958 (June 30, 2021 - \$6,971).

f) Exchangeable debentures

As at March 31, 2022, the Company's Exchangeable Debentures had a principal balance of US\$18,497 or \$23,114 (June 30, 2021 - US\$18,497 or \$22,925) bearing interest at an annual rate of 7.5% payable at maturity and are exchangeable for Variable Voting Shares of the Company at a conversion price of US\$1.072855 per share. The Exchangeable Debentures mature on June 24, 2023 and are non-recourse to the Company.

The Exchangeable Debentures were issued to certain funds managed by Fine Capital Partners, L.P., a related party of the Company. The Exchangeable Debentures were issued by a newly-formed single purpose subsidiary of the Company, which is excluded from the security granted to the lenders under the Company's Senior Secured Credit Agreement. As a result, it is also excluded from the calculation of the net leverage ratio covenant, where applicable. Proceeds from the Exchangeable Debentures are earmarked for investments in growth initiatives to drive the Company's content and brand strategy, and therefore have been classified as restricted cash in the unaudited interim condensed consolidated balance sheet.

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

During the three and nine-month periods ended March 31, 2022, the Company recorded a gain of \$947 and an expense of \$7,548 respectively, as change in fair value of the embedded derivative (March 31, 2021 - an expense of \$18,426 and \$26,136 respectively), and the estimated fair value of the embedded derivative as at March 31, 2022 was \$34,904 (June 30, 2021 - \$27,208).

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

9 Share capital

	March 31, 2022		June 30, 2021	
	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	171,855,961	367,359	170,931,774	366,235
Shares sold (purchased) held in trust, net	124,380	119	(683,433)	(1,368)
Options exercised	262,500	403	237,500	511
Employee share purchase plan	27,449	82	44,240	78
RSU settled	740,740	612	1,151,813	1,497
DSU settled	—	—	174,067	406
Ending balance	173,011,030	368,575	171,855,961	367,359

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 March 31, 2022, the Company had 31,206,908 Common Voting Shares and 141,804,122 Variable Voting Shares issued and outstanding (June 30, 2021 - 27,748,502 and 144,107,459, respectively).

Share trust

The Company established an employee share trust to purchase and hold common shares of the Company to satisfy certain employee and director share-based compensation awards, including restricted share units and deferred share units. During the three and nine-month periods ended March 31, 2022, the Company purchased 50,710 common shares of the Company in the open market at an average price per common share of \$3.16 or \$160 in total and sold 175,000 common shares of the Company in the open market at an average price per common share of \$2.31 or \$404 in total, which has been recorded as a reduction of shareholders' equity in the unaudited interim condensed consolidated balance sheet (June 30, 2021 - 683,433 common shares at \$2.00 per share, or \$1,368 in total).

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

10 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 March 31, 2022, the total amount available for issuance under the Omnibus Plan pursuant to the 10% maximum was 17,351,608 (June 30, 2021 - at 8.5% - 14,607,757).

Options

As at March 31, 2022 and 2020, the Company had the following stock options outstanding:

	Number of options	Weighted average exercise price per stock option
	#	\$
Outstanding at June 30, 2020		
Forfeited	5,858,800	4.02
Expired	(87,500)	3.77
Exercised	(175,000)	5.89
	<hr/>	<hr/>
Outstanding at March 31, 2021	<hr/>	<hr/>
	5,533,800	4.00
Exercisable at March 31, 2021	<hr/>	<hr/>
	3,874,225	4.63
Outstanding at June 30, 2021		
Forfeited	4,993,800	3.86
Expired	(100,000)	1.91
Exercised	(260,000)	5.92
	<hr/>	<hr/>
Outstanding at March 31, 2022	<hr/>	<hr/>
	4,371,300	3.93
Exercisable at March 31, 2022	<hr/>	<hr/>
	3,711,425	4.33

During the three and nine-month periods ended March 31, 2022, the Company recognized a share-based compensation income of \$28 and expense of \$50 for the vesting of options respectively, (March 31, 2021 - expense of \$95 and \$403 respectively), with a corresponding adjustment to contributed surplus.

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

The range of exercise prices for options outstanding at March 31, 2022 and 2020, is presented below.

Range of exercise prices	March 31, 2022 #	Number outstanding at	Weighted average remaining	Weighted average exercise	Number outstanding at	Weighted average exercise
			contractual life years	price \$		price \$
\$1.50 - \$3.49	2,377,000		4.33	1.65	2,989,500	1.65
\$3.50 - \$5.49	100,000		3.25	5.47	100,000	5.47
\$5.50 - \$7.49	1,501,800		2.60	6.27	1,901,800	6.36
\$7.50 - \$9.49	392,500		1.26	8.38	542,500	8.38
Total	4,371,300		3.44	3.93	5,533,800	4.00

Performance share unit plan ("PSUs")

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

	Nine months ended	
	March 31, 2022	March 31, 2021
	PSU #	PSU #
Outstanding, beginning of period	2,775,000	2,825,000
Forfeited	(50,000)	(50,000)
Outstanding, end of period	2,725,000	2,775,000

During the three and nine-month periods ended March 31, 2022, the Company recognized share-based compensation expense awards of \$31 and \$101 respectively, (March 31, 2021 - \$29 and \$123 respectively) with a corresponding adjustment to contributed surplus.

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

Restricted share unit plan ("RSUs")

The RSUs is 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.

	Nine months ended	
	March 31, 2022	March 31, 2021
	RSU	RSU
	#	#
Outstanding, beginning of period	3,311,548	4,333,054
Granted	2,555,114	502,144
Forfeited	(149,997)	(201,688)
Exercised	(820,876)	(1,417,913)
Outstanding, end of period	4,895,789	3,215,597

During the three and nine-month periods March 31, 2022, the Company recognized share-based compensation expense of \$1,505 and \$4,153 respectively, (March 31, 2021 - \$500 and \$2,907 respectively) with a corresponding adjustment to contributed surplus.

Deferred share unit plan ("DSUs")

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

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

	Nine months ended	
	March 31, 2022	March 31, 2021
	DSU	DSU
	#	#
Outstanding, beginning of period	2,111,008	1,165,148
Granted	429,629	1,256,008
Exercised	—	(117,386)
Outstanding, end of period	2,540,637	2,303,770

During the three and nine-month periods ended March 31, 2022, the Company recognized share-based compensation expense of \$151 and \$1,373 respectively, (March 31, 2021 - \$121 and \$1,540 respectively) with a corresponding adjustment to contributed surplus, and included \$130 for services rendered but DSUs not yet granted.

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

Long-term incentives plan ("LTIP")

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

During the three and nine-month periods ended March 31, 2022, the Company recognized share-based compensation expense of \$6 and \$75 respectively, (March 31, 2021 - \$39 and \$136 respectively) with a corresponding adjustment to contributed surplus.

Employee stock purchase plan

During the three and nine-month periods ended March 31, 2022, the Company recognized share-based compensation expense of \$4 and \$12 respectively, (March 31, 2021 - \$3 and \$12 respectively) with a corresponding adjustment to contributed surplus.

11 Income taxes

For the three and nine-month periods ended March 31, 2022, the Company recorded income tax recovery of \$46 and expense of \$3,014 respectively. (March 31, 2021 - expense of \$1,069 and \$706 respectively). The income tax (recovery) expense in each period reflects the mix of taxing jurisdictions in which pre-tax income and losses were recognized. The income attributable to non-controlling interests is taxed outside the Company. Further items impacting the effective tax rate include the different statutory tax rates in the taxing jurisdictions, non-deductible items and the continued nonrecognition of certain deferred tax assets in Canada.

12 Finance costs, net

Net finance costs comprise the following:

	Three months ended		Nine months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
			\$	\$
Finance costs				
Change in fair value of interest rate swap	(6,954)	—	(6,954)	—
Interest income	(708)	(529)	(1,865)	(1,522)
Interest expense on bank indebtedness	178	45	323	254
Interest on long-term debt	6,582	7,044	20,897	21,404
Interest on completed and released productions	220	159	704	609
Amortization of deferred financing fees	669	623	2,008	1,856
Loss on modification of long-term debt and write-down of unamortized issue costs	—	3,496	—	3,496
Accretion on convertible debentures, exchangeable debentures, lease liabilities and other	2,502	2,121	7,471	6,099
	2,489	12,959	22,584	32,196

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

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

13 Expenses by nature and employee benefit expense

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

	Three months ended		Nine months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
			\$	\$
Direct production and new media costs	54,459	44,876	173,677	142,966
Expense of film and television programs	9,902	11,058	36,043	39,911
Expense of film and broadcast rights for broadcasting	1,415	2,330	6,636	8,096
Amortization of property and equipment and intangible assets	5,848	6,002	18,744	17,191
Amortization of acquired and library content	2,562	2,851	7,677	8,311
Write-down of investment in film and television programs and acquired and library content	—	346	—	6,695
Reversal of right-of-use asset impairment	—	—	(719)	—
Office and administrative	4,033	4,692	14,643	13,022
Investor relations and marketing	1,592	547	3,205	1,388
Professional and regulatory	2,560	2,158	7,441	6,085
Reorganization, development and other expenses (income), excluding employee benefits	750	1,546	(367)	4,220
Finance costs, net	2,489	12,958	22,584	32,196
Change in fair value of embedded derivatives	(2,300)	23,501	6,535	32,799
Foreign exchange (gain) loss	(6,237)	(97)	5,373	(19,543)
	77,073	112,768	301,472	293,337

Employee benefits expense:

Salaries and employee benefits	19,584	11,572	51,122	37,595
Share-based compensation (note 10)	1,725	786	5,891	4,359
Termination and other benefits	678	380	2,686	2,037
	21,987	12,738	59,699	43,991
	99,060	125,506	361,171	337,328

During the three-month period ended March 31, 2022 and 2021, included in reorganization, development and other expenses (income) are other costs of \$448, and relocation costs of \$302 (March 31, 2021 - corporate rebranding charges of \$660, legal fees associated with a dispute with former employees of \$201, systems upgrade and process enhancement initiatives of \$39, and other costs of \$646).

During the nine-month period ended March 31, 2022 and 2021, included in reorganization, development and other expenses (income) are recovery of \$4,026 in legal fees related to the litigation settlement with former employees (among others), other costs of \$2,151 (net of \$1,000 from the gain on sale of certain marketable securities), and relocation costs of \$1,508 (including net lease termination costs of \$599 and \$335 of moving costs) (March 31, 2021 - corporate rebranding charges of \$660, legal fees associated with a dispute with former employees of \$1,702, systems upgrade and process enhancement initiatives of \$225, and other costs of \$1,633).

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

During the three and nine-month periods ended March 31, 2022, no government wage subsidies were included in salaries and employee benefits expenses (March 31, 2021 - \$2,213 and \$4,662, respectively).

During the three and nine-month periods ended March 31, 2022, there was no write-down of investment in film and television programs and acquired and library content (March 31, 2021 - \$346 and \$6,695, respectively).

During the three and nine-month periods ended March 31, 2022, there was a reversal of a right-of-use asset impairment of \$nil and \$719, respectively (March 31, 2021 - \$nil for both periods).

14 Management of financial risks and financial instruments

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

a) Credit risk

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

The maximum exposure to credit risk for cash (including restricted cash) and trade receivables (excluding government and film tax credit receivables) approximates the amounts recorded on the unaudited interim condensed consolidated balance sheets of \$338,317 (June 30, 2021 - \$273,668). 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 5.2% 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.

COVID-19 has increased the credit risk in the Company's trade receivables. To manage this risk, the Company has increased its collection efforts with customers, risk-adjusted certain customers when determining a loss allowance, and in some limited cases provided customers with payment plans on past due amounts. Certain customers of the consumer-products segment, in particular Peanuts, are licensees who have been impacted by the closure of retailers during the pandemic and the Company is closely monitoring these receivables. Given that the majority of the Company's customers are large Canadian and international broadcasters, or large international distribution companies, there has not been any evidence of significant deterioration in the credit quality of our customers and trade receivables to date.

The Company is unable to predict or anticipate the full extent or duration of impact due to COVID-19 at this time. Based on collections subsequent to the current quarter, and discussions with customers, the Company believes that the loss provision is adequate as at March 31, 2022.

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

b) Interest rate risk

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

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

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 term facility, regularly preparing cash flow forecasts, continuously monitoring actual and projected cash flows, and matching the maturity profile of financial assets and liabilities.

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

	Total \$	Less than 1 year \$	1 to 3 years \$	3 to 5 years \$	After 5 years \$
Bank indebtedness	4,499	4,499	—	—	—
Accounts payable and accrued liabilities	148,565	148,565	—	—	—
Interim production financing	70,151	70,151	—	—	—
Other long-term liabilities	23,077	—	23,077	—	—
Senior unsecured convertible Debentures	163,300	10,253	153,047	—	—
Exchangeable debentures	—	—	—	—	—
Term facility	439,872	18,489	36,525	35,919	348,939
Finance lease obligations	37,347	11,833	16,582	6,389	2,543
	886,811	263,790	229,231	42,308	351,482

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 March 31, 2022, the Company had an unrestricted cash balance of \$60,560 and amounts receivable of \$321,997. 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. The extent to which COVID-19 impacts the Company's liquidity and availability of credit will depend on future developments that are uncertain, and the Company will continue to monitor this closely.

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

d) Currency risk

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

Fair value of financial instruments

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

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

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			
	March 31, 2022		June 30, 2021	
	Fair value hierarchy	Fair value ⁽¹⁾	Fair value hierarchy	Fair value ⁽¹⁾
Embedded derivatives ⁽²⁾	Level 2	(40,862)	Level 2	(34,179)
Foreign currency forwards ⁽³⁾	Level 2	13	Level 2	262
Interest rate swap ⁽⁴⁾	Level 2	6,713	Level 2	(241)

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

⁽²⁾ Includes embedded derivatives for Convertible Debentures and exchangeable debenture, measured using valuation models.

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

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

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2022

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

As at March 31, 2022, the Company held forward contract options with the following notional value and average contractual exchange rates:

US dollars exchange for GBP

Less than one year	US\$804 to \$1,201
Weighted average rate	1.3345

US dollars exchange for CAD

Less than one year	US\$21,000 to \$36,900
Weighted average rate	1.2692

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 March 31, 2022, was an asset of \$13 (June 30, 2021 - asset of \$262), which has been included in derivative liabilities in the unaudited interim condensed consolidated balance sheet.

Financial assets and liabilities not measured at fair value

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

	As at					
	March 31, 2022			June 30, 2021		
	Fair value hierarchy	Fair value liability	Carrying value	Fair value hierarchy	Fair value liability	Carrying value
		\$	\$		\$	\$
Convertible Debentures ⁽¹⁾	Level 1	137,900	126,937	Level 1	138,600	123,752

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

15 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		Nine months ended	
	March 31, 2022	\$	March 31, 2021	\$
			March 31, 2022	March 31, 2021
				\$
Net loss attributable to shareholders of the Company	21,295		(26,524)	4,500
Weighted average number of common shares outstanding (in 000's)	172,936		171,354	172,473
Basic earnings (loss) per common share	0.12		(0.15)	0.03

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2022

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

b) Diluted

During the three and nine-month periods ended March 31, 2022, the weighted average number of potentially dilutive instruments was 6,982,516 and 7,428,404 respectively. (March 31, 2021 - the diluted weighted average number of common shares outstanding was the same as the basic weighted average number of common shares outstanding, as the Company had a net loss and the exercise of any potentially dilutive instruments would be anti-dilutive).

	Three months ended		Nine months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
	\$	\$	\$	\$
Net earnings (loss) attributable to shareholders of the Company	21,295	(26,524)	4,500	(18,487)
Dilutive effect of exchangeable debentures	(94)	—	—	—
Adjusted net earnings (loss) attributable to shareholders of the Company	21,201	(26,524)	4,500	(18,487)
Weighted average number of common shares (in 000's)	172,936	171,354	172,473	171,042
Dilutive effect of share-based compensation and warrants (in 000's)	6,983	—	7,428	—
Dilutive effect of exchangeable debentures (in 000's)	17,241	—	—	—
Weighted average number of diluted shares outstanding (in 000's)	197,160	171,354	179,901	171,042
Diluted earnings (loss) per common share	0.11	(0.15)	0.03	(0.11)

16 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 as at March 31, 2022 and June 30, 2021 is summarized in the table below:

	March 31, 2022	June 30, 2021
	\$	\$
Total bank indebtedness and long-term debt, excluding interim production financing	495,049	482,394
Less: Cash and restricted cash	(71,819)	(92,057)
Net debt	423,230	390,337
Total shareholders' equity	305,361	302,913
	728,591	693,250

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

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

17 Unaudited interim condensed consolidated statement of cash flows - supplementary information

Net change in non-cash balances related to operations

	March 31, 2022	March 31, 2021
	\$	\$
Amounts receivable	(43,283)	11,004
Prepaid expenses and other	(493)	(149)
Long-term amounts receivable	(30,726)	(24,932)
Accounts payable and accrued liabilities	12,618	34,462
Deferred revenue	12,444	(7,112)
Tangible benefit obligation payments	—	(914)
	(49,440)	12,359

Net change in film and television programs

	March 31, 2022	March 31, 2021
	\$	\$
Development	(2,029)	(607)
Productions in progress	5,047	(17,327)
Productions completed and released	(42,354)	(36,752)
Film and television programs	36,043	39,911
Program and film rights - broadcasting	(9,059)	(3,237)
Film and broadcast rights - broadcasting	6,636	8,096
	(5,716)	(9,916)

Net change in interim production financing

	March 31, 2022	March 31, 2021
	\$	\$
Proceeds from interim production financing	57,537	39,098
Repayment of interim production financing	(52,789)	(47,103)
	4,748	(8,005)

Supplemental cash flow information

	March 31, 2022	March 31, 2021
	\$	\$
Taxes paid	(1,395)	(2,324)
Taxes refunded	112	2,517
	(1,283)	193

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

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

	Senior unsecured Term convertible facility debentures	Lease liabilities	Exchangeable debentures	Total
	\$	\$	\$	\$
Balance - June 30, 2021	341,477	123,753	43,835	17,164
Repayments	(2,701)	—	(7,326)	—
Total financing cash flow activities	(2,701)	—	(7,326)	(10,027)
Amortization of deferred financing costs	1,166	667	—	175
Lease liabilities disposal/additions (net)	—	—	1,046	1,046
Interest paid on lease liabilities	—	—	(1,646)	(1,646)
Accretion expense	17	2,517	1,646	3,308
Foreign exchange	2,898	—	(283)	109
Total other activities	4,081	3,184	763	3,592
Balance - March 31, 2022	342,857	126,937	37,272	20,756
				527,822
	Senior unsecured Term convertible facility debentures	Lease liabilities	Exchangeable debentures	Total
	\$	\$	\$	\$
Balance - June 30, 2020	372,280	119,731	50,826	9,995
Proceeds (Repayments)	10,714	—	(7,026)	7,948
Payment of deferred financing costs	(11,266)	—	—	(11,266)
Total financing cash flow activities	(552)	—	(7,026)	7,948
Amortization of deferred financing costs	1,021	670	—	165
Lease liabilities additions	—	—	2,131	—
Interest portion paid on lease liabilities	—	—	(1,983)	—
Accretion expense	254	2,307	1,983	1,809
Foreign exchange	(29,339)	—	(289)	(3,439)
Loss on modification of long-term debt and write-down of unamortized issue costs	3,496	—	—	3,496
Total other activities	(24,568)	2,977	1,842	(1,465)
Balance - March 31, 2021	347,160	122,708	45,642	16,478
				531,988

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements For the period ended March 31, 2022

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

18 Revenues and segmented information

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

	Three months ended March 31, 2022		
	Content	Television	Consolidated
	\$	\$	\$
Revenues			
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	118,963	10,495	129,458
	79,088	5,571	84,659
Segment profit	39,875	4,924	44,799
Corporate selling, general and administrative			10,610
Amortization of property and equipment and intangible assets			5,848
Amortization of acquired and library content			2,562
Finance costs, net			2,489
Change in fair value of embedded derivatives			(2,300)
Foreign exchange (gain)			(6,237)
Reorganization, development and other expenses			1,428
Income before income taxes			30,399

	Three months ended March 31, 2021		
	Content	Television	Consolidated
	\$	\$	\$
Revenues			
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	91,009	11,189	102,198
	67,103	4,992	72,095
Segment profit	23,906	6,197	30,103
Other income from litigation settlement			—
Corporate selling, general and administrative			5,924
Amortization of property and equipment and intangible assets			6,002
Amortization of acquired and library content			2,851
Write-down of investment in film and television programs and acquired and library content			346
Finance costs, net			12,958
Change in fair value of embedded derivatives			23,501
Foreign exchange (gain)			(97)
Reorganization, development and other expenses			1,926
Income before income taxes			(23,308)

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 2022

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

	Nine months ended March 31, 2022		
	Content	Television	Consolidated
	\$	\$	\$
Revenues			
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	362,122	33,096	395,218
	259,511	15,746	275,257
Segment profit	102,611	17,350	119,961
Corporate selling, general and administrative			23,401
Amortization of property and equipment and intangible assets			18,744
Amortization of acquired and library content			7,677
Reversal of right-of-use asset impairment			(719)
Finance costs, net			22,584
Change in fair value of embedded derivatives			6,535
Foreign exchange loss			5,373
Reorganization, development and other expenses			2,319
Income before income taxes			34,047

	Nine months ended March 31, 2021		
	Content	Television	Consolidated
	\$	\$	\$
Revenues			
Direct production costs and expense of film and television produced, share based compensation and selling, general and administrative	305,545	34,377	339,922
	221,250	16,262	237,512
Segment profit	84,295	18,115	102,410
Other income from litigation settlement			(4,372)
Corporate selling, general and administrative			15,910
Amortization of property and equipment and intangible assets			17,191
Amortization of acquired and library content			8,311
Write-down of investment in film and television programs and acquired and library content			6,695
Finance costs, net			32,196
Change in fair value of embedded derivatives			32,799
Foreign exchange (gain)			(19,543)
Reorganization, development and other expenses			6,257
Income before income taxes			6,966

WildBrain Ltd.

Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the period ended March 31, 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		Nine months ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
	\$	\$	\$	\$
Content				
Content production and distribution	57,439	35,642	156,261	140,510
WildBrain Spark	10,665	9,644	44,073	34,053
Consumer Products	50,859	45,723	161,788	130,982
	118,963	91,009	362,122	305,545
Television				
Canadian Television Broadcasting	10,495	11,189	33,096	34,377
	129,458	102,198	395,218	339,922